Disclosure by institutions
31. December 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, 13 April 2018.

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I. OTP Group

In accordance with Regulation (EU) No 575/2013 of the European Parliament and the Council on prudential requirements for credit institutions and investment firms and amending regulation (EU) No 648/2012, OTP Bank Plc. (”OTP Bank”) - as a supervised institution - is obliged to fulfil prudential regulations at group level.

The principles and methods shown in this chapter of the document can be interpreted at both company and OTP Group (“Group”) level except when otherwise indicated. Participant institutions are: OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd.

I.1. Risk management objectives and policies

I.1.1. OTP Group’s riskmanagement strategy and general risk profile

OTP Bank Group’s Strategy for Risk Assumption deals with partners, with credit- and financial institutional businesses. In addition it also incorporates those partners where counterparty risk or market risk is relevant. The grade of extent of the Strategy for Risk Assumption to participants depends on whether they have a significant exposure or multiple ones in the detailed categories of risk types defined by the Strategy for Risk Assumption.

The Strategy points out an aggregate system of frameworks, instruments, an for the most common types of risk (credit risk, country risk, operational risk, market risk, liquidity risk). The aim of the Group is to handle strategic risk, reputational risk, and real-estate risk exclusively from the Strategy for Risk Assumption.

Furthermore, The Strategy for Risk Assumption is updated with a frequency of 3 years. The Board of the OTP Banking Group approved the current Strategy for Risk Assumption at 28/February/2018.

The Banking Group’s general risk profile, which can be found in the VI.1. Appendix, harmonises with the Group’s risk appetite framework and it does not violate the Strategy for Risk Assumption.

The frameworks and methods used for a given type of relevant risk are described in the next section.

I.1.1.1. Credit risks

Traditionally, OTP Bank has been characterized by conservative risk assumption. Its fundamental objective is to implement its strategic plan through maintaining the equilibrium between risk and return. In order to be able to do so, it has established an independent risk management organizational unit and a uniform and consistent risk management system. OTP Bank operates a risk management process, which guarantees that the Bank complies, at all times, with the Basel accords, the applicable statutory regulations and supervisory authority requirements in all of the countries where OTP Bank operates, and at group level as well.

The independent risk management organizational unit performs the following:

- In order to identify potential risks, it analyses OTP Bank’s activities, identifies the major risk factors to which these activities and the positions generated by them are exposed, and indicates the correlations between these positions.
- In order to measure risks, it collects historical data on the major risk factors, the losses stemming from them and the variables that can predict them.

Monitors the results of the risk measures continuously, and prepares regular and up-to-the-minute reports on them in a transparent manner for the various operative and executive levels.

In order to manage risks each organizational unit applies risk mitigation techniques (client/transaction ratings, limits, securities, hedging transactions, control points embedded in processes and risk transfers).

In its regulations on risk mitigation and the use of credit risk collateral, OTP Bank determines:

- the risk management process and methods, including decision-making powers and tasks linked to risk assumption as well as the requirements for the control of risk assumption;
- the types of eligible collateral in connection with contracts entailing bank exposures and the conditions for their acceptance;
- the criteria for the appraisal of the financial position and future solvency of current and future debtors, internal regulations related to debtor rating, and the manner in which the findings of the rating procedure are used.

OTP Bank determines the risk profile of the Group, and strictly regulates the framework, the principles and guidelines of risk management by the Strategy for Risk Assumption, and ensures that it is uniformly applied at group level. The objective of OTP Group is to develop a diversified portfolio, the performance of which does not excessively depend on the changes in the position of any particular sector, geographical region or debtor group.

Determination of credit risk appetite for each subsidiary takes place annually, with the establishment and adoption of the Lending Policy. The Lending Policy contains in detail regarding the retail clientele the main indicators of the lending products, the value of the expected risk indicators for the portfolio and new disbursements, and the changes in the risk management processes associated with the business development plans. The Lending Policy defines industry preferences and the main expectations for each segment and product in case of the entrepreneurial clientele. The Lending Policy’s expectations and the Limits are monitored on a regular basis and reported to different management levels.

By defining operational-level credit risk appetite, the Group

- ensures the incorporation of strategic directions and expectations into day-to-day risk management activity;
- considers profitability aspects by analysing the income-generation potential of individual customer segments and product groups in the context of specific risk factors;
- assesses the risk indicators that can best ensure the fulfilment of growth objectives in the context of a prudent, conservative risk assumption practice.

Determining and adhering to the tolerance levels and the desirable values of the indicators listed above may ensure the construction of a desirable risk profile. The annual Lending Policy – as the manifestation of the operational-level credit risk appetite – summarises the behaviour required for the construction of this desirable loan portfolio, defining:

- the limits and target numbers reflecting the willingness to take risks;
- the level, proportion and concentration of the assumed risks comprising the portfolio and the expectations about the quality of the portfolio;
- preferences and business orientation, potential tightening or exclusions regarding the customer base, the sectors, collaterals, products and product types and the maturity structure.

In order to monitor the credit risk appetite defined at the operational level, the Group operates a control system that covers

- regulatory tools;
- the risk parameters of products;
- the reporting system, and
- additional, secondary controls (e.g. ex post audits of the compliance of specific transactions within the local competence level).

The group members' financing requirements are based on short term projections generated in the course of strategic and financial planning. The funding requirements are detailed in the annual business plans, while their realisation determined by the actual business demand. The general credit risk management and risk taking principles must be observed in the case of intra-group financing transactions as well.

I.1.1.2. Market risks

OTP Bank's market risk management strategy is to realize benefit from exchange rate and yield curve movements in compliance with legal requirements, taking the risk exposure the loss from which does not jeopardize profitability and operation safety of the Group. The aim of market risk management is to restrict potential loss arising from unfavourable exchange rate and/or yield curve movements.

- OTP Bank's Treasury is responsible for market risk management and for keeping risk within the frames approved by the Board.
- Continuous monitoring of market risk exposure, its reporting to the management, and the development of risk measurement methods is the responsibility of an organizational unit in a separate division from Treasury.
- Group-wide market risk exposures are reviewed monthly by the Asset- Liability Committee (ALCO), based on the monthly report of the Risk Management Department.
- Group-member's ALCO also reviews quarterly the given group-member's risk exposures.
- The local market risk regulations are sent the Risk Management Department of OTP group by the Group member's market risk departments. These departments are responsible to ensure that the local regulation is in line with the group-wide regulation.
- The Board approves the market risk measurement methodologies and the limit system which defines the acceptable risk.

For risk measuring and internal reporting, OTP Bank applies a risk management system that is based on but is independent from the front office system, in order to make the IT implementation of the developing risk measurement techniques efficient. All the concerned organizational areas have access to the risk management system but with different access levels.

The main principles of market risk management regulation:

- OTP Bank is allowed to run market risks within the limits set by the Board of Directors. OTP Bank can open asset and liability management (ALM) positions to hedge strategic risks appearing in the profit plan within the limit approved by the Asset Liability Committee (ALCO), but above that limit the decision of the Board of Directors is required. For the sake of risk management, positions originating from other organizational units (for example home loan payments) are forwarded without delay to the Treasury in compliance with the internal reporting process.
- OTP Bank breaks up the positions exposed to market risk into underlying risk factors (interest rates, foreign exchange rates, stock prices, volatility) and manages them in accordance with the positions calculated in the manner stated above.
- OTP Bank continuously monitors the exposure originating from portfolios exposed to market risk, the value-at-risk of the portfolio and the changes in the values of the portfolio and it sets a limit system for them. To avoid losses incompatible with the risk-taking policy of the Bank, OTP Bank attaches an internal action plan for limit breach.
- Decision-makers of OTP Bank are given information about the Bank's risk exposure and the regarding portfolios' profit-and-loss effects on a regular basis.
- The profit-and-loss effect of ALM deals which intend to hedge the profit-plan-driven market risk exposure and the profit-and-loss effect of the core portfolio in the plan are regularly reported to the management of OTP Bank, in order to make the control of hedging transparent.
- OTP Bank allocates capital to the portfolios exposed to market risk in order to cover the possible losses.

OTP Bank uses the standard model to quantify the capital requirement of market risks.

In case of identification of traing book exposures OTP Group takes into account the 4. Article of CRR (86. paragraph). FOLDEr-s lined to trading book transactions are determined in the IT system.A given FOLDER is homogeneous, either trading book or banking book transaction. Limit-monitoring and capital requirement calculation in case of the trading book FOLDER-s are complex.

I.1.1.3. Counterparty risks

The Group uses a uniform methodology for the determination of counterparty limits, taking into account the risk assessment of the given counterparty, the risk absorption capacity of the risk taking subsidiaries, and the level of expected business requirements.

The limits are allocated to group members and to sublimits according to a uniform methodology. It is also used for the limit utilization.

The limit utilization of derivative deals is determined by deal weights set by using market risk methodologies, which takes into account the type, maturity, currency or currency pair of the deal and the available collateral agreements.

Deals which mean exposure outside of the Group are collateralized under the CSA related to the ISDA frameagreement signed by OTP Bank and under the Central Counterparties (CCP) according to the conditions determined in CSAs and LCH operation. In these cases OTP Bank seeks to impose symmetric conditions, the collateral is pledged and accepted by the counterparties in cash denominated in EUR.

The Group seeks to minimalize wrong-way risks deriving from counterparty risk exposures. The group members do not conclude credit derivative type of deals, which are mostly characterized by wrong-way risks. If the risk of the counterparty and the risk of the collateral are closely related in a deal secured by collateral, then the collateral cannot be taken into account as exposure mitigation tool.

OTP Bank should provide its counterparties a total of EUR 10 million as additional collateral in case of credit rating downgrade.

In case of tasks related to ISDA/CSA, GMRA and EMA agreements and other ISDA related contracts, involved in the central clearing system that supports OTC transactions, in case of the application of EMIR variable deposit (CSA VM) the amount of it are calculated at least daily as follows:

- The amount of the variation margin in the netting stock for each transaction, credited by the contracting party, is the sum of the value calculated by the Article 11 (2) of Regulation 648/2012/EU, its net value, and all of the variation margins which granted previously.
- The Bank calculates the daily value of the collateral, and on that basis transfer any unused collateral to the collateral providing contracting party.
- If the Bank and the contracting party agree on a minimum transfer amount, the calculation method of the amount of collateral is the variable deposit due since the last collateral collection, taking into account the additional collateral.
- If the amount of collateral due exceeds the minimum transfer amount agreed jointly by the contracting parties, the collateral collecting party shall collect the total amount of the collateral due, without deducting the minimum transfer amount. The minimum transfer amount may not exceed EUR 500,000 or the corresponding amount in other currencies.
- The Bank accepts only funds as defined in Article 4 (1) (a) as variable deposit in ISDA/CSA agreements as defined in Section 2 of the 2016/2251 Delegated Regulation. The acceptable currency of the fund can only be denominated in EUR, HUF and USD and the funds that accepted as collateral are taken into account at 100% in the CSA agreements.

I.1.1.4. Operational risk

Operational risk – according to its classical interpretation – means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. In many respects, operational risks are very diverse and elusive and different from the conventional banking risks, as well. As for the effective operational risk management requires the participation and commitment of the entire organisation, the support from the management body is crucial in order to mobilize and involve the employees who are concerned and responsible for operational risk. As a result of this strong management support the Group has well-designed and trained internal expert network. The Group places great importance on the trainings of this internal expert network and entrants.

The Group manages conduct and model risk within the framework of operational risk management. Conduct risk can arise from the inappropriate, unethical or unlawful behaviour on the part of an organization's management or employees which can be caused by deliberate actions or may be inadvertent and caused by inadequacies in an organization's practices, frameworks or education programs. Potential and incurred losses from conduct risks are continuously monitored and the relative rare but high impact market practices are evaluated in a forward looking manner during the scenario analyses process. Model risk means the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. The Group strives to identify all of the models and model-families applied related to both business and support processes. Risk based assessment of models and the evaluation of how the given models comply with the control criteria are essential part of the Group model risk governance framework. The Group has business continuity plans and procedures, as well as, crisis communication plans; in order to sustain operation in case an event exercising a severe impact on its operation and reputation occurs.

Due to the dynamically changing operational environment, including technological development, in the focus of operational risk management there are increased risks, like ICT (e.g. cyber-attacks, data security problems, unauthorised access, etc.) and reputational risks.

During operational risk management the most important fundamental principles followed by the Group are summarised below:

a. In order for operational risks to be managed, a standardised, easily understood, at time robust framework system must be put in place at group level, covering the definition of operational risks and the methods of identification, measurement, monitoring, management and mitigation thereof;
b. The operational risk management system must cover all risks inherent in the activities of the Group, operational risk toolset must be improved and developed according to the changes and both internal and external expectations;
c. Strong support of people concerned with operational risk management activities;
d. The Bank’s management body and the Operational Risk Committee need to be informed on a regular basis of the prevailing operational risk exposure of the Bank Group and any potential and incurred losses, including tendencies, arising from operational risks;
e. The Group must strive for high level risk-awareness and must articulate its operational risk appetite;
f. Bank must have guidelines, processes and procedures mitigating operational risks;
g. Independent operational risk management activities, which are must be fully integrated into the Group’s risk management activities and its general management information system.

The Group has been following the principle of “partial use” in calculation of the consolidated capital requirement for operational risks based on Advanced Measurement Approach (AMA) methodology from 31 December 2012.

The consolidated capital requirement is calculated based on the AMA model approved by the National Bank of Hungary. In accordance with the permission, the following subsidiaries are currently involved in the AMA scope: OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., Merkantil Bank Ltd., the Ukrainian, Russian, the Bulgarian Slovakian and the Serbian subsidiary banks.

The consolidated capital requirement is the sum of the AMA capital requirement and the BIA (Basic Indicator Approach) capital requirement calculated by those subsidiaries that do not fall under the AMA approach.

The stand-alone capital requirement regarding the subsidiaries involved into the AMA scope - that is for OTP Bank as well - is allocated from the consolidated AMA capital requirement.

The Advanced Measurement Approach enables institutions to achieve sophisticated risk management and refined capital calculation regarding operational risks.

The model includes the use of four data elements: historical internal loss data collected by all the management organizations of OTP Bank; risk self-assessment performed by banking experts; scenario analysis that reflects extreme events; and external data that aims to complete the internal loss database. The four basic sources are divided into a subjective (self-assessment, scenario analysis) and an objective (external and internal loss data) group. OTP Bank is member of the ORX (Operational Riskdata Exchange Association) data consortium, thus it takes into account losses of the ORX as external data.

Operational risk events can be divided into two groups according to another aspect: rare events that cause large losses and frequent events that cause smaller losses. The characteristics of the risks that fall into these two groups show different pictures.

The framework of the quantification is determined by the distribution as per the ORCs and the individual loss value. ORCs are designed based on main event types (internal fraud; external fraud; employment practices and workplace safety; clients, products and business practice; damage to physical assets; business disruption and system failures; execution, delivery and process management) and business units. In order to define the group-level capital requirement, within the individual ORCs calculated VaR values must be aggregated taking into account the effect of diversification. Finally, the 99.9th percentile of the aggregated distribution is considered as the operational risk VaR value that is valid for the operational risk capital requirement.

The Group has different type of insurances which aim is to mitigate operational risk losses, but any AMA-compliance insurances or other risk transfer mechanisms are not applied in order to reduce the capital requirement for operational risk.

I.1.2. Credit risk mitigation

Regulations on the valuation and management of securities contain firstly the aspects and factors that OTP Bank uses as a basis for collateral valuation depending on the type of the collateral and secondly the methods that the Bank uses in evaluating the collateral. They lay down the procedures applicable when change occurs in the availability, value and enforceability of the collateral as well as the rules governing the frequency of regular and subsequent collateral valuation.

Collateral valuation covers all the lending, risk management, and legal activities that OTP Bank performs prior to the extension of a loan as well as during the term of the risk assumption in order to obtain information on the availability, value and enforceability of the collateral.

During the term of the contract containing the risk exposure, OTP Bank regularly monitors and documents the fulfilment of the conditions set forth in the contract, including developments in the client’s financial and economic position as well as changes in the availability, fair value and enforceability of the collateral and the securities.

In its lending activity OTP Bank uses the following types of eligible securities the most frequently:

- pledge:security deposit (including securities), real estate, movable assets;
- guarantee and suretyship.

In case of the valuation of collaterals accepted by OTP Bank the basis of the evaluation is the market value or the collateral value based on the appraisal. Otherwise, depending on the type of collateral, the basis of the evaluation may be other market value or other initial value.

This basic value is reduced by OTP Bank with a discount rate of 0-65% depending on the type of collateral. The reason for this, in case of given collateral the market value can not be realized in the event of collateral enforcement because of the circumstances and the urgency of the enforcement.

Tracking of the value of the collateral takes place at different frequencies depending on the type of collateral. During this monitoring activity, OTP Bank uses various methods, such as valuation update, on-site inspection, statistical evaluations.

OTP Bank – the group of partners is dteremined by regulatory approval - takes into account the risk reduction potential of the concluded netting agreements, when calculating counterparty credit risk exposures for derivative transactions. OTP has got a regulatory approval for ISDA Master Agreements under English law in case of coutreparties which have headquarters in Hungary, Great Brtittain, France, Germany, Austria, Switzerland, the Netherlands, Italy, Belgium and Danmark, this enables with 40 active counterparties to apply

CRR allowed netting rules as a widely admitted application for risk reduction. As a precondition, OTP Bank regularly monitor, whether these netting clause are enforceable or not according to independent legal opinions. Netting reduces exposure from counterparty credit (in case of affected countries) by 48%.

The issuers of the guarantee must have the appropriate amount of counterparty limit for the whole maturity of the deal. The issuers of the eligible guarantees are dominant participants in domestic and international markets. In the case of the latter, the institutions with investment-grade rating are preferred.

The Group does not conclude credit derivative deals and does not have any securitization positions.

In order to avoid excessive dependency, OTP Bank manages the concentration risks of the portfolio by setting limits for sectors, countries, clients and counterparties at both bank and bank group levels.

In order to restrain the transfer of risk originating from a potential owner-business interest relationship between clients or relationships of business nature or collateral-related relationships, clients that qualify as a client group must be defined and client level concentration limits must be interpreted at a client-group level.

In order to support the recording and maintenance of client groups at bank group level, group-level regulations have been developed together with an IT system.

I.1.3. Apllied stress test methodologies in the OTP Group

In the frame of credit risk management several stess tests are being operated by the Bank with the aim of better understanding what kind of risks can endanger the capital or liquidity position of the Bank. Most of them are independently related to the given risk measurement. Different riks parameters, sensitivity tests related to financial indicators and in order to understand the risk exposures deepen scenario analysis can be found among the applied techniques.

The OTP Group regularly participates in EBA stress test. During these stress tests the expected capital position are presented along predefined “baseline” and “adverse” macro scenarios taking into consideration the material risks of the Group in a 3-year time horizon with a forward looking aspect. Additional capital requirement can arise if the Bank performs in a bad way. The Bank has taken part in these international challenges 4 times with excellent results.

Moreover, stress tests are conducted regularly within the Group during the annual planning process and the ICAAP as well. The aim of them is to calculate the impact of those complex scenarios on the balance sheet, profit and loss statement and capital position in an unified model what assume multiple risks (for example credit-, operational-, interest rate risk, sovereign, etc.).

I.2. Information regarding corporate governance system

I.2.1. The number of directorships of OTP Bank's chief executives

1. chart: The number of directorships of OTP Bank's chief executives

Members of the Board of Directors	Number of directorship (according to CRR Art. 435. paragraph (2)) outside OTP Group	in Group*
Dr. Sándor CSÁNYI	2	-
Mihály BAUMSTARK	2	-
Dr. Tibor BÍRÓ	-	-
Tamás ERDEI	1	-
Dr. István GRESA	-	-
Antal KOVÁCS	-	5
Dr. Antal PONGRÁCZ	-	2
Dr. László UTASSY	-	3
Dr. József VÖRÖS	-	-
László WOLF	-	3

*: with the exception of directorships held at OTP Bank

Members of the Supervisory Board	Number of directorship (according to CRR Art. 435. paragraph (2)) outside OTP Group	in OTP Group*
Tibor TOLNAY	-	-
Dr. Gábor HORVÁTH	1	-
Ágnes RUDAS	-	2
András MICHNAI	-	-
Dr. Márton Gellért VÁGI	-	-
Dominique UZEL	1	-

For the safe operations of the financial institutions of OTP Bank and OTP Group it is critical that the institutions are governed by professionally qualified and financially reliable executives with good business reputation.

Directive 2013/36/EU, defining the capital requirement system of credit institutions (hereinafter: CRD IV), as well as national legal regulations phrase several requirements in respect of executive officers.

Hungary's Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Hpt.") requires the establishment of a nomination committee in order to ensure the suitability of management bodies, while complying with the principles of proportionality.

The Nomination Committee is a permanent committee established by the Board of Directors, which forms the principles of Board member candidate selection for OTP Bank and sets candidates accordingly, and proposes principles and framework for the requirements of compliance assessment of the bank and the banking group executives and key position holders.

In respect of the members of the management bodies, executive officers and key function holders of the financial institutions subject to consolidated supervision together with OTP Bank, the coordination and professional support of the compliance assessment process shall be the competence and responsibility of the Presidential Cabinet Office of OTP Bank. The group operation is performed with the responsible involvement of the relevant financial institution and the professional units participating in the assessment process.

On the basis of the résumés it can be stated that both the Board and the Supervisory Board members own exceptional professional knowledge, experience and track record in their field of expertise, furthermore, have in-depth proficiency and several years of experience in the management of financial institutions.

I.2.2. Board members' education data

2. chart: Board members' education data

Board of Directors	
Dr. Sándor CSÁNYI	
College of Finance and Accounting, Hungary	BSc in Finance (1974)
University of Economics, Hungary	MSc in Economics (1980)
Mihály BAUMSTARK	
University of Agricultural Sciences, Hungary	MSc in Agricultural Sciences (1973)
University of Economics, Hungary	MSc in Economics (1981)
Dr. Tibor BÍRÓ	
College of Finance and Accounting, Hungary	BSc in Finance (1974)
University of Economics, Hungary	MSc in Economics (1978)
Tamás ERDEI	
College of Finance and Accounting, Hungary	BSc in Finance (1978)
Dr. István GRESA	
College of Finance and Accounting, Hungary	BSc in Finance (1974)
University of Economics, Hungary	MSc in Economics (1980)
Antal György KOVÁCS	
College of Finance and Accounting, Hungary	MSc in Economics (1985)
Dr. Antal PONGRÁCZ	
College of Finance and Accounting, Hungary	MSc in Economics (1969)
Dr. László UTASSY	
Eötvös Lóránd University, Hungary	MA in Law (1978)
Dr. József VÖRÖS	
University of Economics, Hungary	MSc in Economics (1974)
László WOLF	
University of Economics, Hungary	MSc in Economics (1983)

Supervisory Board	
Tibor TOLNAY	
University of Technology, Hungary	MSc in Civil Engineering (1978)
Dr. Gábor HORVÁTH	
Eötvös Lóránd University, Hungary	MA in Law (1980)
Ágnes RUDAS	
College of Finance and Accounting, Hungary	BSc in Finance (1979)
András MICHNAI	
College of Finance and Accounting, Hungary	BSc in Finance (1991)
Dr. Márton Gellért VÁGI	
University of Economics, Hungary	MSc in Economics (1987)
Mr. Dominique UZEL	
ISTOM (College of International Agro-Development), France	MSc in in Agronomy (1988)

For the time being, unambiguous expectations regarding diversity policy have not been announced in the European and Hungarian regulatory environment, so the Bank currently has no separate diversity policy, but as soon as such EU or national regulation is in place, OTP Bank Plc. will take the necessary measures immediately.

According to the current practice, when designating members of the management bodies (Board of Directors, Supervisory Board), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.

I.2.3. Risk management committees

OTP Bank established the Risk Assumption and Risk Management Committee in 2014. The rule of procedure was put into force effective 1st June 2014. The committee accepted the modification of the rules of procedure by the 13th November 2015. In 2017 the Committee held four meetings.

Credit-Limit Committee (CLC) is a permanent committee meeting weekly (52 times in 2017). Its main function is the approval of constitutions, the risk management strategy of OTP Bank and bank group, and the presentation of the credit policy to the Board of Directors of OTP Bank; it decides on approval of risk assumption of specific counterparties and its presentation to the Board of Directors.

Work-Out Committee (WOC) is also a permanent committee meeting weekly (43 times in 2017). Within its scope are decision-making powers over OTP Bank's active debts in special treatment, as well as the right to agree with the special treatment of foreign subsidiary banks', OTP Faktoring Ltd's, its subsidiaries' and Merkantil Bank Ltd's active debts that exceed the agreed limit.

Asset-Liability Committee (ALCO) is a permanent committee established by the Board of Directors, which makes decisions on separately non-regulated affairs relating to OTP Bank's highest-level asset-liability management. It met 12 times in 2017 (once each month).

The Group Operational Risk Management Committee (OPRISK Committee) is a permanent committee meeting quarterly. It monitors the changes in the operational risk exposure, the operational risk management activity and the business continuity planning. It also makes sure that both the risk management practises and reporting channels required by the management and prescribed by the law work adequately. In addition to this, the analysis and evaluation of large individual losses place great importance in order to manage operational risk proactively.

The Management Committees get frequent information about risks from the Risk Assumption and Risk Management Committee as well as through proposals made by competent Divisions.

There was no change in senior management in the Credit Approval and Risk Management Division in 2017.

I.3. Scope of consolidation in group level reports

I.3.1. Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2017

3. chart: Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2017

Number	Entity	Consolidated in accordance with IFRS	Consolidated in accordance with CRR
1	D-ÉG Thermoset Ltd.	Yes	No
2	Szallas.hu Ltd.	Yes	No

I.3.2. Not consolidated entities for the year ended 31 December 2017

4. chart: Not consolidated entities for the year ended 31 December 2017

Not consolidated in accordance with IFRS[1]	
1	Auctioneer s. r. o.
2	Diákigazolvány Ltd.
3	Dinghy Sport Club Hungary Kft.
4	Govcka Project Company SRL
5	IMOS AD ŠID
6	Ingatlanvagyon Projekt 14. Ltd.
7	Investment Projekt 1. d.o.o.
8	M8-2 Ingatlanhasznosító Ltd.
9	MFM Project Investment and Development Ltd.
10	OFB Projects EOOD
11	OTP Advisors SRL
12	OTP Consulting Romania SRL
13	OTP Fedezetingatlan Kft. "v.a."
14	OTP Nedvizhimost ZAO
15	OTP Travel Ltd.
16	OTP Újlakás Credit Intermediary Ltd.
17	PEVEC d.o.o. Beograd
18	PortfoLion Digital Ltd.
19	Project 03 s.r.o.
20	Project Company Complex Banya EOOD
21	Projekt 13 Apartmany Slovensko s.r.o.
22	Projekt-Ingatlan 8. Ltd.
23	Rea Project One Company SRL
24	RESPV s.r.l.
25	SC AS Tourism SRL
26	SC Cefin Real Estate Kappa SRL
27	South Invest Montengro doo
28	Special Purpose Company LLC

Not consolidated in accordance with CRR[2]	
1	PortfoLion Venture Capital Fund Management Ltd.

[1] Subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole.

[2] Entities excluded from the scope of prudential consolidation based on the Article 19 section 1 of the CRR.

I.3.3. Current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries

Based on the resolution of the National Bank of Ukraine (No 410) the following restrictions concern the prepayment of liabilities:

- Prepayment up to USD 2 mln per month is allowed.
- Commercial banks are allowed to repay their foreign curremccy debts to non-residents or to legal entities whose shareholders include either a non-resident bank or an international financial organization or a sovereign on condition the sovereign has rating of A or better assigned by an internationally recognized ECAI.
- Loans disbursed with involvement of external export-import agency or guaranteed by a foreign government are exempt from the restrictions on early prepayments

NBU resolution 141 as of Dec 22, 2017 establishes annual stress testing of top 25 banks in terms of RWA size and deposit base. In that case, if based on the result of the stress test the available capital is not sufficient, the distribution of the profit for the shareholders is restricted.

I.3.4. Regulatory capital deficit at subsidiaries not included in the consolidation

The Group does not have subsidiaries not included in the consolidation that do not fulfil the regulatory CAR minimum.

I.3.5. Practice of regulations' application

In none of the Group's subsidiaries have the competent authorities waived prudential requirements on an individual basis.

I.4. Regulatory capital and capital requirements

I.4.1. Capital adequacy of the OTP Group

The capital requirement calculation of the Group for the year 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) regarding the operational risk.

At the end of 2017 the audited capital adequacy ratio of OTP Group under the scope of consolidation according to prudential consolidation (CRR) was 17.16% which contains the profit of financial year 2017 and the deduction of dividend payment of financial year of 2017[1]. The Group regulatory capital requirement as of 31st December 2017 was HUF 675,841 million, the amount of regulatory capital was HUF 1,463,903 million.

5. chart: OTP Group's overview of RWA's

	RWAs		Minimum capital requirements
(million HUF)	**31.12.2017**	**30.09.2017**	**31.12.2017**
Credit risk (excluding CCR)	**6 876 841**	**6 396 555**	**550 147**
Of which the standardised approach	6 876 841	6 396 555	550 147
CCR	**58 744**	**67 711**	**4 700**
Of which mark to market	48 183	57 762	3 855
Of which CVA	10 561	9 949	845
Market risk	**512 813**	**342 976**	**41 025**
Of which the standardised approach	512 813	342 976	41 025
Operational risk	**1 081 864**	**1 040 972**	**86 549**
Of which basic indicator approach	422 756	388 820	33 820
Of which advances measurement approach	659 108	652 151	52 729
Total	**8 530 262**	**7 848 214**	**682 421**

[1] The capital adequacy ratio of the Group without the profit of financial year 2017 and the deduction of dividend payment of financial year of 2017 is 14.57%. The Group regulatory capital requirement as of 31st December 2017 was HUF 682,421 million, the amount of regulatory capital was HUF 1,242,775 million.

6. chart: Credit risk exposure and CRM effects on 31st December 2017

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs és RWA density	
(million HUF)	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs és RWA density	RWA density
Exposures to central governments or central banks	4 263 023	2 995	4 446 411	12 518	367 479	8,24%
Exposures to regional governments or local authorities	59 768	30 982	53 583	18 647	22 366	30,96%
Exposures to public sector entities	193 983	11 209	168 692	5 525	62 184	35,69%
Exposures to multilateral development banks	0	0	3 024	4	0	0,00%
Exposures to institutions	369 988	76 444	371 019	41 813	160 248	38,82%
Exposures to corporates	1 696 399	1 229 830	1 609 852	573 468	2 133 458	97,72%
Retail exposures	2 009 570	729 546	1 889 251	155 974	1 513 663	74,01%
Exposures secured by mortgages on immovable property	2 970 832	229 434	2 970 766	60 626	1 711 996	56,48%
Exposures in default	263 375	7 863	260 414	3 057	290 330	110,19%
Exposures associated with particularly high risk	42 894	459	42 894	130	64 536	150,00%
Exposures in the form of covered bonds	84 755	0	84 755	0	42 378	50,00%
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	22 107	0	22 107	0	22 107	100,00%
Equity exposures	50 002	0	50 002	0	95 642	191,28%
Other items	650 749	11 285	650 749	12 355	390 454	58,88%
Total	**12 677 445**	**2 330 047**	**12 623 519**	**884 117**	**6 876 841**	**50,91%**

In calculation of credit risk capital requirement, the Group took into consideration the following guarantees as credit risk mitigation at the end of 2017:

- Guarantees of group-member central government: The guarantors belong to the group 3 and 4 according to the credit quality step.
- Guarantees of institutions: The guarantors belong to the group 1, 2, 3 and 4 according to the credit quality step.
- Guarantees of regional governments and public sector entities: The guarantors do not have credit quality step.
- Guarantees of multilateral development banks.

I.4.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013

7. chart: Presentation of balance sheet discrepancies based on the differences in the scope of consolidation according to accounting (IFRS) and prudential (CRR)

Total rassets **(in HUF million)**	**Balance sheet as in published financial statements (1) 31 December 2017**	**Cross reference to rows of transitional own funds disclosure template**	**Under regulatory scope of consolidation 31 December 2017**
Cash, cash balances at central banks and other demand deposits	1 198 047		1 120 664
Financial assets held for trading	344 417	7*	344 178
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*92*	*18, 72*	*92*
Available-for-sale financial assets	2 174 718	7*	2 171 149
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*18 641*	*18, 72*	*18 672*
Loans and receivables	7 450 014		7 536 581
Held-to-maturity investments	1 310 331		1 310 382
Derivatives – Hedge accounting	10 277		10 277
Investments in subsidaries, joint ventures and associates	12 269		50 621
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities	*2 707*	*23, 59a*	*30 426*
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*661*	*18, 72*	*532*
Tangible and intangible assets	476 090		450 545
*Of which: GW and other intangible assets ***	*-178 640*	*8*	*-175 493*
Tax assets	43 701		43 394
Of which: Deferred tax assets that rely on future profitability, do not arise from temporary difference (2) - deducted from CET1 capital	*22 495*	*10;A, 10;C*	*22 557*
Of which: deferred tax assets that rely on future profitability, arise from temporary difference (2) - capital requirement incresing item	*9 875*	*25, 59a*	*9 875*
Other assets	170 364		169 760
TOTAL ASSETS	**13 190 228**		**13 207 550**

*The additional value adjustments are determined according to simplified approach, w hich means that the regulatory capital is decreased by 0,1% of the marked balance sheet items.

** The intangible assets contains the intangible asstes and the leased intangible assets.

Total liabilities (in HUF million)	Balance sheet as in published financial statements (1) 31 December 2017	Cross reference to rows of transitional own funds disclosure template	Under regulatory scope of consolidation 31 December 2017
Financial liabilities held for trading	69 874	7*	75 130
Financial liabilities measured at amortised cost	11 031 887		11 080 288
Of which: eligible Upper T2 instruments and subordinated debts in regulatory capital (3)	*75 695*	*46*	*75 695*
Of which: instruments issued by subsidiaries that are given recognition in consolidated T2 Capital (4)	*297*	*48*	*235*
Derivatives – Hedge accounting	17 199		17 199
Provisions	81 858		81 914
Tax liabilities	26 945		26 413
Other liabilities	322 410		274 124
TOTAL LIABILITIES	**11 550 173**		**11 555 068**
Share capital	28 000	1	28 000
Equity instruments issued other than capital	89 935	46	89 935
Other equity	31 835	3	31 835
Accumulated other comprehensive income	-114 758		-115 227
Of which: Revaluation reserve	*-161 660*	*3*	*-162 124*
Of which: Fair value adjustment of securities available-for-sale and financial instruments in the retained earnings	*59 936*	*3*	*59 931*
Of which: Net investment hedge in foreign operations	*-13 034*	*3*	*-13 034*
Retained earnings	910 957		906 615
Of which: Retained earnings	*523 019*	*2*	*524 246*
Of which: Changes due to consolidation	*387 938*	*2*	*382 368*
Other reserves	472 769		483 820
Of which: Changes in the equity of subsidiaries and jointly controlled entities	*485 214*	*2*	*496 265*
Of which: Other reserves	*-12 445*	*3*	*-12 445*
Treasury shares	-63 289	16	-58 408
Profit or loss attributable to owners of the parent	281 141		282 447
Of which: eligible in regulatory capital (5)	*219 823*	*2*	*221 128*
Minority interests [Non-controlling interests]	3 465		3 465
Of which: eligible in regulatory capital (4)	*940*	*5;A*	*938*
SHAREHOLDERS' EQUITY	**1 640 055**		**1 652 482**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13 190 228**		**13 207 550**

*The additional value adjustments are determined according to simplified approach, which means that the regulatory capital is decreased by 0,1% of the marked balance sheet items.

Notes to the table:

(1) Under accounting scope of consolidation
(2) In consolidated balance sheet the amounts of deferred tax receivables and deferred tax liabilities are determined according to IAS 12, which does not take into consideration the classification expected by CRR (relying on future profitability or is not relying on future profitability, and arising from temporary difference or is not arising from temporary difference). For determining deferred tax receivables (and deferred tax liabilities) taken into account in regulatory capital, the total amount of deferred tax receivables and deferred tax liabilities is classified according to CRR categories, then in each CRR category the offsetting between deferred tax assets and associated deferred tax liabilities is done separately for each subsidiary (which is allowed according to 14 (2-3) article of 241/2014/EU RTS). Applying this methodology does not affect the difference of deferred tax receivables and deferred tax liabilities.
(3) Taking into consideration the amortisation according to article 64 of CRR
(4) Taking into consideration articles 81-88 of CRR

8. chart: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

Description (in million HUF)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	1 198 045	1 120 664	1 120 664				
Placements with other banks, net of allowance for placement losses	462 180	462 180	462 180				
Financial assets at fair value through profit or loss	344 417	344 178		52 384		344 178	344
Securities available-for-sale	2 174 718	2 171 149	2 171 149				2 171
Loans, net of allowance for loan losses	6 987 834	7 074 400	7 074 400				
Associates and other investments	12 269	50 620	50 620				
Securities held-to-maturity	1 310 331	1 310 382	1 310 382				
Property and equipment	237 321	257 221	257 221				
Intangible assets and goodwill	176 069	175 493					175 493
Investment properties	35 385	17 831	17 831				
Other assets	251 659	223 432	200 865				22 567
Total assets	**13 190 228**	**13 207 550**	**12 665 312**	**52 384**	**0**	**344 178**	**200 575**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	472 068	472 062					472 062
Deposits from customers	10 233 471	10 281 046					10 281 046
Liabilities from issued securities	250 320	251 153					251 153
Financial liabilities at fair value through profit or loss	69 874	69 908					69 908
Other liabilities	448 412	404 871					404 871
Subordinated bonds and loans	76 028	76 028					76 028
TOTAL LIABILITIES	**11 550 173**	**11 555 068**					11 555 068
Share capital	28 000	28 000					28 000
Retained earnings and reserves	1 671 879	1 679 425					1 679 425
Treasury shares	-63 289	-58 408					-58 408
Non-controlling interest	3 465	3 465					3 465
TOTAL SHAREHOLDERS' EQUITY	**1 640 055**	**1 652 482**					1 652 482
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13 190 228**	**13 207 550**	**0**	**0**	**0**	**0**	**13 207 550**

9. chart Non-deducted participations in insurance undertakings

(million HUF)	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	2 250
Total RWAs	5 624

10. chart: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Desciption (in million HUF)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	13 207 550	12 665 312	52 384		344 178
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	11 555 068				
Total net amount under the regulatory scope of condsolidation	1 652 482				
Off-balance-sheet amounts	2 623 620	912 487			
Non deducted from regulatory capital, capital requirement increase elements	9 875	9 875			
Exposure amounts considered for regulatory purposes	13 589 932	13 589 932	52 384		344 178

The main reason of the difference between the carrying values is that different entites are consolidated in the regulatory and accounting scope.

11. chart Consolidated entities for the year-ended 31 December 2017

Num-ber	Entity	Scope of accounting consolidation	Scope of regulatory consolidation
1	OTP Bank Plc.	Yes	Yes
2	Air-Invest Ltd.	Yes	Yes
3	ARTEMIS Ltd.	Yes	No
4	Bajor-Polár Center Real Estate Management Ltd.	Yes	Yes
5	BALANSZ Zártkörű Nyíltvégű Intézményi Ingatlan Alap	Yes	No
6	BANK CENTER No. 1. Ltd.	Yes	Yes
7	CIL Babér Ltd.	Yes	Yes
8	CRESCO d.o.o.	Yes	Yes
9	Crnogorska Komercijalna Banka a.d.	Yes	Yes
10	Debt Management Project 1 Montenegro d.o.o.	Yes	No
11	DSK Asset Management EAD	Yes	Yes
12	DSK Auto Leasing EOOD	Yes	Yes
13	DSK Bank EAD	Yes	Yes
14	DSK Leasing AD	Yes	Yes
15	DSK Leasing Insurance Broker EOOD	Yes	Yes
16	DSK Mobile EAD	Yes	Yes
17	DSK Operating lease EOOD	Yes	Yes
18	DSK Tours EOOD	Yes	Yes
19	DSK Trans Security EAD	Yes	Yes
20	INGA KETTŐ Ltd.	Yes	Yes
21	Jet-Sol Ltd.	Yes	No
22	JN Parkolóház Real Estate Utilizer LLC	Yes	No
23	JSC "OTP Bank" (Russia)	Yes	Yes
24	Kikötő Real Estate Vendor LLC	Yes	No
25	LLC AllianceReserve	No	Yes
26	LLC AMC OTP Capital	Yes	Yes
27	LLC MFO "OTP Finance"	Yes	Yes
28	LLC OTP Leasing	Yes	Yes
29	Merkantil Bill and Property Investments Bank Ltd.	Yes	Yes
30	Merkantil Car Ltd.	Yes	Yes
31	Merkantil Lease Service LLC	Yes	Yes
32	Merkantil Property Leasing Ltd.	Yes	Yes
33	Miskolci Diákotthon Investment Utilization LLC	Yes	No
34	MONICOMP Ltd.	Yes	Yes
35	NIMO 2002 Ltd.	Yes	Yes
36	OPUS Securities S.A.	Yes	Yes
37	OTP Asset Management SAI S.A.	Yes	Yes
38	OTP Aventin d.o.o.	Yes	Yes
39	OTP Bank JSC (Ukraine)	Yes	Yes
40	OTP Bank Romania S.A.	Yes	Yes
41	OTP Banka Hrvatska d.d.	Yes	Yes
42	OTP Banka Slovensko a.s.	Yes	Yes
43	OTP Banka Srbija a.d. Novi Sad	Yes	Yes
44	OTP Building Society Ltd.	Yes	Yes
45	OTP Buildings s.r.o.	Yes	Yes
46	OTP Card Factory Ltd.	Yes	Yes
47	OTP eBIZ Ltd.	Yes	No
48	OTP Factoring Bulgaria EAD	Yes	Yes
49	OTP Factoring Ltd.	Yes	Yes
50	OTP Factoring Management Ltd.	Yes	Yes
51	OTP Factoring Montenegro d.o.o.	Yes	Yes
52	OTP Factoring Serbia d.o.o.	Yes	Yes
53	OTP Factoring Slovensko s.r.o.	Yes	Yes
54	OTP Factoring SRL	Yes	Yes
55	OTP Factoring Ukraine LLC	Yes	Yes
56	OTP Financing Cyprus Company Limited	Yes	Yes
57	OTP Financing Malta Ltd.	Yes	Yes
58	OTP Financing Netherlands B.V.	Yes	Yes
59	OTP Financing Solutions B.V.	Yes	Yes
60	OTP Fund Management Ltd.	Yes	Yes
61	OTP Funds Servicing and Consulting Ltd.	Yes	No
62	OTP Holding Ltd.	Yes	Yes
63	OTP Holding Malta Ltd.	Yes	Yes
64	OTP Hungaro-Project Ltd.	Yes	No
65	OTP Immobilien Verwertung GmbH.	No	Yes
66	OTP Ingatlankezelő Ltd.	Yes	Yes
67	OTP Ingatlanpont Ltd.	Yes	No
68	OTP Ingatlanüzemeltető Ltd.	Yes	Yes
69	OTP Invest d.o.o.	Yes	Yes
70	OTP Investments d.o.o. Novi Sad	Yes	Yes
71	OTP Leasind d.o.o. Beograd	Yes	Yes
72	OTP Leasing d.d.	Yes	Yes
73	OTP Leasing Romania IFN S.A.	Yes	Yes
74	OTP Life Annuity Real Estate Investment Ltd.	Yes	Yes
75	OTP Mérnöki Szolgáltató Ltd.	Yes	Yes
76	OTP Mobile Service Ltd.	Yes	No
77	OTP Mortgage Bank Ltd.	Yes	Yes
78	OTP MRP	Yes	No
79	OTP Nekretnine d.o.o.	Yes	Yes
80	OTP Osiguranje d.d.	Yes	No
81	OTP Pénzügyi Pont Ltd.	Yes	Yes
82	OTP Real Estate Investment Fund Management Ltd.	Yes	Yes
83	OTP Real Estate Leasing Ltd.	Yes	Yes
84	OTP Real Estate Ltd.	Yes	Yes
85	OTP Services d. o. o.	Yes	Yes
86	OTP Solution Fund	Yes	No
87	POK DSK-Rodina AD	Yes	Yes
88	PROJECT 3. Ltd.	Yes	No
89	R.E. Four d.o.o., Novi Sad	Yes	Yes
90	SB Leasing d.o.o.	Yes	Yes
91	SB NEKRETNINE d.o.o.	Yes	Yes
92	SB ZGRADA d.o.o.	Yes	Yes
93	SC Aloha Buzz SRL	Yes	Yes
94	SC Favo Consultanta SRL	Yes	Yes
95	SC Tezaur Cont SRL	Yes	Yes
96	SPLC Property Management Ltd.	Yes	Yes
97	SPLC-C Real estate developent, Real estate manage	Yes	No
98	SPLC-P Real estate developent, Real estate manage	Yes	No
99	Splitska banka d.d.	Yes	Yes
100	TOP Collector LLC	Yes	Yes
101	Velvin Ventures Ltd.	Yes	Yes
102	Vojvodjanska banka a.d. Novi Sad	Yes	Yes

12. chart: Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
OTP Bank Plc.	Full consolidation	X				Credit institution
Air-Invest Ltd.	Full consolidation	X				Personal air transportation
ARTEMIS Ltd.	Full consolidation					Printing and binding
Bajor-Polár Center Real Estate Management Ltd.	Full consolidation	X				Real estate management
BALANSZ Zártkörű Nyíltvégű Intézményi Ingatlan Alap	Full consolidation					Real estate fund
BANK CENTER No. 1. Ltd.	Full consolidation	X				Real estate management
CIL Babér Ltd.	Full consolidation	X				Real estate management
CRESCO d.o.o.	Full consolidation	X				Real estate management
Crnogorska Komercijalna Banka a.d.	Full consolidation	X				Credit institution
Debt Management Project 1 Montenegro d.o.o.	Full consolidation					Real estate management
DSK Asset Management EAD	Full consolidation	X				Fund management
DSK Auto Leasing EOOD	Full consolidation	X				Leasing activities
DSK Bank EAD	Full consolidation	X				Credit institution
DSK Leasing AD	Full consolidation	X				Leasing activities
DSK Leasing Insurance Broker EOOD	Full consolidation	X				Insurance broker
DSK Mobile EAD	Full consolidation	X				IT services
DSK Operating lease EOOD	Full consolidation	X				Leasing activities
DSK Tours EOOD	Full consolidation	X				Travel agency services
DSK Trans Security EAD	Full consolidation	X				Security and money transportation services
INGA KETTŐ Ltd.	Full consolidation	X				Real estate management
Jet-Sol Ltd.	Full consolidation					Softw are development
JN Parkolóház Real Estate Utilizer LLC	Full consolidation					Real estate development
JSC "OTP Bank" (Russia)	Full consolidation	X				Credit institution
Kikötő Real Estate Vendor LLC	Full consolidation					Real estate vendor
LLC AllianceReserve	Full consolidation	X				Operating and management consulting
LLC AMC OTP Capital	Full consolidation	X				Fund management
LLC MFO "OTP Finance"	Full consolidation	X				Other credit supply
LLC OTP Leasing	Full consolidation	X				Leasing Activities
Merkantil Bill and Property Investments Bank Ltd.	Full consolidation	X				Credit institution
Merkantil Car Ltd.	Full consolidation	X				Leasing activities
Merkantil Lease Service LLC	Full consolidation	X				Leasing activities
Merkantil Property Leasing Ltd.	Full consolidation	X				Leasing activities
Miskolci Diákotthon Investment Utilization LLC	Full consolidation					Real estate utilization
MONICOMP Ltd.	Full consolidation	X				IT hardw are services
NIMO 2002 Ltd.	Full consolidation	X				Real estate utilization
OPUS Securities S.A.	Full consolidation	X				Structured financing
OTP Asset Management SAI S.A.	Full consolidation	X				Asset management
OTP Aventin d.o.o.	Full consolidation	X				Real estate activities
OTP Bank JSC (Ukraine)	Full consolidation	X				Credit institution
OTP Bank Romania S.A.	Full consolidation	X				Credit institution
OTP Banka Hrvatska d.d.	Full consolidation	X				Credit institution
OTP Banka Slovensko a.s.	Full consolidation	X				Credit institution
OTP Banka Srbija a.d. Novi Sad	Full consolidation	X				Credit institution
OTP Building Society Ltd.	Full consolidation	X				Savings and mortgage activities
OTP Buildings s.r.o.	Full consolidation	X				Real estate utilization
OTP Card Factory Ltd.	Full consolidation	X				Card manufacturing
OTP eBIZ Ltd.	Full consolidation					IT services
OTP Factoring Bulgaria EAD	Full consolidation	X				Factoring entity
OTP Factoring Ltd.	Full consolidation	X				Factoring entity
OTP Factoring Management Ltd.	Full consolidation	X				Factoring entity
OTP Factoring Montenegro d.o.o.	Full consolidation	X				Factoring entity
OTP Factoring Serbia d.o.o.	Full consolidation	X				Factoring entity

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
OTP Factoring Slovensko s.r.o.	Full consolidation	X				Factoring entity
OTP Factoring SRL	Full consolidation	X				Factoring entity
OTP Factoring Ukraine LLC	Full consolidation	X				Factoring entity
OTP Financing Cyprus Company Limited	Full consolidation	X				Group-financing services
OTP Financing Malta Ltd.	Full consolidation	X				Group-financing services
OTP Financing Netherlands B.V.	Full consolidation	X				Group-financing services
OTP Financing Solutions B.V.	Full consolidation	X				Group-financing services
OTP Fund Management Ltd.	Full consolidation	X				Fund management
OTP Funds Servicing and Consulting Ltd.	Full consolidation					Fund servicing and consulting
OTP Holding Ltd.	Full consolidation	X				Holding
OTP Holding Malta Ltd.	Full consolidation	X				Holding
OTP Hungaro-Project Ltd.	Full consolidation					Operating and management consulting
OTP Immobilien Verw ertung GmbH.	Full consolidation	X				Real estate utilization
OTP Ingatlankezelő Ltd.	Full consolidation	X				Real estate management
OTP Ingatlanpont Ltd.	Full consolidation					Real estate activities
OTP Ingatlanüzemeltető Ltd.	Full consolidation	X				Real estate utilization
OTP Invest d.o.o.	Full consolidation	X				Fund management
OTP Investments d.o.o. Novi Sad	Full consolidation	X				Real estate activities
OTP Leasing d.d.	Full consolidation	X				Leasing activities
OTP Leasing d.o.o. Beograd	Full consolidation	X				Leasing activities
OTP Leasing Romania IFN S.A.	Full consolidation	X				Leasing activities
OTP Life Annuity Real Estate Investment Ltd.	Full consolidation	X				Life annuity services
OTP Mérnöki Szolgáltató Ltd.	Full consolidation	X				Engineering service
OTP Mobile Service Ltd.	Full consolidation					IT services
OTP Mortgage Bank Ltd.	Full consolidation	X				Mortgage activities
OTP MRP	Full consolidation					Profit-sharing and bonus plans
OTP Nekretnine d.o.o.	Full consolidation	X				Real estate management
OTP Osiguranje d.d.	Full consolidation					Insurance entity
OTP Pénzügyi Pont Ltd.	Full consolidation	X				Financial product broker
OTP Real Estate Investment Fund Management Ltd.	Full consolidation	X				Fund management
OTP Real Estate Leasing Ltd.	Full consolidation	X				Leasing activities
OTP Real Estate Ltd.	Full consolidation	X				Real estate vendor
OTP Services d. o. o.	Full consolidation	X				Leasing activities
OTP Solution Fund	Full consolidation					Fund
POK DSK-Rodina AD	Full consolidation	X				Retirement insurance activities
PROJECT 3. Ltd.	Full consolidation					Real estate vendor
R.E. Four d.o.o., Novi Sad	Full consolidation	X				Real estate vendor
SB Leasing d.o.o.	Full consolidation	X				Leasing activities
SB NEKRETNINE d.o.o.	Full consolidation	X				Real estate management
SB ZGRADA d.o.o.	Full consolidation	X				Real estate utilization
SC Aloha Buzz SRL	Full consolidation	X				Other financial activities
SC Favo Consultanta SRL	Full consolidation	X				Other financial activities
SC Tezaur Cont SRL	Full consolidation	X				Other financial activities
SPLC Property Management Ltd.	Full consolidation	X				Retail of vehicles
SPLC-C Real estate development, Real estate managem	Full consolidation					Real estate development
SPLC-P Real estate development, Real estate managem	Full consolidation					Real estate development
Splitska banka d.d.	Full consolidation	X				Credit institution
TOP Collector LLC	Full consolidation	X				Other financial activities
Velvin Ventures Ltd.	Full consolidation	X				Real estate management
Vojvodjanska banka a.d. Novi Sad	Full consolidation	X				Credit institution
D-ÉG Thermoset Ltd.	Propertional consolidation (Equity method)					Wholesale of heating utilities
Szallas.hu Ltd.	Propertional consolidation (Equity method)					Webportal service

Differences related to deductions from regulatory capital according to accounting and regulatory scope of consolidation:

The differences due to different scopes of consolidation (accounting and regulatory) have an effect on the following deductions from regulatory capital as at 31st December 2017:

- Additional value adjustments
- Intangible assets
- Treasury shares

The Group applies the simplified approach in case of the additional value adjustments, which determines the deduction from regulatory capital as the 0.1% of the sum of fair-valued assets and liabilities stated in the balance sheet (under accounting scope of consolidation). The calculated additional value adjustments is HUF 2,616 million according to balance sheet as in published financial statements, in the case of the balance sheet under regulatory scope of consolidation the additional value adjustments would be HUF 2,613 million on 31st December 2017.

In case of accounting scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 178,640 million, which contains the intangible assets (HUF 176,096 million) and the leased intangible assets (HUF 2,544 million). Under regulatory scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 175,493 million, which contains the intangible assets and leased intangible assets.

In case of accounting scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 63,289 million. Under regulatory scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 58,408 million.

Breakdown of regulatory capital is presented according to the regulatory scope of consolidation in the next section. Under accounting scope of consolidation the regulatory capital is HUF 1,448,451 million, the capital adequaccy ratio is 17.26%, CET1 ratio is 15.29%, taking into account the profit for 2017.

13. chart: Breakdown of regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 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
1	Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: share	28 000	EBA list 26 (3)	
2	Retained earnings (1)	1 624 008	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-95 837	26 (1)	
3a	Funds for general banking risk	0	26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	
5	Minority interests (amount allowed in consolidated CET1)	938	84, 479, 480	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1 557 109**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 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
7	Additional value adjustments (negative amount)	-2 613	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-175 492	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-22 557	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-58 408	36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)-(3), 79, 472 (10)	-19 204
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	**(A) 31 December 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**
1	Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: share	28 000	EBA list 26 (3)	
2	Retained earnings (1)	1 624 008	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-95 837	26 (1)	
3a	Funds for general banking risk	0	26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	
5	Minority interests (amount allowed in consolidated CET1)	938	84, 479, 480	0
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1 557 109**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	**(A) 31 December 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**
7	Additional value adjustments (negative amount)	-2 613	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-175 493	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-22 557	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-58 408	36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)-(3), 79, 472 (10)	-19 204
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 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
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	-40 301
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	-30 426
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-9 875
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-259 070**		
29	**Common Equity Tier 1 (CET1) capital**	**1 298 039**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 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
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**		

	Additional Tier 1 (AT1) capital: regulatory adjustments (in HUF million)	(A) 31 December 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
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
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)**	**1 298 039**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 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
46	Capital instruments and the related share premium accounts	165 629	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	235	87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**165 864**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	**(A) 31 December 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**
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57	**Total regulatory adjustments to Tier 2 (T2) capital**			
58	**Tier 2 (T2) capital**	**165 864**		
59	**Total capital (TC = T1 + T2)**	**1 463 903**		
60	**Total risk weighted assets**	**8 530 262**		

	Capital ratios and buffers (in HUF million)	**(A) 31 December 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**
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount**	**15,22%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount**	**15,22%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount**	**17,16%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	6,250%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	1,250%		
66	of which: countercyclical buffer requirement	0,022%		
67	of which: systemic risk buffer requirement (2)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,50%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	781 482	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 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
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	19 204	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions		36 (1) (i), 45, 48, 470, 472 (11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5	

	Applicable caps on the inclusion of provisions in Tier 2 (in HUF million)	(A) 31 December 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
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (in HUF million)	(A) 31 December 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
80	Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

(1) Profit for financial year 2017 and dividend payment for financial year 2017 are taken into consideration in retained earnings.

(2) Capital buffer are not yet implemented.

14. chart: Capital instruments' main features(1) on 31st December 2017

	Capital instruments' main features template [1]			
1	Issuer	OTP Bank Plc.	OTP Bank Plc.	Opus Securities S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	HU0000061726	XS0274147296	XS0272723551
3	Governing law (s) of the instrument	Hungarian law	In general English law except for Subordination w hich is governed by Hungarian law	In general English law except for provisions related to Subordination of the Subordinated Sw ap Agreement w hich is governed by Hungarian law . The Security Deposit Agreement and the Custody Agreement are governed by Hungarian law . The Guarantee is governed by the law s of the State of New York.
	Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share, Common Equity Tier 1 as published in Regulation (EU) No 575/2013 article 28	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	28 000.001 m HUF	In standalone regulatory capital [2]: 119 069 m HUF (decreased by ow n instruments of OTP Bank) In consolidated regulatory capital [3]: 77 458 m HUF (decreased by ow n instruments of OTP Bank and other subsidiaries)	89 935 m HUF
9	Nominal amount of instrument	28 000.001 m HUF	500 m EUR	514.274 m EUR
9a	Issue price	100 HUF	99.375 per cent.	100 per cent.
9b	Redemption price	N/A	100 per cent. + cumulated non-paid interest (if any)	100 per cent. + accumulated interest (if any)
10	Accounting classification	Shareholders' equity	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	10/08/1995	07/11/2006	31/10/2006
12	Perpeptual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	**First call date:** 07/11/2016 at 100 per cent. + cumulated non-paid interest (if any); **Contingent call options:** Redemption for Taxation Reasons and Redemption for Regulatory Purposes, on the next Interest Payment Date after notification (or any time before 07/11/2016), at 100 per cent. + cumulated non-paid interest (if any) (+ accumulated interest if redeemed before 07/11/2016)	**First call date:** 31/10/2016 at 100 per cent. if OTP exercises its option to terminate the Subordinated Swap Agreement (SSA) **Contingent call options:** (i) if OTP exercises its option to terminate the SSA at any time prior to 31 October 2016 following the occurrence of a Redemption Event (at least 85 per cent of the outstanding amount have been exchanged and/or purchased and cancelled); (ii) if OTP exercises its option to terminate the SSA at any time prior to 31 October 2016 or on any Interest Payment Date thereafter following the occurrence of a Relevant Event

	Capital instruments' main features template [1] (continuation)			
16	Subsequent call dates, if applicable	N/A	Quarterly (on 7 February, 7 May, 7 August, 7 November every year) after (and inculding) 7/11/2016	Quarterly (on 31 January, 30 April, 31 July, 31 October every year) after (and including) 31/10/2016
17	Fixed or floating dividend/coupon	Floating (dividend)	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	N/A	Fixed 5.875% p. a. payable annualy in the first 10 years, three-month EURIBOR + 3% p.a., variable after year 10 (payable quarterly)	Fixed 3.95% p.a. payable annualy in the first 10 years, three-month EURIBOR + 3% p.a., variable after year 10 (payable quarterly)
19	Existence of a dividend stopper	N/A	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	N/A	Full discretionary	Full discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Full discretionary	Full discretionary
21	Existence of step up or other incentive to redeem	N/A	No	No
22	Noncumulative or cumulative	Noncumulative	Cumulative	Noncumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Under the Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings (Subsection 4 of Section 61) and Regulation No 575/2013 of the European Parliament and of the Counsil (CRR) (Paragraph j) of Section 28) the instruments will rank below all other claims in the event of the liquidation of OTP. Tier 2 instruments under Article 63 of the CRR will be immeadiately senior to this instrument.	Under the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Subsection 2 of Section 57) the instruments will rank below the claims described at Paragraph h) of Subsection 1 of Section 57 at the Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings (Csődtv.) in the event of the liquidation of OTP.Claims under Paragraph h) of Subsection 1 of Section 57 at Csődtv., will be immeadiately senior to this instrument.	Under the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Subsection 2 of Section 57) the instruments will rank below the claims described at Paragraph h) of Subsection 1 of Section 57 at the Act XLIX of 1991 on Bankruptcy, Liquidation and Voluntary Winding-up Proceedings (Csődtv.) in the event of the liquidation of OTP.Claims under Paragraph h) of Subsection 1 of Section 57 at Csődtv., will be immeadiately senior to this instrument.
36	Non-compliant transitioned features	No	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	N/A

(1) 'N/A' inserted if the question is not applicable

(2) Calculated according to IFRS data

(3) Calculated according to IFRS data

I.4.3. Internal capital requirement calculation

The constant development of capital requirement calculation is a significant activity for the Group, in line with the changing external economic and regulatory environment. The Group applied only adequately stable, sufficiently conservative and well-performing models for the different processes according to prudent approach. During the Internal Capital Adequacy Assessment Process (ICAAP) the potential risks of the Group are thoroughly reviewed.

The internal model applied for credit risk capital requirement covers a significant part of the credit portfolio. The model, based on the simulation of the macroeconomic environment, determines the loss and the required capital requirement under stress for each portfolio. For credit portfolios not involved in the internal model, the Group applies standardized approach.

The Group applies a historical VAR model to calculate the internal capital requirement of FX, market and interest rate risk.

In case of operational risk the advanced AMA method is applied, after approval by the National Bank of Hungary.

Moreover, the Group intends to identify all the risks not covered in Pillar 1. If it is justified by risk measurement methods, internal models are applied.

I.5. Trading book market and counterparty risks (capital requirements)

Market risk is the risk that movements in market risk factors, including foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices will reduce the group's income or the value of its portfolios.

15. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	125 482	10 039
Equity risk (general and specific)	899	72
Foreign exchange risk	372 279	29 782
Commodity risk	6 884	551
Options	0	0
Simplified approach	0	0
Delta-plus method	7 258	581
Scenario approach	0	0
Securitisation (specific riks)	0	0
Total	**512 802**	**41 025**

16. chart: Analysis of CCR exposure by approach

Description (in million HUF)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE (Effective Expected Positive Exposure)	Multiplier	EAD post CRM	RWAs
Mark to market		0	0			0	0
Original exposure	0					0	0
Standardised approach		42 494			0	129 819	48 183
IMM (for derivatives and SFTs)				0	0	0	0
Of which securities financing transactions				0	0	0	0
Of which derivatives and long settlement transactions				0	0	0	0
Of which from contractual cross-product netting				0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						0	0
VaR for SFTs						0	0
Total							**48 183**

17. chart: CVA capital charge

Description (in million HUF)	Exposure value	RWAs
Total portfolios subject to the advanced method	0	0
VaR component (including the 3 x multiplier)		0
SVaR component (including the 3 x multiplier)		0
All portfolios subject to the standardised method	74 054	10 561
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

18. chart: CCR exposures by regulatory portfolio and risk

(in million HUF)	Risk weight											Total	Of which unrated
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Egyéb		
Central governments or central banks	30 447	0	0	0	0	0	0	0	0	0	0	30 447	0
Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	46 303	19 578	0	0	3 186	29	0	69 094	0
Corporates	0	0	0	0	0	0	0	0	22 286	10	0	22 296	0
Retail	0	0	0	0	0	0	0	4 672	0	0	0	4 672	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	3 275	0	0	0	0	0	0	0	0	34	3 310	0
Total	**30 447**	**3 275**	**0**	**0**	**46 303**	**19 578**	**0**	**4 672**	**25 472**	**38**	**34**	**129 819**	**0**

Note: „Of which unrated" column contains the expousres which do not have external credit ratings

I.6. Countercyclical buffer

In accordance with the Aricle 140. of CRD, institution-specific countercyclical capital buffer consists of the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located. In case of OTP Group the institutions-specific countercyclical buffer rate is not material, only 2 basispoint. It implicates HUF 1 867 m capital buffer.

I.7. Leverage

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.

19. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	13 190 228
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	17 323
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	840 997
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-49 830
8	**Leverage ratio total exposure measure**	**13 998 718**

20. chart: Leverage ratio

	m HUF	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	13 207 550
2	(Asset amounts deducted in determining Tier 1 capital)	-200 574
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**13 006 976**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	42 495
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	76 360
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**118 855**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	31 890
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**31 890**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2 330 047
18	(Adjustments for conversion to credit equivalent amounts)	-1 489 050
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**840 997**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure mesure		
20	Tier 1 capital	1 298 039
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	13 998 718
Leverage ratio		
22	**Leverage ratio**	**9,27%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

The change of Tier1 capital and risk weighted assets can have an impact on leverage ratio. In 2017 mainly the acquisitions (Splitska Banka, Vojvondanska Banka) influenced the measure of the group-wide leverage ratio which incrased the leverage ratio exposure.

Currently there is no regulatory minimum level for the leverage ratio. In line with the proposal of the European decision makers OTP Group considers 3% as minimum level of leverage ratio. Taking into accout that the current level of the leverage ratio exceed this minimum level, there is no intention of decreasing the leverage ratio. The Group monitors the level of leverage ratio quarterly and as part of recovery plan indicators informs the Asset – Liability Committee. If the leverage ratio reaches crtical level, the Asset - Liability Committee ask the competent departments to prepare action plan in oder to handle the breaching the minimum level.

21. chart: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	m HUF	CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**13 360 321**
EU-2	Trading book exposures	512 802
EU-3	Banking book exposures, of which:	12 847 519
EU-4	Covered bonds	84 755
EU-5	Exposures treated as sovereigns	4 337 861
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	148 413
EU-7	Institutions	369 988
EU-8	Secured by mortgages of immovable properties	2 994 719
EU-9	Retail exposures	1 985 682
EU-10	Corporate	1 696 399
EU-11	Exposures in default	263 375
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	966 327

I.8. Credit risk adjustments

I.8.1. Methodology of valuation and provisions

The consolidated financial reports of the Group are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards.

The group level assessment standards are determined by ” OTP Group’s Provisioning policy for loans in accordance with International Financial Reporting Standards (IFRS)”. The calculation of credit losses may be carried out collectively or individually.

Impairment must be recognized if objective evidence of impairment is identified, otherwise IBNR provision should be recognized. Provision could be recognized on those receivables (loans), which show - through the observable data - worsening in the expected future cash flows against of their status at disbursement, from the beginning of the appearance, as domestic or local worsening in the economic / business environment or, change(s) in - other - repayment ability of the debtor. Payment delays exceeding 90 days, contract modifications in accordance with the definition of the restructuring, termination of the contract and given legal proceedings are considered as objective evidence of impairment. Besides payment delays there are other criteria of default status, such as the amount of 90+ overdue exceeds the materiality threshold or given legal action is launched against the client. The definition of restructuring is described in details in Nr. 27 Note to IFRS Financial Statements.

Portfolio (collective) assessment

Portfolio provision could be recognized on those receivables (loans), which show - through the observable data - worsening in the expected future cash flows against of their status at disbursement, from the beginning of the appearance, as domestic or local worsening in the economic / business environment or, change(s) in - other - repayment ability of the debtor.

The condition of applying collective assessment is that the assets should be allocable to groups representing similar credit risk based on major credit risk characteristics and their capability to fulfill contractual obligations. These risk characteristics must be relevant. These may include, for example:

- the type of asset,
- industry of the debtor,
- geographic position,
- collateral type,
- former payment delinquency

Upon estimating the future cash flows related to the group(s) of financial assets, the historic credit loss data of the assets representing similar credit risk must be taken into account.
The historic credit loss must be adjusted for:

- those currently observable factors that have an impact on the loss and that did not exist upon the measuring of the historic loss, and
- those factors that existed upon measuring in the past, but at present they no longer have any effect.

Individual assessment

Receivables that are of insignificant amount on a stand-alone basis with objective evidence of impairment or that the risk management functional area subjected to individual assessment based on monitoring information must be measured individually:

- The cash flows expected from the financial instruments must be defined.
- Valuation and revaluation of collaterals is crucial, discounting the cash-flows from the sale of collaterals is an important part of individual assessment.
- The defined cash flows must be discounted to the present value.
- The impairment of the financial instrument is taking into account the riskiness of cash flows and individual collateralization.Investments are assessed individually.

22. chart Changes in impairment of the loan portfolio

	(million HUF)	Gross carrying value defaulted exposures
1	**Opening balance - 31.12.2016**	**1 097 679**
2	Loans and debt securities that have defaulted since the last reporting period	100 279
3	Returned to non-defaulted status	83 290
4	Change due to acquisition	54 564
5	Amounts written-off	
6	Other changes	-324 332
7	**Closing balance - 31.12.2017 (7 =1 + 2 - 3 + 4 - 5 + 6)**	**844 900**

* Note: Row "other changes" contains the written-off amounts.

I.8.2. Exposures to credit risks

Due to the acqusition in 2017 and the organic growth, the exposures and risk-weighted assets of OTP Group increased significantly.

23. chart: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (in million HUF)	31.12.2017	2017 Average
Central governments or central banks	4 266 018	3 957 843
Regional governments or local authorities	79 104	66 270
Public sector entities	199 508	192 919
Multilateral development banks	0	0
Institutions	410 671	404 562
Corporates	2 274 288	2 067 851
Retail	2 171 089	1 971 216
Secured by mortgages on immovable property	3 031 459	2 875 022
Exposures in default	266 433	274 599
Items associated with particularly high risk	43 024	30 029
Covered bonds	84 755	69 915
Collective investments undertakings	22 107	22 610
Equity exposures	50 002	51 267
Other exposures	663 104	575 617
Total	**13 561 562**	**12 559 719**

24. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2017

(in million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**4 266 018**	**79 104**	**199 508**	**0**	**410 671**	**2 274 288**	**2 171 089**	**3 031 459**	**266 433**	**43 024**	**84 755**	**22 107**	**50 002**	**663 104**	**13 561 562**
Australia	0	0	0	0	581	0	4	45	0	0	0	0	0	0	630
Austria	0	0	0	0	20 744	7 789	6	75	12	9 963	0	0	-9 963	2 212	30 838
Belgium	0	0	0	0	13 072	18 603	0	0	0	0	0	0	0	0	31 675
Belize	1	0	0	0	0	28	0	0	0	0	0	0	0	4 557	4 586
Bosnia and Herzegovina	0	0	0	0	55	0	27	16	49	0	0	0	0	0	147
Bulgaria	312 992	834	0	0	9 675	147 946	421 153	559 266	51 890	933	0	47	313	116 578	1 621 627
Canada	0	0	0	0	794	0	1	43	0	0	0	0	0	0	838
Congo, The Democratic Republic	0	0	0	0	213	0	0	0	0	0	0	0	0	0	213
Croatia	502 264	19 846	113 876	0	7 851	241 400	377 990	368 786	53 377	11 991	0	22	2 254	83 304	1 782 961
Cyprus	53	0	0	0	0	19 554	0	0	5 434	2 555	0	0	0	0	27 596
Czech Republic	0	0	0	0	8 553	3 856	25	1 124	1	0	0	0	0	0	13 559
Denmark	0	0	0	0	884	22	5	47	0	0	0	0	0	0	958
France	0	0	0	0	41 407	517	19	35	14	0	0	0	0	0	41 992
Germany	57 140	0	0	0	61 800	1 052	51	239	35	0	0	0	0	0	120 317
Greece	0	0	0	0	385	411	1	45	22	0	0	0	0	0	864
Hungary	2 793 759	46 216	84 023	0	9 837	1 200 127	608 409	1 433 348	84 409	6 911	84 755	22 038	54 837	285 840	6 714 509
Ireland	0	0	0	0	420	223	12	79	53	0	0	0	0	0	787
Israel	0	0	0	0	65	4 438	10	0	0	0	0	0	0	0	4 513
Italy	0	0	0	0	12 291	271	57	95	0	0	0	0	0	0	12 714
Japan	0	0	0	0	1 553	0	0	0	0	0	0	0	0	0	1 553
Lithuania	6 178	0	0	0	0	117	0	0	0	0	0	0	0	0	6 295
Luxembourg	0	0	0	0	2 970	-778	0	0	0	0	0	0	0	0	2 192
Malta	248	0	0	0	0	287	0	0	0	0	0	0	0	7	542
Montenegro	42 149	5 433	0	0	1	15 229	30 285	51 991	7 469	31	0	0	24	36 169	188 781
Netherlands	139	0	0	0	1 955	5 052	11	55	0	0	0	0	0	0	7 212
Norway	0	0	0	0	8 170	0	0	11	22	0	0	0	0	0	8 203
Poland	32 369	0	0	0	142	2 478	1	85	0	0	0	0	0	0	35 075
Romania	143 970	539	458	0	5 094	89 612	91 836	333 302	21 103	0	0	0	23	27 423	713 360
Russian Federation	80 683	0	0	0	46 734	100 849	370 211	31 908	2 904	317	0	0	53	17 655	651 314
Serbia	128 556	81	0	0	42 410	146 004	113 917	79 114	13 825	147	0	0	78	51 034	575 166
Slovakia	66 683	6 155	1 151	0	-203	87 993	85 290	162 648	15 828	2 565	0	0	2	25 210	453 322
Slovenia	6 003	0	0	0	309	4 618	1	0	0	0	0	0	0	0	10 931
South Africa	0	0	0	0	56	0	14	46	0	0	0	0	0	0	116
Spain	28 916	0	0	0	6 293	0	0	43	0	0	0	0	0	0	35 252
Sweden	0	0	0	0	697	1 469	2	0	16	0	0	0	0	0	2 184
Switzerland	0	0	0	0	8 752	9 678	19	65	0	0	0	0	0	0	18 514
Turkey	0	0	0	0	6 212	0	2	0	0	0	0	0	0	0	6 214
Ukraine	63 915	0	0	0	580	159 848	71 526	7 680	9 431	13	0	0	1	13 115	326 109
United Kingdom	0	0	0	0	69 268	1 308	125	867	405	0	0	0	0	0	71 973
United States	0	0	0	0	20 970	4 213	4	0	0	7 598	0	0	2 380	0	35 165
Other	0	0	0	0	81	74	75	401	134	0	0	0	0	0	765

25. chart: Exposure classes broken down by counterparty type on 31st December 2017

(in million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**4 266 018**	**79 104**	**199 508**	**0**	**410 671**	**2 274 288**	**2 171 089**	**3 031 459**	**266 433**	**43 024**	**84 755**	**22 107**	**50 002**	**663 104**	**13 561 562**
Goverments	4 235 518	0	0	0	0	0	0	0	0	0	0	0	0	0	4 235 518
Municipal	0	79 104	0	0	0	0	0	28	96	0	0	0	0	0	79 228
Public sector entities	0	0	199 508	0	0	0	0	3 364	266	0	0	0	0	0	203 138
Institutions	0	0	0	0	410 671	95	131	0	4 013	0	84 755	0	0	0	499 665
Coporate	30 500	0	0	0	0	1 824 180	0	404 923	58 621	0	0	15 193	0	9 875	2 343 292
Corpoarte SME	0	0	0	0	0	457 611	0	376 884	34 804	0	0	0	0	0	869 299
Retail	0	0	0	0	0	0	1 981 999	2 072 032	157 910	0	0	0	0	0	4 211 941
Retail SME	0	0	0	0	0	0	188 959	174 228	10 723	0	0	0	0	0	373 910
Equity	0	0	0	0	0	-7 598	0	0	0	0	0	0	21 937	0	14 339
Other*	0	0	0	0	0	0	0	0	0	43 024	0	6 914	28 065	653 229	731 232

* Other, non-credit risk items; collective, investment funds; high risk items

26. chart: Exposure classes broken down by residual maturity on 31st December 2017

(in million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**3 771 822**	**3 049 943**	**4 537 370**	**2 202 427**	**13 561 562**
Central governments or central banks	0	1 547 097	1 147 884	963 483	607 554	4 266 018
Regional governments or local authorities	0	10 006	12 469	54 516	2 114	79 105
Public sector entities	0	16 411	76 194	103 269	3 634	199 508
Institutions	0	201 136	135 151	31 219	43 165	410 671
Corporates	0	1 062 467	567 355	332 875	311 592	2 274 289
Retail	0	557 340	606 140	624 400	383 208	2 171 088
Secured by mortgages on immovable property	0	307 386	410 168	2 293 843	88 867	3 100 264
Exposures in default	0	58 750	31 028	81 132	33 562	204 472
Items associated with particularly high risk	0	115	134	27 219	15 556	43 024
Covered bonds	0	11 114	63 420	10 221	0	84 755
Collective investments undertakings	0	0	0	15 193	10 543	25 736
Equity exposures	0	0	0	0	163 877	163 877
Other exposures	0	0	0	0	538 755	538 755

27. chart: Aging of post-due exposures

	Gross carrying values					
(in million HUF)	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	87 850	7 637	6 063	51 891	66 852	624 606
Debt securities	0	0	0	0	0	0
Total exposures	**87 850**	**7 637**	**6 063**	**51 891**	**66 852**	**624 606**

28. chart: Non-performing and forborne exposures

	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees recieved	
		Of which performing but past due > 30 days and <=90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
(in million HUF)					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	3 443 849	0	0	12 546	887	12 546	157	-1	0	-2 097	-157	1 759	0
Loand and advances	9 090 184	80 821	133 729	1 030 765	901 703	993 036	340 628	-90 105	-4 526	-647 604	-186 709	303 743	216 922
Off-balance -sheet exposures	2 416 367	0	1 748	22 351	6 536	0	300	13 508	15	3 311	20	7 202	1

Note: Exposures according to EBA definition.

29. chart: Credit quality of exposures by exposure class and instrument on 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Central governments or central banks	0	4 266 728	-711	4 266 017
Regional governments or local authorities	101	78 231	-34	78 298
Public sector entities	322	200 275	-823	199 774
Multilateral development banks	0	0	0	0
Institutions	6 261	410 814	-2 392	414 683
Corporates	253 741	2 314 574	-199 699	2 368 616
Retail	584 475	2 248 730	-493 483	2 339 722
Secured by mortgages on immovable property	0	3 061 240	-29 782	3 031 458
Exposures in default	0	0	0	0
Items associated w ith particularly high risk	0	57 906	-14 882	43 024
Covered bonds	0	84 755	0	84 755
Collective investments undertakings	0	22 107	0	22 107
Equity exposures	0	56 966	-6 964	50 002
Other exposures	0	675 311	-12 205	663 106
Total	**844 900**	**13 477 637**	**-760 975**	**13 561 562**

30. chart: Credit quality of exposures by counterparty types on 31st December 2017

(million HUF)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Goverments	0	4 236 229	-711	4 235 518
Municipal	101	79 736	-609	79 228
Public sector entities	322	203 886	-1 070	203 138
Institutions	6 261	495 795	-2 391	499 665
Coporate	170 850	2 333 165	-160 722	2 343 293
Corpoarte SME	82 890	844 576	-58 168	869 298
Retail	549 318	4 137 081	-474 459	4 211 940
Retail SME	35 158	367 545	-28 793	373 910
Equity	0	20 068	-5 729	14 339
Other*	0	759 556	-28 323	731 233
Total	**844 900**	**13 477 637**	**-760 975**	**13 561 562**

* Other, non-credit risk items; collective, investment funds; high risk items

31. chart: Credit quality of exposures by geography on 31st December 2017

(million HUF)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	**844 900**	**13 477 637**	**-760 975**	**13 561 562**
Australia	0	632	-1	631
Austria	19	36 075	-5 256	30 838
Belgium	1	31 676	-2	31 675
Belize	0	4 586	0	4 586
Bosnia and Herzegovina	876	137	-865	148
Bulgaria	153 952	1 595 759	-128 084	1 621 627
Canada	0	840	-2	838
Congo, The Democratic Republic	0	213	0	213
Croatia	104 063	1 747 002	-68 105	1 782 960
Cyprus	19 467	22 246	-14 117	27 596
Czech Republic	8	13 573	-22	13 559
Denmark	0	958	0	958
France	28	41 981	-16	41 993
Germany	119	120 311	-114	120 316
Greece	43	868	-48	863
Hungary	247 069	6 657 875	-190 440	6 714 504
Ireland	120	735	-68	787
Israel	0	4 513	0	4 513
Italy	1	12 718	-5	12 714
Japan	0	1 554	0	1 554
Lithuania	1	6 295	-1	6 295
Luxembourg	814	2 200	-822	2 192
Malta	0	543	0	543
Montenegro	46 595	190 119	-47 932	188 782
Netherlands	0	7 291	-80	7 211
Norw ay	42	8 182	-21	8 203
Poland	1	35 095	-20	35 076
Romania	43 581	698 303	-28 525	713 359
Russian Federation	70 927	698 070	-117 685	651 312
Serbia	32 629	569 227	-26 690	575 166
Slovakia	43 032	444 733	-34 442	453 323
Slovenia	0	10 932	0	10 932
South Africa	0	116	-1	115
Spain	0	35 253	-1	35 252
Sw eden	30	2 169	-16	2 183
Sw itzerland	0	18 518	-5	18 513
Turkey	0	6 215	-1	6 214
Ukraine	79 951	342 689	-96 531	326 109
United Kingdom	1 267	71 573	-867	71 973
United States	0	35 200	-34	35 166
Other	264	662	-156	770

32. chart: Overview of CRM techniques

(million HUF)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	14 685 041	322 451	82 565	239 886	0
Total debt securities	0	0	0	0	0
Total exposures	**14 685 041**	**322 451**	**82 565**	**239 886**	**0**
Of which defaulted	268 216	3 023	64	2 959	0

Note: The table contains exposures secured by financial collaterals and guarantees. Exposures secured by mortgage collaterals are included in "Exposures unsecured" column.

I.9. Use of External Credit Assessment Institutions

To determine the risk weight of non-trading-book exposures, the Group applies the rating of Fitch, an accepted external credit rating agency. OTP Group apllies the following table in case of the exposures and issuer in order to determine the credit quality step from the internal ratings. OTP Group applies external credit rating in case of exposures to souvereign, institutions and corporate, credit ratings are taken into account on client basis. Risk weights are derived based on CRR Articles 114, 119, 120, 121 and 122.

33. chart: Each credit assessment corresponds to the following credit quality step

Fitch's ratings	Credit quality step	Fitch's ratings	Credit quality step
AAA	1	BB-	4
AA+	1	B+	5
AA	1	B	5
AA-	1	B-	5
A+	2	CCC+	6
A	2	CCC	6
A-	2	CCC-	6
BBB+	3	CC	6
BBB	3	C	6
BBB-	3	DDD	6
BB+	4	DD	6
BB	4	D	6

34. chart: Exposures broken down by credit quality steps (CQS) of obligors

	Risk weight									
(in million HUF)	0%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposures to central governments or central banks	3 957 493	29 435	0	220 817	0	251 184	0	0	4 458 929	3 679
Exposures to regional governments or local authorities	0	62 330	0	0	0	9 900	0	0	72 230	72 230
Exposures to public sector entities	106 281	6 470	0	1 151	0	60 314	0	0	174 216	174 216
Exposures to multilateral development banks	3 028	0	0	0	0	0	0	0	3 028	3 028
Exposures to institutions	0	232 645	0	132 935	0	47 252	0	0	412 832	126 149
Exposures to corporates	0	0	0	3	0	2 183 317	0	0	2 183 320	2 132 372
Retail exposures	0	0	0	0	2 045 225	0	0	0	2 045 225	2 045 225
Exposures secured by mortgages on immovable property	0	16	1 671 767	192 816	465 898	700 895	0	0	3 031 392	3 031 392
Exposures in default	0	0	0	0	0	209 754	53 718	0	263 472	263 472
Exposures associated with particularly high risk	0	0	0	0	0	0	43 024	0	43 024	43 024
Exposures in the form of covered bonds	0	0	0	84 755	0	0	0	0	84 755	84 755
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	22 107	0	0	22 107	22 107
Equity exposures	0	0	0	0	0	19 576	0	30 426	50 002	50 002
Other items	256 916	38 180	0	0	0	358 133	0	9 875	663 104	663 104
Total	**4 323 718**	**369 076**	**1 671 767**	**632 477**	**2 511 123**	**3 862 432**	**96 742**	**40 301**	**13 507 636**	**8 714 755**

Note: “Of which unrated” column contains the expousres which do not have external credit ratings.

I.10. Capital requirement for operational risk

OTP Group’s operational risk capital requirement, which was determined by the advanced measurement approach and the basic indicator approach in line with the principle of ‘partial use’, was HUF 86,549 million on 31st December 2017.

35. chart: Operational risk capital requirements on 31st December 2017

Operational risk capital requirement's breakdown based on methods	
Basic Indicator Approach	33 820
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	52 729
Total	**86 549**

I.11. Exposures in equities not included in the trading book

I.11.1. Trading purposes, valuation methods

Aspects of classification for trading purposes:

According to the Regulation of OTP Bank on Keeping of the Trading Book and Determining the Capital Requirements the trading book includes investments purchased for the short term gain due to the price difference between the purchase and selling price.

According to the Investment Regulation of the Bank the long-term investments are financial instruments (Interests in Entities) purchased or founded for the purposes of providing the strategic (furthermore gaining ability to influence, direct, control another company) purpose of the Bank, providing the banking activities (as financial enterprise) and the banking operations (as incremental subsidiary), and shares in other financial intermediaries and in financial auxiliaries institutions.

Long-term investments can be classified as it follows:

- The OTP Group which is the complex entirety of the OTP Bank and the enterprises closely affiliated (qualified as dominant influence or participation) with OTP Bank.
- Other capital investments which operate under the direct ownership of the Bank, but not belong to the OTP Group.

In the financial statements of the Bank long-term investments are presented among Investments in subsidiaries, associates and other investments. Investments in subsidiaries comprise those investments where the Bank, through direct and indirect ownership interest, controls the financial and operating policies of the investee.

Accounting and valuation methods:

Investments in subsidiaries, associates and other investments are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries, associates and other investments are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.

Impairment is determined based on the future economic benefits of the investment and macroeconomic factors. The Bank calculates the fair value based on discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.

I.11.2. Exposures in equities not included in the trading book on 31st December 2017

36. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2017

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No
2	Alfa Plam a.d.	12	No
3	Auctioneer s. r. o.	1	No
4	AY BANKA LONDON u likvidaciji	0	No
5	Borika Bankservice AD	926	No
6	Budapest Stock Exchange Ltd.	123	No
7	Bulgarian Development Bank	0	No
8	Bulgarian Stock exchange AD	6	No
9	Central Depositary AD	1	No
10	Centralna depositary agency a.d.	23	No
11	Company for Cash Services AD	313	No
12	Diákigazolvány Ltd.	3	No
13	Dinghy Sport Club Hungary Ltd.	57	No
14	DUNAVSKI PROJEK.CENTAR Beograd	0	No
15	Eastern Securities S. A.	0	No
16	El holding Niš	0	No
17	Első Alkotmány Utcai Ingatlanhasznosító Ltd.	0	No
18	Energoprojekt Holding AD Beograd	0	No
19	EUROAXIS BANK MOSKVA in bankruptcy	0	No
20	Financial Research Corporation	1	No
21	First Ukrainian Credit Bureau LLC	11	No
22	Garantiqa Credit Guarantee Closed Co. Ltd.	280	No
23	GLOBOS OSIGURANJE AD BEOGRAD	126	No
24	Govcka Project Company SRL	1	No
25	HAGE Ltd.	135	No
26	HROK d.o.o.	85	No
27	HRVATSKI NOGOMETNI KLUB HAJDUK SPLIT Š.D.D.	0	No
28	IKARUS Vehicle Manufacturing Company Limited "liq."	0	No
29	IMOS AD ŠID	78	No
30	Industrija masina i traktora Novi Beograd	0	No
31	Industrija motora Rakovica	0	No
32	Ingatlanvagyon Projekt 14. Ltd.	0	No
33	Investment Projekt 1. d.o.o.	0	No
34	Istarska autocesta d.d.	5	No
35	JSC PFTS	2	No
36	JSC Rostov Regional Mortgage Corporation	0	No
37	JSC Settlement Center	0	No
38	Jubmes banka a.d.	51	No
39	Kiev International Stock Exchange	0	No
40	KOMERCIJALNA BANKA AD BEOGRAD	2	No
41	KÖZVIL Ltd.	0	No
42	M8-2 Ingatlanhasznosító Ltd.	3	No
43	Mátrai Power Plant Closed Company Limited by Share	0	No
44	Messer Technogas AD Beograd	12	No
45	Metalac AD Gornji Milanovac	3	No
46	METANOLSKO SIRĆETNI KOMBINAT KIKINDA	0	No
47	MFM Project Investment and Development Ltd.	2 003	No
48	MIN Holding Nis "u.v.l."	0	No
49	Montenegroberza ad	31	No
50	OFB Projects EOOD	0	No
51	OJSC Saint Petersburg Exchange	0	No
52	OTP Advisors SRL	0	No
53	OTP Consulting Romania SRL	22	No
54	OTP Fedezetingatlan Ltd. "u.v.l."	3	No
55	OTP Nedvizhimost OOO	57	No
56	OTP Travel Ltd.	2 614	No
57	OTP Újlakás Credit Intermediary LLC	9	No
58	Overdose Vagyonkezelő Ltd. "u.v.l."	0	No
59	PEVEC d.o.o. Beograd	2 179	No
60	PortfoLion Digital Ltd.	100	No
61	PortfoLion Venture Capital Fund Management Ltd.	150	No
62	Project 03 s.r.o.	0	No
63	Projekt 13 Apartmany Slovensko s.r.o.	0	No
64	Projekt-Ingatlan 8. Ltd.	0	No
65	Ratko Mitrovic AD Beograd	0	No
66	Rea Project One Company SRL	1	No
67	Recreatours AD Beograd	10	No
68	REG.AGEN.ALMA MONS N.SAD	0	No
69	RESPV s.r.l.	0	No
70	S.W.I.F.T. SCRL	49	No
71	SC AS Tourism SRL	1 932	No
72	SC Casa de Compensare SA	0	No
73	SC Cefin Real Estate Kappa SRL	0	No
74	SLOBODNA CARINSKA ZONA NOVI SAD	13	No
75	Small Business Development Company Ltd.	40	No
76	SOMBORSATAN DOO SOMBOR	0	No
77	South Invest Montengro doo	2	No
78	SPC MILENIUM VRŠAC	13	No
79	Special Purpose Company LLC	1	No
80	Središnja depozitarna agencija d.d.	1	No
81	TIGAR AD PIROT	0	No
82	TRŽIŠTE NOVCA AD BEOGRAD	19	No
83	Trziste novca d.d.	26	No
84	Vesta United Regional Registrar OJSC	0	No
85	VETERINARSKI ZAVOD AD SUBOTICA	0	No
86	VISA Incorporated	7 599	No
87	Zagrebacka burza d.d.	75	No
88	ZITOSREM AD INĐIJA	1	No

These instruments do not have quoted market price in an active market and their fair value cannot be reliably measured.

The consolidated gain realised from sales and liquidations relating to exposures in equities not included in the trading book was HUF 13 654 million.

I.12. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate measures banking book interest rate risk exposure in case of the most important currency – HUF - monthly, and also presents it to the management with the same frequency. In case of the other currencies consolidated exposure is measured quarterly.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modeled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.

The sensitivity of interest income to changes in BUBOR was analyzed assuming two interest rate path scenarios:

- HUF base rate stays unchanged and BUBOR decreases gradually to 0.0% (scenario 1)
- BUBOR decreases gradually by 50 bps over the next year and the central bank base rate decreases to the level of BUBOR3M at the same time (scenario 2)

The net interest income in a one year period after January 1, 2018 would be decreased by HUF 191 million (scenario 1) and HUF 5028 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 306 million for scenario 1, HUF 3735 million for scenario 2) on the government bond portfolio held for hedging.

Furthermore, the effects of an instant 10 bp parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital was analyzed. The results can be summarized as follows (HUF million):

37. chart: The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period and to the market value of the hedge government bond portfolio booked against capital

Description (million HUF)	Effects to the net interest income (1Year period)	(Price change of AFS government bonds)
HUF -0.1% parallel shift	-1 658	771
EUR -0.1% parallel shift	-539	0
USD -0.1% parallel shift	-168	0
Total	**-2 365**	**771**

I.13. Remuneration policy

I.13.1. Decision-making process applied in determining the remuneration policy

The Supervisory Board of OTP Bank Plc. – within the framework approved by the Bank's General Meeting – makes a decision about accepting the Bank Group's Remuneration Policy, approves its amendment and takes responsibility for its review. OTP Bank Plc.'s Supervisory Board consults with all the units of OTP Bank that are significant in terms of corporate governance with regard to drafting the Banking Group's Remuneration Policy.

OTP Bank Plc.'s Supervisory Board has the right to modify the Remuneration Policy with the exception of matters that by law are subject to the competence of the General Meeting, with the proviso that it shall notify all the subsidiaries of the OTP Banking Group on the amendment immediately and/or that it shall notify the shareholders at OTP Bank Plc.'s next General Meeting.

The Board of Directors of OTP Bank Plc. is responsible for the implementation of the Banking Group's Remuneration Policy.

The provisions of the Banking Group's Remuneration Policy, as well as the regulations related to it and their implementation, must be checked by OTP Bank Plc.'s Internal Audit department at least once a year, no later than by 31 March, and a report on the matter must be prepared for OTP Bank Plc.'s Board of Directors, Supervisory Board and Remuneration Committee.

OTP Bank Plc.'s Remuneration Committee oversees the remuneration of the managers who are responsible for risk management and legal compliance – including the employees, who are responsible for internal control - and prepares remuneration decisions by taking into account the long-term interests of shareholders, investors and other stakeholders of the credit institution.

OTP Bank Plc.'s Remuneration Committee makes recommendations to the Supervisory Board of OTP Bank Plc. regarding the remuneration of the Board of Directors of OTP Bank Plc. and provides support and advice with respect to drafting the Bank Group's comprehensive remuneration policy and checking the planning and operation of the remuneration system.

OTP Bank Plc's Remuneration Committee consists of 3-7 members (chairman and at least two other members) appointed by the Board of Directors from among its own members, taking into consideration that the members cannot be employed by the bank. The Remuneration Committee held sessions and voted in writing fourteen times in 2017 and carried out its activities without an external consultant.

The detailed description of the tasks and responsibilities related to the operation of the Bank Group's Remuneration Policy is contained in the effective rules of procedure of the individual bodies.

I.13.2. Relationship between performance and performance-based remuneration

The most important principle of the Bank Group's Remuneration Policy is that the amount of performance-based remuneration – with the ex-ante and ex-post assessment of the associated risks – is tied to the extent by which the objectives of the Bank Group/Bank/subsidiary and the individual are realised. The amount of the performance-based remuneration is determined on the basis of a joint assessment of the objectives.

In respect of the personal scope under the effect of the Banking Group's Remuneration Policy, performance evaluation, as a general rule, is based on individual agreements. Performance expectations are determined in a predefined indicator structure at Banking Group/Bank/subsidiary, organisational, managerial and job level and/or in terms of target tasks, taking into account the differences stemming from the nature of the activities of the Bank's individual units.

In the case of **managers employed by OTP Bank Plc.**, the key performance evaluation indicators include:

- the banking group-level (domestic and foreign companies that operated as group members under consolidated supervision in the whole evaluated business year) **RORAC** (Return on Risk-Adjusted Capital), which indicates return relative to the capital requirement associated with the given risk of an activity, as well as
- **criteria that measure strategic** and **individual performance** (financial indicators and indicators measuring the quality of work performance).

In the case of the managers of the Banking Group's subsidiaries, performance evaluation is conducted in a differentiated manner based on the nature of the companies' activities.

The key indicator (RORAC) is based on the prevailing annual financial plan. The proposal about the evaluated business year target value of the key indicator should be submitted to the Supervisory Board of OTP Bank Plc. The target value may be modified in response to a change in the statutory regulations and/or a change in market circumstances that occurs after the target value is determined and that has a significant objective impact on the Bank's profit and/or attainment of the target value.

I.13.3. Ratio of fixed to performance-based remuneration

The members of the Board of Directors and the Supervisory Board in their function get fix honorarium and do not receive performance based remuneration.

The remuneration of the various positions of additional persons belonging to the scope of the Bank Group Remuneration Policy comprises of a fixed and a performance-based remuneration element. The main elements of fixed remuneration are basic salary and ordinary shares issued by OTP Bank.

The proportion of the fixed and performance-based remuneration is defined in a way so that it properly reflects the function, size and complexity of the managed organisation. The ratio of performance-based remuneration shall not exceed 100 % of the fixed remuneration in the case of any of the individuals concerned.

I.13.4. Criteria of variable remuneration

At Banking Group level, the maximum amount available for performance-based remuneration in a given year is determined by OTP Bank Plc.'s Supervisory Board. OTP Bank Plc. uses the combined method when determining the amount of the performance-based remuneration (variable remuneration), with the proviso that the maximum amount available for performance-based remuneration is determined in line with the Banking Group's capital position and its expected financial performance.

Banking Group level and individual performances are evaluated once a year. At Banking Group level the maximum amount of performance-based remuneration in a given year and the amount broken down by individuals are determined within 45 days after the date of the General Meeting of OTP Bank Plc. that closes the evaluated year.

As a general rule, the performance-based variable remuneration is provided in the form of a cash bonus and as share based allowance, in a 50-50% ratio. In the personal scope identified on consolidated level the share based allowance, in accordance with the decision of the individual, is settled as remuneration converted into shares or as preferentially priced share allowance. In respect of sub-consolidated and local level identified personal scope the allowance is provided as such a cash-based payment, as if the settlement of the remuneration converted into shares would take place, with the proviso, that the calculation method of the allowance's nominal value shall be approved by an expert independent from the Bank (so called virtual share allocation). The number of shares available for share allocation as remuneration converted into shares broken down to individuals is to be determined on the basis of the amount of the share-based performance remuneration divided by the share price as at the date of the Supervisory Board decision. The number of shares available for preferentially priced share allowance broken down to individuals is to be determined on the basis of the amount of the share-based performance remuneration divided by the value of the preferentially priced share allowance as at the date of the Supervisory Board decision.

The share price and the value of the preferentially priced share allowance as at the date of the Supervisory Board decision is established by OTP Bank's Supervisory Board as the average of the daily average prices of the ordinary shares issued by OTP Bank Plc. recorded on the Budapest Stock Exchange on the three trading days preceding the day of the Supervisory Board decision. The due part of the performance based remuneration, not depending on the exercise of the share allocation, must be settled in 10 days counted from the Supervisory Board decision, but not later than until 30th June of the year when the payment is due.

The share allocation at a reduced price may include a maximum allowance of HUF 2,000 per share on the date of Supervisory Board decision and the income content realisable per share shall equal the smaller of the amount specified by the Supervisory Board of OTP Bank Plc. as at the date of the exercising the share allocation or HUF 4,000. The conditions of the share based remuneration are determined by the Supervisory Board of OTP Bank Plc. within the frames defined by the Annual General Meeting. In respect of the personal scope identified on consolidated level, as a general rule, the share-based portion of variable remuneration is provided by OTP Bank Plc. to those concerned, while in the sub-consolidated and local level identified personal scope, and within the subsidiaries operating outside of the territory of the European Union, virtual share allocation is applied.

The consolidated level identified employees of OTP Bank Plc., OTP Jelzálogbank Zrt., OTP Lakástakarékpénztár Zrt. and Merkantil Bank Zrt., by their own will, are entitled to participate in OTP Bank ESOP Organization, in which case they can acquire a member's share up to the value of their performance based remuneration within the ESOP Organization. For the identified persons participating in OTP Bank ESOP Organization the settlement of the performance based remuneration, in case of the fulfilment of the conditions, is provided by the ESOP Organization, up to the value of the member's share.

Pursuant to the general rule that is in line with the provisions of the Credit Institutions Act, in the consolidated level identified personal scope 60%, while in sub-consolidated and local level personal scope, as a general rule, 40% of the variable remuneration is deferred for 3 years – in the case of the President-CEO and deputy-CEOs of OTP Bank Plc. for 4 year –, within which period the extent of the deferred payment shall be identical every year.

Entitlement to the deferred instalments is determined based on a subsequent assessment of the risks. The assessment of risks takes place, on one hand, on the basis of quantitative criteria pertaining to prudent operations and, on the other hand, on qualitative evaluation criteria. On the basis of the values of the criteria of prudent operation, OTP Bank Plc.'s Supervisory Board resolves on the possibility to pay deferred instalments. Based on the assessment of the risks related to the activities of those concerned, the deferred portion of the performance-based remuneration may be reduced or cancelled. As a general rule, an additional condition for entitlement to the deferred instalments is the existence of the employment relationship.

If the person in a managerial position or if the employee has been involved in any practice that caused a significant loss, and/or is not up to the requirements pertaining to suitability or conformity, the Supervisory Board of OTP Bank Plc. is entitled to make the required decision on claiming back the performance-based remuneration booked for/paid to the individual concerned in regard to the period affected by the circumstance resulting in the claiming back of the remuneration. In addition to as specified in paragraph performance-based remuneration paid to the individual earlier on is refunded if the individual is found to have committed a criminal act or in the case of such serious omission, abuse or defect that had significantly deteriorated the creditworthiness and/or profitability of the institution. Decisions on claw back shall be taken by the Supervisory Board of OTP Bank Plc.

I.13.5. Summarised information relating to the remuneration

Within the context of the Bank Group's Remuneration Policy, the summarised information pertaining to the remuneration of the staff whose professional activities have a material impact on the risk profile is contained in the following table.

38. chart: Summarised information of remuneration categorized by activities[1)]

(million HUF)	Remuneration for 2017					
	Investment banking	Retail banking	Asset management	Corporate functions	Independent control functions	All other
The remuneration of the staff whose professional activities have a material impact on the risk profile	**647**	**4 459**		**7 358**	**1 681**	**294**
OTP Bank Plc.	*408*	*1 552*		*2 693*	*457*	*294*
OTP Mortgage Bank Ltd.	*23*	*38*		*66*	*8*	
OTP Building Society Ltd.				*88*	*12*	
Merkantil Bank Ltd.		*167*		*297*	*25*	
Other subsidiaries	*216*	*2 702*		*4 214*	*1 179*	

Comments:

1) The specification of activities made in accordance with annex 13. of MNB regulation 51/2016. (XII.12.):
   a. Investment banking: including corporate finance advice services, private equity, capital markets, trading and sales;
   b. Retail banking: including total lending activity (to individuals and enterprises);
   c. Asset management: including portfolio management, managing of UCITS and other forms of asset management;
   d. Corporate functions: all functions that have responsibilities for the whole institution at the consolidated level and for subsidiaries with such functions at the solo level, (e.g. Human Resources, IT);
   e. Independent control functions: staff active in the independent risk management, compliance and internal audit functions as described in the EBA's guidelines on internal governance.;
   f. All other: staff who cannot be mapped into one of other business areas.

39. chart: Summarised information of remuneration according to the type of remuneration

	Persons receiving remuneration [1)]	Remuneration for 2017			Amount of unpaid, deferred remuneration [4)]		The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments[5)]
		Fixed remuneration [2)]	Performance based remuneration [3)]		Entitlement obtained	Entitlement not obtained	
			Cash based	Share based			
	(persons)	(million HUF)					
The remuneration of the staff whose professional activities have a material impact on the risk profile 1)	**379**	**9 497**	**2 471**	**2 471**	**401**	**4 597**	**3 439**
OTP Bank Plc.	*44*	*2 732*	*1 336*	*1 336*	*262*	*2 923*	*2 501*
OTP Mortgage Bank Ltd.	*7*	*99*	*18*	*18*	*3*	*24*	*5*
OTP Building Society Ltd.	*5*	*76*	*12*	*12*	*2*	*24*	*13*
Merkantil Bank Ltd.	*15*	*357*	*66*	*66*	*13*	*152*	*101*
Other subsidiaries 6)	*308*	*6 233*	*1 039*	*1 039*	*121*	*1 474*	*819*

Comments:

1) Persons under the Bank Group Remuneration Policy whose professional activities have a material impact on the risk profile in 2017.
2) Contains the amount of the share allowance that constitutes the fixed remuneration which shall be settled after the General Meeting that closes the year 2017.
3) The sum of calculated performance-based remuneration after the year 2017, the settlement of which shall take place based on the performance evaluation after the General Meeting closing the year 2017.

4) The first, second, third deferred part and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2016, the second and third deferred part of performance-based remuneration for 2015, and the third deferred part of performance-based remuneration for 2014, and the first and second deferred part for 2014 and the first deferred part for 2015 at OTP Banka Slovensko a.s. as a vested remuneration.
5) The third deferred part of performance-based remuneration after 2013, second deferred part of performance-based remuneration for 2014 and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2015 which settled in 2017 (without the deferred parts for 2014 and 2015 at OTP Banka Slovensko a.s. where the deferred parts shall be settled after the lapse of all deferred periods pursuant to the national law).
6) In case of the subsidiaries under consolidated supervision the fixed remuneration is calculated at the closing exchange rate as at 29 December 2017, the performance based remuneration is calculated at the official middle rate of the National Bank of Hungary on the day of the evaluation of the financial year.

During the business year in the frame of the Remuneration Policy four person was compensated above a law with a severance payment of 190.3 million HUF and two person was compensated with sign-on bonus of 7.6 million HUF. During the year 2017 one person was compensated between 3.0 and 3.5 million EUR and two person was compensated between 1.0 and 1.5 million EUR.

Remuneration settled in 2017 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board amounted to HUF 964 million, which amount includes the fixed share-based remuneration of the members of the Board of Directors as well, that was settled after the General Meeting closing the year 2016.

40. chart: Remuneration settled in 2016 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board

Name	Position	Amount of compensation			Total amount of cash compensation in 2017 (HUF)
		to 11/04/2017 (HUF/month)	from 12/04/2017 (HUF/month)	OTP shares number/month[1]	
Board of Directors					
Dr. Sándor Csányi	Chairman	810 000	810 000	1 000	9 720 000
Antal György Kovács	Member[2]	695 000	695 000	800	7 771 296
László Wolf	Member	695 000	695 000	800	8 340 000
Dr. Antal Pongrácz	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. István Gresa	Member (non-executive)	695 000	695 000	800	8 340 000
Mihály Baumstark	Member (non-executive)	695 000	695 000	800	8 340 000
Tamás Erdei	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. Tibor Bíró	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. László Utassy	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. József Vörös	Member (non-executive)	695 000	695 000	800	8 340 000
Supervisory Board					
Tibor Tolnay	Chairman[3]	2 000 000	2 400 000	---	26 640 000
Dr. Gábor Horváth	Deputy Chairman	1 600 000	1 900 000	---	21 790 000
Dominique Uzel	Member	1 400 000	1 700 000	---	---[4]
Dr. Gellért Márton Vági	Member	1 400 000	1 700 000	---	19 390 000
Ágnes Rudas	Member (employee)	1 400 000	1 700 000	---	19 390 000
András Michnai	Member (employee)	1 400 000	1 700 000	---	19 390 000

Comments:

1) The share allowance is granted once a year within 30 days of the General Meeting closing the evaluated financial year; the beneficiaries bear the burden of restraint on alienation with respect to 50% of the share allowance until the end of mandate.
2) Due to retirement until 17 March 2017. Re-elected from 12 April 2017.
3) Between 01 April 2017 and 12 April 2017 compensation was not paid.
4) The compensation has been transferred to Groupama S.A.

In case of Hungarian subsidiaries there is no remuneration paid for Board of Directors and Supervisory Board members, employed by the Bank Group.

41. chart: The OTP Mortgage Bank Ltd.'s Board of Directors and Supervisory Board in 2017 received a remuneration of HUF 1.4 million

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2017 HUF
Board of Directors				
Antal György Kovács	Chairman		---	---
András Becsei	Member		---	---
Zoltán Roskó	Member		120 000	1 440 000
Attila Kovács	Member		---	---
Ákos Ferenc Fischl	Member	from 01.01.2017	---	---
Csaba Nagy	Member	from 15.05.2017	---	---
Supervisory Board				
Tamás Endre Vörös	Chairman	until 19.04.2017	---	---
Anna Mitkova Florova	Chairman	from 19.04.2017	---	---
András Kuhárszki	Member		---	---
Ágota Selymesi	Member		---	---
Frigyes László Garai	Member		---	---

42. chart: The OTP Building Society Ltd.'s Board of Directors and Supervisory Board members in 2017 received a remuneration of HUF 2.9 million

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2017 HUF
Board of Directors				
Antal György Kovács	Chairman		---	---
Péter Köntös	Member		---	---
Szabolcs Annus	Member	until 07.03.2017.	---	---
Árpád Srankó	Member		---	---
Attila Kovács	Member		---	---
András Becsei	Member		---	---
Anna Mitkova Florova	Member	from 20.03.2017		
Supervisory Board				
József Windheim	Chairman		---	---
dr. Ilona Ádámné Környei	Member		---	---
Beáta Anett Sukovich	Member		120 000	1 440 000
dr. Tamás Gudra	Member		120 000	1 440 000

43. chart: The Merkantil Bank Ltd.'s Board of Directors and Supervisory Board members in 2017 received a remuneration of HUF 3.6 million

Name	Position	Notes	Amount of compensation	Total amount of cash compensation in 2017
			HUF/month	HUF
Board of Directors				
dr. László Utassy	Chairman		---	---
dr. Norbert Szaniszló	Member		---	---
Tibor László Csonka	Member		---	---
dr. Ibolya Rajmonné Veres	Member		---	---
Péter Köntös	Member		---	---
dr. Bálint Csere	Member		---	---
Supervisory Board				
dr. Ferenc Ecsedi	Chairman		---	---
Zsuzsanna Szabó	Member		---	---
Ágota Selymesi	Member		---	---
dr. Tamás Suchman	Member		300 000	3 600 000

I.14. Disclosure of encumbered and unencumbered assets

44. chart: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(million HUF)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**881 987**		**12 047 915**	
Equity instruments	0	0	62 441	60 332
Debt securities	68 235	66 756	3 513 465	3 593 019
Other assets	406		1 085 195	

45. chart: Collateral received, by broad categories of product type

(million HUF)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**61 044**
Equity instruments	0	0
Debt securities	0	24 958
Other collateral received	0	36 087
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

46. chart: Encumbered assets/collateral received and associated liabilities

(million HUF)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**518 273**	**881 987**

Information on importance of encumbrance

The encumbrances of OTP Group's assets and collaterals received are caused by different types of transactions.

- The collateral for the funds granted by the MNB's Funding for Growth Scheme is partly the loans refinanced through the funds, and in part the loans that cover the mortgage bonds issued by OTP Mortgage Bank, which are in the Group's books.
- Two of the Group's subsidiary banks issue mortgage bonds to finance their assets. The collateral for mortgage bonds is the mortgage loan stock placed from the funds.
- The encumbrances caused by derivative transactions largely stem from CIRS transactions, the market value of which may fluctuate depending on the foreign exchange rate.

- Some subsidiary banks enter into repo agreements, the collateral for which typically consists of government bonds issued by the government of that country.
- The value of other encumbrances (e.g. collaterals from securities lending, collaterals for VISA/MasterCard or stock exchanges) is the least relevant in the Group's encumbrances.

OTP Group's repo stock decreased slightly and the mortgage bond issuance increased in 2017. On the other hand, the value of encumbrances arising from the Funding for Growth Scheme funds has reduced.

The intragroup asset encumbrance stemmed from derivative transactions, repo agreements, and mortgage bond issuance.

At OTP Mortgage Bank, the stock of receivables that may be accepted as collateral has somewhat exceeded the stock of mortgage bonds issued.

The ISDA/CSA agreement regulates how to define the value of the collateral behind derivative transactions for all major partners. In the case of derivative transactions, if the total current market value of the derivative transactions with a partner, as calculated by the calculation agent, is negative, then the value that corresponds to the negative NPV shall be placed on the partner's margin account.

From the items recognized under other assets in balance sheet, OTP Group does not consider its cash balance, intangible assets, tangible assets, inventories or deferred tax assets subject to encumbrance.

I.15. Liquidity risk

The Bank managing the liquidity risk exposure by (i) accumulating appropriate amount of high quality liquidity reserves, (ii) developing advanced risk management methodology that models the relevant risk exposure in a proper and prudent way, (iii) applying transparent processes and workflows that are straightforward from authority and responsibility point of view therefore they minimize operational risks and (iv) exercising frequent high quality management reporting that provides the adequate scale and scope of insight for economically reasoned decision making.

According to the industrial best practice the risk measurement, strategic risk management and the operational risk management are separated functions. The risk measurement, the risk methodology development and the long term strategic risk management functions are the responsibilities of Asset-liability Management Directorate (ALM) in Strategic and Financial Division, while the daily liquidity management process is executed by Treasury in the Commercial Banking Division.

The ALM Directorate prepares liquidity risk related standard reports for ALCO on a monthly basis. The report contains the quantitative and qualitative ex post assessment of risk measurement and management process and contains proposals in connection with the future challenges that require ALCO approved actions to deal with.

The internal regulation on liquidity risk management is approved by ALCO after the standard annual revision process of the risk management methodology.

Quarterly report is presented to the Management Committee where the evolution of liquidity risk profile analyzed in a way that makes the management certain of that risk appetite and risk tolerance are in harmony. Management Committee is the body that approves the Asset-liability Strategy.

Annual report is presented to the Board of Directors which contains key topics that affected the risk profile of the bank and the findings of internal end regulatory audits. By approving the annual report the Board of Directors validates the appropriateness of the risk management framework.

The principle of liquidity risk management is that a considerable part of risks is covered by a joint liquidity pool, which offers instant and flexible access for the parent bank and its subsidiaries, while subsidiaries shall build their own liquidity reserve for the risks that are difficult to measure and manage from the center. It is a common feature of the Group’s centralized and decentralized methodological framework to compare the quantity of available high-quality reliable liquidity to the risk exposure considered to be relevant.

Liquidity reserve consists of assets that can be quickly converted into cash because of their maturity, or their eligibility for covered financing (repo), therefore they can be used to meet financial obligations, expected or unforeseeable, when they are due. The main components of the liquid asset portfolio include the central bank placements, government securities and mortgage bonds, a smaller share of corporate bonds eligible for central bank repo and money market placements. Using the conservative approach of liquidity management, the expected cashflows of maturing client loan portfolio are not considered as safe liquidity.

The Group’s liquidity reserves appear at two levels of hierarchy: in the liquidity pool, and at the subsidiary banks. The minimum liquid asset volume required at either level depends on the size of the risk exposure to be covered.

According to the liquidity strategy the liquidity reserves have to cover the relevant exposure on multiple time horizons (1 month, 3 months). The reserves have to provide coverage under normal business conditions for debt maturities within one year and for the estimated liquidity need of potential liquidity reducing shocks on the applied time horizons.

Under the applied risk management framework the following risk factors have been identified and assessed: (i) business shock (deposit withdrawal and credit line utilization) (ii) market rate shock (interest rates and FX rates) and (iii) renewal risk (capital market debt maturities).

47. chart: Liquidity coverage ratio

(in million HUF)	Description	Total unweighted value (average) 2017.12.31	Total weighted value (average) 2017.12.31
Number of data points used in the calculation of averages		12	12
HIGH-QUALITY LIQUID ASSETS			
1.	Total high-quality liquid assets (HQLA)		3 750 445
CASH – OUTFLOWS			
2.	Retail deposits and deposits from small business customers, of which:	5 137 740	372 953
3.	*Stable deposits*	3 860 354	193 018
4.	*Less stable deposits*	1 247 397	149 947
5.	Unsecured wholesale funding	2 605 709	1 392 078
6.	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	93 553	23 388
7.	*Non-operational deposits (all counterparties)*	2 508 786	1 365 320
8.	*Unsecured debt*	3 370	3 370
9.	Secured wholesale funding		6 527
10.	Additional requirements	1 527 833	237 474
11.	*Outflows related to derivative exposures and other collateral requirements*	44 051	44 051
12.	*Outflows related to loss of funding on debt products*	0	0
13.	Credit and liquidity facilities	1 483 782	193 423
14.	Other contractual funding obligations	127 850	83 705
15.	Other contingent funding obligations	589 696	15 605
16.	TOTAL CASH OUTFLOWS	9 988 828	2 108 342
CASH – INFLOWS			
17.	*Secured lending (e.g. reverse repos)*	50 157	6 253
18.	*Inflows from fully performing exposures*	516 162	381 341
19.	*Other cash inflows*	85 520	82 100
EU-19a	*{Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies}*	0	0
EU-19b	*{Excess inflows from a related specialised credit institution}*	0	0
20.	**TOTAL CASH INFLOWS**	651 839	469 693
EU-20a	***Fully exempt inflows***	0	0
EU-20b	***Inflows subject to 90% cap***	0	0
EU-20c	***Inflows subject to 75% cap***	651 839	469 693
			TOTAL ADJUSTED VALUE
21.	**LIQUIDITY BUFFER**		3 750 445
22.	**TOTAL NET CASH OUTFLOWS**		1 638 649
23.	**LIQUIDITY COVERAGE RATIO (%)**		229%

The declaration about the appropiatenes of the liqudity risk management can be found in the **Hiba! A hivatkozási forrás nem található.** Annex.The Asset –Liability Committee, approved the declaration. (ref. 2018/44/3.).

Based on the (47) paragraph of the 15/2018.- THH – 6212. internal regulation, the information described in the 2. table of the 2. Annex of 9/2017 (VIII.8) proposal of National Bank of Hungary are not disclosed in this document, because they do not have significant effect due to the following:

- Significantly high LCR ratio
- Significant outflow is not expected
- Significant change in LCT is not expected
- OTP Group does not use fund from the market

II. OTP Bank

Information required to be disclosed regarding OTP Bank is not presented in this chapter separately, only in the OTP Group Chapter, if it is the same as OTP Group level publications.

II.1. Regulatory capital and capital requirements

II.1.1. Capital adequacy of OTP Bank

The capital requirement calculation of OTP Bank for the end of 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 end of December 2017 was HUF 361,611 million, the amount of regulatory capital was HUF 1 419,760 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 31.41%.

48. chart: OTP Bank's overview of RWA's

	RWAs		Minimum capital requirements
(million HUF)	**31.12.2017**	**30.09.2017**	**31.12.2017**
Credit risk (excluding CCR)	**4 034 725**	**3 772 196**	**322 778**
Of which the standardised approach	4 034 725	3 772 196	322 778
CCR	**62 800**	**96 343**	**5 024**
Of which mark to market	52 924	87 048	4 234
Of which CVA	9 876	9 295	790
Market risk	**140 780**	**168 899**	**11 262**
Of which the standardised approach	140 780	168 899	11 262
Operational risk	**281 832**	**277 590**	**22 547**
Of which basic indicator approach	0	0	0
Of which advances measurement approach	281 832	277 590	22 547
Total	**4 520 137**	**4 315 028**	**361 611**

The total RWA, containing credit and counterparty risk RWA of OTP Bank, was HUF 4,097,525 million at the end of December 2017; its audited total capital requirement, containing credit and counterparty risk capital requirement, was HUF 327,012 million without the value of Credit Value Adjustment.

49. chart: Credit risk exposure and CRM effects on 31st December 2017

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs és RWA density	
(million HUF)	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs és RWA density	RWA density
Central governments or central banks	2 659 003	0	2 778 752	9 274	77 984	2,80%
Regional government or local authorities	28 732	27 207	22 547	17 163	8 255	20,79%
Public sector entities	72 604	0	58 982	0	34 773	58,96%
Institutions	1 043 281	439 470	1 043 281	356 431	143 067	10,22%
Corporates	1 249 207	777 697	1 181 716	361 448	1 488 183	96,44%
Retail	423 441	365 187	341 425	67 766	301 584	73,70%
Secured by mortgages on immovable property	461 670	44 602	461 670	15 987	314 854	65,92%
Exposures in default	32 821	468	30 807	84	36 825	119,21%
Higher-risk categories	953 722	8	953 721	2	1 430 585	150,00%
Covered bonds	275 239	0	275 239	0	45 033	16,36%
Collective investments undertakings	15 193	0	15 193	0	15 193	100,00%
Equity	42 421	0	42 421	0	42 685	100,62%
Other items	193 658	5 214	193 658	5 214	95 704	48,12%
Total	**7 450 992**	**1 659 853**	**7 399 412**	**833 369**	**4 034 725**	**49,01%**

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

50. chart: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

Description		Carrying values of items				
(in million HUF)	Carrying values as reported in published financial statements	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	399 124	399 124				
Placements with other banks, net of allowance for placement losses	978 098	978 098				
Financial assets at fair value through profit or loss	303 927		69 468		303 927	304
Loans, net of allowance for loan losses	2 145 046	2 145 046				
Associates and other investments	967 414	967 414				
Investment properties	2 374	2 374				
Securities available-for-sale	1 735 902	1 735 902				1 736
Securities held-to-maturity	1 043 779	1 043 779				
Property and equipment	65 286	65 286				
Intangible assets	32 877					32 877
Other assets	87 907	73 288				14 619
Derivative financial assets designated as fair value hedge	10 148	10 148				10
TOTAL ASSETS	**7 771 882**	**7 420 459**	**69 468**	**0**	**303 927**	**49 546**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	694 533					694 533
Deposits from customers	5 192 869					5 192 869
Liabilities from issued securities	60 304					60 304
Other liabilities	290 084					290 084
Subordinated bonds and loans	108 835					108 835
Share capital	28 000					28 000
Retained earnings and reserves	1 397 257					1 397 257
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7 771 882**	**0**	**0**	**0**	**0**	**7 771 882**

51. chart: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Desciption (in million HUF)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**7 771 882**	**7 420 459**	**69 468**	**0**	**303 927**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	6 346 625	0	0	0	0
Total net amount under the regulatory scope of condsolidation	1 425 257	0	0	0	0
Off-balance-sheet amounts	1 823 399	861 534	0	0	0
Non deducted from regulatory capital, capital requirement increase elements	15 766	15 766	0	0	0
Exposure amounts considered for regulatory purposes	**8 312 525**	**8 312 525**	**69 468**	**0**	**303 927**

52. chart: OTP Bank's regulatory capital

Total regulatory capital (million HUF)	31. December 2017.	Cross reference to raws of transitional own funds disclosure template
Paid in capital	28 000	1
Retained earnings	1 064 851	2
Accumulated other comprehensive income and other reserves	90 396	
Balance sheet profit or loss (2)	190 231	2
Intangible assets (-)	-32 877	8
Prudential filters	-2 148	
Deferred tax assets	-14 620	
Treasury shares (-)	-12 450	16
(–) Direct shares	*-9 540*	
(–) Indirect shares	*-2 910*	
Common Equity Tier 1 capital	**1 311 383**	
Total Tier 1 capital	**1 311 383**	
Upper Tier 2 capital	108 377	
Total Tier 2 capital	**108 377**	
Total regulatory capital	**1 419 760**	

(1) Taken into consideration the amortisation according to article 64 of CRR

(2) Balance sheet profit or loss containes the accrued dividend item.

53. chart: Breakdown of regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 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
1	Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of w hich: share	28 000	EBA list 26 (3)	
2	Retained earnings	1 255 080	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	90 396	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
5	Minority interests (amount allow ed in consolidated CET1)		84, 479, 480	
5a	Independently review ed interim profits net of any foreseeable charge or dividend		26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1 373 476**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 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
7	Additional value adjustments (negative amount)	-2 148	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-32 877	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability w here the conditions in Article 38 (3) are met) (negative amount)	-14 620	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in ow n credit standing		33 (1) (b)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of ow n CET1 instruments (negative amount)	-12 450	36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities w here those entities have reciprocal cross holdings w ith the institution designed to inflate artificially the ow n funds of the institution (negatvie amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings of the CET1 instruments of financial sector entities w here the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)-(3), 79, 472 (10)	-19 295
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities w here the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	-925 089

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 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
20a	Exposure amount of the follow ing items w hich qualify for a RW of 1250%, w here the institution opts for the deduction alternative		36 (1) (k)	
20b	of w hich: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
20c	of w hich: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of w hich: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability w here the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	0
23	of w hich: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities w here the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	0
25	of w hich: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-62 093**		
29	**Common Equity Tier 1 (CET1) capital**	**1 311 383**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 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
30	Capital instruments and the related share premium accounts		51, 52	
31	of w hich: classified as equity under applicable accounting standards			
32	of w hich: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of w hich: instruments issued by subsidiaries subject to phase-out		486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**		

	Additional Tier 1 (AT1) capital: regulatory adjustments (in HUF million)	(A) 31 December 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
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
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)**	**1 311 383**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 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
46	Capital instruments and the related share premium accounts	108 377	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**108 377**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	(A) 31 December 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
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	-30 873
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**		
58	**Tier 2 (T2) capital**	**108 377**		
59	**Total capital (TC = T1 + T2)**	**1 419 760**		
60	**Total risk weighted assets**	**4 520 137**		

	Capital ratios and buffers (in HUF million)	(A) 31 December 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
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount**	**29,01%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount**	**29,01%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount**	**31,41%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	5,750%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	1,250%		
66	of which: countercyclical buffer requirement (1)			
67	of which: systemic risk buffer requirement (1)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (2)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	1 058 149	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 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
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	19 295	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions		36 (1) (i), 45, 48, 470, 472 (11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

	Applicable caps on the inclusion of provisions in Tier 2 (in HUF million)	(A) 31 December 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
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (in HUF million)		(A) 31 December 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
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

(1) Profit for financial year 2017 and dividend for finacial year 2017 are included in retained earnings.

(2) Capital buffer are not yet implemented.

(3) Not relevant capital buffer

Information about the main characteristics of capital instruments is under Group level data.

II.2. Trading book market and counterparty risks (capital requirements)

54. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	41 985	3 359
Equity risk (general and specific)	899	72
Foreign exchange risk	84 097	6 727
Commodity risk	6 884	551
Options		
Simplified approach		
Delta-plus method	7 258	581
Scenario approach		
Securitisation (specific riks)		
Total	**141 123**	**11 290**

55. chart: Analysis of CCR exposure by approach

Description (in million HUF)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE (Effective Expected Positive Exposure)	Multiplier	EAD post CRM	RWAs
Mark to market		0	0			0	0
Original exposure	0					0	0
Standardised approach		54 933			0	149 613	52 924
IMM (for derivatives and SFTs)				0	0	0	0
Of which securities financing transactions				0	0	0	0
Of which derivatives and long settlement transactions				0	0	0	0
Of which from contractual cross-product netting				0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						0	0
VaR for SFTs						0	0
Total							**52 924**

56. chart: CVA capital charge

Description (in million HUF)	Exposure value	RWAs
Total portfolios subject to the advanced method	0	0
VaR component (including the 3 x multiplier)		0
SVaR component (including the 3 x multiplier)		0
All portfolios subject to the standardised method	69 468	9 876
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

57. chart: CCR exposures by regulatory portfolio and risk

Exposure classes	Risk weight											Total	Of which unrated
(in million HUF)	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Egyéb		
Central governments or central banks	30 019	0	0	0	0	0	0	0	0	0	0	30 019	0
Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	16	0	0	0	68 074	15 477	0	0	7 464	29	0	91 060	0
Corporates	93	0	0	0	0	0	0	0	0	0	0	93	0
Retail	0	0	0	0	0	0	0	4 672	0	0	0	4 672	0
Institutions and corporates w ith a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	3 275	0	0	0	0	0	0	34	0	0	3 310	0
Total	**30 128**	**3 275**	**0**	**0**	**68 074**	**15 477**	**0**	**4 672**	**27 957**	**29**	**0**	**149 613**	**0**

Note: „Of which unrated" column contains the expousres which do not have external credit ratings

58. chart: Exposures to CCP-s

Description (in million HUF)	EAD post CRM	RWAs
Exposures to QCCPs (total)		**106**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of w hich	0	0
(i) OTP derivatives	3 195	64
(ii) Exchange-traded derivatives	0	0
(iii) SFTs	0	0
(iv) Netting sets w here cross-product netting has been approved	0	0
Segregated initial margin	13 507	
Non-segregated initial margin	0	0
Prefunded default fund contributions	34	34
Alternative calculation of ow n funds requirements for exposures		8
Exposures to non-QCCPs (total)		**0**
Exposures for trades at non QCCPs (excluding initial margin and default fund contributions); of w hich	0	0
(i) OTP derivatives	0	0
(ii) Exchange-traded derivatives	0	0
(iii) SFTs	0	0
(iv) Netting sets w here cross-product netting has been approved	0	0
Segregated initial margin	0	
Non-segregated initial margin	0	0
Prefunded default fund contributions	0	0
Unfunded default fund contributions	0	0

II.3. Leverage

59. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	7 771 882
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	781 278
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	132 801
8	**Leverage ratio total exposure measure**	**8 685 961**

60. chart: Leverage ratio

	m HUF	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	7 771 882
2	(Asset amounts deducted in determining Tier 1 capital)	-47 496
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**7 724 386**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	54 933
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	81 201
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**136 134**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	44 164
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**44 164**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1 659 854
18	(Adjustments for conversion to credit equivalent amounts)	-878 575
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**781 279**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure mesure		
20	Tier 1 capital	1 311 383
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	8 685 963
Leverage ratio		
22	**Leverage ratio**	**15,10%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

The change of Tier1 capital and risk weighted assets can have an impact on leverage ratio. There was no material change in the amount of leverage ratio in 2017.

II.4. Credit risk adjustments

II.4.1. Methodology of valuation and provisions

The financial reports of the OTP Bank are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards. OTP Bank's provisioning policy is prudent and conservative.

In establishing the profit or loss for the reporting year, it is through accounting for impairment and raising provisions that foreseeable risks and potential losses are taken into consideration even if they become known between the end of the last reporting period and the balance sheet date. Impairment and provisions are both recognized, irrespective of whether the business year is closed with a profit or a loss.

For the debts outstanding at the rating cut-off date and the cut-off date for the business year and unpaid until the balance sheet date, impairment is recognized on the basis of available information; the amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt.

OTP Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their rating. If the rating process reveals that the amount of the risk provision exceeds the amount required on the basis of the rating, the excess amount of the risk provision is released. Risk provisions are used upon the termination of pending or certain (future) liabilities, or when losses arising from such liabilities are realized.

In its regulations entitled "A Nemzetközi Pénzügyi Beszámolási Standardok (IFRS) szerinti értékelési előírások", OTP Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities. The calculation of credit losses may be carried out on an individual or collective basis. The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The most important variables of the assessment procedure are payment delay and the restructuring information. Individual assessment is carried out through the estimation of discounted cash flows.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- compliance with the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- resaleability and marketability of the item (market demand and supply, achievable market prices, share in the issuer's equity in proportion to the size of the investment),
- future payment obligation, which qualifies as a loss originating from the item.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment.

61. chart: Qualified exposures and impairment

(in million HUF)	Accumulated specific / general credit risk adjustment
Opening balance	**76 561**
Increases due to amounts set aside for estimated loan losses during the period	14 834
Decreases due to amounts reversed for estimated loan losses during the period	-17 499
Decreases due to amounts taken against accumulated credit risk adjustments	-13 757
Transfers between credit risk adjustments	0
Impact of exchange rate differences	-1 409
Cured from default or non-impaired	691
Other adjustments	0
Closing balance	**59 420**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	0

62. chart: Changes in impairment of the loan portfolio

	(million HUF)	Gross carrying value defaulted exposures
1	**Opening balance - 31.12.2016**	**112 763**
2	Loans and debt securities that have defaulted since the last reporting period	20 759
3	Returned to non-defaulted status	9 473
4	Amounts written-off	
5	Other changes	-54 232
6	**Closing balance - 31.12.2017 (6 =1 + 2 - 3 - 4 + 5)**	**69 817**

* Note: Row "other changes" contains the written-off amounts.

II.4.2. Exposures to credit risk

63. chart: Net exposures broken down by exposure classes (without the effect of credit risk mitigation methods)

Exposures (million HUF)	31.12.2017	2017 Average
Central governments or central banks	2 659 003	2 560 663
Regional governments or local authorities	46 584	41 417
Public sector entities	72 604	80 681
Multilateral development banks	0	0
Institutions	1 399 712	1 333 271
Corporates	1 613 948	1 574 301
Retail	496 499	477 549
Secured by mortgages on immovable property	477 658	471 549
Exposures in default	32 905	33 153
Items associated w ith particularly high risk	953 723	806 183
Covered bonds	275 239	296 327
Collective investments undertakings	15 193	13 551
Equity exposures	42 421	21 882
Other exposures	198 872	210 291
Total	**8 284 361**	**7 920 819**

64. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**2 659 003**	**46 584**	**72 604**	**1 399 712**	**1 613 948**	**496 499**	**477 658**	**32 905**	**953 723**	**275 239**	**15 193**	**42 421**	**198 872**	**8 284 361**
Austria	0	0	0	1 268	7 759	3	0	0	2 261	0	0	0	0	11 291
Australia	0	0	0	23	0	0	0	0	9 963	0	0	0	0	9 986
Belgium	0	0	0	399	18 571	0	0	0	0	0	0	0	0	18 970
Bulgaria	10 546	0	0	219	8 586	0	34 980	13 318	88 773	0	0	0	0	156 422
Belize	0	0	0	0	0	0	0	0	2 577	0	0	0	0	2 577
Canada	0	0	0	375	0	1	0	0	0	0	0	0	0	376
Sw itzerland	0	0	0	3 552	9 500	0	0	0	0	0	0	0	0	13 052
Cyprus	0	0	0	0	11 355	0	0	5 428	4 813	0	0	43	0	21 639
Czech Republic	0	0	0	384	28	0	0	0	0	0	0	0	0	412
Germany	57 140	0	0	6 270	1 051	4	12	0	41	0	0	0	0	64 518
Denmark	0	0	0	825	11	0	0	0	0	0	0	0	0	836
Spain	11 695	0	0	1 038	0	0	0	0	0	0	0	0	0	12 733
France	0	0	0	6 116	0	2	0	0	0	0	0	0	0	6 118
United Kingdom	0	0	0	44 676	0	1	0	0	0	0	0	0	0	44 677
Croatia	0	0	0	50 110	5 573	1	0	0	205 435	0	0	0	0	261 119
Hungary	2 512 462	46 584	72 604	1 144 963	1 109 109	496 370	401 038	12 493	195 339	237 367	15 193	36 119	198 872	6 478 513
Ireland	0	0	0	420	223	0	0	0	0	0	0	0	0	643
Israel	0	0	0	65	4 438	1	0	0	0	0	0	0	0	4 504
Italy	0	0	0	348	178	1	0	0	0	0	0	0	0	527
Japan	0	0	0	845	0	0	0	0	0	0	0	0	0	845
Lithuania	6 178	0	0	0	0	0	0	0	0	0	0	0	0	6 178
Luxembourg	0	0	0	7 149	6	0	0	0	0	0	0	0	0	7 155
Montenegro	3 678	0	0	611	0	0	0	0	35 192	0	0	0	0	39 481
Malta	0	0	0	0	392 272	0	0	0	43 522	0	0	0	0	435 794
Netherlands	0	0	0	60	1 756	2	0	0	531	0	0	0	0	2 349
Poland	20 786	0	0	65	1 419	1	0	0	0	0	0	0	0	22 271
Romania	3 768	0	0	51 591	3 753	27	18 055	227	102 559	0	0	0	0	179 980
Serbia	6 434	0	0	17 471	9 473	4	11 830	0	67 367	0	0	1 294	0	113 873
Russian Federation	26 316	0	0	27 109	9 429	4	11 743	0	124 721	0	0	0	0	199 322
Sw eden	0	0	0	294	1 469	2	0	0	0	0	0	0	0	1 765
Slovenia	0	0	0	0	4 498	0	0	0	0	0	0	0	0	4 498
Slovakia	0	0	0	19 876	3 342	58	0	0	24 280	37 872	0	0	0	85 428
Turkey	0	0	0	6 201	0	0	0	0	0	0	0	0	0	6 201
Ukraine	0	0	0	1	0	4	0	1 439	38 751	0	0	4 965	0	45 160
United States	0	0	0	7 304	10 079	1	0	0	7 598	0	0	0	0	24 982
Other	0	0	0	84	70	12	0	0	0	0	0	0	0	166

65. chart: Exposure classes broken down by counterparty type on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**2 659 003**	**46 584**	**72 604**	**0**	**1 399 712**	**1 613 948**	**496 499**	**477 658**	**32 905**	**953 723**	**275 239**	**15 193**	**42 421**	**198 872**	**8 284 361**
Goverments	2 659 003	0	0	0	0	0	0	0	0	0	0	0	0	0	2 659 003
Municipal	0	46 584	0	0	0	0	0	0	0	0	0	0	0	0	46 584
Public sector entities	0	0	72 604	0	0	0	0	0	0	0	0	0	0	0	72 604
Institutions	0	0	0	0	1 399 712	0	0	0	67	0	275 239	0	0	0	1 675 018
Coporate	0	0	0	0	0	1 281 437	0	89 682	1 014	2 849	0	15 193	0	0	1 390 175
Corpoarte SME	0	0	0	0	0	332 511	0	214 879	23 049	3 013	0	0	0	0	573 452
Retail	0	0	0	0	0	0	412 023	161 948	7 856	0	0	0	0	0	581 827
Retail SME	0	0	0	0	0	0	84 476	11 149	919	0	0	0	0	0	96 544
Equity	0	0	0	0	0	0	0	0	0	0	0	0	42 421	0	42 421
Other*	0	0	0	0	0	0	0	0	0	947 861	0	0	0	198 872	1 146 733

* Other, non-credit risk items; collective, investment funds; high risk items

66. chart: Exposure classes broken down by residual maturity on 31st December 2017

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**3 286 294**	**1 810 680**	**2 946 094**	**241 293**	**8 284 361**
Central governments or central banks	0	1 102 666	891 158	665 179	0	2 659 003
Regional governments or local authorities	0	2 792	1 921	41 871	0	46 584
Public sector entities	0	4 885	11 269	56 450	0	72 604
Institutions	0	832 496	157 155	410 061	0	1 399 712
Corporates	0	976 329	314 226	323 393	0	1 613 948
Retail	0	271 748	131 853	92 898	0	496 499
Secured by mortgages on immovable property	0	51 822	73 789	352 047	0	477 658
Exposures in default	0	4 102	8 345	20 458	0	32 905
Items associated w ith particularly high risk	0	951	4 106	948 666	0	953 723
Covered bonds	0	38 503	216 858	19 878	0	275 239
Collective investments undertakings	0	0	0	15 193	0	15 193
Equity exposures	0	0	0	0	42 421	42 421
Other exposures	0	0	0	0	198 872	198 872

67. chart: Aging of past-due exposures

	Gross carrying values					
(million HUF)	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	35 106	652	2 310	4 200	4 162	23 387
Debt securities	0	0	0	0	0	0
Total exposures	**35 106**	**652**	**2 310**	**4 200**	**4 162**	**23 387**

68. chart: Non-performing and forborne exposures

	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees recieved	
		Of which performing but past due > 30 days and <=90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
(million HUF)					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	2 759 691	0	0	11 623	0	11 623	0	0	0	-1 224	0	1 759	0
Loand and advances	3 478 727	8 026	51 686	115 024	82 905	98 171	67 015	-12 049	-356	-57 350	-38 093	30 678	61 005
Off-balance -sheet exposures	1 810 503	0	1 665	4 611	308	2 497	254	9 305	15	702	20	448	0

Note: Exposures according to EBA definition.

69. chart: Credit quality of exposures by exposure class and instrument on 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Central governments or central banks	0	2 659 003	0	2 659 003
Regional governments or local authorities	0	46 708	-124	46 584
Public sector entities	0	72 763	-159	72 604
Multilateral development banks	0	0	0	0
Institutions	67	1 399 712	0	1 399 779
Corporates	52 977	1 635 464	-50 430	1 638 011
Retail	16 773	506 403	-17 902	505 274
Secured by mortgages on immovable property	0	481 790	-4 132	477 658
Exposures in default	0	0	0	0
Items associated w ith particularly high risk	0	1 482 241	-528 518	953 723
Covered bonds	0	275 239	0	275 239
Collective investments undertakings	0	15 193	0	15 193
Equity exposures	0	63 479	-21 058	42 421
Other exposures	0	201 003	-2 131	198 872
Total	**69 817**	**8 838 998**	**-624 454**	**8 284 361**

70. chart: Credit quality of exposures by counterparty types on 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Goverments	0	2 659 003	0	2 659 003
Municipal	0	46 708	-124	46 584
Public sector entities	0	72 763	-159	72 604
Institutions	67	1 674 951	0	1 675 018
Coporate	4 409	1 416 679	-30 914	1 390 174
Corpoarte SME	48 568	558 012	-33 128	573 452
Retail	15 422	584 627	-18 222	581 827
Retail SME	1 351	96 038	-845	96 544
Equity	0	63 479	-21 058	42 421
Other*	0	1 666 738	-520 004	1 146 734
Total	**69 817**	**8 838 998**	**-624 454**	**8 284 361**

* Other, non-credit risk items; collective, investment funds; high risk items

71. chart: Credit Quality of exposures by geography on 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	**69 817**	**8 838 998**	**-657 359**	**8 251 456**
Austria	0	16 540	-5 250	11 290
Australia	0	9 987	-1	9 986
Belgium	0	18 971	0	18 971
Bulgaria	14 536	143 287	-1 400	156 423
Belize	0	2 577	0	2 577
Canada	0	378	-2	376
Sw itzerland	0	13 055	-3	13 052
Cyprus	19 457	16 295	-14 113	21 639
Czech Republic	0	413	-1	412
Germany	0	64 535	-17	64 518
Denmark	0	836	0	836
Spain	0	12 733	0	12 733
France	0	6 120	-1	6 119
United Kingdom	0	44 681	-4	44 677
Croatia	0	261 132	-14	261 118
Hungary	29 304	6 614 469	-165 264	6 478 509
Ireland	0	643	0	643
Israel	0	4 504	0	4 504
Italy	0	528	-1	527
Japan	0	846	0	846
Lithuania	0	6 179	-1	6 178
Luxembourg	0	7 163	-7	7 156
Montenegro	0	63 195	-23 714	39 481
Malta	0	435 796	0	435 796
Netherlands	0	2 351	-3	2 348
Poland	0	22 275	-3	22 272
Romania	3 038	179 971	-3 029	179 980
Serbia	0	183 429	-69 556	113 873
Russian Federation	129	201 026	-1 833	199 322
Sw eden	0	1 766	-2	1 764
Slovenia	0	4 498	0	4 498
Slovakia	2	85 442	-15	85 429
Turkey	0	6 202	0	6 202
Ukraine	3 351	382 002	-340 193	45 160
United States	0	24 994	-12	24 982
Other	0	179	-32 920	-32 741

72. chart: Overview of CRM techniques

(million HUF)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	8 865 888	244 957	79 752	165 205	0
Total debt securities	0	0	0	0	0
Total exposures	**8 865 888**	**244 957**	**79 752**	**165 205**	**0**
Of w hich defaulted	31 226	2 062	48	2 015	0

Note: The table contains exposures secured by financial collaterals and guarantees. Exposures secured by mortgage collaterals are included in "Exposures unsecured" column.

II.5. Use of External Credit Assessment Institutions

73. chart: Exposures broken down by credit quality steps (CQS) of obligors

	Risk weight										
(million HUF)	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposures to central governments or central banks	2 644 587	0	11 849	0	111 952	0	19 638	0	0	2 788 026	0
Exposures to regional governments or local authorities	0	0	39 319	0	0	0	391	0	0	39 710	39 710
Exposures to public sector entities	24 209	0	0	0	0	0	34 773	0	0	58 982	58 982
Exposures to multilateral development banks	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions	1 119 030	0	144 978	0	43 265	0	92 439	0	0	1 399 712	1 305 038
Exposures to corporates	27 938	0	0	0	0	0	1 515 226	0	0	1 543 164	1 492 218
Retail exposures	0	0	0	0	0	409 191	0	0	0	409 191	409 191
Exposures secured by mortgages on immovable property	0	0	0	154 478	87 388	14 308	221 484	0	0	477 658	477 657
Exposures in default	0	0	0	0	0	0	19 020	11 870	0	30 890	30 891
Exposures associated w ith particularly high risk	0	0	0	0	0	0	0	953 723	0	953 723	879 394
Exposures in the form of covered bonds	157 920	22 651	15 221	0	79 447	0	0	0	0	275 239	275 239
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0	15 193	0	0	15 193	15 193
Equity exposures	0	0	0	0	0	0	42 245	0	176	42 421	42 421
Other items	103 134	0	42	0	0	0	95 696	0	0	198 872	198 872
Total	**4 076 818**	**22 651**	**211 409**	**154 478**	**322 052**	**423 499**	**2 056 105**	**965 593**	**176**	**8 232 781**	**5 224 806**

Note: „Of which unrated" column contains the expousres which do not have external credit ratings

II.6. Capital requirements for operational risks

Capital requirements for operational risk of OTP Bank amounted to HUF 22,547 million on 31st December 2017, which was determined by advanced measurement approaches.

74. chart: Capital requirements for operational risks on 31st December 2017:

Operational risk capital requirement's breakdown based on methods (million HUF)	
Basic Indicator Approach	0
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	22 547
Total	**22 547**

II.7. Equity exposures not included in the trading book on 31 December 2017

75. chart: Equity exposures not included in the trading book accordint to IFRS on 31 December 2017

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No
2	Air-Invest Ltd.	11 257	No
3	BANK CENTER No. 1. Ltd.	26 063	No
4	Budapest Stock Exchange Ltd.	123	No
5	CIL Babér Ltd.	824	No
6	Crnogorska Komercijalna Banka a.d.	35 160	No
7	DSK Bank EAD	86 832	No
8	Eastern Securities S. A.	0	No
9	Financial Research Corporation	1	No
10	Garantiqa Credit Guarantee Closed Co. Ltd.	270	No
11	HAGE Ltd.	135	No
12	INGA KETTŐ Ltd.	17 892	No
13	JSC "OTP Bank" (Russia)	74 330	No
14	KÖZVIL Ltd.	0	No
15	LLC AllianceReserve	50 074	No
16	Mátrai Pow er Plant Closed Company Limited by Share	0	No
17	Merkantil Bill and Property Investments Bank Ltd.	18 830	No
18	MONICOMP Ltd.	9 065	No
19	OTP Bank JSC (Ukraine)	38 567	No
20	OTP Bank Romania S.A.	102 514	No
21	OTP Banka Hrvatska d.d.	205 349	No
22	OTP Banka Slovensko a.s.	24 280	Yes
23	OTP Banka Srbija a.d. Novi Sad	67 170	No
24	OTP Building Society Ltd.	1 950	No
25	OTP Buildings s.r.o.	4 593	No
26	OTP Card Factory Ltd.	450	No
27	OTP Factoring Ltd.	25 411	No
28	OTP Factoring Ukraine LLC	138	No
29	OTP Financing Cyprus Company Limited	301	No
30	OTP Financing Malta Ltd.	31	No
31	OTP Financing Netherlands B.V.	481	No
32	OTP Fund Management Ltd.	1 653	No
33	OTP Funds Servicing and Consulting Company Ltd.	2 469	No
34	OTP Holding Ltd.	2 000	No
35	OTP Holding Malta Ltd.	32 359	No
36	OTP Hungaro-Project Ltd.	641	No
37	OTP Ingatlanüzemeltető Ltd.	15	No
38	OTP Life Annuity Real Estate Investment Ltd.	5 199	No
39	OTP Mortgage Bank Ltd.	79 198	No
40	OTP Real Estate Investment Fund Management Ltd.	1 352	No
41	OTP Real Estate Leasing Ltd.	0	No
42	OTP Real Estate Ltd.	7 823	No
43	Overdose Vagyonkezelő Ltd. "u.v.I."	0	No
44	PortfoLion Venture Capital Fund Management Ltd.	150	No
45	R.E. Four d.o.o., Novi Sad	594	No
46	S.W.I.F.T. SCRL	0	No
47	Small Business Development Company Ltd.	40	No
48	Szallas.hu Ltd.	617	No
49	VISA Incorporated	2 410	No

OTP Bank's individual gains arising from sales and liquidations relating to exposures in equities not included in the trading book for the year ended 31 December 2017 were 0 HUF.

II.8. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate measures banking book interest rate risk exposure monthly, and also presents it as part of the consolidated exposure to the management with the same frequency.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modeled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.

The sensitivity of interest income to changes in BUBOR was analyzed assuming two interest rate path scenarios:

- HUF base rate stays unchanged and BUBOR decreases gradually to 0.0% (scenario 1)
- BUBOR decreases gradually by 50 bps over the next year and the central bank base rate decreases to the level of BUBOR3M at the same time (scenario 2)

The net interest income in a one year period after January 1, 2018 would be decreased by HUF 175 million (scenario 1) and HUF 4 877 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 306 million for scenario 1, HUF 3 735 million for scenario 2) on the government bond portfolio held for hedging.

Furthermore, the effects of an instant 10 bp parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital was analyzed. The results can be summarized as follows (HUF million):

76. chart: The effects of an instant 10 bp parallel shift of the HUF, EUR and USD yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital

Description (million HUF)	Effects to the net interest income (1Year period)	(Price change of AFS government bonds)
HUF -0.1% parallel shift	-1 608	771
EUR -0.1% parallel shift	-144	0
USD -0.1% parallel shift	-89	0
Total	**-1 841**	**771**

II.9. Disclosure of encumbered and unencumbered assets

77. chart: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(million HUF)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**388 057**		**7 026 752**	
Equity instruments	0	0	83 688	81 904
Debt securities	275 369	300 886	2 484 570	2 514 136
Other assets	1 732		1 217 563	

78. chart: Collateral received, by broad categories of product type

(million HUF)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**74 459**
Equity instruments	0	0
Debt securities	0	40 015
Other collateral received	0	34 444
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

79. chart: Encumbered assets/collateral received and associated liabilities

(million HUF)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**370 898**	**388 057**

Information on importance of encumbrance

The encumbrances of OTP Bank's assets and collaterals received mostly arise from the derivatives, repurchase agreements, and from the funds granted by the MNB's Funding for Growth Scheme. Typically, the collateral for repo transactions is HUF-denominated government bonds issued by the Hungarian government. The collateral for the central bank funding (the MNB's Funding for Growth Scheme) is partly the loans refinanced by the funds, and in part the mortgage bonds issued by OTP Mortgage Bank, which are in OTP Bank's books. The encumbrances caused by derivative deals largely arise from CIRS transactions, the market value of which may fluctuate depending on the foreign exchange rate (however, this exposure has greatly decreased after the conversion of foreign currency mortgage loans into HUF-loans). The value of other encumbrances (e.g. collaterals from securities lending, and collaterals for VISA/MasterCard) is insignificant compared to the Bank's securities portfolio.

The Bank's repo stock significantly contracted in 2017 (from HUF 180 billion to HUF 171 billion). On the other hand, the value of encumbrances coming from the Funding for Growth Scheme's funds has increased by HUF 33 billion.

At the end of the year there was not significant over-collateralization in any case of instruments.

The ISDA/CSA agreement regulates how to define the value of the collateral behind derivative transactions for all major partners. In the case of derivative transactions, if the total current market value of the derivative transactions with a partner, as calculated by the calculation agent, is negative, then the value that corresponds to the negative NPV shall be placed on the partner's margin account.

In respect of the items recognized under other assets in the balance sheet, OTP Bank does not consider its cash balance, intangible assets, tangible assets, or inventories subject to encumbrance.

II.10. Liquidity risk

80. chart: Liquidity coverage ratio

	Description	Total unweighted value (average)	Total weighted value (average)
(in million HUF)		2017.12.31	2017.12.31
Number of data points used in the calculation of averages		12	12
HIGH-QUALITY LIQUID ASSETS			
1.	Total high-quality liquid assets (HQLA)		2 480 859
CASH – OUTFLOWS			
2.	Retail deposits and deposits from small business customers, of which:	2 754 554	175 776
3.	*Stable deposits*	2 149 812	107 491
4.	*Less stable deposits*	604 742	68 286
5.	Unsecured wholesale funding	1 926 631	1 176 099
6.	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	5	1
7.	*Non-operational deposits (all counterparties)*	1 924 242	1 173 714
8.	*Unsecured debt*	2 384	2 384
9.	Secured wholesale funding		6 522
10.	Additional requirements	1 012 390	192 853
11.	*Outflows related to derivative exposures and other collateral requirements*	25 197	25 197
12.	*Outflows related to loss of funding on debt products*	0	0
13.	Credit and liquidity facilities	987 193	167 656
14.	Other contractual funding obligations	54 628	32 307
15.	Other contingent funding obligations	690 648	11 300
16.	TOTAL CASH OUTFLOWS	6 438 851	1 594 858
CASH – INFLOWS			
17.	*Secured lending (e.g. reverse repos)*	40 315	288
18.	*Inflows from fully performing exposures*	341 071	301 625
19.	*Other cash inflows*	9 015	9 015
EU-19a	*{Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies}*	0	0
EU-19b	*{Excess inflows from a related specialised credit institution}*	0	0
20.	**TOTAL CASH INFLOWS**	390 400	310 928
EU-20a	***Fully exempt inflows***	0	0
EU-20b	***Inflows subject to 90% cap***	0	0
EU-20c	***Inflows subject to 75% cap***	390 400	310 928
			TOTAL ADJUSTED VALUE
21.	**LIQUIDITY BUFFER**		2 480 859
22.	**TOTAL NET CASH OUTFLOWS**		1 283 929
23.	**LIQUIDITY COVERAGE RATIO (%)**		193%

II.11. Regional distribution of the Bank’s activity, return on assets ratio

81. chart: Regional distribution of the Bank’s activity, return on assets ratio

Description (million HUF)	OTP Total year 2017	Branch (Germany) year 2017	Without Branch (Hungary) year 2017
Turnover	479 625	0	479 625
Profit or loss before tax	270 418	7	270 411
Tax on profit or loss	83 571	6	83 565
Public subsidies received	0	0	0
Number of employees on a full time basis	7 528	1	7 527
Return on assets	3,35%		

II.12. Shareholders with significant investment in OTP Bank

The OTP Bank had no shareholders with significant investment on 31st December 2017.

III. OTP Mortgage Bank

Information required to be disclosed regarding OTP Mortgage Bank Ltd. ("OTP Mortgage Bank") is not presented in this chapter separately only in the OTP Group Chapter, if it is the same as OTP Group level publications.

III.1. Corporate governance

82. chart: The number of directorships of OTP Mortgage Bank's chief executives

Members of the Board of Directors	Number of directorship (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
Antal György KOVÁCS	-	4
András BECSEI	-	1
Attila KOVÁCS	-	1
Zoltán ROSKÓ	-	-
Csaba NAGY		-
Ákos Ferenc FISCHL	-	1

*with the exception of directorships held at OTP Mortgage Bank

Members of the Supervisory Board	Number of directorship (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
Anna FLOROVA MITKOVA	-	5
Ágota SELYMESI	-	2
Frigyes László GARAY	-	-
András KUHÁRSZKI	-	-

*with the exception of directorships held at OTP Mortgage Bank

83. chart: Board members' education data

Board of Directors	
Antal György KOVÁCS	
University of Economics, Budapest	MSc in Economics (1985)
András BECSEI	
University of Economics, Budapest	MSc in Economics (2001)
Attila KOVÁCS	
University of Economics, Budapest	MSc in Economics (2001)
Zoltán ROSKÓ	
University of Economics, Budapest	Economics, Law (1995)
Csaba NAGY	
College of Finance and Accounting	BSc in Economics (1993)
Ákos Ferenc FISCHL	
Szent István University	MSc in Agricultural Engineering (2002)
University of Technology and Economics, Budapest	MSc in Real Estate (2006)
University of Technology and Economics, Budapest	MSc in Construction Industry Judicial Expertise (2009)

Supervisory Board	
Anna FLOROVA MITKOVA	
G.V. Plehanov University of Economics, Moscow	MSc in Economics (1989)
University of Economics, Postgradual Department, Budapest	MSc in Economics with bank management specilization (1996)
Ágota SELYMESI	
College of Finance and Accounting	BSc in Finance (1973)
Ministry of Finance, Budapest	Tax advisor (1989)
	Chartered accountant (1995)
Penta Unió Education Centre	Certified Tax expert (International Taxation) (2004)
Frigyes László GARAY	
University of Technology, Budapest	Chemical engineer (1977)
University of Economics, Budapest	Engineer-economist (1987)
András KUHÁRSZKI	
University of London/London Business School	MSc in Economics (2009)

III.2. Regulatory capital and capital requirements

III.2.1. Capital adequacy of OTP Mortgage Bank

The capital requirement calculation of OTP Mortgage Bank for the end of 2017 is based on IFRS and audited data.

OTP Mortgage Bank applied standardized capital calculation method regarding credit and market risk, advanced measurement approach (AMA) regarding the operational risk. OTP Mortgage Bank regulatory capital requirement as of end of December 2017 was HUF 33,965 million, the amount of regulatory capital was HUF 57,242 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 13.48%.

84. chart: OTP Mortgage Bank's overview of RWAs

	RWAs		Minimum capital requirements
(million HUF)	31.12.2017	30.09.2017	31.12.2017
Credit risk (excluding CCR)	**400 233**	**392 594**	**32 019**
Of w hich the standardised approach	400 233	392 594	32 019
CCR	**0**	**0**	**0**
Of w hich mark to market	0	0	0
Of w hich CVA	0	0	0
Market risk	**1 711**	**2 011**	**137**
Of w hich the standardised approach	1 711	2 011	137
Operational risk	**22 617**	**23 990**	**1 809**
Of w hich basic indicator approach	0	0	0
Of w hich advances measurement approach	22 617	23 990	1 809
Total	**424 561**	**418 595**	**33 965**

The total RWA of OTP Mortgage Bank, containing credit risk RWA, was HUF 424,561 million at the end of December 2017; its audited total capital requirement, containing credit risk capital requirement, was HUF 32,019 million.

85. chart: Credit risk exposure and CRM effects on 31st December 2017

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs és RWA density	
(million HUF)	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs és RWA density	RWA density
Central governments or central banks	6 230	0	42 510	248	0	0,00%
Public sector entities	11 294	0	11 294	0	0	0,00%
Institutions	22 769	0	22 769	0	0	0,00%
Corporates	288	2	288	1	281	97,23%
Retail	38 362	8 647	2 757	4 200	5 183	74,50%
Secured by mortgages on immovable property	990 638	19 572	990 638	10 758	383 697	38,32%
Exposures in default	8 563	1	7 888	1	8 347	105,81%
Equity	1 206	0	1 206	0	1 206	100,00%
Other items	541	978	541	978	1 519	100,00%
Total	**1 079 891**	**29 200**	**1 079 891**	**16 186**	**400 233**	**36,52%**

In calculating credit risk capital requirement OTP Mortgage Bank took into consideration the guarantees of Hungarian central government as credit risk mitigation at the end of 2016:

III.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013

86. chart: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory categories

Description (in million HUF)	Carrying values as reported in published financial statements	Carrying values of items				
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	3 760	3 760				
Placements with other banks, net of allowance for placement losses	75 340	75 340				
Financial assets at fair value through profit or loss	0	0				
Loans, net of allowance for loan losses	985 532	985 532				
Associates and other investments	1 206	1 206				
Investment properties	0	0				
Securities available-for-sale	11 291	11 291				11
Securities held-to-maturity	0	0				
Property and equipment	31	31				
Intangible assets	156					156
Other assets	2 735	2 735				
Derivative financial assets designated as fair value hedge	0	0				
TOTAL ASSETS	**1 080 051**	**1 079 895**	**0**	**0**	**0**	**167**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	583 453					583 453
Deposits from customers	0					0
Liabilities from issued securities	406 845					406 845
Other liabilities	14 094					14 094
Subordinated bonds and loans	0					0
Share capital	27 000					27 000
Retained earnings and reserves	48 659					48 659
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1 080 051**					**1 080 051**

87. chart: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Desciption (in million HUF)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	1 080 051	1 079 895	0	0	0
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	1 004 392	0	0	0	0
Total net amount under the regulatory scope of condsolidation	75 659	0	0	0	0
Off-balance-sheet amounts	29 913	16 186	0	0	0
Non deducted from regulatory capital, capital requirement increase elements	0	0	0	0	0
Exposure amounts considered for regulatory purposes	1 096 077	1 096 077	0	0	0

88. chart: OTP Mortgage Bank's regulatory capital on 31st December 2017

Total regulatory capital **(million HUF)**	**31.12.2017**	**Cross reference to rows of transitional own funds disclosure template**
Share capital	27 000	(1)
Retained earnings (1)	15 217	(2)
Accumulated other comprehensive income and other res	10 640	
Balance sheet profit or loss (2)	4 552	(25a)
Goodwill		
Other intangible assets	-156	(8)
Prudential filters	-11	
Deferred tax assets	0	
Investments		
Of which: deducted from regulatory capital		
Common Equity Tier 1 capital	**57 242**	
Total Tier 1 capital	**57 242**	
Subordinated debt	0	
Of which: eligible in regulatory capital (1)	0	(46)
Total Tier 2 capital	**0**	
Total regulatory capital	**57 242**	

(1) Accrued dividend item was taken into account in retained earnings.

(2) Balance sheet profit or loss containes the accrued dividend item.

89. chart: Breakdown of OTP Mortgage Bank's regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2017	(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
1	Capital instruments and the related share premium accounts	27 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of w hich: share	27 000	EBA list 26 (3)	
2	Retained earnings (1)	19 769	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	10 640	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
5	Minority interests (amount allow ed in consolidated CET1)		84, 479, 480	
5a	Independently review ed interim profits net of any foreseeable charge or dividend		26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**57 409**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
7	Additional value adjustments (negative amount)	-11	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-156	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability w here the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in ow n credit standing		33 (1) (b)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of ow n CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities w here those entities have reciprocal cross holdings w ith the institution designed to inflate artificially the ow n funds of the institution (negatvie amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings of the CET1 instruments of financial sector entities w here the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)-(3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities w here the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF) (continuation)	**(A) 31.12.2017**	**(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**
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-167		
29	**Common Equity Tier 1 (CET1) capital**	**57 242**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	**(A) 31.12.2017**	**(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**
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**		

	Additional Tier 1 (AT1) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
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)**	**57 242**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2017	(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
46	Capital instruments and the related share premium accounts	0	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**0**		

	Tier 2 (T2) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**		
58	**Tier 2 (T2) capital**	**0**		
59	**Total capital (TC = T1 + T2)**	**57 242**		
60	**Total risk weighted assets**	**424 561**		

	Capital ratios and buffers (million HUF)	(A) 31.12.2017	(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
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**13,48%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**13,48%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**13,48%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount) (2)	5,750%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement (2)	1,250%		
66	of which: countercyclical buffer requirement (2)			
67	of which: systemic risk buffer requirement (2)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (3)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (2)	23 277	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	(A) 31.12.2017	(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
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

	Applicable caps on the inclusion of provisions in Tier 2 (million HUF)	(A) 31.12.2017	(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
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (million HUF)	(A) 31.12.2017	(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
80	Current cap on CET1 instruments subject to phaseout arrangements		484 (3), 486 (2) & (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	Current cap on AT1 instruments subject to phaseout arrangements		484 (4), 486 (3) & (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	Current cap on T2 instruments subject to phaseout arrangements		484 (5), 486 (4) & (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

(1) Profit for financial year 2017 and dividend for finacial year 2017 are included in retained earnings.
(2) Capital buffer are not yet implemented.
(3) Not relevant capital buffer.

III.3. Trading book market and counterparty risks (capital requirements)

90. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	1 711	137
Equity risk (general and specific)	0	0
Foreign exchange risk	0	0
Commodity risk	0	0
Options	0	0
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific riks)	0	0
Total	**1 711**	**137**

III.4. Leverage

91. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	1 080 051
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13 013
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	1 566
8	**Leverage ratio total exposure measure**	**1 094 630**

92. chart: Leverage ratio

	m HUF	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1 081 773
2	(Asset amounts deducted in determining Tier 1 capital)	-156
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**1 081 617**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	0
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**0**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	29 200
18	(Adjustments for conversion to credit equivalent amounts)	-16 188
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**13 013**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure mesure		
20	Tier 1 capital	57 242
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	1 094 630
Leverage ratio		
22	**Leverage ratio**	**5,23%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

There was no material change in the value of leverage ratio in 2017.

III.5. Credit risk adjustments

III.5.1. Methodology of valuation and provisions

The financial reports of the OTP Mortgage Bank are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards. OTP Mortgage Bank's provisioning policy is prudent and conservative.

In establishing the profit or loss for the reporting year, it is through accounting for impairment and raising provisions that foreseeable risks and potential losses are taken into consideration even if they become known between the end of the last reporting period and the balance sheet date. Impairment and provisions are both recognized, irrespective of whether the business year is closed with a profit or a loss.

For the debts outstanding at the rating cut-off date and the cut-off date for the business year and unpaid until the balance sheet date, impairment is recognized on the basis of available information; the amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt.

OTP Mortgage Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their rating. If the rating process reveals that the amount of the risk provision exceeds the amount required on the basis of the rating, the excess amount of the risk provision is released. Risk provisions are used upon the termination of pending or certain (future) liabilities, or when losses arising from such liabilities are realized.

In its regulations entitled "a Nemzetközi Pénzügyi Beszámolási Standardok (IFRS) szerinti értékelési előírások szabályzata", OTP Mortgage Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities. The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The most important variables of the assessment procedure are payment delay and the restructuring information.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- compliance with the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- resaleability and marketability of the item (market demand and supply, achievable market prices, share in the issuer's equity in proportion to the size of the investment),
- future payment obligation, which qualifies as a loss originating from the item.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment.

93. chart: Qualified exposures and impairment

(million HUF)	Accumulated specific/general credit risk adjustment
Opening balance	14 235
Increases due to amounts set aside for estimated loan losses during the period	0
Decreases due to amounts reversed for estimated loan losses during the period	5 347
Decreases due to amounts taken against accumulated credit risk adjustments	0
Transfers betw een credit risk adjustments	0
Impact of exchange rate differences	0
Business combinations, including acquisitions and disposals of subsidiaries	0
Other adjustments	0
Closing balance	8 888
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	7 363
Specific credit risk adjustments directly recorded to the statement of profit or loss	12 915

94. chart: Changes in impairment of the loan portfolio

	(million HUF)	Gross carrying value defaulted exposures
1	**Opening balance - 30.06.2017**	**21 949**
2	Loans and debt securities that have defaulted since the last reporting period	6 603
3	Returned to non-defaulted status	6 850
4	Amounts written-off	
5	Other changes	-9 983
6	**Closing balance - 31.12.2017 (6 =1 + 2 - 3 - 4 + 5)**	**11 719**

* Note: Row "other changes" contains the w ritten-off amounts.

III.5.2. Exposures to credit risk

Unless stated otherwise in the Document, the exposures mean the net exposure after credit risk mitigation and the credit conversion factor (EAD).

95. chart: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (million HUF)	31.12.2017	2017 Average
Central governments or central banks	6 230	4 092
Regional governments or local authorities	0	85
Public sector entities	11 294	11 547
Multilateral development banks	0	0
Institutions	22 769	43 831
Corporates	289	493
Retail	42 810	45 155
Secured by mortgages on immovable property	1 001 397	963 970
Exposures in default	8 563	11 140
Items associated w ith particularly high risk	0	0
Covered bonds	0	0
Collective investments undertakings	0	0
Equity exposures	1 206	1 206
Other exposures	1 519	863
Total	**1 096 077**	**1 082 383**

96. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**6 230**	**0**	**11 294**	**0**	**22 769**	**289**	**42 810**	**1 001 397**	**8 563**	**0**	**0**	**0**	**1 206**	**1 519**	**1 096 077**
Hungary	6 230	0	11 294	0	22 769	289	42 810	1 001 298	8 563	0	0	0	1 206	1 519	1 095 978
Romania	0	0	0	0	0	0	0	99	0	0	0	0	0	0	99

97. chart: Exposure classes broken down by counterparty type on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**6 230**	**0**	**11 294**	**0**	**22 769**	**289**	**42 810**	**1 001 397**	**8 563**	**0**	**0**	**0**	**1 206**	**1 519**	**1 096 077**
Goverments	6 230	0	0	0	0	0	0	0	0	0	0	0	0	0	6 230
Municipal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	11 294	0	0	0	0	0	0	0	0	0	0	0	11 294
Institutions	0	0	0	0	22 769	0	0	0	0	0	0	0	0	0	22 769
Coporate	0	0	0	0	0	261	0	0	0	0	0	0	0	0	261
Corpoarte SME	0	0	0	0	0	27	0	1 631	0	0	0	0	0	0	1 658
Retail	0	0	0	0	0	0	42 618	997 063	8 548	0	0	0	0	0	1 048 229
Retail SME	0	0	0	0	0	0	191	2 704	16	0	0	0	0	0	2 911
Equity	0	0	0	0	0	0	0	0	0	0	0	0	1 206	0	1 206
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	1 519	1 519

* Other, non-credit risk items; collective, investment funds; high risk items

98. chart: Exposure classes broken down by residual maturity on 31st December 2017

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**30 705**	**129 474**	**933 173**	**2 725**	**1 096 077**
Central governments or central banks	0	2 975	0	3 255	0	6 230
Regional governments or local authorities	0	0	0	0	0	0
Public sector entities	0	0	11 291	3	0	11 294
Institutions	0	22 760	0	9	0	22 769
Corporates	0	0	0	289	0	289
Retail	0	187	2 506	40 117	0	42 810
Secured by mortgages on immovable property	0	4 731	115 258	881 408	0	1 001 397
Exposures in default	0	52	419	8 092	0	8 563
Items associated w ith particularly high risk	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0
Equity exposures	0	0	0	0	1 206	1 206
Other exposures	0	0	0	0	1 519	1 519

99. chart: Aging of past-due exposures

	Gross carrying values					
(million HUF)	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	330	1 849	13	5 956	2 570	1 001
Debt securities	0	0	0	0	0	0
Total exposures	330	1 849	13	5 956	2 570	1 001

100. chart: Non-performing and forborne exposures

(million HUF)	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees recieved	
		Of which performing but past due > 30 days and <=90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	11 291												
Loand and advances	1 047 761	7 368	24	26 126	11 714	16 986	17 854	-4 662	-144	-4 226	-2 257	21 511	15 239
Off-balance -sheet exposures	28 339	0	0	2	1	1	1	-118	0	0	0	2	1

Note: Exposures according to EBA definition.

101. chart: Credit quality of exposures by exposure class and instrument on 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Central governments or central banks	0	6 230	0	6 230
Regional governments or local authorities	0	0	0	0
Public sector entities	0	11 294	0	11 294
Multilateral development banks	0	0	0	0
Institutions	0	22 769	0	22 769
Corporates	0	291	-2	289
Retail	11 719	43 153	-3 499	51 373
Secured by mortgages on immovable property	0	1 006 790	-5 393	1 001 397
Exposures in default	0	0	0	0
Items associated w ith particularly high risk	0	0	0	0
Covered bonds	0	0	0	0
Collective investments undertakings	0	0	0	0
Equity exposures	0	1 206	0	1 206
Other exposures	0	1 519	0	1 519
Total	**11 719**	**1 093 252**	**-8 894**	**1 096 077**

102. chart: Credit quality of exposures by counterparty types on 31st December 2017

(million HUF)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific/General credit risk adjustment	Net values
Goverments	0	6 230	0	6 230
Municipal	0	0	0	0
Public sector entities	0	11 294	0	11 294
Institutions	0	22 769	0	22 769
Coporate	0	264	-3	261
Corpoarte SME	0	1 665	-7	1 658
Retail	11 697	1 045 397	-8 865	1 048 229
Retail SME	22	2 908	-19	2 911
Equity	0	1 206	0	1 206
Other*	0	1 519	0	1 519
Total	**11 719**	**1 093 252**	**-8 894**	**1 096 077**

* Other, non-credit risk items; collective, investment funds; high risk items

103. chart: Credit quality of exposures by geography on 31st December 2017

(million HUF)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific/General credit risk adjustment	Net values
Total	**11 719**	**1 093 252**	**-8 894**	**1 096 077**
Hungary	11 719	1 093 153	-8 894	1 095 978
Romania	0	99	0	99

104. chart: Overview of CRM techniques

(million HUF)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	1 072 563	36 528	0	36 528	0
Total debt securities	0	0	0	0	0
Total exposures	**1 072 563**	**36 528**	**0**	**36 528**	**0**
Of which defaulted	7 890	674	0	674	0

Note: The table contains exposures secured by financial collaterals and guarantees. Exposures secured by mortgage collaterals are included in “Exposures unsecured” column.

III.6. Use of External Credit Assessment Institutions

105. chart: Exposures broken down by credit quality steps (CQS) of obligors

(million HUF)	Risk weight								
	0%	20%	35%	50%	75%	100%	150%	Total	Of which unrated
Central governments or central banks	42 758	0	0	0	0	0	0	42 758	0
Regional governments or local authorities	0	0	0	0	0	0	0	0	0
Public sector entities	11 294	0	0	0	0	0	0	11 294	11 294
Multilateral development banks	0	0	0	0	0	0	0	0	0
Institutions	22 769	0	0	0	0	0	0	22 769	22 769
Corporates	2	0	0	0	0	287	0	289	289
Retail	0	0	0	0	6 956	0	0	6 956	6 956
Secured by mortgages on immovable property	0	0	903 329	22 256	74 206	1 605	0	1 001 397	1 001 397
Exposures in default	0	0	0	0	0	6 973	916	7 889	7 889
Items associated with particularly high risk	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0
Collective investments undertakings	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	1 206	0	1 206	1 206
Other exposures	0	0	0	0	0	1 519	0	1 519	1 519
Total	**76 823**	**0**	**903 329**	**22 256**	**81 162**	**11 590**	**916**	**1 096 077**	**1 053 319**

Note: „Of which unrated" column contains the expousres which do not have external credit ratings

III.7. Capital requirement for operational risk

Capital requirements for operational risk of OTP Mortgage Bank was HUF 1,809 million at the end of 2017, which was determined by advanced measurement approaches.

106. chart: Operational risk capital requirements on 31st December 2017:

Operational risk capital requirement's breakdown based on methods (million HUF)	
Basic Indicator Approach	0
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	1 809
Total	**1 809**

III.8. Exposures in equities not included in the trading book on 31st December 2017

107. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2016

Entity	Balance sheet value (million HUF)	Listed (Exchanged-traded)
OTP Ingatlanpont Ltd.	1 206	No

III.9. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate measures banking book interest rate risk exposure monthly, and also presents it as part of the consolidated exposure to the management with the same frequency.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.
- The sensitivity of interest income to changes in BUBOR is analyzed.

The simulation were prepared by assuming two scenarios:

- HUF base rate stays unchanged and BUBOR decreases gradually to 0.0% (scenario 1)
- BUBOR decreases gradually by 50 bps over the next year and the central bank base rate decreases to the level of BUBOR3M at the same time (scenario 2)

The net interest income in a one year period beginning with January 1, 2018 would be decreased HUF 5 million (scenario 1) and increased by HUF 70 million (scenario 2) as a result of these simulation.

108. chart: The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period

Description (million HUF)	Effects to the net interest income in one year period
HUF -0.1% parallel shift	26
HUF 0.1% parallel shift	-26
EUR -0.1% parallel shift	0
USD 0.1% parallel shift	0
Total	**-26**

III.10. Disclosure of encumbered and unencumbered assets

109. chart: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(million HUF)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**796 870**		**272 803**	
Equity instruments	0		0	
Debt securities	0		11 266	
Other assets	0		4 324	

110. chart: Collateral received, by broad categories of product type

(million HUF)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**0**
Equity instruments	0	0
Debt securities	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

111. chart: Encumbered assets/collateral received and associated liabilities

(million HUF)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**408 840**	**796 870**

Information on importance of encumbrance

OTP Mortgage Bank finances its assets mostly (by 54% on 31 December 2017) by issuing mortgage bonds. The collateral for these mortgage bonds is the mortgage portfolio granted from these funds. On 31 December 2017, the carrying amount of the encumbered loan portfolio was HUF 748,4 billion. The encumbered assets grew by 0,08% in 2017.

In 2017, OTP Mortgage Bank's receivables that can be accepted as collateral exceeded the issued mortgage bond portfolio by 74% on average (in respect of the carrying amounts).

III.11. Liquidity risk

The activity of mortgage loan companies founded and operating in Hungary are in Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds. The OTP Mortgage Bank Ltd. is a specialized credit institution, it's most important financial activity is lending money secured by mortgages on real estate located in the territory of Hungary. The OTP Mortgage Bank shouldn't perform collection of deposits, and it is permitted to engage in derivative transactions for reasons of liquidity and risk management operations and only for hedging purposes. The OTP Mortgage Bank Ltd. defines the following purposes connected with the liquidity risk management.

The primary purpose is to guarantee the performance of outstanding financial obligations: the company has to be able to comply the obligations of payment at the expiration date, with correct currency, and it has to perform the necessary transactions to maintain the solvency position at all times. Besides this the fulfilment of liquidity obligations specified in law is significant also. Besides securing solvency and complying with legal obligations the secondary purpose is to achieve these goals via the best way from the possible solutions from a profitability point of view. The purpose of risk management politics of OTP Mortgage Bank is the risk-aware operation: it is significant to identify, value and continuous monitor the liquidity and other kind of financial risks of commercial activities and to share the information of monitoring with the management of the company. The OTP Mortgage Bank is the subsidiary of the OTP Bank Plc. and the member of the OTP Group. The OTP Bank Plc. has a group-valid regulation about interest- and liquidity risk management. Based on this regulation the OTP Group is monitoring and managing the liquidity risk in Group level.

OTP Mortgage Bank Ltd's "Regulation on liquidity and interest rate risk" – approved by the Managing Committee - contains the relevant regulations in connection with the liquidity risk management policy, risk valuation and managing of liquidity risk. The department responsible for liquidity risk management within the company is the Treasury, Security Issuance and Refinancing Department. The responsible department reporting directly to the management regarding the company's liquidity risk exposure, the related money and capital market transactions and limit measures.

The OTP Mortgage Bank Ltd's internal auditor controlling the operation of the company's liquidity risk management proceedings in accordance with the guideline no. 12/2015. (VIII. 24.) of the Central Bank of Hungary.

The OTP Mortgage Bank Ltd's Managing Committee approved (resolution no. 16/2018 (22 March 2018) the Treasury, Security Issuance and Refinancing Department's report regarding the management of the company's financial and liquidity risks.

As the OTP Mortgage Bank Ltd complied with requirements of the internal regulations regarding to the liquidity limits, thus the Managing Committee declared that the adequacy if liquidity risk management arrangements of the company as it is in accordance with the company's profile and its' liquidity risk management policy.

112. chart: OTP Mortgage Bank's liquidity coverage ratio

Description (in million HUF)	31.12.2017
Liquidity Puffer	11.296
Total Net Liquidity Outflow	833
Liquidity Coverage Ratio (%)	1,356%

III.12. Geographical distribution of the activity, return on assets ratio

113. chart: Geographical distribution of the activity, return on assets ratio

Description (million HUF)	Hungary year 2017
Turnover	33 561
Profit or loss before tax	23 029
Tax on profit or loss	2 053
Public subsidies received	0
Number of employees on a full time basis	33
Return on assets	2,21%

IV. OTP Building Society

Information required to be disclosed regarding OTP Building Society Ltd. ("OTP Building Society") is not presented in this chapter separately only in the OTP Group Chapter, if it is the same as OTP Group level publications.

IV.1. Corporate Governance

114. chart: The number of directorships of OTP Building Society's chief executives

Members of the Board of Directors	Number of directorships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
Antal KOVÁCS	-	5
Attila KOVÁCS	-	1
Péter KÖNTÖS	-	-
Anna FLOROVA MITKOVA	-	1
Árpád SRANKÓ	-	-
András BECSEI	-	1

*with the exception of directorships held at OTP Building Society

Member of Supervisory Board	Number of directorships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
Beáta SUKOVICH	-	-
Ilona Dr. ÁDÁM ISTVÉNNÉ dr. KÖRNYEI	-	-
Dr. Tamás GUDRA	-	-
József WINDHEIM	-	1

*with the exception of directorships held at OTP Building Society

115. chart: Board members' education data

Board of Directors	
Antal KOVÁCS	
University of Economics, Budapest	MSc in Economics (1985)
Attila KOVÁCS	
University of Economics, Budapest	MSc in Economics (2001)
Péter KÖNTÖS	
University of Veszprém	MSc in Technical management (2001)
University of Economics, Budapest	Financial expert (2004)
Anna FLOROVA MITKOVA	
G.V. Plehanov University of Economics, Moscow	MSc in Economics (1989)
University of Economics, Postgradual Department, Budapest	MSc in Economics with bank management specilization (1996)
Árpád SRANKÓ	
University of Economics, Budapest	MSc in Economics (2004)
András BECSEI	
University of Economics, Budapest	MSc in Economics (2001)

Supervisory Board	
Beáta SUKOVICH	
University of Miskolc	MSc in Economics (2002)
	Economics, Law (2006)
Ilona Dr. ÁDÁM ISTVÉNNÉ dr. KÖRNYEI	
University of Economics, Budapest	MSc in Economics (teacher) (1970)
	University doctor (1978)
Dr. Tamás GUDRA	
College of Commerce, Catering and Tourism	BSc in Economics (1993)
Ministry of Finance, Budapest	Chartered accountant (1997)
József WINDHEIM	
Janus Pannonius University	MSc in Economics (1983)
	Economics, Law (1996)

IV.2. Regulatory capital and capital requirements

IV.2.1. Capital adequacy of OTP Building Society

The capital requirement calculation of OTP Building Society is based on IFRS and audited data on 31st December 2017.

OTP Building Society applied standardized capital calculation method regarding credit and market risk and advanced measurement approach (AMA) regarding the operational risk. OTP Building Society regulatory capital requirement was HUF 1,441 million as of end of December 2017 the amount of regulatory capital was HUF 37,340 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 207.32%.

116. chart: OTP Building Society's overview of RWA's

	RWAs		Minimum capital requirements
(million HUF)	**31.12.2017**	**30.09.2017**	**31.12.2017**
Credit risk (excluding CCR)	**14 007**	**15 593**	**1 121**
Of which the standardised approach	14 007	15 593	1 121
CCR	**0**	**0**	**0**
Of which mark to market	0	0	0
Of which CVA	0	0	0
Market risk	**0**	**0**	**0**
Of which the standardised approach	0	0	0
Operational risk	**4 004**	**3 968**	**320**
Of which basic indicator approach	0	0	0
Of which advances measurement approach	4 004	3 968	320
Total	**18 011**	**19 561**	**1 441**

The total credit RWA of OTP Building Society was HUF 18,011 million at the end of December 2017, its audited total credit capital requirement was HUF 1,121 million.

117. chart: Credit risk exposure and CRM effects on 31st December 2017

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs és RWA density	
(million HUF)	**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**RWAs és RWA density**	**RWA density**
Exposures to central governments or central banks	201 497	0	201 497	0	0	0,00%
Exposures to institutions	37 474	0	37 474	0	0	0,00%
Exposures to corporates	489	50	489	25	514	100,00%
Retail exposures	21	9	21	5	19	73,08%
Exposures secured by mortgages on immovable property	14 023	318	14 023	159	10 647	75,07%
Exposures associated with particularly high risk	55	0	55	0	83	150,91%
Exposures in the form of covered bonds	71 380	0	71 380	0	2 654	3,72%
Other items	90	0	90	0	90	100,00%
Total	**325 029**	**377**	**325 029**	**189**	**14 007**	**4,31%**

IV.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013

118. chart: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

Description (in million HUF)	Carrying values as reported in published financial statements	Carrying values of items				
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	215	215				
Placements with other banks, net of allowance for placement losses	37 259	37 259				
Financial assets at fair value through profit or loss	0	0				
Loans, net of allowance for loan losses	14 501	14 501				
Associates and other investments	55	55				
Investment properties	0	0				
Securities available-for-sale	53 222	53 222				53
Securities held-to-maturity	219 509	219 509				
Property and equipment	15	15				
Intangible assets	121					121
Other assets	253	216				37
Derivative financial assets designated as fair value hedge	0	0				
TOTAL ASSETS	**325 150**	**324 992**	**0**	**0**	**0**	**211**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	0					0
Deposits from customers	281 725					281 725
Liabilities from issued securities	0					0
Other liabilities	4 374					4 374
Subordinated bonds and loans	0					0
Share capital	2 000					2 000
Retained earnings and reserves	37 051					37 051
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**325 150**					**325 150**

119. chart: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Desciption (in million HUF)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	325 150	324 992	0	0	0
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	286 099	0	0	0	0
Total net amount under the regulatory scope of condsolidation	39 051	0	0	0	0
Off-balance-sheet amounts	378	189	0	0	0
Non deducted from regulatory capital, capital requirement increase elements	0	0	0	0	0
Exposure amounts considered for regulatory purposes	325 339	325 339	0	0	0

120. chart: OTP Building Society's regulatory capital

Total regulatory capital (million HUF)	31.12.2017	Cross reference to rows of own funds disclosure template
Share capital	2 000	(1)
Retained earnings	10 142	(2)
Accumulated other comprehensive income and other reserves	24 497	
Balance sheet profit or loss (1)	912	(25a)
Goodwill		
Other intangible assets	-121	(8)
Prudential filters	-53	
Deferred tax assets	-37	
Investments		
Of which: deducted from regulatory capital		
Common Equity Tier 1 capital	**37 340**	
Total Tier 1 capital	**37 340**	
Subordinated debt		
Of which: eligible in regulatory capital (1)		(46)
Total Tier 2 capital		
Total regulatory capital	**37 340**	

(1) Taking into account the dividend for financial year 2017.

121. chart: Breakdown of OTP Building Society's regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2017	(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
1	Capital instruments and the related share premium accounts	2 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: share	2 000	EBA list 26 (3)	
2	Retained earnings (1)	11 054	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	24 497	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	37 551		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
7	Additional value adjustments (negative amount)	-53	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-121	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-37	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (1)-(3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF) (continuation)	(A) 31.12.2017	(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
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-211**		
29	**Common Equity Tier 1 (CET1) capital**	**37 340**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2017	(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
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**		

	Additional Tier 1 (AT1) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
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)**	**37 340**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2017	(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
46	Capital instruments and the related share premium accounts		62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**0**		

	Tier 2 (T2) capital: regulatory adjustments (million HUF)	**(A) 31.12.2017**	**(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**
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**		
58	**Tier 2 (T2) capital**	**0**		
59	**Total capital (TC = T1 + T2)**	**37 340**		
60	**Total risk weighted assets**	**18 011**		

	Capital ratios and buffers (million HUF)	**(A) 31.12.2017**	**(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**
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**207,32%**	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	**207,32%**	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	**207,32%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	5,750%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	1,250%		
66	of which: countercyclical buffer requirement (2)			
67	of which: systemic risk buffer requirement (2)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (3)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	35 899	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	**(A) 31.12.2017**	**(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**
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	55	36 (1) (i), 45, 48, 470, 472 (11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	
	Applicable caps on the inclusion of provisions in Tier 2 (million HUF)	**(A) 31.12.2017**	**(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**
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (million HUF)	**(A) 31.12.2017**	**(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**
80	Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

(1) Profit for financial year 2017 and dividend for finacial year 2017 are included in retained earnings.
(2) Capital buffer are not yet implemented.
(3) Not relevant capital buffer

IV.3. Trading book market and counterparty risks (capital requirements)

122. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	0	0
Equity risk (general and specific)	0	0
Foreign exchange risk	0	0
Commodity risk	0	0
Options	0	0
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific riks)	0	0
Total	**0**	**0**

IV.4. Leverage

123. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	325 150
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	189
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-121
8	**Leverage ratio total exposure measure**	**325 217**

124. chart: Leverage ratio

	m HUF	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	325 150
2	(Asset amounts deducted in determining Tier 1 capital)	-121
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**325 029**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	0
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**0**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	377
18	(Adjustments for conversion to credit equivalent amounts)	-189
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**188**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure mesure		
20	Tier 1 capital	37 340
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	325 217
Leverage ratio		
22	**Leverage ratio**	**11,48%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

There was no material change in the value of leverage ratio in 2017.

IV.5. Credit risk adjustments

IV.5.1. Methods of valuations and provisions

The financial reports of the OTP Building Society are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards. OTP Building Society's provisioning policy is prudent and conservative.

In establishing the profit or loss for the reporting year, it is through accounting for impairment and raising provisions that foreseeable risks and potential losses are taken into consideration even if they become known between the end of the last reporting period and the balance sheet date. Impairment and provisions are both recognized, irrespective of whether the business year is closed with a profit or a loss.

For the debts outstanding at the rating cut-off date and the cut-off date for the business year and unpaid until the balance sheet date, impairment is recognized on the basis of available information; the amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt.

OTP Building Society recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their rating. If the rating process reveals that the amount of the risk provision exceeds the amount required on the basis of the rating, the excess amount of the risk provision is released. Risk provisions are used upon the termination of pending or certain (future) liabilities, or when losses arising from such liabilities are realized.

In its regulations entitled " A Nemzetközi Pénzügyi Beszámolási Standardok (IFRS) szerinti értékelési előírások", OTP Building Society provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities. The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The most important variables of the assessment procedure are payment delay and the restructuring information.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- compliance with the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- resaleability and marketability of the item (market demand and supply, achievable market prices, share in the issuer's equity in proportion to the size of the investment),
- future payment obligation, which qualifies as a loss originating from the item.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment.

125. chart: Qualified exposures and impairment

(million HUF)	Accumulated specific/general credit risk adjusment
Opening balance	26
Increases due to amounts set aside for estimated loan losses during the period	104
Decreases due to amounts reversed for estimated loan losses during the period	-87
Decreases due to amounts taken against accumulated credit risk adjustments	0
Transfers betw een credit risk adjustments	0
Impact of exchange rate differences	0
Business combinations, including acquisitions and disposals of subsidiaries	0
Other adjustments	0
Closing balance	43
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	0

IV.5.2. Exposures to credit risk

Unless stated otherwise in the Document, the exposures mean the net exposure after credit risk mitigation and the credit conversion factor (EAD).

126. chart: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (million HUF)	31.12.2017	2017 Average
Central governments or central banks	201 497	202 606
Regional governments or local authorities	0	20
Public sector entities	0	0
Multilateral development banks	0	0
Institutions	37 474	26 555
Corporates	514	440
Retail	25	26
Secured by mortgages on immovable property	14 182	11 453
Exposures in default	0	0
Items associated w ith particularly high risk	55	55
Covered bonds	71 380	72 885
Collective investments undertakings	0	0
Equity exposures	0	0
Other exposures	90	70
Total	**325 217**	**314 109**

127. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**201 497**	**0**	**0**	**0**	**37 474**	**514**	**25**	**14 182**	**0**	**55**	**71 380**	**0**	**0**	**90**	**325 217**
Hungary	201 497	0	0	0	37 474	514	25	14 182	0	55	71 380	0	0	90	325 217

128. chart: Exposure classes broken down by counterparty type on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**201 497**	**0**	**0**	**0**	**37 474**	**514**	**25**	**14 182**	**0**	**55**	**71 380**	**0**	**0**	**90**	**325 217**
Goverments	201 497	0	0	0	0	0	0	0	0	0	0	0	0	0	201 497
Municipal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	37 474	0	0	0	0	0	71 380	0	0	0	108 854
Coporate	0	0	0	0	0	514	0	45	0	0	0	0	0	0	559
Corpoarte SME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retail	0	0	0	0	0	0	25	14 137	0	0	0	0	0	0	14 162
Retail SME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other*	0	0	0	0	0	0	0	0	0	55	0	0	0	90	145

* Other, non-credit risk items; collective, investment funds; high risk items

129. chart: Exposure classes broken down by residual maturity on 31st December 2017

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**45 233**	**83 081**	**196 758**	**145**	**325 217**
Central governments or central banks	0	7 481	65 521	128 495	0	201 497
Regional governments or local authorities	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0
Institutions	0	37 264	0	210	0	37 474
Corporates	0	14	235	265	0	514
Retail	0	1	7	17	0	25
Secured by mortgages on immovable property	0	473	6 227	7 482	0	14 182
Exposures in default	0	0	0	0	0	0
Items associated w ith particularly high risk	0	0	0	0	55	55
Covered bonds	0	0	11 091	60 289	0	71 380
Equity exposures	0	0	0	0	0	0
Other exposures	0	0	0	0	90	90

130. chart: Aging of past-due exposures

(million HUF)	Gross carrying values ≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0
Total exposures	0	0	0	0	0	0

131. chart: Non-performing and forborne exposures

(million HUF)	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees recieved	
		Of which performing but past due > 30 days and <=90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	272 730	0	0	0	0	0	0	0	0	0	0	0	0
Loand and advances	14 543	19	0	8	1	8	0	-40	0	-3	0	5	0
Off-balance -sheet exposures	5 954	0	0	0	0	0	0	-44	0	0	0	0	0

Note: Exposures according to EBA definition.

132. chart: Credit quality of exposures by exposure class and instrument on 31st December 2017

(million HUF)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific/General credit risk adjustment	Net values
Central governments or central banks	0	201 497	0	201 497
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	0
Multilateral development banks	0	0	0	0
Institutions	0	37 474	0	37 474
Corporates	0	516	-2	514
Retail	0	30	-5	25
Secured by mortgages on immovable property	0	14 221	-39	14 182
Exposures in default	0	0	0	0
Items associated w ith particularly high risk	0	55	0	55
Covered bonds	0	71 380	0	71 380
Collective investments undertakings	0	0	0	0
Equity exposures	0	0	0	0
Other exposures	0	90	0	90
Total	**0**	**325 263**	**-46**	**325 217**

133. chart: Credit quality of exposures by counterparty types on 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Goverments	0	201 497	0	201 497
Municipal	0	0	0	0
Public sector entities	0	0	0	0
Institutions	0	108 854	0	108 854
Coporate	0	561	-2	559
Corpoarte SME	0	0	0	0
Retail	0	14 206	-44	14 162
Retail SME	0	0	0	0
Equity	0	0	0	0
Other*	0	145	0	145
Total	**0**	**325 263**	**-46**	**325 217**

* Other, non-credit risk items; collective, investment funds; high risk items

134. chart: Credit quality of exposures by geography on 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	**0**	**325 263**	**-46**	**325 217**
Hungary	0	325 263	-46	325 217

135. chart: Overview of CRM techniques

(million HUF)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	325 406	0	0	0	0
Total debt securities	0	0	0	0	0
Total exposures	**325 406**	**0**	**0**	**0**	**0**
Of w hich defaulted	0	0	0	0	0

IV.6. Use of External Credit Assessment Institutions

136. chart: Exposures broken down by credit quality steps (CQS) of obligors

(million HUF)	Risk weight 0%	50%	75%	100%	150%	Total	Of which unrated
Exposures to central governments or central banks	201 497	0	0	0	0	201 497	0
Exposures to regional governments or local authorities	0	0	0	0	0	0	0
Exposures to public sector entities	0	0	0	0	0	0	0
Exposures to multilateral development banks	0	0	0	0	0	0	0
Exposures to institutions	37 474	0	0	0	0	37 474	37 474
Exposures to corporates	0	0	0	514	0	514	514
Retail exposures	0	0	25	0	0	25	25
Exposures secured by mortgages on immovable property	0	0	14 137	45	0	14 182	14 182
Exposures in default	0	0	0	0	0	0	0
Exposures associated with particularly high risk	0	0	0	0	55	55	55
Exposures in the form of covered bonds	66 072	5 308	0	0	0	71 380	71 380
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	0
Other items	0	0	0	90	0	90	90
Total	**305 043**	**5 308**	**14 162**	**649**	**55**	**325 217**	**123 720**

Note: „Of which unrated” column contains the expousres which do not have external credit ratings

IV.7. Capital requirement for operational risk

Capital requirements for operational risk of OTP Building Society amounted to HUF 320 million on 31st December 2017, which was determined by advanced measurement approaches.

137. chart: Operational risk capital requirements on 31st December 2017

Operational risk capital requirement's breakdown based on methods (million HUF)	
Basic Indicator Approach	0
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	320
Total	**320**

IV.8. Exposures in equities not included in the trading book on 31st December 2017

138. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2017

Entity	Balance sheet value (million HUF)	Listed (Exchanged-traded)
OTP Pénzügyi Pont Ltd.	55	No

IV.9. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate measures banking book interest rate risk exposure monthly, and also presents it as part of the consolidated exposure to the management with the same frequency.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.
- The sensitivity of interest income to changes in BUBOR is analyzed.

The simulation was prepared by assuming two scenarios:

- HUF base rate stays unchanged and BUBOR decreases gradually to 0.0% (scenario 1)
- BUBOR decreases gradually by 50 bps over the next year and the central bank base rate decreases to the level of BUBOR3M at the same time (scenario 2)

The net interest income in a one year period beginning with January 1, 2018 would be increased by HUF 6 million (scenario 1) and HUF 75 million (scenario 2) as a result of these simulation.

139. chart: The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period

Description (million HUF)	Effects to the net interest income in one year period
HUF -0.1% parallel shift	-36

IV.10. Disclosure of encumbered and unencumbered assets

140. chart: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(million HUF)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**0**		**312 079**	
Equity instruments	0		55	
Debt securities	0		276 782	
Other assets	0		234	

141. chart: Collateral received, by broad categories of product type

(million HUF)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**0**
Equity instruments	0	0
Debt securities	0	0
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

142. chart: Encumbered assets/collateral received and associated liabilities

(million HUF)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**0**	**0**

In addition to its equity capital, OTP Building Society's assets are wholly financed from customer deposits, therefore it does not have encumbered assets.

IV.11. Liquidity risk

The activity of home savings and loan associations founded and operating in Hungary are in Act XXX of 1996 on Home Savings and Loan Associations. The principle function of OTP Building Society is to manage deposits and disburse loans pursuant to an agreement in the territory of Hungary. The OTP Building Society defines the following purposes connected with the liquidity risk management.

The primary purpose is to guarantee the performance of outstanding financial obligations: the company has to be able to comply the obligations of payment at the expiration date, with correct currency, and it has to perform the necessary transactions to maintain the solvency position at all times. Besides this the fulfilment of liquidity obligations specified in law is significant also. Besides securing solvency and complying with legal obligations the secondary purpose is to achieve these goals via the best way from the possible solutions from a profitability point of view. The purpose of risk management politics of OTP Building Society is the risk-aware operation: it is significant to identify, value and continuous monitor the liquidity and other kind of financial risks of commercial activities and to share the information of monitoring with the management of the company. The OTP Building Society is the subsidiary of the OTP Bank Plc. and the member of the OTP Group. The OTP Bank Plc. has a group-valid regulation about interest- and liquidity risk management. Based on this regulation the OTP Group is monitoring and managing the liquidity risk in Group level.

OTP Building Society Ltd's "Regulation on liquidity and interest rate risk" – approved by the Managing Committee - contains the relevant regulations in connection with the liquidity risk management policy, risk valuation and managing of liquidity risk. The department responsible for liquidity risk management within the company is the Finance and Accounting Department. The responsible department reporting directly to the management regarding the company's liquidity risk exposure, the related money and capital market transactions and limit measures.

The OTP Building Society Ltd's internal auditor controlling the operation of the company's liquidity risk management proceedings in accordance with the guideline no. 12/2015. (VIII. 24.) of the Central Bank of Hungary.

As the OTP Building Society Ltd complied with requirements of the internal regulations regarding to the liquidity limits, thus the Managing Committee declared that the adequacy if liquidity risk management arrangements of the company as it is in accordance with the company's profile and its' liquidity risk management policy.

143. chart: OTP Building Society's liquidity coverage ratio

Description (in million HUF)	31.12.2017
Liquidity Puffer	207
Total Net Liquidity Outflow	9
Liquidity Coverage Ratio (%)	2,254%

IV.12. Regional distribution of the activity, return on assets ratio

144. chart: Regional distribution of the activity, return on assets ratio

Description (million HUF)	Hungary year 2017
Turnover	5 843
Profit or loss before tax	2 657
Tax on profit or loss	544
Public subsidies received	0
Number of employees on a full time basis	14
Return on assets	0,77%

V. Merkantil Bank

Information required to be disclosed regarding Merkantil Bank Ltd. ("Merkantil Bank") is not presented in this chapter separately only in the OTP Group Chapter, if it is the same as OTP Group level publications.

V.1. Corporate Governance

145. chart: The number of directorships of Merkantil Bank's chief executives

Members of the Board of Directors	Number of directorships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
dr. László UTASSY	-	3
dr. Norbert SZANISZLÓ	-	1
Péter KÖNTÖS	-	1
Tibor CSONKA	-	4
Ibolya dr. RAJMONNÉ VERES	-	3
dr. Bálint CSERE	-	3

*with the exception of directorships held at Merkantil Bank

Members of the Supervisory Board	Number of directorships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
dr. Ferenc ECSEDI	-	4
Ágota SELYMESI	-	2
Zsuzsanna SZABÓ	-	1
dr. Tamás SUCHMAN	-	1

*with the exception of directorships held at Merkantil Bank

146. chart: Board members' education data

Board of Directors	
dr. László UTASSY	
ELTE University, Faculty of law, Budapest	MA in Law (1978)
	Legal advisor (1980)
dr. Norbert SZANISZLÓ	
ELTE University, Faculty of Law, Budapest	MA in Law (1986)
	Legal advisor (1989)
University of Economics, Budapest	Lawyer of Economics, Specialised in Management (1999)
Péter KÖNTÖS	
University of Economics, Budapest	MSc in Economics (1979)
Post-graduate School of Economics	Complex Company Planning Analyst (1985)
Tibor CSONKA	
Szent István University, Gödöllő	MSc in Agricultural Economics (2002)
dr. Ibolya RAJMONNÉ VERES	
College of Szolnok	BSc in Economics (2001)
University of Economics, Budapest	Economist in Project Management (2004)
dr. Bálint CSERE	
ELTE University, Faculty of Law, Budapest	MA in Law (2000)

Supervisory Board	
dr. Ferenc ECSEDI	
University of Horticulture	MSc in Food Engineering (1970)
University of Economics, Budapest	MSc in Economics (1980)
	University doctor (economics) (1989)
University of Horticulture and Food Industry	University doctor (food science) (1988)
	MA in Law (2000)
University of Szeged, Faculty of Law	
University of Economics, Budapest	MBA (2008)
Ágota SELYMESI	
College of Finance and Accounting, Budapest	BSc is Finance (1973)
Ministry of Finance, Budapest	Tax adviser (1989)
	Chartered accountant (1995)
Penta Unió Education Centre	International tax adviser (2004)
Zsuzsanna SZABÓ	
University of Economics, Budapest	MSc in Economics (1978)
dr. Tamás SUCHMAN	
Janus Pannonius University, Faculty of Law, Pécs	MA in Law (1981)
Budapest Technical University	Urbanist (1986)

V.2. Regulatory capital and capital requirements

V.2.1. Capital adequacy of Merkantil Bank

The capital requirement calculation of Merkantil Bank on 31st December 2017 is based on IFRS and audited data.

Merkantil Bank applied standardized capital calculation method regarding credit and market risk and advanced measurement approach (AMA) regarding the operational risk. Merkantil Bank's regulatory capital requirement was HUF 19,586 million at the end of December 2017, the amount of regulatory capital was HUF 34,868 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 14.24%.

147. chart: Merkantil Bank's overview of RWA's

	RWAs		Minimum capital requirements
(million HUF)	**31.12.2017**	**30.09.2017**	**31.12.2017**
Credit risk (excluding CCR)	**229 976**	**222 033**	**18 398**
Of which the standardised approach	229 976	222 033	18 398
CCR	**0**	**0**	**0**
Of which mark to market	0	0	0
Of which CVA	0	0	0
Market risk	**3 139**	**3 014**	**251**
Of which the standardised approach	3 139	3 014	251
Operational risk	**11 713**	**11 332**	**937**
Of which basic indicator approach	0	0	0
Of which advances measurement approach	11 713	11 332	937
Total	**244 828**	**236 379**	**19 586**

The total credit RWA of Merkantil Bank was HUF 244,828 million at the end of December 2017, its audited total credit capital requirement was HUF 18,398 million.

148. chart: Credit risk exposure and CRM effects on 31st December 2017

(million HUF)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs és RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs és RWA density	RWA density
Central governments or central banks	14 413	0	14 413	0	0	0,00%
Regional government or local authorities	59	0	59	0	13	21,78%
Public sector entities	142	0	142	0	137	96,90%
Multilateral development banks	0	0	0	0	0	
International organisations	0	0	0	0	0	
Institutions	74 710	0	74 710	0	426	0,57%
Corporates	177 611	14 843	177 611	1 649	150 839	84,15%
Retail	92 251	0	92 251	0	65 190	70,67%
Secured by mortgages on immovable property	0	39	0	8	8	100,00%
Exposures in default	2 904	0	2 904	0	3 169	109,12%
Higher-risk categories	0	0	0	0	0	
Covered bonds	0	0	0	0	0	
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	
Collective investments undertakings	0	0	0	0	0	
Equity	6 376	0	6 376	0	9 537	149,58%
Other items	276	843	276	421	657	94,31%
Total	**368 741**	**15 725**	**368 741**	**2 079**	**229 976**	**62,02%**

V.2.2. Information about disclosure requirements related to the regulatory capital in line with Commission Implementing Regulation (EU) No. 1423/2013

149. chart: Differences between accounting (IFRS) and regulatory (CRR) scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

Description (in million HUF)	Carrying values as reported in published financial statements	Carrying values of items				
		Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash, amounts due from banks and balances with the National Banks	2 408	2 408				
Placements with other banks, net of allowance for placement losses	6 000	6 000				
Financial assets at fair value through profit or loss	0				0	
Loans, net of allowance for loan losses	272 129	272 129				
Associates and other investments	6 376	6 376				
Investment properties	129	129				
Securities available-for-sale	78 875	78 875				
Securities held-to-maturity	48	48				
Property and equipment	664					664
Intangible assets	2 648	2 648				
Other assets	129	129				
Derivative financial assets designated as fair value hedge	369 406	368 742	0	0	0	664
TOTAL ASSETS	**369 406**	**368 742**				
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	303 371					303 371
Deposits from customers	21 064					21 064
Liabilities from issued securities	0					0
Other liabilities	9 439					9 439
Subordinated bonds and loans	5 000					5 000
Share capital	2 000					2 000
Retained earnings and reserves	28 532					28 532
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**369 406**	**0**	**0**	**0**	**0**	**369 406**

150. chart: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Description (in million HUF)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	369 406	369 406	0	0	0
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	0	0	0	0	0
Total net amount under the regulatory scope of condsolidation	369 406	369 406	0	0	0
Off-balance-sheet amounts	15 724	2 078	0	0	0
Differences in valuations	0	0	0	0	0
Differences due to different netting rules, other than those already included in row 2	0	0	0	0	0
Differences due to consideration of provisions	0	0	0	0	0
Differences due to prudential filters	0	0	0	0	0
Intangible assets	-664	-664	0	0	0
Exposure amounts considered for regulatory purposes	**384 466**	370 820	0	0	0

151. chart: Merkantil Bank's regulatory capital

Total regulatory capital (million HUF)	31.12.2017	Cross reference to raws of transitional own funds disclosure template
Share capital	2 000	1
Retained earnings	17 218	2
Accumulated other comprehensive income and other reserves	1 746	
Balance sheet profit or loss	9 568	25a
Intangible assets (-)	-664	8
Prudential filters	0	
Deferred tax assets	0	
Investments	6 376	22;C 59a
Of which: deducted from regulatory capital	0	
Common Equity Tier 1 capital	**29 868**	
Total Tier 1 capital	**29 868**	
Subordinated debt	**5 000**	
Of which: eligible in regulatory capital	5 000	
Total Tier 2 capital	**5 000**	
Of which: general provision	0	50
Total regulatory capital	**34 868**	

152. chart: Breakdown of Merkantil Bank's regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2017	(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
1	Capital instruments and the related share premium accounts	2 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: share	2 000	EBA list 26 (3)	
2	Retained earnings	26 786	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1 746	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	30 532		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
7	Additional value adjustments (negative amount)		34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-664	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negatvie amount)		36 (1) (g), 44, 472 (9)	
18	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (continuation) (million HUF)	(A) 31.12.2017	(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
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		467, 468	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-664		
29	**Common Equity Tier 1 (CET1) capital**	29 868		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2017	(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
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	0		

	Additional Tier 1 (AT1) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
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)**	29 868		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2017	(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
46	Capital instruments and the related share premium accounts	5 000	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	5 000		

	Tier 2 (T2) capital: regulatory adjustments (million HUF)	(A) 31.12.2017	(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
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0		
58	**Tier 2 (T2) capital**	5 000		
59	**Total capital (TC = T1 + T2)**	34 868		
60	**Total risk weighted assets**	244 828		

	Capital ratios and buffers (million HUF)	(A) 31.12.2017	(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
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	12,20%	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount	12,20%	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount	14,24%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount) (1)		CRD 128, 129, 130	
65	of which: capital conservation buffer requirement (1)			
66	of which: countercyclical buffer requirement (1)			
67	of which: systemic risk buffer requirement (1)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (1)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (1)		CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	(A) 31.12.2017	(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
72	Direct and indirect holdings of the capital of financial sector entities w here the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	10	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities w here the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	2 108	36 (1) (i), 45, 48, 470, 472 (11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability w here the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

	Applicable caps on the inclusion of provisions in Tier 2 (million HUF)	(A) 31.12.2017	(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
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	

	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022) (million HUF)	(A) 31.12.2017	(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
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

(1) capital buffers are not yet implemented

V.3. Trading book market and counterparty risks (capital requirements)

153. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	2 190	175
Equity risk (general and specific)	0	0
Foreign exchange risk	949	76
Commodity risk	0	0
Options	0	0
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific riks)	0	0
Total	**3 139**	**251**

154. chart. chart: Analysis of CCR exposure by approach

Description (in million HUF)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE (Effective Expected Positive Exposure)	Multiplier	EAD post CRM	RWAs
Mark to market		0	0			0	0
Original exposure	0					0	0
Standardised approach		103			0	428	0
IMM (for derivatives and SFTs)				0	0	0	0
Of which securities financing transactions				0	0	0	0
Of which derivatives and long settlement transactions				0	0	0	0
Of which from contractual cross-product netting				0	0	0	0
Financial collateral simple method (for SFTs)						0	0
Financial collateral comprehensive method (for SFTs)						0	0
VaR for SFTs						0	0
Total							**0**

155. chart: CVA capital charge

Description (in million HUF)	Exposure value	RWAs
Total portfolios subject to the advanced method	0	0
VaR component (including the 3 x multiplier)		0
SVaR component (including the 3 x multiplier)		0
All portfolios subject to the standardised method	0	0
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

156. chart: CCR exposures by regulatory portfolio and risk

Exposure classes	Risk weight											Total	Of which unrated
(in million HUF)	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Egyéb		
Central governments or central banks	428	0	0	0	0	0	0	0	0	0	0	428	0
Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporates	0	0	0	0	0	0	0	0	0	0	0	0	0
Retail	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**428**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**428**	**0**

V.4. Leverage

157. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	369 406
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	428
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 079
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	0
8	**Leverage ratio total exposure measure**	**371 912**

158. chart: Leverage ratio

	m HUF	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	368 741
2	(Asset amounts deducted in determining Tier 1 capital)	664
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**369 406**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	103
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	325
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**428**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	15 725
18	(Adjustments for conversion to credit equivalent amounts)	-13 646
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**2 079**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure mesure		
20	Tier 1 capital	29 868
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	371 912
Leverage ratio		
22	**Leverage ratio**	**8,03%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

V.5. Credit risk adjustments

V.5.1. Methods of valuations and provisions

The financial reports of Merkantil Bank are based on IFRS regulation. Measurement and provision allocation of assets, investments and off-balance sheet liabilities are realized according to frameworks of relevant IFRS/IAS standards. Merkantil Bank's provisioning policy is prudent and conservative.

In establishing the profit or loss for the reporting year, it is through accounting for impairment and raising provisions that foreseeable risks and potential losses are taken into consideration even if they become known between the end of the last reporting period and the balance sheet date. Impairment and provisions are both recognized, irrespective of whether the business year is closed with a profit or a loss.

For the debts outstanding at the rating cut-off date and the cut-off date for the business year and unpaid until the balance sheet date, impairment is recognized on the basis of available information; the amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt.

Merkantil Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their rating. If the rating process reveals that the amount of the risk provision exceeds the amount required on the basis of the rating, the excess amount of the risk provision is released. Risk provisions are used upon the termination of pending or certain (future) liabilities, or when losses arising from such liabilities are realized.

In its regulations entitled "A Nemzetközi Pénzügyi Beszámolási Standardok (IFRS) szerinti értékelési előírások", Merkantil Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities. The calculation of credit losses may be carried out on an individual or collective basis. The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. The most important variables of the assessment procedure are payment delay and the restructuring information. Individual assessment is carried out through the estimation of discounted cash flows.

Depending on the item, assessment based on the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- compliance with the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regular fulfillment of the payment obligation;
- status of restructuring risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;
- resaleability and marketability of the item (market demand and supply, achievable market prices, share in the issuer's equity in proportion to the size of the investment),
- future payment obligation, which qualifies as a loss originating from the item.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment.

159. chart: Change of defaulted assets

(in million HUF)	Accumulated specific / general credit risk adjusment
Opening balance	**32 281**
Increases due to amounts set aside for estimated loan losses during the period	16 084
Decreases due to amounts reversed for estimated loan losses during the period	-8 954
Decreases due to amounts taken against accumulated credit risk adjustments	-10 940
Transfers betw een credit risk adjustments	
Impact of exchange rate differences	-44
Business combinations, including acquisitions and disposals of subsidiaries	-11 204
Other adjustments	0
Closing balance	**17 222**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	0
Specific credit risk adjustments directly recorded to the statement of profit or loss	0

160. chart: Changes in impairment of the loan portfolio

	(million HUF)	Gross carrying value defaulted exposures
1	**Opening balance - 31.12.2016**	**27 492**
2	Loans and debt securities that have defaulted since the last reporting period	4 407
3	Returned to non-defaulted status	2 231
4	Amounts written-off	857
5	Other changes / Amounts written-off	-10 933
6	**Closing balance - 31.12.2017 (6 =1 + 2 - 3 - 4 + 5)**	**17 878**

V.5.2. Exposures to credit risk

Unless stated otherwise in the Document, the exposures (EAD) mean the net exposure after credit risk mitigation and the credit conversion factor.

161. chart: Net exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (million HUF)	31.12.2017	2017 Average
Exposures to central governments or central banks	14 413	13 806
Exposures to regional governments or local authorities	59	191
Exposures to public sector entities	142	145
Exposures to multilateral development banks	0	0
Exposures to institutions	74 710	76 112
Exposures to corporates	192 454	177 034
Retail exposures	92 251	94 711
Exposures secured by mortgages on immovable property	39	20
Exposures in default	2 904	2 563
Exposures associated with particularly high risk	0	0
Exposures in the form of covered bonds	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0
Equity exposures	6 376	6 027
Other items	1 118	1 299
Total	**384 466**	**371 908**

162. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**14 413**	**59**	**142**	**0**	**74 710**	**192 454**	**92 251**	**39**	**2 904**	**0**	**0**	**0**	**6 376**	**1 118**	**384 466**
Hungary	14 413	59	142	0	74 710	187 802	92 251	39	2 904	0	0	0	6 376	1 118	379 814
Bulgaria	0	0	0	0	0	930	0	0	0	0	0	0	0	0	930
Croatia	0	0	0	0	0	1 861	0	0	0	0	0	0	0	0	1 861
Romania	0	0	0	0	0	1 861	0	0	0	0	0	0	0	0	1 861

163. chart: Exposure classes broken down by counterparty type on 31st December 2017

(million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to multilateral development banks	Exposures to institutions	Exposures to corporates	Retail exposures	Exposures secured by mortgages on immovable property	Exposures in default	Exposures associated with particularly high risk	Exposures in the form of covered bonds	Exposures in the form of units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**14 413**	**59**	**142**	**0**	**74 710**	**192 454**	**92 251**	**39**	**2 903**	**0**	**0**	**0**	**6 376**	**1 118**	**384 465**
Goverments	14 413	0	0	0	0	0	0	0	0	0	0	0	0	0	14 413
Municipal	0	59	0	0	0	0	0	0	0	0	0	0	0	0	59
Public sector entities	0	0	142	0	0	0	0	0	0	0	0	0	0	0	142
Institutions	0	0	0	0	74 710	0	0	0	0	0	0	0	0	0	74 710
Coporate	0	0	0	0	0	192 454	0	39	721	0	0	0	0	0	193 214
Corpoarte SME	0	0	0	0	0	49 854	0	0	0	0	0	0	0	0	49 854
Retail	0	0	0	0	0	0	92 251	0	2 182	0	0	0	0	0	94 433
Retail SME	0	0	0	0	0	0	22 392	0	0	0	0	0	0	0	22 392
Equity	0	0	0	0	0	0	0	0	0	0	0	0	6 376	0	6 376
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	1 118	1 118

* Other, non-credit risk items; collective, investment funds; high risk items

164. chart: Exposure classes broken down by residual maturity on 31st December 2017

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**21 987**	**191 716**	**30 049**	**140 714**	**384 466**
Central governments or central banks	0	0	0	0	14 413	14 413
Regional governments or local authorities	0	3	47	4	5	59
Public sector entities	0	35	93	8	5	142
Institutions	0	0	2	3	74 705	74 710
Corporates	0	16 914	120 809	10 918	43 813	192 454
Retail	0	4 555	69 613	17 952	130	92 251
Secured by mortgages on immovable property	0	0	0	0	39	39
Exposures in default	0	480	1 153	1 164	108	2 904
Items associated w ith particularly high risk	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0
Equity exposures	0	0	0	0	6 376	6 376
Other exposures	0	0	0	0	1 118	1 118

165. chart: Ageing of past-due exposures

	Gross carrying values					
(million HUF)	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	267 316	6 853	1 084	1 320	1 143	11 634
Debt securities	0	0	0	0	0	0
Total exposures	**267 316**	**6 853**	**1 084**	**1 320**	**1 143**	**11 634**

166. chart: Non-performing and forborne exposures

(million HUF)	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees recieved	
		Of which performing but past due > 30 days and <=90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Loand and advances	289 351	6 976	1 789	18 518	17 878	18 518	7 416	0	0	0	0	0	0
Off-balance -sheet exposures	0		0	0	0	0	0	0	0	0	0	0	0

Note: Exposures according to EBA definition.

167. chart: Credit Quality of exposures by exposure class and instrument 31st December 2017

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Exposures to central governments or central banks	0	14 413	0	14 413
Exposures to regional governments or local authorities	0	59	0	59
Exposures to public sector entities	0	142	0	142
Exposures to multilateral development banks	0		0	
Exposures to institutions	0	74 710	0	74 710
Exposures to corporates	0	192 913	459	192 454
Retail exposures	0	93 973	1 722	92 251
Exposures secured by mortgages on immovable property	0	39	0	39
Exposures in default	17 878	67	15 041	2 904
Exposures associated w ith particularly high risk	0	0	0	0
Exposures in the form of covered bonds	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0
Equity exposures	0	6 376	0	6 376
Other items	0	1 118	0	1 118
Total	**17 878**	**383 810**	**17 222**	**384 466**

168. chart: Credit quality of exposures by counterparty types on 31st December 2017

(million HUF)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific/Geeneral credit risk adjustment	Net values
Goverments	0	14 413	0	14 413
Municipal	0	59	0	59
Public sector entities	2	142	0	143
Institutions	0	74 710	0	74 710
Coporate	1 951	193 019	1 755	193 214
Corpoarte SME	1 762	49 709	1 616	49 854
Retail	15 926	93 973	15 466	94 433
Retail SME	1 309	22 321	1 238	22 392
Equity	0	6 376	0	6 376
Other*	0	1 118	0	1 118
Total	**17 878**	**383 810**	**17 222**	**384 466**

* Other, non-credit risk items; collective, investment funds; high risk items

169. chart: Credit quality of exposures by geography on 31st December 2017

(million HUF)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific/General credit risk adjustment	Net values
Total	**17 878**	**383 810**	**17 222**	**384 466**
Hungary	17 878	379 158	17 222	379 814
Bulgaria	0	930	0	930
Croatia	0	1 861	0	1 861
Romania	0	1 861	0	1 861

170. chart: Overview of CRM techniques

(million HUF)	Exposures unsecured - Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	23 830	265 521	265 521	0	0
Total debt securities	0	0	0	0	0
Total exposures	**23 830**	**265 521**	**265 521**	**0**	**0**
Of w hich defaulted	13 295	4 584	4 584	0	0

V.6. Use of External Credit Assessment Institutions

171. chart: Exposures broken down by credit quality steps (CQS) of obligors

	Risk weight								
(million HUF)	0%	20%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposures to central governments or central banks	14 413	0	0	0	0	0	0	14 413	0
Exposures to regional governments or local authorities	0	58	0	0	1	0	0	59	0
Exposures to public sector entities	0	5	0	0	136	0	0	141	0
Exposures to multilateral development banks	0	0	0	0		0	0		0
Exposures to institutions	74 284	0	0	0	426	0	0	74 710	0
Exposures to corporates	17 051	0	0	0	175 403	0	0	192 454	0
Retail exposures	0	0	0	92 251	0	0	0	92 251	0
Exposures secured by mortgages on immovable property	0	0	0	0	39	0	0	39	0
Exposures in default	0	0	0	0	2 374	530	0	2 904	0
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0
Exposures in the form of covered bonds	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	4 268	0	2 108	6 376	0
Other items	40	0	0	0	1 079	0	0	1 119	0
Total	**105 788**	**63**	**0**	**92 251**	**183 727**	**530**	**2 108**	**384 467**	**0**

V.7. Capital requirement for operational risk

Capital requirements for operational risk of Merkantil Bank amounted to HUF 937 million on 31st December 2017, which was determined by advanced measurement approach.

172. chart: Operational risk capital requirements on 31st December 2017:

Operational risk capital requirement's breakdown based on methods (million HUF)	
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	937
Total	**937**

V.8. Exposures in equities not included in the trading book on 31st December 2017

173. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2017

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	DSK Leasing AD	209	No
2	Garantiqa Credit Guarantee Closed Co. Ltd.	10	No
3	Merkantil Car Zrt.	252	No
4	Merkantil Lease Service LLC	625	No
5	Merkantil Property Leasing Ltd.	25	No
6	NIMO 2002 Ltd.	809	No
7	OTP Bank Romania S.A.	0	No
8	OTP Leasing d.d.	261	No
9	OTP Leasing Romania IFN S.A.	438	No
10	OTP Travel Ltd.	2 614	No
11	SPLC Property Management Ltd.	210	No

V.9. Exposure to interest rate risk on positions not included in the trading book

Asset-Liability Directorate measures banking book interest rate risk exposure monthly, and also presents it as part of the consolidated exposure to the management with the same frequency.

The size and direction of the exposure is determined based on sensitivity analysis mainly.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modeled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.

The sensitivity of interest income to changes in BUBOR was analyzed assuming two interest rate path scenarios:

- HUF base rate stays unchanged and BUBOR decreases gradually to 0.0% (scenario 1)
- BUBOR decreases gradually by 50 bps over the next year and the central bank base rate decreases to the level of BUBOR3M at the same time (scenario 2)

The net interest income in a one year period after January 1, 2018 would be decreased by HUF 3 million (scenario 1) and HUF 106 million (scenario 2) as a result of these simulation.

Furthermore, the effects of an instant 10 bp parallel shift of the HUF, EUR and CHF yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital was analyzed. The results can be summarized as follows (HUF million):

174. chart: The effects of an instant 10 bp parallel shift of the HUF, EUR and CHF yield-curves on net interest income over a one-year period and on the market value of the hedge government bond portfolio booked against capital

Description (million HUF)	Effects to the net interest income (1Year period)
HUF -0.1% parallel shift	-34
EUR 0.1% parallel shift	-6
CHF -0.1% parallel shift	0
Total	**-40**

V.10. Disclosure of encumbered and unencumbered assets

175. chart: The encumbered and unencumbered assets in carrying and fair value amounts by broad categories of asset type

(million HUF)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**121 217**		**248 189**	
Equity instruments	0	0	0	0
Debt securities	67 893	58 942	10 982	11 296
Other assets	0		5 242	

176. chart: Collateral received, by broad categories of product type

(million HUF)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**58 942**
Equity instruments	0	0
Debt securities	0	58 942
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

177. chart: Encumbered assets/collateral received and associated liabilities

(million HUF)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	106 326	121 217

The encumbrances of Merkantil Bank Ltd.'s assets and collaterals received mostly arise from the funds granted by the MNB's Funding for Growth Scheme. The collateral for the central bank funding (the MNB's Funding for Growth Scheme) is partly the loans refinanced by the funds, and in part the mortgage bonds issued by OTP Mortgage Bank, which are in Merkantil Bank Ltd.'s books. The encumbrances caused by derivative deals largely arise from CIRS transactions, the market value of which may fluctuate depending on the foreign exchange rate.

In respect of the items recognized under other assets in the balance sheet, Merkantil Bank Ltd.. does not consider its cash balance, intangible assets, tangible assets, or inventories subject to encumbrance.

V.11. Liquidity risk

The Merkantil Bank Ltd. was established in 1988 as a specialized credit institution, dealing with bill of exchange and factoring. In 1992 the bank started the vehicle financing business. During the privatisation in 1996 OTP Bank acquired 100% ownership of the company. For the time being it's most important financial activity is vehicle and equipment leasing. Majority of the liabilities are from the mother company, collection of deposits is limited. It is permitted to engage in derivative transactions only for reasons of liquidity and risk management operations and for hedging purposes. The Merkantil Bank Ltd. defines the following purposes connected with the liquidity risk management.

The primary purpose is to guarantee the performance of outstanding financial obligations: the company has to be able to comply the obligations of payment at the expiration date, with correct currency, and it has to perform the necessary transactions to maintain the solvency position at all times. Besides this the fulfilment of liquidity obligations specified in law is significant also. Besides securing solvency and complying with legal obligations the secondary purpose is to achieve these goals via the best way from the possible solutions from a profitability point of view. The purpose of risk management politics of Merkantil Bank iis the risk-aware operation: it is significant to identify, value and continuous monitor the liquidity and other kind of financial risks of commercial activities and to share the information of monitoring with the management of the company. The Merkantil Bank is the subsidiary of the OTP Bank Plc. and the member of the OTP Group. The OTP Bank Plc. has a group-valid regulation about interest- and liquidity risk management. Based on this regulation the OTP Group is monitoring and managing the liquidity risk in Group level.

Merkantil Bank Ltd's "Regulation on liquidity" – approved by the Managing Committee - contains the relevant regulations in connection with the liquidity management policy. The department responsible for liquidity risk management within the company is the Treasury. The responsible department reporting directly to the management regarding the company's liquidity risk exposure, the related money and capital market transactions.

The Merkantil Bank Ltd's internal auditor controlling the operation of the company's liquidity risk management proceedings in accordance with the guideline no. 12/2015. (VIII. 24.) of the Central Bank of Hungary.

As the Merkantil Bank Ltd complied with requirements of the supervisory entity's liquidity measures and the internal regulations, thus the Managing Committee declared that the adequacy if liquidity risk management arrangements of the company as it is in accordance with the company's profile and its' liquidity management policy.

178. chart: Merkantil's liquidity coverage ratio

Description (in million HUF)	31.12.2017
Liquidity Puffer	14 960
Total Net Liquidity Outflow	2 486
Liquidity Coverage Ratio (%)	6,019%

V.12. Regional distribution of the activity, return on assets ratio

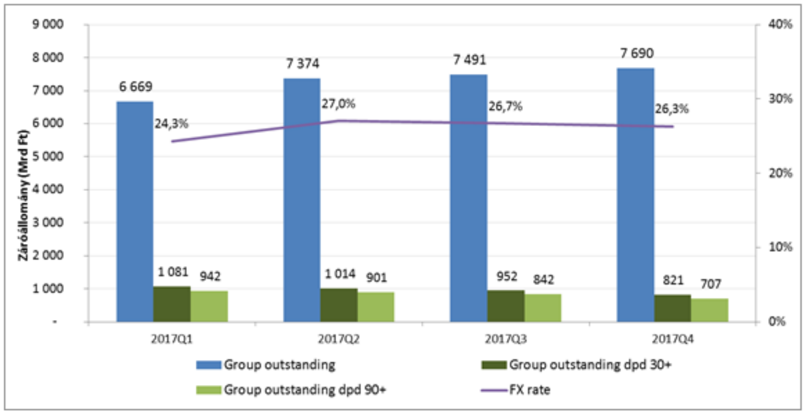
179. chart: Regional distribution of the activity, return on assets ratio

Description (million HUF)	Hungary year 2017
Turnover	16 638
Profit or loss before tax	9 621
Tax on profit or loss	788
Public subsidies received	0
Number of employees on a full time basis	246
Return on assets	2,7%

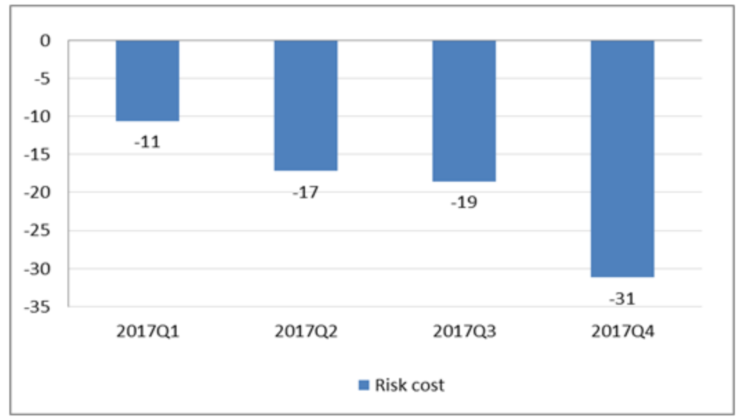
VI. Appendix

VI.1. OTP Group’s risk profile

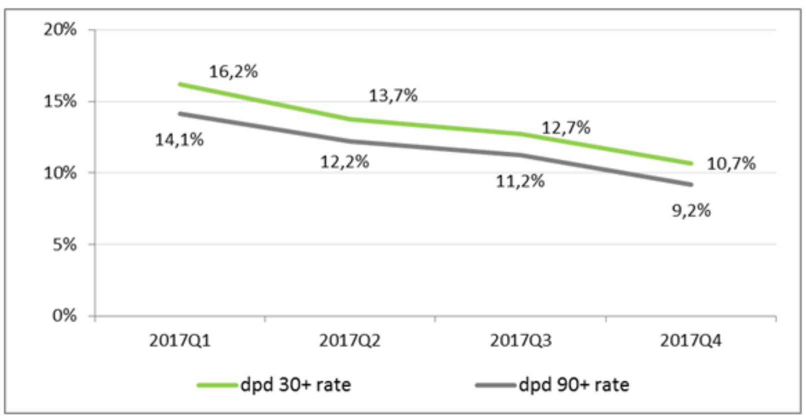
Closing volume (Bln HUF)



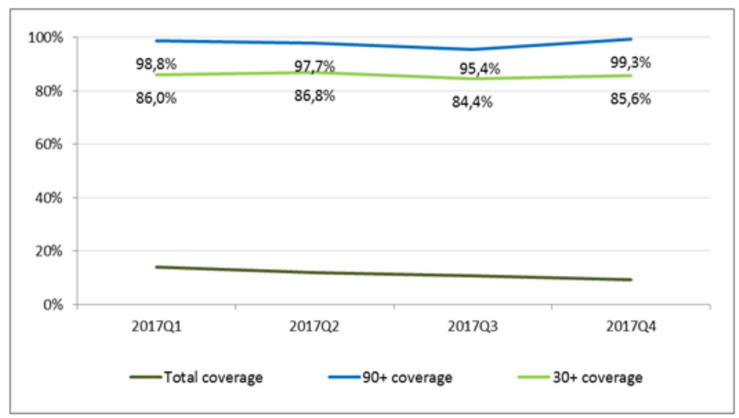
Cumulated risk cost (Bln HUF)



DPD30+ and DPD90+ rate



Coverage



VI.2. Declaration about the appropriatenes of risk management

Declarations

1) OTP Bank Plc. declares – regarding article 435. (1) e) of CRR – that the applied risk management system is adequate with regard to the OTP Group's profile and strategy.

   This statement based on the declaration on OTP Bank Group's Strategy for Risk Assumption regarding 2017-2019 made by the Board of Directors on 28th February 2018 (ref. IG 2018/18).

2) Based on the above information OTP Bank Plc. declares – relating to article 435. (1) f) of CRR – that OTP Group's risk profile is consistent with the risk appetite of the group determined by OTP Bank Group's Strategy for Risk Assumption.

   The Board of Directors has approved this statement on 28th February 2018 by the acceptance of the report on Bank Group level portfolio quality (ref. IG 2018/28).

VI.3. Declaration of the appropriatenes of the liquidity risk management framework

The Declaration of the appropriateness of the liquidity risk management framework has been approved by Asset Liability Committee (Decision number: 2018/44/3.)

Declaration

The liquidity risk management framework applied by OTP Bank Ltd. explores the risk exposure derived from the risk profile of the institution in a fully comprehensive way. The internal regulation on liquidity risk management contains in detail the organizational units involved in the risk managements process and the tasks, responsibilities and authorities of these units. Considering the findings regulatory audits the liquidity risk management methodology and risk management strategy are revised and approved by the Asset Liability Committee (ALCO) on annual basis.

The responsible organizational unit prepares liquidity risk related standard reports for ALCO on a monthly basis. The report contains an ex post assessment on the changes of the risk profile and the evolution of liquidity reserves available to absorb potential liquidity shocks and the level of standard liquidity risk indicators.

The following table contains the key liquidity risk indicators and their limits as of the end of 2017:

Risk indicator	31/12/2017 fact	Limit
Foreign Currency Equilibrium Ratio (regulatory)	1,7%	maximum 15%
Foreign Exchange Funding Adequacy Ratio (regulatory)	130%	minimum 100%
Mortgage Financing Adequacy Ratio (regulatory)	15,7%	minimum 15%
Liquidity Coverage Ratio (regulatory)	176%	minimum 100%
Primary liquidity reserves (internal)	2.674 HUF bn	887 HUF bn
Operative liquidity reserves (internal)	2.574 HUF bn	994 HUF bn

The free liquidity reserves of the Bank exceed permanently and significantly both the standard regulatory requirements and the potential liquidity needs calculated by the internal model which considers the specific risk profile of the institution, thus the harmony between risk appetite and risk profile is ensured.