

Disclosure by institutions 30 June 2020



OTP Bank Plc. consolidated

In line with Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, and Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, and EBA/GL/2020/07 of exposures subject to measures applied in response to the COVID-19 crisis

(English translation of the original report)

Budapest, 4 September 2020

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I. OTP Group

I.1. Regulatory capital and capital requirements

I.1.1. Capital adequacy of the OTP Group

The capital requirement calculation of the Group for 30.06.2020 is based on CRR data. The prudential filters and deductions have been applied in line with the CRR during the calculation of regulatory capital.

The Group applied standardized capital calculation method regarding credit and market risk, advanced measurement approach (AMA) and basic indicator approach (BIA) regarding the operational risk. On 30.06.2020 the capital adequacy ratio of OTP Group - without the gain of the second quarter in 2020 - was 16.26%. The Group regulatory capital requirement as of 30th June 2020 was HUF 1,201,864 million and the amount of regulatory capital was HUF 2,443,344 million.

OTP Group's capital requirement

Capital requirement of OTP Group	
(million HUF)	30.06.2020
Total capital requirement	1 201 864
Capital requirement of capital and counterparty risk	1 068 493
Capital requirement of market risk	17 448
Capital requirement of operational risk	115 923

The total RWA containing credit and counterparty risk RWA of OTP Group was HUF 13,347,112 million on 30.06.2020 and the total capital requirement containing credit and counterparty risk capital requirement was HUF 1,067,769 million without the value of Credit Value Adjustment.

RWA and capital requirement of credit and counterparty credit risks and free deliveries on 30.06.2020

(million HUF)	Risk weighted assets	Capital requirement
Total	13 347 112	1 067 769
Exposures to central governments or central banks	988 332	79 067
Exposures to regional governments or local authorities	44 787	3 583
Exposures to public sector entities	101 393	8 111
Exposures to international organisations	0	0
	1 098	88
Exposures to institutions	497 130	39 770
Exposures to corporates	4 475 112	358 009
Retail exposures	2 853 576	228 286
Exposures secured by mortgages on immovable property	3 008 352	240 668
Exposures in default	301 755	24 140
Exposures associated with particularly high risk	54 309	4 345
Exposures in the form of covered bonds	52 320	4 186
Collective investment undertakings	19 170	1 534
Equity exposures	133 248	10 660
Other items	816 530	65 322

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

The following table is represent the breakdown of regulatory capital.

Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 30 June 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	2 328 478		
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	-235 552		
29 Common Equity Tier 1 (CET1) capital	2 092 926		
36 Additional Tier 1 (AT1) capital before regulatory adjustments	0		
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
44 Additional Tier 1 (AT1) capital	0		
45 Tier 1 capital (T1 = CET1 + AT1)	2 092 926		
51 Tier 2 (T2) capital before regulatory adjustment	350 417		
57 Total regulatory adjustments to Tier 2 (T2) capital	0		
58 Tier 2 (T2) capital	350 417		
59 Total capital (TC = T1 + T2)	2 443 344		
61 Common Equity Tier 1 (as a percentage of total risk exposure amount)	13,93%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	13,93%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	16,26%	92 (2) (c)	

The effect of the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds in accordance with 2017/2395 EU regulation is represented in the following table:

(million HUF)		IFRS 9 effect		
		30.06.2020	31.03.2020	31.12.2019
Regulatory capital				
1	Common Equity Tier 1 (CET1) capital	2 092 926	2 139 592	2 074 045
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 926 182	1 998 312	1 974 752
3	Tier 1 capital	2 092 926	2 139 592	2 074 045
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 926 182	1 998 312	1 974 752
5	Total capital	2 443 344	2 496 092	2 409 618
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 276 600	2 354 811	2 310 325
Total risk weighted assets				
7	Total risk weighted assets	15 023 300	15 302 002	14 439 218
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14 856 556	15 168 039	14 349 781
Capital ratios				
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13,93%	13,98%	14,36%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12,97%	13,17%	13,76%
11	Tier 1 (as a percentage of total risk exposure amount)	13,93%	13,98%	14,36%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12,97%	13,17%	13,76%
13	Total capital (as a percentage of total risk exposure amount)	16,26%	16,31%	16,69%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15,32%	15,52%	16,10%
Leverage ratio				
15	Total exposure	23 911 920	22 369 159	21 606 453
16	Leverage ratio	8,75%	9,56%	9,60%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,06%	8,93%	9,14%

I.2. Leverage ratio

In accordance with the permission of the supervisory authority referring to 575/2013/EU Article 499 (3), the calculation of leverage ratio is based on end-of-quarter data.

Leverage ratio	
(million HUF)	30.06.2020
Total exposure	23 911 920
Tier 1 capital	2 092 926
Leverage ratio	8,75%

I.3. Loans and advances subject to moratoria

In the following table represented the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis:

	Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk						Gross carrying amount		
	Performing			Non performing			Performing			Non performing				Inflows to non-performing exposures	
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days				
(in HUF million)															
Loans and advances subject to moratorium	2 486 697	2 410 853	33 050	343 030	75 844	38 668	51 891	-102 213	-68 626	-10 956	-45 935	-33 587	-18 756	-22 487	13 352
of which: Households	1 508 067	1 458 675	18 015	115 846	49 392	21 538	28 751	-48 844	-28 090	-6 473	-14 484	-20 763	-9 604	-11 425	9 716
of which: Collateralised by residential immovable property	800 443	768 870	4 552	58 051	31 573	11 702	15 499	-15 041	-6 380	-343	-3 188	-8 660	-2 201	-2 194	2 003
of which: Non-financial corporations	976 354	949 902	15 035	226 489	26 452	17 129	23 140	-53 344	-40 520	-4 483	-31 445	-12 824	-9 151	-11 062	3 636
of which: Small and Medium-sized Enterprises	663 400	643 089	8 633	146 464	20 311	13 594	18 525	-35 073	-24 626	-2 613	-18 153	-10 447	-7 927	-9 442	2 532
of which: Collateralised by commercial immovable property	544 796	532 779	8 402	116 421	12 017	7 843	10 865	-26 223	-23 269	-2 852	-17 897	-2 954	-1 272	-2 313	1 159

In the following table represented the volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria:

	Number of obligors	Gross carrying amount							
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria					
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
(in HUF million)									
Loans and advances for which moratorium was offered	605 066	2 486 697							
Loans and advances subject to moratorium (granted)	605 066	2 486 697	2 265 748	0	104 295	2 197 822	184 580	0	0
of which: Households		1 508 067	1 422 586	0	23 413	1 396 574	88 080	0	0
of which: Collateralised by residential immovable property		800 443	752 347	0	12 749	746 927	40 768	0	0
of which: Non-financial corporations		976 354	841 380	0	80 697	800 528	95 129	0	0
of which: Small and Medium-sized Enterprises		663 400	582 378	0	19 442	597 491	46 467	0	0
of which: Collateralised by commercial immovable property		544 796	466 811	0	58 390	419 382	67 024	0	0

The data according to the newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis will be published on 30th September 2020, because the data are still under revision to fulfill the requirements of the Disclosure.