Disclosure by institutions
31. December 2018

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, 12 April 2019.

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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 continuously, but at least with a frequency of 3 years. The Board of the OTP Banking Group approved the current Strategy for Risk Assumption at 8/March/2019.

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:

- 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;
- 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;
- Strong support of people concerned with operational risk management activities;
- 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;
- The Group must strive for high level risk-awareness and must articulate its operational risk appetite;
- Bank must have guidelines, processes and procedures mitigating operational risks;
- 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., Ukrainian, Russian, Bulgarian, Slovakian, Serbian and Montenegrin 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. Applied 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 2018 in the European stress test, 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	-	1
Dr. László UTASSY	-	2
Dr. József VÖRÖS	-	-
László WOLF	-	2

* 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	1	1
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 Human Resources Management Directorate 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)
Olivier Péqueux	
École Polytechnique	graduate enginieer (1998)
École nationale de la statistique et de l'administration économique	statistician-economist (2000)

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 2018 a new modification of the rules of procedure was made. In 2018 the Committee held three meetings.

Credit-Limit Committee (CLC) is a permanent committee meeting minimum weekly (74 times in 2018). 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 (46 times in 2018). 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 2018 (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 2018.

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 2018

3. chart: Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2018

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 2018

4. chart: Not consolidated entities for the year ended 31 December 2018

Not consolidated in accordance with IFRS[1]	
1	Auctioneer s. r. o.
2	Club Hotel Füred Szálloda Kft.
3	Diákigazolvány Ltd.
4	Dinghy Sport Club Hungary Kft.
5	Govcka Project Company SRL
6	IMOS AD ŠID
7	Ingatlanvagyon Projekt 14. Ltd.
8	Investment Projekt 1. d.o.o.
9	OFB Projects EOOD
10	OTP Advisors SRL
11	OTP Consulting Romania SRL
12	OTP Immobilien Verwertung GmbH.
13	OTP Nedvizhimost OOO
14	OTP Travel Ltd.
15	OTP Újlakás Credit Intermediary Ltd.
16	OTP Vendéglátás és Hotelszolgáltatás Szervező Ltd.
17	PEVEC d.o.o. Beograd
18	Project 03 s.r.o.
19	Project Company Complex Banya EOOD
20	Projekt 13 Apartmany Slovensko s.r.o.
21	Projekt-Ingatlan 8. Ltd.
22	Rea Project One Company SRL
23	RESPV s.r.l.
24	SC AS Tourism SRL
25	SC Cefin Real Estate Kappa SRL
26	ShiwaForce.com Inc.
27	South Invest Montengro doo
28	Special Purpose Company LLC
29	Zelena Nektretnine d.o.o.

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 currenccy 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 2018 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 2018 the audited capital adequacy ratio of OTP Group under the scope of consolidation according to prudential consolidation (CRR) was 18.21% which contains the profit of financial year 2018 and the deduction of dividend payment of financial year of 2018[1]. The Group regulatory capital requirement as of 31st December 2018 was HUF 767,861 million, the amount of regulatory capital was HUF 1,747,755 million.

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

	RWAs	Minimum capital requirements
(million HUF)	**31.12.2018**	**31.12.2018**
Credit risk (excluding CCR)	**8 002 421**	**640 194**
Of which the standardised approach	8 002 421	640 194
CCR	**73 224**	**5 858**
Of which mark to market	63 725	5 098
Of which CVA	9 499	760
Market risk	**404 737**	**32 379**
Of which the standardised approach	404 737	32 379
Operational risk	**1 117 886**	**89 431**
Of which basic indicator approach	368 867	29 509
Of which standardised approach	0	0
Of which advances measurement approach	749 019	59 922
Total	**9 598 268**	**767 861**

Note: The credit risk RWA is calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

[1] The capital adequacy ratio of the Group without the profit of financial year 2018 and the deduction of dividend payment of financial year of 2018 is 15.5%. The regulatory capital of the Group was HUF 1,487,862 million.

6. chart: Credit risk exposure and CRM effects on 31st December 2018

	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	4 494 699	19	4 706 723	10 042	396 921	8,42%
Exposures to regional governments or local authorities	84 030	39 026	76 171	17 995	24 393	25,90%
Exposures to public sector entities	245 809	50 366	197 985	41 487	103 248	43,11%
Exposures to institutions	416 083	198 718	480 862	42 371	208 332	39,82%
Exposures to corporates	2 041 228	1 506 696	1 852 819	640 862	2 450 280	98,26%
Retail exposures	2 419 769	810 281	2 333 847	143 517	1 829 552	73,85%
Exposures secured by mortgages on immovable property	3 312 702	202 142	3 312 702	66 474	1 954 851	57,85%
Exposures in default	297 254	7 903	292 282	4 252	323 283	109,02%
Exposures associated w ith particularly high risk	45 616	532	45 616	531	69 220	150,00%
Exposures in the form of covered bonds	77 312	0	77 312	0	38 656	50,00%
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	23 738	0	23 738	0	23 738	100,00%
Equity exposures	52 214	0	52 214	0	101 385	194,17%
Other items	847 632	1 549	847 632	1 549	478 562	56,36%
Total	**14 358 086**	**2 817 232**	**14 299 903**	**969 080**	**8 002 421**	**52,41%**

In calculation of credit risk capital requirement, the Group took into consideration the following guarantees as credit risk mitigation at the end of 2018:

- 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 assets **(in HUF million)**	**Balance sheet as in published financial statements (1) 31 December 2018**	**Cross reference to raws of own funds disclosure template**	**Under regulatory scope of consolidation 31 December 2018**
Cash, amounts due from banks and balances with the National Banks	1 547 272		1 547 810
Placements with other banks, net of allowance for placement losses	420 606		420 611
Financial assets at fair value through profit or loss	*181 356*	*7**	*180 212*
Financial assets at fair value through other comprehensive income	1 883 849	7*	1 880 337
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*23 742*	*18, 72*	*23 776*
Loans	8 066 593		8 063 685
Associates and other investments	17 591		63 640
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities	2 541		32 781
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	79	18, 72	108
Securities at amortised cost	*1 740 520*		*1 751 235*
Property and equipment	*253 773*		*264 613*
Intangible assets and goodwill	166 711	8	173 187
Investment properties	*38 115*		*24 160*
Derivative financial assets designated as hedge accounting relationships	15 201		15 201
Deferred tax assets	*20 769*		*20 803*
Of which: deferred tax assets that rely on future profitability, do not arise from temporary difference (2)	*11 221*	*10*	*11 258*
Of which: deferred tax assets that rely on future profitability, arise from temporary difference (2)	15 710	25	15 688
Other assets	237 932		227 802
TOTAL ASSETS	**14 590 288**		**14 633 296**

*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.

** 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 2018	Cross reference to rows of transitional own funds disclosure template	Under regulatory scope of consolidation 31 December 2018
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	392 706		392 637
Deposits from customers	11 285 085		11 308 746
Liabilities from issued securities	*417 966*		*421 821*
Held for trading derivative financial liabilities	*73 316*	*7**	*86 882*
Derivative financial liabilities designated as hedge accounting relationships	7 407		7 407
Deferred tax liabilities	6 865		6 822
Other liabilities	498 857		477 636
Subordinated bonds and loans	81 429		81 429
Of which: eligible Upper T2 instruments and subordinated debts in regulatory capital (3)	*76 496*	*46*	*76 496*
Of which: instruments issued by subsidiaries that are given recognition in consolidated T2 Capital (4)	*292*	*48*	*291*
TOTAL LIABILITIES	**12 763 631**		**12 783 380**
Share capital	28 000	1	28 000
Retained earnings and reserves	1 864 203		1 870 295
Equity instruments issued other than capital	*89 935*	*46*	*89 935*
Other equity	*35 632*	*3*	*35 632*
Accumulated other comprehensive income	*-128 065*		*-128 754*
Of which: Revaluation reserve	*-151 439*	*3*	*-152 163*
Of which: Fair value adjustment of securities available-for-sale and financial instruments in the retained earnings	*39 671*	*3*	*39 688*
Of which: Fair value adjustment of cash flow hedge transactions	*-9*		*9*
Of which: Net investment hedge in foreign operations	*-16 288*	*3*	*-16 288*
Retained earnings	*937 075*		*922 535*
Of which: Retained earnings	*592 917*	*2*	*579 708*
Of which: Changes due to consolidation	*344 158*	*2*	*342 826*
Other reserves	*611 394*		*629 735*
Of which: Changes in the equity of subsidiaries and jointly controlled entities	*586 982*		*598 891*
Of which: eligible in regulatory capital	*582 449*	*2*	*594 359*
Of which: Other reserves	*24 413*	*3*	*30 844*
Profit or loss attributable to owners of the parent	*318 232*		*321 212*
Of which: eligible in regulatory capital	*256 913*	*2*	*259 893*
Treasury shares	-67 999	16	-50 832
Minority interests [Non-controlling interests]	2 453		2 453
Of which: eligible in regulatory capital (4)	*1 313*	*5*	*1 312*
SHAREHOLDERS' EQUITY	**1 826 657**		**1 849 916**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**14 590 288**		**14 633 296**

*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 as in published financial statements.
(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) Tier 2 instrument taking into account regulatory capital.

(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	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
(in million HUF)			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	1 547 272	1 547 810	1 547 810				
Placements with other banks, net of allowance for placement losses	420 606	420 611	420 611				
Financial assets at fair value through profit or loss	181 356	180 212		71 327		180 212	154
Financial assets at fair value through other comprehensive income	1 883 849	1 880 337	1 871 793			8 544	1 880
Loans	8 066 593	8 063 685	8 063 685				35
Associates and other investments	17 591	63 640	63 640				
Securities at amortised cost	1 740 520	1 751 235	1 751 235				
Property and equipment	253 773	264 613	264 613				
Intangible assets and goodwill	166 711	173 187					173 187
Investment properties	38 115	24 160	24 160				
Derivative financial assets designated as hedge accounting relationships	15 201	15 201	6 679			8 522	15
Deferred tax assets	20 769	20 803	9 545				11 258
Other assets	237 932	227 802	227 802				1
Total assets	**14 590 288**	**14 633 296**	**14 251 573**	**71 327**	**0**	**197 278**	**186 530**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	392 706	392 637					392 637
Deposits from customers	11 285 085	11 308 746					11 308 746
Liabilities from issued securities	417 966	421 821					421 821
Held for trading derivative financial liabilities	73 316	86 882					86 882
Derivative financial liabilities designated as hedge accounting relationships	7 407	7 407					7 407
Deferred tax liabilities	6 865	6 822					6 822
Other liabilities	498 857	477 636					477 636
Subordinated bonds and loans	81 429	81 429					81 429
TOTAL LIABILITIES	**12 763 631**	**12 783 380**					12 783 380
Share capital	28 000	28 000					28 000
Retained earnings and reserves	1 864 204	1 870 296					1 870 296
Treasury shares	-67 999	-50 832					-50 832
Non-controlling interest	2 452	2 452					2 452
TOTAL SHAREHOLDERS' EQUITY	**1 826 657**	**1 849 916**					1 849 916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**14 590 288**	**14 633 296**	**0**	**0**	**0**	**0**	**14 633 296**

9. chart Non-deducted participations in insurance undertakings

(million HUF)	**31.12.2018**
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 RWA	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)	**14 633 296**	**14 251 573**	**71 327**	**0**	**197 278**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	12 783 379				
Total net amount under the regulatory scope of condsolidation	1 849 917				
Off-balance sheet amounts	2 817 232	986 876			
Non deducted from regulatory capital, capital requirement increase elements	21 830	21 830			
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	84 682	84 682			
Exposure amounts considered for regulatory purposes	**15 613 567**	**15 344 962**	**71 327**	**0**	**197 278**

* Calculated according to 2017/2395 EU regulation.

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 2018

Number	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 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	DSK Asset Management EAD	Yes	Yes
11	DSK Auto Leasing EOOD	Yes	Yes
12	DSK Bank EAD	Yes	Yes
13	DSK DOM 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	LLC AllianceReserve	No	Yes
25	LLC AMC OTP Capital	Yes	Yes
26	LLC MFO "OTP Finance"	Yes	Yes
27	LLC OTP Leasing	Yes	Yes
28	Merkantil Bill and Property Investments Bank Ltd.	Yes	Yes
29	Merkantil Lease Service LLC	Yes	Yes
30	Merkantil Property Leasing Ltd.	Yes	Yes
31	MFM Projekt beruházási és Fejlesztési Ltd.	Yes	No
32	Miskolci Diákotthon Investment Utilization LLC	Yes	No
33	MONICOMP Ltd.	Yes	Yes
34	NIMO 2002 Ltd.	Yes	Yes
35	OPUS Securities S.A.	Yes	Yes
36	OTP Asset Management SAI S.A.	Yes	Yes
37	OTP Aventin d.o.o.	Yes	Yes
38	OTP Bank JSC (Ukraine)	Yes	Yes
39	OTP Bank Romania S.A.	Yes	Yes
40	OTP Banka Hrvatska d.d.	Yes	Yes
41	OTP Banka Slovensko a.s.	Yes	Yes
42	OTP Banka Srbija a.d. Novi Sad	Yes	Yes
43	OTP Building Society Ltd.	Yes	Yes
44	OTP Buildings s.r.o.	Yes	Yes
45	OTP Card Factory Ltd.	Yes	Yes
46	OTP Debt Collection d.o.o. Podgorica	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 Serbia d.o.o.	Yes	Yes
52	OTP Factoring Slovensko s.r.o.	Yes	Yes
53	OTP Factoring SRL	Yes	Yes
54	OTP Factoring Ukraine LLC	Yes	Yes
55	OTP Financing Cyprus Company Limited	Yes	Yes
56	OTP Financing Malta Ltd.	Yes	Yes
57	OTP Financing Netherlands B.V.	Yes	Yes
58	OTP Financing Solutions B.V.	Yes	Yes
59	OTP Fund Management Ltd.	Yes	Yes
60	OTP Funds Servicing and Consulting Ltd.	Yes	Yes
61	OTP Holding Ltd.	Yes	Yes
62	OTP Holding Malta Ltd.	Yes	Yes
63	OTP Hungaro-Project Ltd.	Yes	No
64	OTP Immobilien Verwertung GmbH.	No	Yes
65	OTP Ingatlankezelő Ltd.	Yes	Yes
66	OTP Ingatlanpont Ltd.	Yes	No
67	OTP Ingatlanüzemeltető Ltd.	Yes	Yes
68	OTP Invest d.o.o.	Yes	Yes
69	OTP Investments d.o.o. Novi Sad	Yes	Yes
70	OTP Leasing d.d.	Yes	Yes
71	OTP Leasing Romania IFN S.A.	Yes	Yes
72	OTP Life Annuity Real Estate Investment Ltd.	Yes	Yes
73	OTP Lizing d.o.o.	Yes	Yes
74	OTP Mérnöki Szolgáltató Ltd.	Yes	Yes
75	OTP Mobile Service Ltd.	Yes	No
76	OTP Mortgage Bank Ltd.	Yes	Yes
77	OTP MRP	Yes	No
78	OTP Nekretnine d.o.o.	Yes	Yes
79	OTP Osiguranje d.d.	Yes	No
80	OTP Pénzügyi Pont Ltd.	Yes	Yes
81	OTP Real Estate Investment Fund Management Ltd.	Yes	Yes
82	OTP Real Estate Leasing Ltd.	Yes	Yes
83	OTP Real Estate Ltd.	Yes	Yes
84	OTP Savjetovanje d.o.o.	Yes	Yes
85	OTP Services d. o. o.	Yes	Yes
86	OTP Solution Fund	Yes	No
87	POK DSK-Rodina AD	Yes	Yes
88	PortfoLion Digital Ltd.	Yes	No
89	PortfoLion Venture Capital Fund Management Ltd.	Yes	No
90	R.E. Four d.o.o., Novi Sad	Yes	Yes
91	SB Leasing 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-P Real estate develompent, Real estate manage	Yes	No
98	TOP Collector LLC	Yes	Yes
99	Velvin Ventures Ltd.	Yes	Yes
100	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 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
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 DOM EAD	Full consolidation	X				Other credit supply
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
LLC AllianceReserve		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 Lease Service LLC	Full consolidation	X				Leasing activities
Merkantil Property Leasing Ltd.	Full consolidation	X				Leasing activities
MFM Projekt beruházási és Fejlesztési Ltd.	Full consolidation					Real estate utilization
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 Debt Collection d.o.o. Podgorica	Full consolidation	X				Factoring entity
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 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	X				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.		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 Romania IFN S.A.	Full consolidation	X				Leasing activities
OTP Life Annuity Real Estate Investment Ltd.	Full consolidation	X				Life annuity services
OTP Lizing d.o.o.	Full consolidation	X				Leasing activities
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 Savjetovanje d.o.o.	Full consolidation	X				Real estate management
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
PortfoLion Digital Ltd.	Full consolidation					Operating and management consulting
PortfoLion Venture Capital Fund Management Ltd.	Full consolidation					Venture Capital management
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 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-P Real estate developent, Real estate managem	Full consolidation					Real estate development
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 2,198 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 2,192 million on 31st December 2018.

In case of accounting scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 168,911 million. Under regulatory scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 173,187 million.

In case of accounting scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 67,999 million. Under regulatory scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 50,832 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 1,731,970 million, the capital adequaccy ratio is 18.3%, CET1 ratio is 16.5%, taking into account the profit for 2018.

13. chart: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds in accordance with 2017/2395 EU regulation

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)	1 776 787	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-62 278	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)	1 312	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**	**1 743 821**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7	Additional value adjustments (negative amount)	-2 198	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-173 187	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)	-11 258	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)	-50 832	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)	-23 884
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 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)	-48 469
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)	-32 781
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-15 688
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 (2)	74 687		
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)**	**-162 788**		
29	**Common Equity Tier 1 (CET1) capital**	**1 581 033**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)**	**1 581 033**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
46	Capital instruments and the related share premium accounts	166 431	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	291	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**	**166 722**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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**	**166 722**		
59	**Total capital (TC = T1 + T2)**	**1 747 755**		
60	**Total risk weighted assets**	**9 598 268**		

	Capital ratios and buffers (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**16,47%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**16,47%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**18,21%**	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)	7,426%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	1,875%		
66	of which: countercyclical buffer requirement	0,051%		
67	of which: systemic risk buffer requirement (3)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1,00%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8,47%	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)	23 884	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 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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 2018 and expected dividend (submitted for Annual General Meeting for voting) for finacial year 2018 are included in retained earnings.

(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.

(3) Capital buffer is not implemented

14. chart: 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

IFRS 9 effect		
(million HUF)		**31.12.2018**
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	1 581 033
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 506 346
3	Tier 1 capital	1 581 033
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 506 346
5	Total capital	1 747 755
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 673 068
Total risk weighted assets		
7	Total risk w eighted assets	9 598 268
8	Total risk-w eighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9 508 247
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16,47%
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	15,84%
11	Tier 1 (as a percentage of total risk exposure amount)	16,47%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15,84%
13	Total capital (as a percentage of total risk exposure amount)	18,21%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,60%
Leverage ratio		
15	Total exposure	15 696 935
16	Leverage ratio	10,07%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,60%

15. chart: Capital instruments' main features on 31st December 2018

	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]: 109 994 m HUF (decreased by ow n instruments of OTP Bank) In consolidated regulatory capital [3]: 76 496 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 the case of operational risk the advanced AMA and BIA methods are 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.

16. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	44 583	3 567
Equity risk (general and specific)	612	49
Foreign exchange risk	343 457	27 477
Commodity risk	7 309	585
Options		
Simplified approach	0	0
Delta-plus method	8 776	702
Scenario approach	0	0
Securitisation (specific riks)	0	0
Total	**404 737**	**32 379**

17. 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		59 194	93 124			141 875	61 706
Original exposure	0					0	0
Standardised approach		0			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)						3 298	2 019
VaR for SFTs						0	0
Total							**63 725**

18. 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	64 906	9 499
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

19. 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%	Other		
Central governments or central banks	20 342	0	0	131	9 419	0	0	0	0	0	0	29 891	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	35 849	13 927	0	0	5 310	0	0	55 086	3 459
Corporates	0	0	0	0	0	0	0	0	38 859	55	0	38 914	26 280
Retail	0	0	0	0	0	0	0	4 132	0	0	0	4 132	4 132
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	17 148	0	0	0	0	0	0	1	0	0	17 149	0
Total	**20 342**	**17 148**	**0**	**131**	**45 268**	**13 927**	**0**	**4 132**	**44 169**	**55**	**0**	**145 173**	**33 871**

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

20. chart: Impact of netting and collateral held on exposure values

(in million HUF)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	**75 135**	**0**	**75 135**	**0**	**75 135**
SFTs	**13 575**	**0**	**0**	**0**	**2 957**
Cross-product netting	132 879	62 243	0	0	67 081
Total	221 588	62 243	75 135	0	145 172

21. chart: Composition of collateral for exposures to CCR

(in million HUF)	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	0	32 260	15 220	12 213	19	29
Total	0	32 260	15 220	12 213	19	29

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 5 basispoint. It implicates HUF 4 847 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.

22. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	14 590 288
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	43 007
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	152 318
5	Adjustment for securities financing transactions (SFTs)	3 298
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1 005 439
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	-97 415
8	**Leverage ratio total exposure measure**	**15 696 935**

23. 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)	14 722 410
2	(Asset amounts deducted in determining Tier 1 capital)	-186 530
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**14 535 880**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	59 194
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	93 124
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)**	**152 318**
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	3 298
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)**	**3 298**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2 817 232
18	(Adjustments for conversion to credit equivalent amounts)	-1 811 793
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**1 005 439**
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	1 585 565
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	15 696 935
Leverage ratio		
22	**Leverage ratio**	**10,10%**
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

Note: The exposures are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

The change of Tier1 capital and risk weighted assets can have an impact on leverage ratio. The increase of Tier 1 capital mitigated the change of the leverage ratio exposure (due to the organic growth of OTP Group).Leverage ratio increased compared to end of 2017. (31.12.2017: 9,27%)

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.

24. 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:**	**14 535 880**
EU-2	Trading book exposures	177 856
EU-3	Banking book exposures, of which:	14 358 024
EU-4	Covered bonds	77 312
EU-5	Exposures treated as sovereigns	4 619 922
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	204 427
EU-7	Institutions	416 083
EU-8	Secured by mortgages of immovable properties	3 344 256
EU-9	Retail exposures	2 388 402
EU-10	Corporate	2 041 229
EU-11	Exposures in default	297 254
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	969 139

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.

The recognized provision level reflects to the foreseeable risks and potential losses. 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 Group recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS 9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair va ue through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.

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;
- 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;

- 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,
- significant increase in credit risk compared to the initial recognition.

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 release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. 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. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.

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, the macroeconomic factors and information on the future of financial instruments must be taken into account.

The Group member shall measure expected credit losses of a financial asset in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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, which has to based on at least two scenarios.
- 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.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairement of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairement regarding “Placements with other banks”in Note 5.
- changes of impairement regarding “Securities at amortised cost” in Note 10.
- changes of impairement regarding “Loans” in Note 8.

25. chart: Changes of non-performing loan exposures

	(million HUF)	Gross carrying value defaulted exposures
1	**Opening balance - 31.12.2017**	**844 900**
2	Loans and debt securities that have defaulted since the last reporting period	126 768
3	Returned to non-defaulted status	37 894
4	Amounts written-off	47 671
5	Other changes*	-141 988
6	**Closing balance - 31.12.2018 (6 =1 + 2 - 3 - 4 + 5)**	**744 115**

* Contains the IFRS 9 transitional difference

I.8.2. Exposures to credit risks

The presented RWAs and exposures in this chapter are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

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

Exposures (in million HUF)	31.12.2018	2018 Average
Central governments or central banks	4 494 703	4 397 618
Regional governments or local authorities	101 986	129 462
Public sector entities	287 500	210 879
Multilateral development banks	0	0
Institutions	458 413	485 046
Corporates	2 687 406	2 487 289
Retail	2 567 879	2 470 200
Secured by mortgages on immovable property	3 379 175	3 228 441
Exposures in default	301 511	328 066
Items associated w ith particularly high risk	46 146	40 622
Covered bonds	77 313	73 834
Collective investments undertakings	23 738	23 854
Equity exposures	52 214	57 927
Other exposures	849 182	716 700
Total	**15 327 166**	**14 649 938**

27. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2018

(million HUF)	Central governments or central banks	Regional governments or local authorities	Public sector entities	Institutions	Corporates	Retail	Secured by mortgages on immovable property	Exposures in default	Items associated with particularly high risk	Covered bonds	Collective investments undertakings	Equity exposures	Other exposures	Total
Total	**4 494 703**	**101 986**	**287 500**	**458 413**	**2 687 406**	**2 567 879**	**3 379 175**	**301 511**	**46 146**	**77 313**	**23 738**	**52 214**	**849 182**	**15 327 166**
United Arab Emirates	0	0	0	0	0	0	88	16	0	0	0	0	0	104
Austria	836	0	0	10 579	232	71	235	5	11 318	0	0	0	2 605	25 881
Australia	0	0	0	7 039	0	3	73	0	0	0	0	0	0	7 115
Bosnia and Herzegovina	0	0	0	82	0	113	39	65	0	0	0	0	0	299
Belgium	0	0	0	4 562	26 766	61	91	15	0	0	0	0	0	31 495
Bulgaria	548 609	173	0	5 928	301 997	471 668	534 389	52 057	1 285	0	314	313	149 459	2 066 192
Belarus	0	0	0	70	70	9	14	0	0	0	0	0	0	163
Belize	1	0	0	0	0	0	0	0	0	0	0	0	4 378	4 379
Canada	0	0	0	3 869	5	9	36	1	0	0	0	0	0	3 920
Sw itzerland	0	0	0	13 738	45 468	17	49	0	0	0	0	0	0	59 272
Cyprus	262	0	0	0	16 091	32	0	3	2 648	0	0	0	1	19 037
Czech Republic	0	0	0	1 000	1 269	9	4 472	1	0	0	0	0	0	6 751
Germany	54 910	0	0	80 480	1 360	498	173	18	0	0	0	0	0	137 439
Denmark	0	0	0	497	13	15	43	0	0	0	0	0	0	568
Algeria	0	0	0	0	383	1	0	0	0	0	0	0	0	384
Spain	18 147	0	11 555	1 050	430	119	21	0	0	0	0	0	0	31 322
France	0	0	0	58 606	754	123	111	14	0	0	0	0	0	59 608
United Kingdom	0	0	0	65 196	1 120	2 256	742	225	0	0	0	0	0	69 539
Greece	0	0	0	167	773	232	39	36	0	0	0	0	0	1 247
Croatia	561 912	16 191	144 252	7 322	252 294	396 538	438 436	42 900	95	0	0	2 234	99 554	1 961 728
Hungary	2 791 762	75 701	75 281	67 511	1 288 680	807 846	1 543 281	101 213	8 655	77 313	22 635	49 589	383 904	7 293 371
Ireland	0	0	0	2 424	804	19	77	34	0	0	0	0	0	3 358
Israel	0	0	0	65	0	18	229	1	0	0	0	0	0	313
Italy	0	0	0	10 750	566	170	215	63	0	0	0	0	0	11 764
Japan	0	0	0	428	0	0	0	0	0	0	0	0	0	428
Lithuania	6 201	0	0	0	0	0	0	0	0	0	0	0	0	6 201
Luxembourg	0	0	0	8 777	4 129	23	0	2	0	0	0	0	0	12 931
Montenegro	71 731	593	29	159	13 008	34 284	54 706	9 061	34	0	0	0	35 667	219 272
Macedonia	0	0	0	14	480	47	87	8	0	0	0	0	0	636
Malta	467	0	0	3 458	160	0	0	0	0	0	0	0	5	4 090
Netherlands	180	0	0	1 363	18 920	97	80	20	0	0	0	0	0	20 660
Norw ay	0	0	0	774	0	36	14	20	0	0	0	0	0	844
Poland	27 355	0	7 347	2 565	1 570	65	143	2	0	0	0	0	0	39 047
Romania	114 122	329	45 121	9 311	119 617	126 771	337 282	28 758	7 398	0	789	23	48 383	837 904
Serbia	99 112	1 345	0	40 766	188 198	122 850	119 691	8 983	616	0	0	0	53 412	634 973
Russian Federation	82 031	0	0	16 827	130 510	420 464	35 590	13 445	415	0	0	53	26 813	726 148
Sw eden	0	0	0	1 424	1 557	72	0	18	0	0	0	0	0	3 071
Slovenia	6 155	0	3 305	3 304	8 119	8	0	0	0	0	0	0	0	20 891
Slovakia	56 799	7 654	610	5	122 711	93 961	207 297	12 894	2 972	0	0	1	27 370	532 274
Sw aziland	0	0	0	146	0	0	0	0	0	0	0	0	0	146
Turkey	0	0	0	1 739	13	112	91	7	0	0	0	0	0	1 962
Ukraine	54 111	0	0	10 065	135 900	89 052	101 106	31 576	13	0	0	1	17 631	439 455
United States	0	0	0	16 287	3 339	6	54	1	10 697	0	0	0	0	30 384
Other	0	0	0	66	100	204	181	49	0	0	0	0	0	600

28. chart: Exposure classes broken down by counterparty type on 31st December 2018

(in 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	**4 494 703**	**101 986**	**287 500**	**458 413**	**2 691 159**	**2 567 879**	**3 379 175**	**301 512**	**46 146**	**77 312**	**23 738**	**52 214**	**845 429**	**15 327 166**
Goverments	4 494 703	0	0	0	0	0	0	0	0	0	0	0	0	4 494 703
Municipal	0	101 986	0	0	0	0	339	273	0	0	0	0	0	102 598
Public sector entities	0	0	287 500	0	0	0	6 491	1 465	0	0	0	0	0	295 456
Institutions	0	0	0	458 413	0	0	402	121	0	77 041	0	0	0	535 977
Coporate	0	0	0	0	1 957 396	0	588 473	84 612	15 826	0	22 635	3 260	0	2 672 202
Corporate SME	0	0	0	0	687 146	359	488 037	23 100	3 464	0	0	0	0	1 202 106
Retail	0	0	0	0	29 629	2 170 114	2 234 594	178 684	0	0	0	0	0	4 613 021
Retail SME	0	0	0	0	62	355 848	60 839	13 257	0	0	0	0	0	430 006
Equity	0	0	0	0	0	0	0	0	26 856	0	0	48 954	0	75 810
Other*	0	0	0	0	16 926	41 558	0	0	0	271	1 103	0	845 429	905 287

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

29. chart: Exposure classes broken down by residual maturity on 31st December 2018

(in million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**3 595 674**	**3 712 407**	**5 868 414**	**2 150 671**	**15 327 166**
Central governments or central banks	0	933 780	1 702 417	1 000 976	857 530	4 494 703
Regional governments or local authorities	0	18 698	4 604	77 677	1 007	101 986
Public sector entities	0	82 863	91 484	92 085	21 068	287 500
Institutions	0	200 629	106 325	121 424	30 035	458 413
Corporates	0	1 428 189	682 172	515 087	61 958	2 687 406
Retail	0	689 622	537 900	1 118 525	221 832	2 567 879
Secured by mortgages on immovable property	0	200 244	501 428	2 675 981	1 522	3 379 175
Exposures in default	0	35 540	66 672	168 716	30 583	301 511
Items associated w ith particularly high risk	0	141	243	45 760	2	46 146
Covered bonds	0	5 968	19 162	52 183	0	77 313
Collective investments undertakings	0	0	0	0	23 738	23 738
Equity exposures	0	0	0	0	52 214	52 214
Other exposures	0	0	0	0	849 182	849 182

Due to the organic growth, the exposures of OTP Group increased significantly in 2018, compared to 2017.

30. chart: Aging of past-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	688 362	85 981	39 807	58 291	49 025	478 813
Debt securities	0	0	0	0	0	0
Total exposures	**688 362**	**85 981**	**39 807**	**58 291**	**49 025**	**478 813**

Due to the methodological change, the table shows the aging of at least one day past due expousures from this year.

31. 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	3 608 705	0	0	6 154	6 154	6 154	0	-5 342	0	-1 928	0	0	0
Loand and advances	10 311 559	136 672	73 854	779 672	772 661	778 021	316 057	-149 165	-15 003	-535 663	-191 115	194 822	158 896
Off-balance -sheet exposures	2 991 090		565	10 709	2 870		149	24 379	125	3 774	20	895	17

Note: Exposures according to EBA definition.

32. chart: Credit quality of exposures by exposure class and instrument on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Central governments or central banks	0	4 497 369	-2 666	4 494 703
Regional governments or local authorities	294	103 416	-1 451	102 259
Public sector entities	1 976	288 571	-1 584	288 963
Multilateral development banks	0	0	0	0
Institutions	995	461 700	-4 160	458 535
Corporates	206 168	2 708 905	-119 954	2 795 119
Retail	546 336	2 652 893	-439 409	2 759 820
Secured by mortgages on immovable property	0	3 410 062	-30 887	3 379 175
Exposures in default	0	0	0	0
Items associated w ith particularly high risk	0	56 090	-9 944	46 146
Covered bonds	0	77 381	-69	77 312
Collective investments undertakings	0	23 738	0	23 738
Equity exposures	0	58 274	-6 060	52 214
Other exposures	0	1 096 966	-247 784	849 182
Total	**755 769**	**15 435 365**	**-863 968**	**15 327 166**

33. chart: Credit quality of exposures by counterparty types on 31st December 2018

(million HUF)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Goverments	0	4 497 369	-2 666	4 494 703
Municipal	294	103 755	-1 451	102 598
Public sector entities	1 976	295 321	-1 841	295 456
Institutions	995	539 215	-4 233	535 977
Coporate	167 225	2 613 193	-108 216	2 672 202
Corporate SME	38 943	1 199 373	-36 210	1 202 106
Retail	521 988	4 528 937	-437 904	4 613 021
Retail SME	24 348	422 301	-16 643	430 006
Equity	0	82 830	-7 020	75 810
Other*	0	1 153 071	-247 784	905 287
Total	**755 769**	**15 435 365**	**-863 968**	**15 327 166**

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

34. chart: Credit quality of exposures by geography on 31st December 2018

(million HUF)	Gross carrying values of		Specific / General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Összesen	**755 769**	**15 435 365**	**-863 968**	**15 327 166**
Austria	33	27 355	-1 507	25 881
Australia	1	7 115	-2	7 114
Bosnia and Herzegovina	144	237	-82	299
Belgium	48	31 546	-100	31 494
Bulgaria	133 263	2 086 618	-153 689	2 066 192
Belarus	0	163	-1	162
Belize	0	5 461	-1 082	4 379
Canada	5	3 921	-5	3 921
Switzerland	2	59 441	-170	59 273
Cyprus	14	19 579	-556	19 037
Czech Republic	6	6 843	-99	6 750
Germany	143	137 487	-191	137 439
Denmark	0	569	-1	568
Algeria	0	387	-3	384
Spain	0	31 342	-21	31 321
France	35	59 600	-27	59 608
United Kingdom	1 141	69 415	-1 017	69 539
Greece	108	1 230	-91	1 247
Croatia	95 428	1 966 177	-99 879	1 961 726
Hungary	213 132	7 326 763	-246 517	7 293 378
Ireland	126	3 345	-114	3 357
Israel	3	313	-3	313
Italy	162	11 715	-114	11 763
Japan	0	429	0	429
Lithuania	1	6 204	-3	6 202
Luxembourg	25	12 930	-24	12 931
Montenegro	25 689	231 869	-38 286	219 272
Macedonia	26	635	-25	636
Malta	0	4 108	-19	4 089
Netherlands	70	20 790	-201	20 659
Norway	44	825	-25	844
Poland	7	39 093	-54	39 046
Romania	51 768	830 077	-43 940	837 905
Serbia	19 767	640 994	-25 788	634 973
Russian Federation	85 295	773 889	-133 036	726 148
Sweden	54	3 057	-39	3 072
Slovenia	1	20 905	-14	20 892
Slovakia	34 418	542 441	-44 584	532 275
Swaziland	0	146	0	146
Turkey	22	1 973	-33	1 962
Ukraine	94 518	417 311	-72 373	439 456
United States	15	30 420	-51	30 384
United Arab Emirates	64	88	-48	104
Other countries	191	559	-154	596

35. 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	16 776 861	398 458	75 979	322 479	0
Total debt securities	0	0	0	0	0
Total exposures	**16 776 861**	**398 458**	**75 979**	**322 479**	**0**
Of which defaulted	300 144	5 014	1 254	3 760	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 applies 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.

36. 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

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

	Risk weight											
(in million HUF)	0%	4%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposures to central governments or central banks	3 909 877	15 293	183 929	142 918	0	230 831	0	233 917	0	0	4 716 765	4 379 277
Exposures to regional governments or local authorities	0	0	0	87 216	0	0	0	6 950	0	0	94 166	94 166
Exposures to public sector entities	88 909	0	24 833	30 825	0	609	0	94 296	0	0	239 472	239 472
Exposures to institutions	0	0	0	248 114	0	232 819	0	42 300	0	0	523 233	210 537
Exposures to corporates	0	0	0	0	0	0	0	2 493 681	0	0	2 493 681	2 388 287
Retail exposures	0	0	0	0	0	0	2 477 364	0	0	0	2 477 364	2 477 364
Exposures secured by mortgages on immovable property	0	0	0	0	1 843 637	211 157	414 756	909 626	0	0	3 379 176	3 376 921
Exposures in default	0	0	0	0	0	0	0	243 036	53 498	0	296 534	296 535
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	46 147	0	46 147	46 146
Exposures in the form of covered bonds	0	0	0	0	0	77 312	0	0	0	0	77 312	77 312
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0	0	23 738	0	0	23 738	23 738
Equity exposures	0	0	0	0	0	0	0	19 433	0	32 781	52 214	52 214
Other items	393 805	0	0	434	0	0	0	439 254	0	15 688	849 181	849 182
Total	**4 392 591**	**15 293**	**208 762**	**509 507**	**1 843 637**	**752 728**	**2 892 120**	**4 506 231**	**99 645**	**48 469**	**15 268 983**	**14 511 151**

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 89,431 million on 31st December 2018.

38. chart: Operational risk capital requirements on 31st December 2018

Operational risk capital requirement's breakdown based on methods	
Basic Indicator Approach	29 509
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	59 922
Total	**89 431**

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 and associates 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 2018

39. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2018

Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No
2	Agro banka a.d. in bankruptcy	0	No
3	Auctioneer s. r. o.	1	No
4	AY BANKA LONDON u likvidaciji	0	No
5	Borika Bankservice AD	1 277	No
6	Budapest Stock Exchange Ltd.	123	No
7	Bulgarian Development Bank	0	No
8	Bulgarian Stock exchange AD	7	No
9	Central Depositary AD	1	No
10	Centralna depositary agency a.d.	46	No
11	Club Hotel Füred Szálloda Kft.	50	No
12	Company for Cash Services AD	313	No
13	Diákigazolvány Ltd.	3	No
14	Dinghy Sport Club Hungary Ltd.	57	No
15	DUNAVSKI PROJEK.CENTAR Beograd	0	No
16	Eastern Securities S. A.	0	No
17	El holding Niš	0	No
18	Elektroprivreda Crne Gore ad Nikšić	64	No
19	Első Alkotmány Utcai Ingatlanhasznosító Ltd..	0	No
20	EUROAXIS BANK MOSKVA in bankruptcy	0	No
21	Financial Research Corporation	0	No
22	First Ukrainian Credit Bureau LLC	11	No
23	Garantiqa Credit Guarantee Closed Co. Ltd.	280	No
24	Govcka Project Company SRL	1	No
25	HAGE Ltd.	135	No
26	HROK d.o.o.	82	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	0	No
30	Industrija masina i traktora Novi Beograd	0	No
31	Industrija motora Rakovica	0	No
32	Ingatlanvagyon Projekt 14. Ltd.	36	No
33	Investment Projekt 1. d.o.o.	0	No
34	Istarska autocesta d.d.	4	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.	0	No
39	Kiev International Stock Exchange	0	No
40	KÖZVIL Ltd.	0	No
41	Lutrija Crne Gore ad	6	No
42	MasterCard Incorporated	988	No
43	Mátrai Power Plant Closed Company Limited by Share	0	No
44	METANOLSKO SIRĆETNI KOMBINAT KIKINDA	0	No
45	MIN Holding Nis v.a.	0	No
46	Montenegroberza ad	34	No
47	OFB Projects EOOD	0	No
48	OJSC Saint Petersburg Exchange	0	No
49	OTP Advisors SRL	0	No
50	OTP Consulting Romania SRL	22	No
51	OTP Nedvizhimost OOO	57	No
52	OTP Travel Ltd.	2 614	No
53	OTP Újlakás Credit Intermediary LLC	9	No
54	OTP Vendéglátás és Hotelszolgáltatás Szervező Ltd.	3	No
55	Overdose Vagyonkezelő Ltd. "u.v.l."	0	No
56	PEVEC d.o.o. Beograd	2 262	No
57	Privredna banka a.d. - in bankruptcy	0	No
58	Project 03 s.r.o.	2	No
59	Project Company Complex Banya EOOD	990	No
60	Projekt 13 Apartmany Slovensko s.r.o.	2	No
61	Projekt-Ingatlan 8. Ltd.	0	No
62	Razvojna banka Vojvodine a.d. - in bankruptcy	0	No
63	Rea Project One Company SRL	1	No
64	Recreatours AD Beograd	11	No
65	REG.AGEN.ALMA MONS N.SAD	0	No
66	RESPV s.r.l.	0	No
67	S.W.I.F.T. SCRL	69	No
68	SC AS Tourism SRL	3 784	No
69	SC Casa de Compensare SA	0	No
70	SC Cefin Real Estate Kappa SRL	0	No
71	ShiwaForce.com Inc.	1 148	No
72	SLOBODNA CARINSKA ZONA NOVI SAD	14	No
73	Small Business Development Company Ltd.	37	No
74	SOMBORSATAN DOO SOMBOR	0	No
75	South Invest Montengro doo	0	No
76	SPC MILENIUM VRŠAC	13	No
77	Special Purpose Company LLC	1	No
78	Središnja depozitarna agencija d.d.	1	No
79	TIGAR AD PIROT	0	No
80	Travelminit International SRL	46	No
81	TRŽIŠTE NOVCA AD BEOGRAD	3	No
82	Trziste novca d.d.	28	No
83	Vesta United Regional Registrar OJSC	0	No
84	VETERINARSKI ZAVOD AD SUBOTICA	0	No
85	VISA Incorporated	9 708	No
86	Zagrebacka burza d.d.	66	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 1 576 million realted to 31.12.2018.

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)
- HUF base rate stays unchanged and BUBOR decreases gradually by 50 bps over the next year (scenario 2)

The net interest income in a one year period after January 1, 2019 would be decreased by HUF 1309 million (scenario 1) and HUF 3424 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 268 million for scenario 1, HUF 3331 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):

40. 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	-1 815	671
EUR -0.1% parallel shift	-373	0
USD -0.1% parallel shift	-172	0
Total	**-2 360**	**671**

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 fifteen times in 2018 and carried out its activities without an external consultant.

OTP Bank Plc's Risk Assumption and Risk Management Committee's tasks include the examination of the remuneration policy from a perspective where the incentive elements of the designed remuneration system takes into consideration the risks, the capital and liquidity situation of the credit institution, as well as the probability and sequence of incomes. The Risk Assumption and Risk Management Committee also participates in the identification procedure necessary for the determination of the personal scope of the Banking Group's Remuneration Policy.

OTP Bank Plc's Risk Assumption and Risk Management Committee consists of at least 3 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 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.

In 2018 no material change occurred in relation to the regulation of the Banking Group's Remuneration Policy.

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 identified employees of OTP Bank Plc., OTP Jelzálogbank Zrt., OTP Lakástakarékpénztár Zrt., Merkantil Bank Zrt., OTP Alapkezelő Zrt., OTP Faktoring Zrt., OTP Ingatlan Befektetési Alapkezelő Zrt., OTP Ingatlan Zrt. and OTP Pénzügyi Pont 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 employed in positions that have a material impact on the risk profile is contained in the following table.

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

(million HUF)	Remuneration for 2018					
	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	**847**	**5 031**		**8 609**	**2 614**	**331**
OTP Bank Plc.	*408*	*1 601*		*2 619*	*596*	*331*
OTP Mortgage Bank Ltd.	*26*	*33*		*115*	*11*	
OTP Building Society Ltd.		*4*		*65*	*16*	
Merkantil Bank Ltd.		*214*		*391*	*40*	
Other subsidiaries	*413*	*3 179*		*5 419*	*1 951*	

Comments:

1) The specification of activities made in accordance with annex 13. of MNB regulation 28/2017. (XI.22.):
    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.

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

	Persons receiving remuneration 1)	Remuneration for 2018			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)	**429**	**10 740**	**3 346**	**3 346**	**442**	**5 272**	**1 924**
OTP Bank Plc.	*48*	*2 827*	*1 364*	*1 364*	*261*	*3 055*	*1 192*
OTP Mortgage Bank Ltd.	*9*	*115*	*35*	*35*	*1*	*33*	*2*
OTP Building Society Ltd.	*10*	*61*	*12*	*12*	*0*	*31*	*14*
Merkantil Bank Ltd.	*19*	*441*	*102*	*102*	*13*	*158*	*88*
Other subsidiaries 6)	*343*	*7 295*	*1 833*	*1 833*	*167*	*1 995*	*629*

Comments:

1) Persons under the Bank Group Remuneration Policy whose employed in positions that have a material impact on the risk profile in 2018.
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 2018.
3) The sum of calculated performance-based remuneration after the year 2018, the settlement of which shall take place based on the performance evaluation after the General Meeting closing the year 2018.
4) The deferred parts and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2017, the second and third deferred part of performance-based remuneration for 2016, and the third deferred part of

performance-based remuneration for 2015, and the first and second deferred part for 2015 and the first deferred part for 2016 at OTP Banka Slovensko a.s. as a vested remuneration.

5) The third deferred part of performance-based remuneration after 2014, second deferred part of performance-based remuneration for 2015 and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2016 which settled in 2018 (without the deferred parts for 2015 and 2016 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 28 December 2018, 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.

The unpaid deferred remuneration and the awarded remuneration during the business year of the employees whose were identified before 2018, and not employed in identified position in 2018, or the employment was terminated by maintaining the deferred parts or retired, was the follows:

43. chart: The changes in the remuneration of the staff whose professional activities have a material impact on the risk profile

	Persons receiving remuneration	Amount of unpaid, deferred remuneration		The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments
		Entitlement obtained	Entitlement not obtained	
	(persons)	(million HUF)		
The remuneration of the staff whose professional activities have a material impact on the risk profile	**46**	**21**	**501**	**522**
OTP Bank Plc.	*22*	*5*	*357*	*426*
OTP Mortgage Bank Ltd.	*1*	*0*	*13*	*10*
OTP Building Society Ltd.	*0*	*0*	*0*	*0*
Merkantil Bank Ltd.	*0*	*0*	*0*	*0*
Other subsidiaries	*23*	*16*	*131*	*86*

During the business year in the frame of the Remuneration Policy nobody was compensated with a severance payment and sign-on bonus.

During the year 2018 one person was compensated between 3.0 and 3.5 million EUR and three person was compensated between 1.0 and 1.5 million EUR.

Remuneration settled in 2018 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board amounted to HUF 1,232 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 2017.

44. chart: Remuneration settled in 2018 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)
		HUF/month	OTP shares number/month[1]	
Board of Directors				
Dr. Sándor Csányi	Chairman	810 000	1 000	9 720 000
Antal György Kovács	Member	695 000	800	8 340 000
László Wolf	Member	695 000	800	8 340 000
Dr. Antal Pongrácz	Member (non-executive)	695 000	800	8 340 000
Dr. István Gresa	Member (non-executive)	695 000	800	8 340 000
Mihály Baumstark	Member (non-executive)	695 000	800	8 340 000
Tamás Erdei	Member (non-executive)	695 000	800	8 340 000
Dr. Tibor Bíró	Member (non-executive)	695 000	800	8 340 000
Dr. László Utassy	Member (non-executive)	695 000	800	8 340 000
Dr. József Vörös	Member (non-executive)	695 000	800	8 340 000
Supervisory Board				
Tibor Tolnay	Chairman	2 400 000	---	28 800 000
Dr. Gábor Horváth	Deputy Chairman	1 900 000	---	22 800 000
Dominique Uzel	Member	1 700 000	---	---[2]
Olivier Péqueux	Member	1 700 000	---	---[3]
Dr. Gellért Márton Vági	Member	1 700 000	---	20 400 000
Ágnes Rudas	Member (employee)	1 700 000	---	20 400 000
András Michnai	Member (employee)	1 700 000	---	20 400 000

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) Until 13 April 2018, the compensation has been transferred to Groupama S.A.
3) From 13 April 2018, 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.

45. chart: Received remuneration of the OTP Mortgage Bank Ltd.'s Board of Directors and Supervisory Board in 2018

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2018 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		---	---
Csaba Nagy	Member		---	---
Anna Mitkova Florova	Member	from 15.05.2018	---	---
Supervisory Board				
Győző Nyitrai	Chairman	until 26.03.2018	---	---
Anna Mitkova Florova	Member	from 24.05.2018	---	---
András Kuhárszki	Member	until 26.03.2018	---	---
Ágota Selymesi	Member		---	---
Zoltán Kormos	Member	from 24.05.2018	---	---
Frigyes László Garai	Member	until 17.09.2018	---	---

46. chart: Received remuneration of the OTP Building Society Ltd.'s Board of Directors and Supervisory Board members in 2018

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2018 HUF
Board of Directors				
Antal György Kovács	Chairman		---	---
Péter Köntös	Member	until 14.03.2018	---	---
Csaba Nagy	Member	from 14.03.2018	---	---
Árpád Srankó	Member		---	---
Attila Kovács	Member		---	---
András Becsei	Member		---	---
Anna Mitkova Florova	Member		---	---
Supervisory Board				
József Windheim	Chairman		---	---
Ilona dr. Ádámné Dr. Környei	Member		---	---
Beáta Anett Sukovich	Member		120 000	1 440 000
dr. Tamás Gudra	Member		120 000	1 440 000

47. chart: Received remuneration of the Merkantil Bank Ltd.'s Board of Directors and Supervisory Board members in 2018

Name	Position	Notes	Amount of compensation HUF/month	Total amount of cash compensation in 2018 HUF
Board of Directors				
dr. László Utassy	Chairman		---	---
dr. Norbert Szaniszló	Member	until 05.12.2018.	---	---
Tibor László Csonka	Member		---	---
Ibolya dr. Rajmonné Dr. 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

In other subsidiaries under the Bank Group’s Remuneration Policy the remuneration of the Board of Directors and the Supervisory Board members in 2018 was HUF 370 million.

I.14. Disclosure of encumbered and unencumbered assets

48. 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	**905 528**		**13 047 903**	
Equity instruments	5	5	73 330	73 340
Debt securities	97 483	97 805	3 660 266	3 681 098
Other assets	322		1 169 525	

49. 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**	**83 245**
Equity instruments	0	0
Debt securities	0	49 006
Other collateral received	0	34 239
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

50. 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	**578 163**	**781 185**

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.
- One 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 2018. 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).

51. chart: Liquidity coverage ratio

(in million HUF)	Description	Total unweighted value (average) 31.12.2018	Total weighted value (average) 31.12.2018
Number of data points used in the calculation of averages		12	12
HIGH-QUALITY LIQUID ASSETS			
1.	Total high-quality liquid assets (HQLA)		4 169 160
CASH – OUTFLOWS			
2.	Retail deposits and deposits from small business customers, of which:	6 396 272	472 326
3.	*Stable deposits*	4 839 555	241 978
4.	*Less stable deposits*	1 509 308	182 940
5.	Unsecured wholesale funding	3 118 973	1 632 653
6.	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	54 603	13 651
7.	*Non-operational deposits (all counterparties)*	3 061 175	1 615 808
8.	*Unsecured debt*	3 195	3 195
9.	Secured wholesale funding	0	0
10.	Additional requirements	1 951 213	306 644
11.	*Outflows related to derivative exposures and other collateral requirements*	58 485	58 485
12.	*Outflows related to loss of funding on debt products*	0	0
13.	Credit and liquidity facilities	1 892 728	248 159
14.	Other contractual funding obligations	145 575	91 790
15.	Other contingent funding obligations	761 399	27 238
16.	TOTAL CASH OUTFLOWS	12 373 432	2 530 652
CASH – INFLOWS			
17.	*Secured lending (e.g. reverse repos)*	64 119	10 953
18.	*Inflows from fully performing exposures*	514 953	375 445
19.	*Other cash inflows*	110 869	107 990
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
EU-19b	*{Excess inflows from a related specialised credit institution}*		0
20.	**TOTAL CASH INFLOWS**	689 942	494 388
EU-20a	***Fully exempt inflows***	0	0
EU-20b	***Inflows subject to 90% cap***	0	0
EU-20c	***Inflows subject to 75% cap***	689 942	494 388
			TOTAL ADJUSTED VALUE
21.	**LIQUIDITY BUFFER**		4 169 160
22.	**TOTAL NET CASH OUTFLOWS**		2 036 264
23.	**LIQUIDITY COVERAGE RATIO (%)**		205%

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 2018 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 2018 was HUF 449,023 million, the amount of regulatory capital was HUF 1,544,092 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 27.51%.

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

	RWAs	Minimum capital requirements
(million HUF)	**31.12.2018**	**31.12.2018**
Credit risk (excluding CCR)	**4 956 421**	**396 514**
Of which the standardised approach	4 956 421	396 514
CCR	**150 748**	**12 060**
Of which mark to market	142 366	11 389
Of which CVA	8 382	671
Market risk	**174 788**	**13 983**
Of which the standardised approach	174 788	13 983
Operational risk	**330 826**	**26 466**
Of which basic indicator approach	0	0
Of which standardised approach	0	0
Of which advances measurement approach	330 826	26 466
Total	**5 612 783**	**449 023**

Note: The credit risk RWA is calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

53. chart: Credit risk exposure and CRM effects on 31st December 2018

	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	2 653 494	0	2 801 239	9 765	95 438	3,40%
Regional government or local authorities	60 696	34 041	52 835	15 204	14 278	20,99%
Public sector entities	61 682	6 836	48 350	2 738	28 649	56,08%
Institutions	1 172 850	742 857	1 237 176	555 994	269 283	15,02%
Corporates	1 696 480	930 332	1 508 202	441 639	1 864 123	95,60%
Retail	475 290	383 125	418 584	72 218	361 170	73,59%
Secured by mortgages on immovable property	486 663	46 792	486 663	15 408	359 427	71,59%
Exposures in default	38 283	317	33 847	60	37 675	111,11%
Higher-risk categories	1 183 984	2	1 183 983	1	1 775 978	150,00%
Covered bonds	246 396	0	246 396	0	39 802	16,15%
Collective investments undertakings	15 880	0	15 880	0	15 880	100,00%
Equity	1 248	0	1 248	0	3 198	256,25%
Other items	269 373	120	269 373	120	91 520	33,96%
Total	**8 362 319**	**2 144 422**	**8 303 776**	**1 113 147**	**4 956 421**	**52,63%**

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

54. chart: 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 Bank of Hungary	360 855	360 855				
Placements with other banks, net of allowance for placement losses	1 074 840	1 074 840				
Financial assets at fair value through profit or loss	155 042		76 681		155 042	134
Financial assets at fair value through other comprehensive income	1 451 905	1 451 905				1 452
Loans	2 618 863	2 618 863				
Investments in subsidiaries	1 177 573	1 177 573				
Securities at amortised cost	1 431 789	1 431 789				
Property and equipment	70 442	70 442				
Intangible assets	39 883					39 883
Investments properties	2 333	2 333				
Deferred tax assets	1 241	1 241				
Derivative financial assets designated as hedge accounting relationships	12 221	5 695			6 526	12
Other assets	109 201	109 201				
TOTAL ASSETS	**8 506 188**	**8 304 737**	**76 681**	**0**	**161 568**	**41 482**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	738 036					738 036
Deposits from customers	5 741 498					5 741 498
Liabilities from issued securities	46 694					46 694
Financial liabilities at fair value through profit or loss	32 231					32 231
Held for trading derivative financial liabilities	82 838					82 838
Derivative financial liabilities designated as hedge accounting relationships	6 925					6 925
Subordinated bonds and loans	110 454					110 454
Deferred tax liabilities	0					0
Other liabilities	236 570					236 570
TOTAL LIABILITIES	**6 995 246**	**0**	**0**	**0**	**0**	**6 995 246**

55. 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)	**8 506 188**	**8 304 737**	**76 681**	**0**	**161 568**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	6 758 676				
Total net amount under the regulatory scope of condsolidation	1 747 512				
Off-balance sheet amounts	2 144 422	1 130 948			
Non deducted from regulatory capital, capital requirement increase elements	39 907	39 907			
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	17 670	17 670			
Exposure amounts considered for regulatory purposes	**9 731 511**	**9 493 262**	**76 681**	**0**	**161 568**

* Calculated according to 2017/2395 EU regulation

56. chart: OTP Bank's regulatory capital

Total regulatory capital (million HUF)	31. December 2018.	Cross reference to raws of own funds disclosure template
Paid in capital	28 000	(1)
Retained earnings	1 282 478	(2)
Accumulated other comprehensive income and other reserves	28 987	(3)
Balance sheet profit or loss (1)	129 422	(2)
Intangible assets (-)	-39 883	(8)
Prudential filters	-1 688	(7)
Deferred tax assets	-5 574	(10)
Treasury shares (-)	-4 794	(16)
(–) Direct shares	*-1 964*	
(–) Indirect shares	*-2 829*	
Other transitional adjusments (2)	17 150	(26)
Common Equity Tier 1 capital	**1 434 098**	**(29)**
Total Tier 1 capital	**1 434 098**	**(45)**
Upper Tier 2 capital	109 994	
Total Tier 2 capital	**109 994**	**(58)**
Total regulatory capital	**1 544 092**	**(59)**

(1) Balance sheet profit or loss containes the calculated dividend payment, according to the 2014/241 EU regulation Article 2. (7) paragraph. In accordance with regulation and permission of National Bank of Hungary - in the lack of final decision about the dividend payment - calculated dividend pay out ratio shall be determined and the deducted dividend amount in the regulatory capital shall be caculated with this ratio.

(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.

57. chart: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds in accordance with 2017/2395 EU regulation

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)	1 411 900	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	28 987	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**	**1 468 887**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7	Additional value adjustments (negative amount)	-1 688	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-39 883	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)	-5 574	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)	-4 794	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)	-23 856
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)	-1 147 038

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	**(A) 31 December 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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)	0
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)	0
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 (2)	17 150		
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)**	**-34 789**		
29	**Common Equity Tier 1 (CET1) capital**	**1 434 098**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	**(A) 31 December 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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)**	**1 434 098**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	**(A) 31 December 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
46	Capital instruments and the related share premium accounts	109 994	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**	**109 994**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	**(A) 31 December 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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)	-30 945
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**		
58	**Tier 2 (T2) capital**	**109 994**		
59	**Total capital (TC = T1 + T2)**	**1 544 092**		
60	**Total risk weighted assets**	**5 612 783**		

	Capital ratios and buffers (in HUF million)	**(A) 31 December 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**25,55%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**25,55%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**27,51%**	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)	6,375%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	1,875%		
66	of which: countercyclical buffer requirement (3)			
67	of which: systemic risk buffer requirement (3)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (4)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	17,55%	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	**(A) 31 December 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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	23 856	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 2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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 2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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) Balance sheet profit or loss containes the calculated dividend payment, according to the 2014/241 EU regulation Article 2. (7) paragraph. In accordance with regulation and permisiion of National Bank of Hungary - in the lack of final decision about the dividend payment - calculated dividend pay out ratio shall be determined and the deducted dividend amount in the regulatory capital shall be caculated with this ratio.
(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.
(3) Capital buffer is not implemented
(4) Not relevant capital buffer

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

58. chart: 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

IFRS 9 effect		
(million HUF)		**31.12.2018**
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	1 434 098
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 416 948
3	Tier 1 capital	1 434 098
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 416 948
5	Total capital	1 544 092
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 526 942
Total risk weighted assets		
7	Total risk w eighted assets	5 612 783
8	Total risk-w eighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5 596 334
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	25,55%
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	25,32%
11	Tier 1 (as a percentage of total risk exposure amount)	25,55%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25,32%
13	Total capital (as a percentage of total risk exposure amount)	27,51%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	27,28%
Leverage ratio		
15	Total exposure	9 790 122
16	Leverage ratio	14,65%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,47%

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

59. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	93 634	7 491
Equity risk (general and specific)	612	49
Foreign exchange risk	64 458	5 157
Commodity risk	7 309	585
Options		
Simplified approach		
Delta-plus method	8 776	702
Scenario approach		
Securitisation (specific riks)		
Total	**174 788**	**13 983**

60. 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		64 359	107 912			150 108	73 991
Original exposure	0					0	0
Standardised approach		0			0	0	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)						70 023	68 375
VaR for SFTs						0	0
Total							**142 366**

61. 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	58 692	8 382
Based on the original exposure method	0	0
Total subject to the CVA capital charge	0	0

62. chart: CCR exposures by regulatory portfolio and risk

Exposure classes (in million HUF)	Risk weight 0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total	Of which unrated
Central governments or central banks	16 990	0	0	131	9 419	0	0	0	0	0	0	26 540	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	268	0	0	0	37 712	9 672	0	0	88 648	0	0	136 299	89 806
Corporates	12	0	0	0	0	0	0	0	36 000	0	0	36 012	23 377
Retail	0	0	0	0	0	0	0	4 132	0	0	0	4 132	4 132
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	17 148	0	0	0	0	0	0	1	0	0	17 149	0
Total	**17 270**	**17 148**	**0**	**131**	**47 131**	**9 672**	**0**	**4 132**	**124 648**	**0**	**0**	**220 132**	**117 315**

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

63. 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 which	17 148	343
(i) OTP derivatives	17 148	343
(ii) Exchange-traded derivatives	0	0
(iii) SFTs	0	0
(iv) Netting sets where cross-product netting has been approved	0	0
Segregated initial margin	32 280	
Non-segregated initial margin	0	0
Prefunded default fund contributions	1	1
Alternative calculation of own funds requirements for exposures		0
Exposures to non-QCCPs (total)		**0**
Exposures for trades at non QCCPs (excluding initial margin and default fund contributions); of which	0	0
(i) OTP derivatives	0	0
(ii) Exchange-traded derivatives	0	0
(iii) SFTs	0	0
(iv) Netting sets where 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

64. chart: Impact of netting and collateral held on exposure values

(in million HUF)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	**64 149**	**0**	**64 149**	**0**	**64 149**
SFTs	**12 052**	**0**	**12 052**	**10 737**	**1 315**
Cross-product netting	588 024	73 980	514 044	359 378	154 667
Total	664 226	73 980	590 246	370 115	220 131

65. chart: Composition of collateral for exposures to CCR

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
(in million HUF)	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	0	32 260	15 220	12 213	19	29
Total	0	32 260	15 220	12 213	19	29

II.3. Leverage

66. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	8 506 188
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	172 272
5	Adjustment for securities financing transactions (SFTs)	70 023
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1 031 109
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	10 530
8	**Leverage ratio total exposure measure**	**9 790 122**

67. 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)	8 563 773
2	(Asset amounts deducted in determining Tier 1 capital)	-47 056
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**8 516 717**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	64 359
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	107 913
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)**	**172 272**
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	70 023
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)**	**70 023**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2 144 422
18	(Adjustments for conversion to credit equivalent amounts)	-1 113 313
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**1 031 109**
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	1 434 098
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	9 790 122
Leverage ratio		
22	**Leverage ratio**	**14,65%**
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

Note: The exposures are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

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 2018.

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.
In its regulations entitled "International Financing Reporting Standards (IFRS) valuation requirements" OTP Bank provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. 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 assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.
At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS 9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.
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;
- 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;
- 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,
- significant increase in credit risk compared to the initial recognition.

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 release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. 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. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.
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, the macroeconomic factors and information on the future of financial instruments must be taken into account.
The OTP Bank shall measure expected credit losses of a financial asset in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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, which has to based on at least two scenarios.
- 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.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairement of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairement regarding “Placements with other banks”in Note 5.
- changes of impairement regarding “Securities at amortised cost” in Note 10.
- changes of impairement regarding “Loans” in Note 8.

68. chart: Changes of non-performing loan exposures

(million HUF)	Gross carrying value defaulted exposures
1. Opening balance - 31.12.2017	**69 817**
2. Loans and debt securities that have defaulted since the last reporting period	13 406
3. Returned to non-defaulted status	16 505
4. Amounts written-off	7 689
5. Other changes*	5 774
6. Closing balance - 31.12.2018 (6 =1 + 2 - 3 - 4 + 5)	**64 803**

* Contains the IFRS 9 transitional difference

II.4.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

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

Exposures (million HUF)	31.12.2018	2018 Average
Central governments or central banks	2 653 494	2 753 758
Regional governments or local authorities	75 862	65 109
Public sector entities	64 419	70 646
Multilateral development banks	0	0
Institutions	1 728 835	1 632 132
Corporates	2 143 402	1 857 778
Retail	552 033	541 205
Secured by mortgages on immovable property	502 071	491 619
Exposures in default	38 348	50 755
Items associated w ith particularly high risk	1 183 986	1 030 875
Covered bonds	246 396	253 429
Collective investments undertakings	15 880	15 677
Equity exposures	1 248	39 705
Other exposures	269 492	238 165
Total	**9 475 466**	**9 040 852**

70. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2018

(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	**2 653 494**	**75 862**	**64 419**	**1 728 835**	**2 143 402**	**552 033**	**502 071**	**38 348**	**1 183 986**	**246 396**	**15 880**	**1 248**	**269 492**	**9 475 466**
Austria	0	0	0	1 065	228	2	0	3	1 824	0	0	0	0	3 122
Australia	0	0	0	114	0	0	0	0	11 318	0	0	0	0	11 432
Belgium	0	0	0	400	26 757	0	0	0	0	0	0	0	0	27 157
Bulgaria	12 675	0	0	254	15 634	1	52 304	0	283 015	0	0	0	0	363 883
Canada	0	0	0	151	2	1	0	0	0	0	0	0	0	154
Sw itzerland	0	0	0	11 336	45 267	0	0	0	0	0	0	0	0	56 603
Cyprus	0	0	0	0	16 147	0	0	0	4 907	0	0	0	0	21 054
Czech Republic	0	0	0	96	282	0	0	0	0	0	0	0	0	378
Germany	54 910	0	0	49 038	1 356	3	15	3	0	0	0	0	0	105 325
Denmark	0	0	0	310	13	0	0	0	0	0	0	0	0	323
Spain	0	0	0	1 050	430	0	0	0	0	0	0	0	0	1 480
France	0	0	0	28 198	393	1	0	0	0	0	0	0	0	28 592
United Kingdom	0	0	0	40 630	34	1	0	0	0	0	0	0	0	40 665
Croatia	3 204	0	0	19 623	8 618	3	6 405	0	206 461	0	0	0	0	244 314
Hungary	2 500 047	75 862	64 419	1 359 699	1 327 851	551 916	404 984	36 166	203 120	233 537	15 880	1 248	269 492	7 044 221
Ireland	0	0	0	435	807	0	0	0	0	0	0	0	0	1 242
Italy	0	0	0	391	467	1	0	60	0	0	0	0	0	919
Japan	0	0	0	315	0	0	0	0	0	0	0	0	0	315
Lithuania	6 202	0	0	0	0	0	0	0	0	0	0	0	0	6 202
Luxembourg	0	0	0	8 177	122	0	0	0	0	0	0	0	0	8 299
Montenegro	10 464	0	0	599	0	0	0	0	35 194	0	0	0	0	46 257
Malta	0	0	0	0	563 712	0	0	0	30 161	0	0	0	0	593 873
Netherlands	0	0	0	0	8 062	1	0	0	531	0	0	0	0	8 594
Poland	15 294	0	0	75	753	2	0	0	0	0	0	0	0	16 124
Romania	11 678	0	0	55 596	16 686	23	16 314	2	92 572	0	0	0	0	192 871
Serbia	6 477	0	0	80 716	24 680	5	11 994	1	78 777	0	0	0	0	202 650
Russian Federation	32 543	0	0	27 132	0	1	10 055	296	151 056	0	0	0	0	221 083
Sw eden	0	0	0	1 029	1 557	1	0	0	0	0	0	0	0	2 587
Slovenia	0	0	0	0	7 055	0	0	0	0	0	0	0	0	7 055
Slovakia	0	0	0	36 166	64 837	51	0	1	16 485	12 859	0	0	0	130 399
Turkey	0	0	0	1 724	13	2	0	0	0	0	0	0	0	1 739
Ukraine	0	0	0	1	0	5	0	1 794	54 807	0	0	0	0	56 607
United States	0	0	0	4 310	11 539	1	0	0	10 698	0	0	0	0	26 548
Other	0	0	0	205	100	12	0	22	3 060	0	0	0	0	3 399

71. chart: Exposure classes broken down by counterparty type on 31st December 2018

(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	**2 653 494**	**75 862**	**64 419**	**0**	**1 728 835**	**2 143 402**	**552 033**	**502 071**	**38 348**	**1 183 986**	**246 396**	**15 880**	**1 248**	**269 492**	**9 475 466**
Goverments	2 653 494	0	0	0	0	0	0	0	0	0	0	0	0	0	2 653 494
Municipal	0	75 862	0	0	0	0	0	0	0	0	0	0	0	0	75 862
Public sector entities	0	0	64 419	0	0	0	0	0	0	0	0	0	0	0	64 419
Institutions	0	0	0	0	1 728 835	0	0	0	0	0	246 396	0	0	0	1 975 231
Coporate	0	0	0	0	0	1 676 815	0	91 480	16 302	0	0	15 880	0	0	1 800 477
Corpoarte SME	0	0	0	0	0	466 587	0	273 618	6 830	0	0	0	0	0	747 035
Retail	0	0	0	0	0	0	457 302	132 602	13 710	0	0	0	0	0	603 614
Retail SME	0	0	0	0	0	0	94 731	4 371	1 506	0	0	0	0	0	100 608
Equity	0	0	0	0	0	0	0	0	0	0	0	0	1 248	0	1 248
Other*	0	0	0	0	0	0	0	0	0	1 183 986	0	0	0	269 492	1 453 478

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

72. chart: Exposure classes broken down by residual maturity on 31st December 2018

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**3 052 814**	**2 408 210**	**3 743 702**	**270 740**	**9 475 466**
Central governments or central banks	0	625 608	1 301 117	726 769	0	2 653 494
Regional governments or local authorities	0	13 504	2 420	59 938	0	75 862
Public sector entities	0	19 223	12 174	33 022	0	64 419
Institutions	0	871 993	251 589	605 253	0	1 728 835
Corporates	0	1 173 043	532 171	438 188	0	2 143 402
Retail	0	273 536	111 750	166 747	0	552 033
Secured by mortgages on immovable property	0	45 615	106 450	350 006	0	502 071
Exposures in default	0	4 995	13 263	20 090	0	38 348
Items associated w ith particularly high risk	0	2 417	5 371	1 176 198	0	1 183 986
Covered bonds	0	22 868	71 890	151 638	0	246 396
Collective investments undertakings	0	12	15	15 853	0	15 880
Equity exposures	0	0	0	0	1 248	1 248
Other exposures	0	0	0	0	269 492	269 492

Due to the organic growth, the exposures of OTP Bank increased significantly in 2018, compared to 2017.

73. chart: Aging of past-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	3 849 523	9 422	4 487	6 955	2 882	23 205
Debt securities	2 884 649	0	0	0	0	0
Total exposures	6 734 172	9 422	4 487	6 955	2 882	23 205

74. 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	2 884 649	0	0	5 390	5 390	5 390	0	-3 555	0	-1 164	0	0	0
Loans and advances	3 934 941	10 971	24 167	63 378	62 227	62 190	41 256	-33 163	-4 724	-35 051	-22 317	19 940	29 345
Off-balance -sheet exposures	2 333 667		514	646	646		45	8 259	125	235	21	47	16

Note: Exposures according to EBA definition.

75. chart: Credit quality of exposures by exposure class and instrument on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	0	2 654 826	-1 332	0	0	0	2 653 494
Regional governments or local authorities	0	77 102	-1 240	0	0	0	75 862
Public sector entities	3	64 643	-227	0	0	0	64 419
Multilateral development banks	0	0	0	0	0	0	0
Institutions	0	1 730 302	-1 467	0	0	0	1 728 835
Corporates	41 440	2 151 587	-26 493	0	0	0	2 166 534
Retail	23 360	560 067	-16 177	0	0	0	567 250
Secured by mortgages on immovable property	0	506 726	-4 655	0	0	0	502 071
Exposures in default	0	0	0	0	0	0	0
Items associated w ith particularly high risk	0	1 703 580	-519 595	0	0	0	1 183 985
Covered bonds	0	246 396	0	0	0	0	246 396
Collective investments undertakings	0	15 880	0	0	0	0	15 880
Equity exposures	0	25 085	-23 837	0	0	0	1 248
Other exposures	0	270 441	-949	0	0	0	269 492
Total	**64 803**	**10 006 635**	**-595 972**	**0**	**0**	**0**	**9 475 466**

76. chart: Credit quality of exposures by counterparty types on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Goverments	0	2 654 826	-1 332	2 653 494
Municipal	0	77 102	-1 240	75 862
Public sector entities	3	64 643	-227	64 419
Institutions	0	1 976 698	-1 467	1 975 231
Coporate	30 236	1 787 528	-17 287	1 800 477
Corpoarte SME	11 203	748 999	-13 167	747 035
Retail	21 470	597 343	-15 199	603 614
Retail SME	1 891	100 389	-1 672	100 608
Equity	0	25 085	-23 837	1 248
Other*	0	1 974 022	-520 544	1 453 478
Total	**64 803**	**10 006 635**	**-595 972**	**9 475 466**

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

77. chart: Credit Quality of exposures by geography on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	**64 803**	**10 006 635**	**-595 972**	**9 475 466**
Austria	14	3 121	-13	3 122
Australia	1	11 432	-1	11 432
Belgium	0	27 213	-56	27 157
Bulgaria	0	365 842	-1 959	363 883
Canada	2	154	-2	154
Sw itzerland	2	56 745	-144	56 603
Cyprus	0	21 521	-467	21 054
Czech Republic	1	385	-8	378
Germany	18	105 339	-32	105 325
Denmark	0	323	0	323
Spain	0	1 485	-5	1 480
France	1	28 595	-4	28 592
United Kingdom	4	40 683	-22	40 665
Croatia	0	244 376	-62	244 314
Hungary	60 043	7 132 082	-147 904	7 044 221
Ireland	0	1 261	-19	1 242
Italy	123	865	-69	919
Japan	0	315	0	315
Lithuania	0	6 204	-2	6 202
Luxembourg	10	8 300	-11	8 299
Montenegro	0	69 653	-23 396	46 257
Malta	0	595 273	-1 400	593 873
Netherlands	2	8 627	-35	8 594
Poland	1	16 142	-19	16 124
Romania	9	212 905	-20 043	192 871
Serbia	6	258 783	-56 139	202 650
Russian Federation	1 127	221 828	-1 872	221 083
Sw eden	2	2 588	-3	2 587
Slovenia	0	7 057	-2	7 055
Slovakia	16	143 128	-12 745	130 399
Turkey	0	1 749	-10	1 739
Ukraine	3 351	382 712	-329 456	56 607
United States	13	26 572	-37	26 548
Other	57	3 377	-35	3 399

78. 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	10 172 237	334 503	76 345	258 158	0
Total debt securities	0	0	0	0	0
Total exposures	**10 172 237**	**334 503**	**76 345**	**258 158**	**0**
Of w hich defaulted	34 122	4 478	1 475	3 004	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

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

	Risk weight											
(million HUF)	0%	4%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposures to central governments or central banks	2 595 386	15 294	41 091	6 609	0	126 458	0	26 166	0	0	2 811 004	0
Exposures to regional governments or local authorities	0	0	0	67 202	0	0	0	837	0	0	68 039	68 039
Exposures to public sector entities	22 438	0	0	0	0	0	0	28 649	0	0	51 087	51 087
Exposures to multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
Exposures to institutions	1 293 595	0	0	186 401	0	162 341	0	150 833	0	0	1 793 170	1 608 756
Exposures to corporates	56 284	0	0	0	0	0	0	1 893 558	0	0	1 949 842	1 891 618
Retail exposures	0	0	0	0	0	0	490 802	0	0	0	490 802	490 802
Exposures secured by mortgages on immovable property	0	0	0	0	124 653	89 703	10 452	277 262	0	0	502 070	502 070
Exposures in default	0	0	0	0	0	0	0	26 368	7 538	0	33 906	33 906
Exposures associated w ith particularly high risk	0	0	0	0	0	0	0	0	1 183 986	0	1 183 986	1 183 986
Exposures in the form of covered bonds	156 505	0	12 859	0	0	77 032	0	0	0	0	246 396	246 396
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	0	0	0	15 880	0	0	15 880	15 880
Equity exposures	0	0	0	0	0	0	0	-52	0	1 300	1 248	-73 084
Other items	177 625	0	0	434	0	0	0	91 433	0	0	269 492	269 492
Total	**4 301 833**	**15 294**	**53 950**	**260 646**	**124 653**	**455 534**	**501 254**	**2 510 934**	**1 191 524**	**1 300**	**9 416 922**	**6 288 948**

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

II.6. Capital requirement for operational risks

Capital requirement for operational risk of OTP Bank amounted to HUF 26,466 million on 31st December 2018, which was determined by advanced measurement approaches.

80. chart: Capital requirement for operational risks on 31st December 2018:

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	26 466
Total	**26 466**

II.7. Equity exposures not included in the trading book on 31 December 2018

81. chart: Equity exposures not included in the trading book accordint to IFRS on 31 December 2018

Num-ber	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	280 692	No
8	Eastern Securities S. A.	0	No
9	Financial Research Corporation	0	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)	74 332	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.	23 663	No
18	MONICOMP Ltd.	9 065	No
19	OTP Bank JSC (Ukraine)	52 943	No
20	OTP Bank Romania S.A.	92 518	No
21	OTP Banka Hrvatska d.d.	205 349	No
22	OTP Banka Slovensko a.s.	16 485	Yes
23	OTP Banka Srbija a.d. Novi Sad	77 782	No
24	OTP Building Society Ltd.	1 950	No
25	OTP Buildings s.r.o.	1 266	No
26	OTP Card Factory Ltd.	450	No
27	OTP Factoring Ltd.	25 411	No
28	OTP Factoring Ukraine LLC	1 138	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.	1 929	No
37	OTP Ingatlanüzemeltető Ltd.	15	No
38	OTP Life Annuity Real Estate Investment Ltd.	4 331	No
39	OTP Mortgage Bank Ltd.	79 198	No
40	OTP Real Estate Investment Fund Management Ltd.	1 352	No
41	OTP Real Estate Ltd.	6 567	No
42	Overdose Vagyonkezelő Ltd. "u.v.l."	0	No
43	PortfoLion Venture Capital Fund Management Ltd.	1 300	No
44	R.E. Four d.o.o., Novi Sad	594	No
45	S.W.I.F.T. SCRL	0	No
46	Small Business Development Company Ltd.	37	No
47	Szallas.hu Ltd.	617	No
48	VISA Incorporated	3 146	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 2018 were 257 million 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)
- HUF base rate stays unchanged and BUBOR decreases gradually by 50 bps over the next year (scenario 2)

The net interest income in a one year period after January 1, 2019 would be decreased by HUF 1185 million (scenario 1) and HUF 3100 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 268 million for scenario 1, HUF 3331 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):

82. 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	-1 662	671
EUR -0.1% parallel shift	-93	0
USD -0.1% parallel shift	-40	0
Total	**-1 795**	**671**

II.9. Disclosure of encumbered and unencumbered assets

83. 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	**425 949**		**7 914 183**	
Equity instruments	0	0	44 137	44 177
Debt securities	312 764	321 411	2 759 004	2 768 185
Other assets	0		1 446 834	

84. 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**	**81 014**
Equity instruments	0	0
Debt securities	0	49 006
Other collateral received	0	32 008
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

85. 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	**390 553**	**414 713**

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 2018 (from HUF 171 billion to HUF 280 billion). On the other hand, the value of encumbrances coming from the Funding for Growth Scheme's funds has increased by HUF 57 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

86. chart: Liquidity coverage ratio

	Description	Total unweighted value (average)	Total weighted value (average)
(in million HUF)		31.12.2018	31.12.2018
Number of data points used in the calculation of averages		12	12
HIGH-QUALITY LIQUID ASSETS			
1.	Total high-quality liquid assets (HQLA)		2 884 157
CASH – OUTFLOWS			
2.	Retail deposits and deposits from small business customers, of which:	3 209 247	199 441
3.	*Stable deposits*	2 615 591	130 780
4.	*Less stable deposits*	593 655	68 662
5.	Unsecured wholesale funding	2 119 611	1 195 849
6.	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	6	1
7.	*Non-operational deposits (all counterparties)*	2 117 541	1 193 783
8.	*Unsecured debt*	2 064	2 064
9.	Secured wholesale funding		0
10.	Additional requirements	1 215 736	259 177
11.	*Outflows related to derivative exposures and other collateral requirements*	35 978	35 978
12.	*Outflows related to loss of funding on debt products*	0	0
13.	Credit and liquidity facilities	1 179 758	223 199
14.	Other contractual funding obligations	66 115	42 478
15.	Other contingent funding obligations	837 537	20 795
16.	TOTAL CASH OUTFLOWS	7 448 247	1 717 741
CASH – INFLOWS			
17.	*Secured lending (e.g. reverse repos)*	53 163	215
18.	*Inflows from fully performing exposures*	318 407	279 891
19.	*Other cash inflows*	12 145	12 145
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
EU-19b	*{Excess inflows from a related specialised credit institution}*		0
20.	**TOTAL CASH INFLOWS**	383 715	292 251
EU-20a	***Fully exempt inflows***	0	0
EU-20b	***Inflows subject to 90% cap***	0	0
EU-20c	***Inflows subject to 75% cap***	383 715	292 251
			TOTAL ADJUSTED VALUE
21.	**LIQUIDITY BUFFER**		2 884 157
22.	**TOTAL NET CASH OUTFLOWS**		1 425 489
23.	**LIQUIDITY COVERAGE RATIO (%)**		203%

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

87. chart: Regional distribution of the Bank's activity, return on assets ratio

Description (million HUF)	OTP Total year 2018	Branch (Germany) year 2018	Without Branch (Hungary) year 2018
Turnover	512 909	0	512 909
Profit or loss before tax	184 633	9	184 624
Tax on profit or loss	90 866	6	90 860
Public subsidies received	0	0	0
Number of employees on a full time basis	7 845	1	7 844
Return on assets	2,13%		

II.12. Shareholders with significant investment in OTP Bank

The OTP Bank had no shareholders with significant investment on 31st December 2018.

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

88. 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	1
Attila KOVÁCS	-	2
Zoltán ROSKÓ	-	-
Csaba NAGY	1	2
Ákos Ferenc FISCHL	-	-
Anna FLOROVA	-	3

*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*
Győző NYITRAI	1	1
Ágota SELYMESI	-	-
Zoltán KORMOS	-	1

*with the exception of directorships held at OTP Mortgage Bank

89. 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)
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)

Supervisory Board	
Győző NYITRAI	
University of Economics, Budapest	MSc in Economics – finance specialization (1997)
	State broker exam (1996)
European Federation of Financial Analyst Societies	Investment Analyst Diploma (2000)
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)
Kormos Zoltán	
University of Economics, Budapest	MSc in Economics (2002)
Controll Training Továbbképző Központ Kft.	IT sytem specialist (2004)

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 2018 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 2018 was HUF 37,688 million, the amount of regulatory capital was HUF 55,631 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 11.81%.

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

	RWAs	Minimum capital requirements
(million HUF)	31.12.2018	31.12.2018
Credit risk (excluding CCR)	**452 604**	**36 208**
Of which the standardised approach	452 604	36 208
CCR	**0**	**0**
Of which mark to market	0	0
Of which CVA	0	0
Market risk	**654**	**52**
Of which the standardised approach	654	52
Operational risk	**17 848**	**1 428**
Of which basic indicator approach	0	0
Of which advances measurement approach	17 848	1 428
Total	**471 106**	**37 688**

Note: The credit risk RWA is calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point

91. chart: Credit risk exposure and CRM effects on 31st December 2018

	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	1 868	0	32 074	71	0	0,00%
Public sector entities	10 649	0	10 649	0	0	0,00%
Institutions	44 892	0	44 892	0	0	0,00%
Corporates	351	0	351	0	271	77,21%
Retail	30 408	13 615	1 019	6 631	5 737	74,99%
Secured by mortgages on immovable property	1 110 349	22 118	1 110 348	10 234	429 261	38,31%
Exposures in default	14 646	33	13 829	17	14 550	105,08%
Equity	1 337	0	1 337	0	1 337	100,00%
Other items	261	1 187	261	1 187	1 448	100,00%
Total	**1 214 761**	**36 953**	**1 214 760**	**18 140**	**452 604**	**36,71%**

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 2018.

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

92. chart: 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	2 892	2 892				
Placements with other banks, net of allowance for placement losses	127 635	127 635				
Financial assets at fair value through profit or loss	0	0				
Financial assets at fair value through other comprehensive income	10 647	10 647				11
Loans	1 063 229	1 063 229				
Investments in subsidiaries	1 337	1 337				
Securities at amortised cost	0	0				
Property and equipment	26	26				
Intangible assets	173					173
Investments properties	0	0				
Deferred tax assets	0	0				
Derivative financial assets designated as hedge accounting relationships	1 837				1837	2
Other assets	1 463	1 463				0
TOTAL ASSETS	**1 209 239**	**1 207 229**	**0**	**0**	**1 837**	**185**
deposits from the National Bank of Hungary and other banks	508 910					508 910
Deposits from customers	0					0
Liabilities from issued securities	611 923					611 923
Financial liabilities at fair value through profit or loss	0					0
Held for trading derivative financial liabilities	0					0
Derivative financial liabilities designated as hedge accounting relationships	74					74
Subordinated bonds and loans	0					0
Deferred tax liabilities	274					274
Other liabilities	12 274					12 274
TOTAL LIABILITIES	**1 133 455**	**0**	**0**	**0**	**0**	**1 133 455**

93. 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)	1 209 239	1 207 229	0	0	1 837
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	1 133 455				
Total net amount under the regulatory scope of condsolidation	75 784				
Off-balance sheet amounts	36 953	18 140			
Non deducted from regulatory capital, capital requirement increase elements	0	0	0	0	0
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	7 533	7 533			
Exposure amounts considered for regulatory purposes	1 234 739	1 232 902	0	0	1837

* Calculated according to 2017/2395 EU regulation

94. chart: OTP Mortgage Bank's regulatory capital on 31st December 2018

Total regulatory capital (million HUF)	31.12.2018	Cross reference to rows of transitional own funds disclosure template
Share capital	27 000	(1)
Retained earnings	22 157	(2)
Accumulated other comprehensive income and other res	-873	(3)
Balance sheet profit or loss (1)	0	(2)
Intangible assets (-)	-173	(8)
Prudential filters	-13	(7)
Deferred tax assets	0	(10)
Other transitional adjusments (2)	7 533	(26)
Common Equity Tier 1 capital	**55 631**	(29)
Total Tier 1 capital	**55 631**	(45)
Subordinated debt	0	
Total Tier 2 capital	**0**	(58)
Total regulatory capital	**55 631**	(59)

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

(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.

95. chart: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds in accordance with 2017/2395 EU regulation

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)	22 157	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-873	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 allow ed in consolidated CET1)	0	84, 479, 480	
5a	Independently review ed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**48 284**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7	Additional value adjustments (negative amount)	-13	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-173	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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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 (2)	7 533		
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)	7 347		
29	**Common Equity Tier 1 (CET1) capital**	**55 631**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)**	**55 631**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)**	**55 631**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b), 475, 475 (2) (b), 475 (2) (c), 475 (4) (b), 477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	**Total risk weighted assets**	**471 106**		

	Capital ratios and buffers (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**11,81%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**11,81%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**11,81%**	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)	6,375%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	1,875%		
66	of which: countercyclical buffer requirement (3)			
67	of which: systemic risk buffer requirement (3)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (4)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	3,81%	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	**(A) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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 2018 and dividend for finacial year 2018 are included in retained earnings.
(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.
(3) Capital buffer is not implemented
(4) Not relevant capital buffer

96. chart: 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

IFRS 9 effect		
(million HUF)		31.12.2018
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	55 631
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48 098
3	Tier 1 capital	55 631
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48 098
5	Total capital	55 631
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48 098
Total risk weighted assets		
7	Total risk weighted assets	471 106
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	465 437
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	11,81%
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	10,33%
11	Tier 1 (as a percentage of total risk exposure amount)	11,81%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,33%
13	Total capital (as a percentage of total risk exposure amount)	11,81%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,33%
Leverage ratio		
15	Total exposure	1 234 727
16	Leverage ratio	4,51%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,90%

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

97. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	648	52
Equity risk (general and specific)	0	0
Foreign exchange risk	6	0
Commodity risk	0	0
Options		
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific riks)	0	0
Total	**654**	**52**

III.4. Leverage

98. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	1 209 240
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)	18 140
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	7 347
8	**Leverage ratio total exposure measure**	**1 234 727**

99. 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)	1 216 773
2	(Asset amounts deducted in determining Tier 1 capital)	-186
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**1 216 587**
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 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	36 953
18	(Adjustments for conversion to credit equivalent amounts)	-18 813
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**18 140**
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	55 631
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	1 234 727
Leverage ratio		
22	**Leverage ratio**	**4,51%**
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

Note: The exposures are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

There was no material change in the value of leverage ratio in 2018.

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.
In its regulations entitled "International Financing Reporting Standards (IFRS) valuation requirements" OTP Mortgage Bank provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. 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 assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.
At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS 9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.
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;
- 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;
- 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,
- significant increase in credit risk compared to the initial recognition.

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 release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. 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. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.
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, the macroeconomic factors and information on the future of financial instruments must be taken into account.

The OTP Mortgage Bank shall measure expected credit losses of a financial asset in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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, which has to based on at least two scenarios.
- 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.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.

- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairement of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairement regarding “Placements with other banks”in Note 5.
- changes of impairement regarding “Loans” in Note 7.

100. chart: Changes of non-performing loan exposures

	(million HUF)	Gross carrying value defaulted exposures
1	**Opening balance - 31.12.2017**	**11 719**
2	Loans and debt securities that have defaulted since the last reporting period	10 900
3	Returned to non-defaulted status	3 731
4	Amounts written-off	7
5	Other changes*	-3 622
6	**Closing balance - 31.12.2018 (6 =1 + 2 - 3 - 4 + 5)**	**15 259**

* Contains the IFRS 9 transitional difference

III.5.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

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

Exposures (million HUF)	31.12.2018	2018 Average
Central governments or central banks	1 868	4 577
Regional governments or local authorities	0	98
Public sector entities	10 649	10 788
Multilateral development banks	0	0
Institutions	44 892	63 332
Corporates	351	261
Retail	37 110	36 598
Secured by mortgages on immovable property	1 120 583	1 065 907
Exposures in default	14 662	16 816
Items associated w ith particularly high risk	0	0
Covered bonds	0	0
Collective investments undertakings	0	0
Equity exposures	1 337	1 239
Other exposures	1 448	594
Total	**1 232 900**	**1 200 210**

102. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2018

(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	**1 868**	**0**	**10 649**	**0**	**44 892**	**351**	**37 110**	**1 120 583**	**14 662**	**0**	**0**	**0**	**1 337**	**1 448**	**1 232 900**
Hungary	1 868	0	10 649	0	44 892	351	37 110	1 120 583	14 662	0	0	0	1 337	1 448	1 232 900

103. chart: Exposure classes broken down by counterparty type on 31st December 2018

(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	**1 868**	**0**	**10 649**	**0**	**44 892**	**351**	**37 110**	**1 120 583**	**14 662**	**0**	**0**	**0**	**1 337**	**1 448**	**1 232 900**
Goverments	1 868	0	0	0	0	0	0	0	0	0	0	0	0	0	1 868
Municipal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	10 649	0	0	0	0	0	0	0	0	0	0	0	10 649
Institutions	0	0	0	0	44 892	0	0	0	0	0	0	0	0	0	44 892
Coporate	0	0	0	0	0	351	0	0	0	0	0	0	0	0	351
Corpoarte SME	0	0	0	0	0	0	0	1 452	0	0	0	0	0	0	1 452
Retail	0	0	0	0	0	0	37 110	1 115 493	14 572	0	0	0	0	0	1 167 175
Retail SME	0	0	0	0	0	0	0	3 638	90	0	0	0	0	0	3 728
Equity	0	0	0	0	0	0	0	0	0	0	0	0	1 337	0	1 337
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	1 448	1 448

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

104. chart: Exposure classes broken down by residual maturity on 31st December 2018

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**58 170**	**170 251**	**1 001 694**	**2 785**	**1 232 900**
Central governments or central banks	0	75	0	1 793	0	1 868
Regional governments or local authorities	0	0	0	0	0	0
Public sector entities	0	10 647	0	2	0	10 649
Institutions	0	44 886	0	6	0	44 892
Corporates	0	0	0	351	0	351
Retail	0	142	2 843	34 125	0	37 110
Secured by mortgages on immovable property	0	2 354	166 601	951 628	0	1 120 583
Exposures in default	0	66	807	13 789	0	14 662
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	1 337	1 337
Other exposures	0	0	0	0	1 448	1 448

105. 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	1 141 718	7 064	3 491	4 324	1 408	451
Debt securities	10 659					
Total exposures	1 152 377	7 064	3 491	4 324	1 408	451

106. 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	10 659												
Loand and advances	1 158 456	6 939	140	15 243	15 243	15 243	9 651	-6 814	-1 016	-2 778	-1 751	12 423	7 879
Off-balance -sheet exposures	35 944	0	0	35	35	35	0	-822	0	-7	0	26	0

Note: Exposures according to EBA definition.

107. chart: Credit quality of exposures by exposure class and instrument on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Central governments or central banks	0	1 868	0	1 868
Regional governments or local authorities	0	0	0	0
Public sector entities	0	10 649	0	10 649
Multilateral development banks	0	0	0	0
Institutions	0	44 892	0	44 892
Corporates	0	351	0	351
Retail	15 259	37 181	-668	51 772
Secured by mortgages on immovable property	0	1 121 977	-1 394	1 120 583
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	1 337	0	1 337
Other exposures	0	1 448	0	1 448
Total	**15 259**	**1 219 703**	**-2 062**	**1 232 900**

108. chart: Credit quality of exposures by counterparty types on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Goverments	0	1 868	0	1 868
Municipal	0	0	0	0
Public sector entities	0	10 649	0	10 649
Institutions	0	44 892	0	44 892
Coporate	0	351	0	351
Corpoarte SME	0	1 453	-1	1 452
Retail	15 161	1 154 062	-2 048	1 167 175
Retail SME	98	3 643	-13	3 728
Equity	0	1 337	0	1 337
Other*	0	1 448	0	1 448
Total	**15 259**	**1 219 703**	**-2 062**	**1 232 900**

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

109. chart: Credit quality of exposures by geography on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	**15 259**	**1 219 703**	**-2 062**	**1 232 900**
Hungary	15 259	1 219 703	-2 062	1 232 900

110. 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	1 221 154	30 560	0	30 560	0
Total debt securities	0	0	0	0	0
Total exposures	**1 221 154**	**30 560**	**0**	**30 560**	**0**
Of which defaulted	13 862	817	0	817	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

111. 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	32 144	1	0	0	0	0	0	32 145	32 145
Regional governments or local authorities	0	0	0	0	0	0	0	0	0
Public sector entities	10 649	0	0	0	0	0	0	10 649	10 649
Multilateral development banks	0	0	0	0	0	0	0	0	0
Institutions	44 892	0	0	0	0	0	0	44 892	44 892
Corporates	80	0	0	0	0	271	0	351	351
Retail	0	0	0	0	7 650	0	0	7 650	7 650
Secured by mortgages on immovable property	0	0	1 007 325	30 531	81 274	1 452	0	1 120 582	1 120 582
Exposures in default	0	0	0	0	0	12 438	1 408	13 846	13 846
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	1 337	0	1 337	1 337
Other exposures	0	0	0	0	0	1 448	0	1 448	1 448
Total	**87 765**	**1**	**1 007 325**	**30 531**	**88 924**	**16 946**	**1 408**	**1 232 900**	**1 232 900**

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

III.7. Capital requirement for operational risk

Capital requirement for operational risk of OTP Mortgage Bank was HUF 1,428 million at the end of 2018, which was determined by advanced measurement approaches.

112. chart: Operational risk capital requirements on 31st December 2018:

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	1 428
Total	**1 428**

III.8. Exposures in equities not included in the trading book on 31st December 2018

113. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2018

Entity	Balance sheet value (million HUF)	Listed (Exchanged-traded)
OTP Ingatlanpont Ltd.	1 337	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)
- HUF base rate stays unchanged and BUBOR decreases gradually by 50 bps over the next year (scenario 2)

The net interest income in a one year period beginning with January 1, 2019 would be decreased HUF 41 million (scenario 1) and increased by HUF 68 million (scenario 2) as a result of these simulation.

114. 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	-29
HUF 0.1% parallel shift	28
EUR -0.1% parallel shift	0
USD 0.1% parallel shift	0
Total	**-29**

III.10. Disclosure of encumbered and unencumbered assets

115. 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	**729 360**		**451 869**	
Equity instruments	0		0	
Debt securities	1 061		9 553	
Other assets	0		5 678	

116. 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**

117. 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	**536 381**	**729 360**

Information on importance of encumbrance

OTP Mortgage Bank finances its assets mostly (by 84% on 31 December 2018) by issuing mortgage bonds. The collateral for these mortgage bonds is the mortgage portfolio granted from these funds. On 31 December 2018, the carrying amount of the encumbered loan portfolio was HUF 730 billion. The encumbered assets dropped by 2,42% in 2018.

In 2018, OTP Mortgage Bank’s receivables that can be accepted as collateral exceeded the issued mortgage bond portfolio by 44% on average (in respect of the carrying amounts).

III.11. Liquidity risk

The activity of mortgage banks founded and operating in Hungary is regulated by Act XXX of 1997 on Mortgage Banks and on Mortgage Bonds. OTP Mortgage Bank Ltd. is a specialized credit institution, its most important business activity is retail lending secured by mortgages on real estates located in Hungary. OTP Mortgage Bank is not authorized to collect deposits and it is permitted to engage in derivative transactions for reasons of liquidity and risk management operations only. OTP Mortgage Bank Ltd. defines the following goals in connection with liquidity risk management.

The primary goal is to guarantee the financial obligations at all times: the company has to be able to fulfill its obligations of payments due, in the proper currency, and to perform the necessary transactions to maintain the solvency position. The fulfilment of financial obligations compliant with regulatory requirements regarding liquidity is also essential. Besides securing solvency and complying with legal obligations the secondary purpose is to achieve these goals via the best option while taking profitability into account. The target of the risk management policy of OTP Mortgage Bank is risk-aware operation: it is significant to identify, evaluate and continuously monitor liquidity and other forms of financial risk and to share the information with the management of the company.

The Board of Directors of OTP Mortgage Bank Ltd. approved the report of the Treasury, Issuance and Refinancing Department on financial risks and risk management with resolution no. 33/2019 (20 March 2019).

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

Description (in million HUF)	31.12.2018
Liquidity Buffer	9 584
Total Net Liquidity Outflow	1 068
Liquidity Coverage Ratio (%)	897%

Declaration on liquidity risk

The Board of Directors of OTP Mortgage Bank makes the below declaration, in accordance with Article 435 of regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) and guideline no. 9/2017 (VIII.8.) of the National Bank of Hungary.

By its profile and business strategy OTP Mortgage Bank is a specialized credit institution engaged in retail mortgage lending and is regulated by Act XXX of 1997 on Mortgage Banks and on Mortgage Bonds. The Board of Directors believes that the liquidity risk management arrangements of the company are sufficient with regard to the profile and business strategy of the company.

Definition of liquidity risk management policy and regulation of practices regarding evaluation and management of liquidity risk are laid down in OTP Mortgage Bank Ltd's Regulation on liquidity and interest rate risk. It is approved by the Board of Directors of the company and is reviewed at least annually. Being the subsidiary of OTP Bank Plc. OTP Mortgage Bank is a member of OTP Group. OTP Bank has a group-level regulation on interest- and liquidity risk management. According to this liquidity exposure is monitored and managed on a consolidated basis as well.

The department responsible for liquidity risk management within the company is the Treasury, Issuance and Refinancing Department.

The department prepares a quarterly report on the liquidity exposure of the company, the related money and capital market transactions and limit measures for the Management Committee and the Board of Directors. The internal auditor monitors the liquidity risk management operation of the company within its annual program in accordance with the guideline no. 12/2015. (VIII. 24.) of the National Bank of Hungary on the evaluation, management and control of liquidity risk.

OTP Mortgage Bank complied with requirements defined by the regulatory framework and met limits with regard to liquidity risk defined by internal regulations, the Board of Directors believes that the liquidity risk exposure of the company complies with the profile of a specialized credit institution and the liquidity risk management policy of the company.

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

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

Description (million HUF)	Hungary year 2018
Turnover	32 507
Profit or loss before tax	28 645
Tax on profit or loss	3 016
Public subsidies received	0
Number of employees on a full time basis	36
Return on assets	2,40%

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

120. 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 György KOVÁCS	-	5
Attila KOVÁCS	-	2
Csaba NAGY	1	2
Anna FLOROVA MITKOVA	-	3
Árpád SRANKÓ	-	-
András BECSEI	1	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

121. 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)
Csaba NAGY	
College of Finance and Accounting, Hungary	BSc in Economics (1993)
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 2018.

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 3,079 million as of end of December 2018 the amount of regulatory capital was HUF 29,179 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 75.82%.

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

	RWAs	Minimum capital requirements
(million HUF)	**31.12.2018**	**31.12.2018**
Credit risk (excluding CCR)	**34 438**	**2 755**
Of which the standardised approach	34 438	2 755
CCR	**0**	**0**
Of which mark to market	0	0
Of which CVA	0	0
Market risk	**0**	**0**
Of which the standardised approach	0	0
Operational risk	**4 047**	**324**
Of which basic indicator approach	0	0
Of which advances measurement approach	4 047	324
Total	**38 485**	**3 079**

Note: The credit risk RWA is calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point

123. chart: Credit risk exposure and CRM effects on 31st December 2018

	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	232 952	0	232 952	0	0	0,00%
Exposures to institutions	36 424	0	36 424	0	0	0,00%
Exposures to corporates	7 342	20	7 342	10	7 352	100,00%
Retail exposures	58	601	58	300	269	75,14%
Exposures secured by mortgages on immovable property	31 840	368	31 840	184	24 025	75,02%
Exposures in default	19	1	19	1	26	130,00%
Exposures associated with particularly high risk	55	0	55	0	83	150,91%
Exposures in the form of covered bonds	77 326	0	77 326	0	2 564	3,32%
Other items	110	10	110	10	119	99,17%
Total	**386 126**	**1 000**	**386 126**	**505**	**34 438**	**8,91%**

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

124. chart: 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 Bank of Hungary	262	262				
Placements with other banks, net of allowance for placement losses	36 162	36 162				
Financial assets at fair value through profit or loss	0	0				
Financial assets at fair value through other comprehensive income	58 618	58618				59
Loans	32 263	32 263				
Investments in subsidiaries	55	55				
Securities at amortised cost	251 462	251 462				
Property and equipment	16	16				
Intangible assets	144					144
Investments properties	0	0				
Deferred tax assets	0	0				
Derivative financial assets designated as hedge accounting relationships	0	0				
Other assets	6 949	6 949				7
TOTAL ASSETS	**385 931**	**385 787**	**0**	**0**	**0**	**209**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	0					0
Deposits from customers	346 253					346 253
Liabilities from issued securities	0					0
Financial liabilities at fair value through profit or loss	0					0
Held for trading derivative financial liabilities	0					0
Derivative financial liabilities designated as hedge accounting relationships	0					0
Subordinated bonds and loans	0					0
Deferred tax liabilities	1 921					1 921
Other liabilities	1 249					1 249
TOTAL LIABILITIES	**349 423**					**349 423**

125. 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)	385 931	385 787			
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	349 423				
Total net amount under the regulatory scope of condsolidation	36 508				
Off-balance-sheet amounts	1 000	505			
Non deducted from regulatory capital, capital requirement increase elements	0				
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	339	339			
Exposure amounts considered for regulatory purposes	386 630	386 630	0	0	0

* Calculated according to 2017/2395 EU regulation

126. chart: OTP Building Society's regulatory capital

Total regulatory capital (million HUF)	31.12.2018	Cross reference to rows of own funds disclosure template
Share capital	2 000	(1)
Retained earnings	10 023	(2)
Accumulated other comprehensive income and	16 558	(3)
Balance sheet profit or loss (1)	395	(2)
Intangible assets (-)	-144	(8)
Prudential filters	-59	(7)
Deferred tax assets	-7	(10)
Other transitional adjusments (2)	413	(26)
Common Equity Tier 1 capital	**29 179**	(29)
Total Tier 1 capital	**29 179**	(45)
Subordinated debt	0	
Total Tier 2 capital	**0**	(58)
Total regulatory capital	**29 179**	(59)

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

(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.

127. chart: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds in accordance with 2017/2395 EU regulation

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)	10 418	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	16 558	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	0	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	28 976		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
7	Additional value adjustments (negative amount)	-59	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-144	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)	-7	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) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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 (2)	413		
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)**	**203**		
29	**Common Equity Tier 1 (CET1) capital**	**29 179**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	**(A) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)**	**29 179**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)**	**29 179**		
60	**Total risk weighted assets**	**38 485**		

	Capital ratios and buffers (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**75,82%**	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	**75,82%**	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	**75,82%**	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)	6,375%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	1,875%		
66	of which: countercyclical buffer requirement (3)			
67	of which: systemic risk buffer requirement (3)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (4)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	67,82%	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	**(A) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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 2018 and dividend for finacial year 2018 are included in retained earnings.
(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.
(3) Capital buffer is not implemented
(4) Not relevant capital buffer

128. chart: 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

IFRS 9 effect		
(million HUF)		**31.12.2018**
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	29 179
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	28 766
3	Tier 1 capital	29 179
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	28 766
5	Total capital	29 179
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	28 766
Total risk weighted assets		
7	Total risk weighted assets	38 485
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	38 369
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	75,82%
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	74,97%
11	Tier 1 (as a percentage of total risk exposure amount)	75,82%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	74,97%
13	Total capital (as a percentage of total risk exposure amount)	75,82%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	74,97%
Leverage ratio		
15	Total exposure	386 630
16	Leverage ratio	7,55%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,44%

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

129. 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

130. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	385 931
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	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)	504
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	195
8	**Leverage ratio total exposure measure**	**386 630**

131. 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)	386 335
2	(Asset amounts deducted in determining Tier 1 capital)	-209
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**386 126**
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	1 000
18	(Adjustments for conversion to credit equivalent amounts)	-496
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**504**
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	29 179
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	386 630
Leverage ratio		
22	**Leverage ratio**	**7,55%**
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

Note: The exposures are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

There was no material change in the value of leverage ratio in 2018.

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.
In its regulations entitled "International Financing Reporting Standards (IFRS) valuation requirements" OTP Building Society provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. 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 assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS 9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.

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;
- 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;
- 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,
- significant increase in credit risk compared to the initial recognition.

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 release of the existing amount of impairment.
Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. 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. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.
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, the macroeconomic factors and information on the future of financial instruments must be taken into account.
The OTP Building Society shall measure expected credit losses of a financial asset in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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, which has to based on at least two scenarios.
- 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.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairement of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairement regarding “Securities at amortised cost” in Note 9.
- changes of impairement regarding “Loans” in Note 7.

132. chart Changes of non-performing loan exposures

	(million HUF)	Gross carrying value defaulted exposures
1	**Opening balance - 31.12.2017**	**0**
2	Loans and debt securities that have defaulted since the last reporting period	21
3	Returned to non-defaulted status	0
4	Amounts written-off	0
5	Other changes	0
6	**Closing balance - 31.12.2018 (5 =1 + 2 - 3 - 4 + 5)**	**21**

IV.5.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

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

Exposures (million HUF)	31.12.2018	2018 Average
Central governments or central banks	232 952	232 010
Regional governments or local authorities	0	27
Public sector entities	1	0
Multilateral development banks	0	0
Institutions	36 424	30 662
Corporates	7 352	4 438
Retail	359	134
Secured by mortgages on immovable property	32 023	23 698
Exposures in default	20	21
Items associated w ith particularly high risk	55	55
Covered bonds	77 326	72 399
Collective investments undertakings	0	0
Equity exposures	0	0
Other exposures	119	73
Total	**386 631**	**363 518**

134. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2018

(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	**232 952**	**0**	**1**	**0**	**36 424**	**7 352**	**359**	**32 023**	**20**	**55**	**77 326**	**0**	**0**	**119**	**386 631**
Hungary	232 952	0	1	0	36 424	7 352	359	32 023	20	55	77 326	0	0	119	386 631

135. chart: Exposure classes broken down by counterparty type on 31st December 2018

(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	**232 952**	**0**	**1**	**0**	**36 424**	**7 352**	**359**	**32 023**	**20**	**55**	**77 326**	**0**	**0**	**119**	**386 631**
Goverments	232 952	0	0	0	0	0	0	0	0	0	0	0	0	0	232 952
Municipal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public sector entities	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1
Institutions	0	0	0	0	36 424	0	0	0	0	0	77 326	0	0	0	113 750
Coporate	0	0	0	0	0	7 352	0	33	0	0	0	0	0	0	7 385
Corpoarte SME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retail	0	0	0	0	0	0	359	31 990	20	0	0	0	0	0	32 369
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	119	174

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

136. chart: Exposure classes broken down by residual maturity on 31st December 2018

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**71 413**	**111 299**	**196 950**	**6 969**	**386 631**
Central governments or central banks	0	32 155	92 496	108 301	0	232 952
Regional governments or local authorities	0	0	0	0	0	0
Public sector entities	0	0	0	1	0	1
Institutions	0	36 162	0	262	0	36 424
Corporates	0	19	264	274	6 795	7 352
Retail	0	1	57	301	0	359
Secured by mortgages on immovable property	0	957	10 134	20 932	0	32 023
Exposures in default	0	0	4	16	0	20
Items associated w ith particularly high risk	0	0	0	0	55	55
Covered bonds	0	2 119	8 344	66 863	0	77 326
Equity exposures	0	0	0	0	0	0
Other exposures	0	0	0	0	119	119

137. 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	32 391	39	23	2	0	4
Debt securities	310 454	0	0	0	0	0
Total exposures	342 845	39	23	2	0	4

138. 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	310 454	0	0	0	0	0	0	0	0	0	0	0	0
Loand and advances	32 459	56	0	20	20	20	0	-193	0	-3	0	17	0
Off-balance -sheet exposures	1 002		0	1	1	1	0	-14	0	0	0	0	0

Note: Exposures according to EBA definition.

139. chart: Credit quality of exposures by exposure class and instrument on 31st December 2018

	Gross carrying values of		Specific/General credit risk adjustment	Net values
(million HUF)	Defaulted exposures	Non-defaulted exposures		
Central governments or central banks	0	232 990	-38	232 952
Regional governments or local authorities	0	0	0	0
Public sector entities	0	1	0	1
Multilateral development banks	0	0	0	0
Institutions	0	36 424	0	36 424
Corporates	0	7 354	-2	7 352
Retail	20	364	-6	379
Secured by mortgages on immovable property	0	32 053	-30	32 023
Exposures in default	0	0	0	0
Items associated w ith particularly high risk	0	55	0	55
Covered bonds	0	77 417	-90	77 326
Collective investments undertakings	0	0	0	0
Equity exposures	0	0	0	0
Other exposures	0	119	0	119
Total	**20**	**386 777**	**-166**	**386 631**

140. chart: Credit quality of exposures by counterparty types on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Goverments	0	232 990	-38	232 952
Municipal	0	0	0	0
Public sector entities	0	1	0	1
Institutions	0	113 839	-89	113 750
Coporate	0	7 386	-1	7 385
Corpoarte SME	0	0	0	0
Retail	20	32 387	-38	32 369
Retail SME	0	0	0	0
Equity	0	0	0	0
Other*	0	174	0	174
Total	**20**	**386 777**	**-166**	**386 631**

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

141. chart: Credit quality of exposures by geography on 31st December 2018

(million HUF)	Gross carrying values of		Specific/General credit risk adjustment	Net values
	Defaulted exposures	Non-defaulted exposures		
Total	**20**	**386 777**	**-166**	**386 631**
Hungary	20	386 777	-166	386 631

142. 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	387 126	0	0	0	0
Total debt securities	0	0	0	0	0
Total exposures	**387 126**	**0**	**0**	**0**	**0**
Of w hich defaulted	0	0	0	0	0

Note: The table is content the exposures secured by financial garantees, collateral. The exposures secured by real estate are in th "Exposures unsecured – Carrying amount" column.

IV.6. Use of External Credit Assessment Institutions

143. 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	232 952	0	0	0	0	232 952	232 952
Exposures to regional governments or local authorities	0	0	0	0	0	0	0
Exposures to public sector entities	1	0	0	0	0	1	1
Exposures to multilateral development banks	0	0	0	0	0	0	0
Exposures to institutions	36 424	0	0	0	0	36 424	36 424
Exposures to corporates	0	0	0	7 352	0	7 352	7 352
Retail exposures	0	0	359	0	0	359	359
Exposures secured by mortgages on immovable property	0	0	31 990	33	0	32 023	32 023
Exposures in default	0	0	0	7	13	20	20
Exposures associated with particularly high risk	0	0	0	0	55	55	55
Exposures in the form of covered bonds	72 199	5 127	0	0	0	77 326	77 326
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	119	0	119	119
Total	**341 576**	**5 127**	**32 349**	**7 511**	**68**	**386 631**	**386 631**

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

IV.7. Capital requirement for operational risk

Capital requirement for operational risk of OTP Building Society amounted to HUF 324 million on 31st December 2018, which was determined by advanced measurement approaches.

144. chart: Operational risk capital requirements on 31st December 2018

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	324
Total	**324**

IV.8. Exposures in equities not included in the trading book on 31st December 2018

145. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2018

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)
- HUF base rate stays unchanged and BUBOR decreases gradually by 50 bps over the next year (scenario 2)

The net interest income in a one year period beginning with January 1, 2019 would be increased by HUF 39 million (scenario 1) and HUF 126 million (scenario 2) as a result of these simulation.

146. 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	-55

IV.10. Disclosure of encumbered and unencumbered assets

147. 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**		**360 870**	
Equity instruments	0		55	
Debt securities	0		314 188	
Other assets	0		5 211	

148. 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**

149. 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.

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

Description (in million HUF)	31.12.2018
Liquidity Buffer	226 198
Total Net Liquidity Outflow	11 428
Liquidity Coverage Ratio (%)	1979%

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

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

Description (million HUF)	Hungary year 2018
Turnover	6 673
Profit or loss before tax	3 346
Tax on profit or loss	688
Public subsidies received	0
Number of employees on a full time basis	11
Return on assets	0,95%

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

152. 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	-	2
Péter KÖNTÖS	-	-
Tibor CSONKA	-	1
Ibolya dr. RAJMONNÉ VERES	-	1
dr. Bálint CSERE	-	1

*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	-	3
Ágota SELYMESI	-	1
Zsuzsanna SZABÓ	-	-
dr. Tamás SUCHMAN	-	1

*with the exception of directorships held at Merkantil Bank

153. chart: Board members' education data

Board of Directors	
dr. László UTASSY	
ELTE University, Faculty of law, Budapest	MA in Law (1978)
	Legal advisor (1980)
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 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)

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 2018 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 20,266 million at the end of December 2018, the amount of regulatory capital was HUF 42,708 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 16.68%.

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

	RWAs	Minimum capital requirements
(million HUF)	**31.12.2018**	**31.12.2018**
Credit risk (excluding CCR)	**239 447**	**19 156**
Of which the standardised approach	239 447	19 156
CCR	**0**	**0**
Of which mark to market	0	0
Of which CVA	0	0
Market risk	**3 300**	**264**
Of which the standardised approach	3 300	264
Operational risk	**10 573**	**846**
Of which basic indicator approach	0	0
Of which advances measurement approach	10 573	846
Total	**253 320**	**20 266**

Note: The credit risk RWA is calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point

155. chart: Credit risk exposure and CRM effects on 31st December 2018

(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
Exposures to central governments or central banks	232 952	0	232 952	0	0	0,00%
Public sector entities	1	0	1	0	0	0,00%
Exposures to institutions	36 424	0	36 424	0	0	0,00%
Exposures to corporates	7 342	20	7 342	10	7 352	100,00%
Retail exposures	58	601	58	300	269	75,14%
Exposures secured by mortgages on immovable property	31 839	368	31 839	184	24 025	75,02%
Exposures in default	19	1	19	1	26	130,00%
Exposures associated with particularly high risk	55	0	55	0	83	150,91%
Exposures in the form of covered bonds	77 326	0	77 326	0	2 564	3,32%
Other items	110	10	110	10	119	99,17%
Total	**386 126**	**1 000**	**386 126**	**505**	**34 438**	**8,91%**

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

156. 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	1 165	1 165				
Placements with other banks, net of allowance for placement losses	6 000	6 000				
Financial assets at fair value through profit or loss	1 444	1444				
Securities available-for-sale	10	10				
Loans, net of allowance for loan losses	308 217	308 217				
Associates and other investments	6 042	6 042				
Investment properties	128	128				
Securities held-to-maturity	75 918	75 918				
Property and equipment	48	48				
Intangible assets	762	0				762
Other assets	4 675	4 675				
Deferred tax	1 057	1 057				
TOTAL ASSETS	**405 466**	**404 704**	**0**	**0**	**0**	**762**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	337 136					337 136
Deposits from customers	15 202					15 202
Financial liabilities at fair value through profit or loss	111					111
Fair value adjustment of derivative financial instruments for not held-for-trade	112					112
Other liabilities	9 998					9 998
Subordinated bonds and loans	5 001					5 001
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**367 560**	**0**	**0**	**0**	**0**	**367 560**

157. 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)	405 466	404 704	0	0	0
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	367 560	0	0	0	0
Total net amount under the regulatory scope of	37 906	0	0	0	0
Off-balance-sheet amounts	17 508	3 293	0	0	0
Differences because the transitional arrangements related to IFRS 9 or analogous ECLs*	564	564	0	0	0
Exposure amounts considered for regulatory purposes	408 561	408 561	0	0	0

*According to 2017/2395 EU regulation

158. chart: Merkantil Bank's regulatory capital

Total regulatory capital **(million HUF)**	**31.12.2018**	**Cross reference to raws of transitional own funds disclosure template**
Share capital	2 000	(1)
Retained earnings	25 342	(2)
Accumulated other comprehensive income and other reserves	2 703	(3)
Balance sheet profit or loss (1)	7 861	(2)
Intangible assets (-)	-762	(8)
Prudential filters	0	(7)
Deferred tax assets	0	(10)
Other transitional adjusments (2)	564	(26)
Common Equity Tier 1 capital	**37 708**	(29)
Total Tier 1 capital	**37 708**	(45)
Subordinated debt	**5 000**	
Of which: eligible in regulatory capital	5 000	
Total Tier 2 capital	**5 000**	(58)
Of which: general provision	0	
Total regulatory capital	**42 708**	(59)

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

(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.

159. chart: Breakdown of regulatory capital including transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds in accordance with 2017/2395 EU regulation

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	**(A) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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)	33 203	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2 703	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**	37 906		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	**(A) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
7	Additional value adjustments (negative amount)		34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-762	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) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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 (2)	564		
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)**	-198		
29	**Common Equity Tier 1 (CET1) capital**	37 708		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	**(A) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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)**	37 708		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
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)**	42 708		
60	**Total risk weighted assets**	253 320		

	Capital ratios and buffers (million HUF)	**(A) 31.12.2018**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**	**(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013**
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	14,89%	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount	14,89%	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount	16,86%	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)	6,375%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	1,875%		
66	of which: countercyclical buffer requirement (3)			
67	of which: systemic risk buffer requirement (3)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (4)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6,89%	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	(A) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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	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 where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	1 116	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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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) 31.12.2018	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
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 2018 and dividend for finacial year 2018 are included in retained earnings.
(2) Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds according to 2017/2395 EU regulation.
(3) Capital buffer is not implemented
(4) Not relevant capital buffer

160. chart: 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

IFRS 9 effect		
(million HUF)		**31.12.2018**
Regulatory capital		
1	Common Equity Tier 1 (CET1) capital	37 708
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	37 144
3	Tier 1 capital	37 708
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	37 144
5	Total capital	42 708
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	42 144
Total risk weighted assets		
7	Total risk w eighted assets	253 320
8	Total risk-w eighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	252 784
Capital ratios		
9	Common Equity Tier 1 (as a percentage of total risk exposure amount)	14,89%
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	14,69%
11	Tier 1 (as a percentage of total risk exposure amount)	14,89%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,69%
13	Total capital (as a percentage of total risk exposure amount)	16,86%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,67%
Leverage ratio		
15	Total exposure	409 877
16	Leverage ratio	9,20%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,06%

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

161. chart: Trading book positions capital requirement

Description (in million HUF)	RWAs	Capital requirements
Interest rate risk (general and specific)	2 153	172
Equity risk (general and specific)	0	0
Foreign exchange risk	1 147	92
Commodity risk	0	0
Options		
Simplified approach	0	0
Delta-plus method	0	0
Scenario approach	0	0
Securitisation (specific riks)	0	0
Total	**3 300**	**264**

162. 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	Multiplier	EAD post CRM	RWAs
Mark to market		1 403	675			2 078	0
Original exposure	0					0	0
Standardised approach		0			0	0	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**

163. 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

164. 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	1 224	0	0	0	0	0	0	0	0	0	0	1 224	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	854	0	0	0	0	0	0	0	0	0	0	854	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	**2 078**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2 078**	**0**

V.4. Leverage

165. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	405 268
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	2 078
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)	3 293
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	-762
8	**Leverage ratio total exposure measure**	**409 877**

166. 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)	405 268
2	(Asset amounts deducted in determining Tier 1 capital)	-762
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**404 506**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1 403
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	675
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)**	**2 078**
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	17 508
18	(Adjustments for conversion to credit equivalent amounts)	-14 215
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**3 293**
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	37 708
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	409 877
Leverage ratio		
22	**Leverage ratio**	**9,20%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

Note: The exposures are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

V.5. Credit risk adjustments

V.5.1. Methods of valuations and provisions

The financial reports of the 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.
In its regulations entitled “International Financing Reporting Standards (IFRS) valuation requirements” Merkantil Bank provides detailed regulations pertaining to the measurement and provision recognition of outstanding debts, investments and off-balance sheet liabilities.

The recognized provision level reflects to the foreseeable risks and potential losses. 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 assessment. If the measurement process reveals that the amount of the risk provision exceeds the amount required on the basis of the assessment, the excess amount of the risk provision is released.

At initial recognition the financial assets must be tested based on the business model and the contracted cash flow characteristics, based on which it can be determined according to which measurement method, specified in the IFRS 9 standard, the given asset is to be managed and valued. The assets can be allocated to the following three categories:

- Assets measured at amortized cost
- Assets valued at fair value through other comprehensive income (FVOCI) – IFRS13,
- Assets valued at fair value through profit and loss (FVPL) – IFRS13.

According to the requirements of the IFRS9 standard, upon the initial recognition and on the reporting dates (last calendar day of the reporting month) the assets measured at amortized cost and the assets valued at fair value through other comprehensive income must be allocated to three stages by their credit risk or POCI category:

- Stage 1 category contains the performing deals.
- Those deals, which are performing, but compared to the initial recognition it shows significant increase in credit risk, must be categorized to Stage 2.
- Stage 3 contains the non-performing (credit-impaired) deals.
- Purchased or originated credit impaired assets are financial assets that are impaired already upon the initial recognition. These assets must be classified as POCI.

In case of the Stage 1 deals 12-month credit losses must be calculated by the expectations of the default probability, for Stage 2 and Stage 3 deals lifetime expected losses must be calculated as impairment.
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;
- 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;
- 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,
- significant increase in credit risk compared to the initial recognition.

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 release of the existing amount of impairment.

Delinquent deal: the client doesn't perform his/her payment obligations.

According to the CRR a default shall be considered to have occurred with regard to a particular obligor when either or both of the following events have taken place:

- the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security
- the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

If the debts are past due more than 90 days and it derives from non-lending type contracts do not qualify as default event. These exposures are not considered to be impaired.

A credit risk exposure shall be considered as restructured:

- considering the current or future financial difficulties of the client the institution
- provides a concession/allowance in respect of the contract originating the exposure (and this would not be done if the client would not have financial difficulties)

The calculation of credit losses may be carried out on an individual or collective basis.

Portfolio (collective) assessment

The collective assessment based on the following parameters: probability of defaults, cure rate, loss given default. 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. The most important variables of the assessment procedure are payment delay, deal/client rating, the restructuring information and the default status.
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, the macroeconomic factors and information on the future of financial instruments must be taken into account.
The Merkntil Bank shall measure expected credit losses of a financial asset in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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, which has to based on at least two scenarios.
- 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.
- The individual cash-flow estimation also has to be forward looking, which has to contain the information about the macroeconomic environment and the future of the financial instruments.
- If there is a significant change in the credit risk of a financial asset, the impairment calculation must be reviewed taking into account the new information and risks.

Changes in impairement of loan portfolio are presented in in the following notes of the financial statement:

- changes of impairement regarding “Securities at amortised cost” in Note 11.
- changes of impairement regarding “Loans” in Note 8.

167. chart: Changes of non-performing loan exposures

Description (in million HUF)	Gross carrying value defaulted exposures
Opening balance - 31.12.2017	**17 878**
Loans and debt securities that have defaulted since the last reporting period	5 792
Returned to non-defaulted status	2 415
Amounts written-off	513
Other changes*	-6 571
Closing balance - 31.12.2018	**14 171**

* Contains the IFRS 9 transitional difference

V.5.2. Exposures to credit risk

The presented RWAs and exposures in this chapter are calculated according to 2017/2395 EU regulation, including the effect of transitional arrangements for mitigating the impact of the introduction of IFRS 9 and the correction in accordance with the Article 1. (7) paragraph b) point.

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

Exposures (million HUF)	31.12.2018	2018 Average
Exposures to central governments or central banks	14 281	14 347
Exposures to regional governments or local authorities	87	73
Exposures to public sector entities	251	197
Exposures to multilateral development banks	0	0
Exposures to institutions	72 826	73 768
Exposures to corporates	143 542	161 401
Retail exposures	166 883	129 567
Exposures secured by mortgages on immovable property	12	10
Exposures in default	3 512	3 208
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	6 042	6 209
Other items	1 125	911
Total	**408 561**	**389 690**

169. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2018

(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	**14 281**	**87**	**251**	**0**	**72 826**	**143 542**	**166 883**	**12**	**3 512**	**0**	**0**	**0**	**6 042**	**1 125**	**408 561**
Hungary	14 281	87	251	0	72 826	142 271	166 883	12	3 512	0	0	0	6 042	1 125	407 290
Bulgaria	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Croatia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Romania	0	0	0	0	0	1 271	0	0	0	0	0	0	0	0	1 271

170. chart: Exposure classes broken down by counterparty type on 31st December 2018

(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	**14 281**	**87**	**251**	**0**	**72 826**	**143 542**	**166 883**	**12**	**3 512**	**0**	**0**	**0**	**6 042**	**1 125**	**408 561**
Goverments	14 281	0	0	0	0	0	0	0	0	0	0	0	0	0	14 281
Municipal	0	87	0	0	0	0	0	0	0	0	0	0	0	0	87
Public sector entities	0	0	251	0	0	0	0	0	0	0	0	0	0	0	252
Institutions	0	0	0	0	72 826	0	0	0	0	0	0	0	0	0	72 826
Coporate	0	0	0	0	0	143 542	0	12	799	0	0	0	0	0	144 353
Corpoarte SME	0	0	0	0	0	69 348	0	0	0	0	0	0	0	0	69 348
Retail	0	0	0	0	0	0	166 883	0	2 713	0	0	0	0	0	169 595
Retail SME	0	0	0	0	0	0	67 897	0	0	0	0	0	0	0	67 897
Equity	0	0	0	0	0	0	0	0	0	0	0	0	6 042	0	6 042
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	1 125	1 125

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

171. chart: Exposure classes broken down by residual maturity on 31st December 2018

(million HUF)	On demand	< = 1 year	> 1 year < = 5 year	> 5 year	No stated maturity	Total
Total	**0**	**21 023**	**221 702**	**28 137**	**137 698**	**408 561**
Central governments or central banks	0	0	0	0	14 281	14 281
Regional governments or local authorities	0	6	37	4	40	87
Public sector entities	0	14	219	4	15	251
Institutions	0	0	4	0	72 822	72 826
Corporates	0	12 996	81 822	6 038	42 687	143 542
Retail	0	7 379	137 746	21 560	199	166 883
Secured by mortgages on immovable property	0	0	0	0	12	12
Exposures in default	0	629	1 876	531	476	3 512
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	6 042	6 042
Other exposures	0	0	0	0	1 125	1 125

172. 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	306 679	3 584	874	697	517	9 002
Debt securities	0	0	0	0	0	0
Total exposures	**306 679**	**3 584**	**874**	**697**	**517**	**9 002**

173. 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	321 353	3 627	252	14 171	14 171	14 171	4 488	2 001	54	11 135	3 464	1 863	180
Off-balance -sheet exposures	0		0	0	0	0	0	0	0	0	0	0	0

Note: Exposures according to EBA definition.

174. chart: Credit Quality of exposures by exposure class and instrument 31st December 2018

(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	14 281	0	14 281
Exposures to regional governments or local authorities	0	87	0	87
Exposures to public sector entities	0	252	1	251
Exposures to multilateral development banks	0	0	0	0
Exposures to institutions	0	72 826	0	72 826
Exposures to corporates	0	144 326	784	143 542
Retail exposures	0	168 099	1 216	166 883
Exposures secured by mortgages on immovable property	0	12	0	12
Exposures in default	14 171	476	11 135	3 512
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	6 042	0	6 042
Other items	0	1 125	0	1 125
Total	**14 171**	**407 526**	**13 136**	**408 561**

175. chart: Credit quality of exposures by counterparty types on 31st December 2018

(million HUF)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific/Geeneral credit risk adjustment	Net values
Goverments	0	14 281	0	14 281
Municipal	0	87	0	87
Public sector entities	1	253	2	252
Institutions	0	72 826	0	72 826
Coporate	1 516	144 371	1 534	144 353
Corpoarte SME	1 364	69 391	1 407	69 348
Retail	12 654	168 541	11 600	169 595
Retail SME	2 589	67 644	2 336	67 897
Equity	0	6 042	0	6 042
Other*	0	1 125	0	1 125
Total	**14 171**	**407 526**	**13 137**	**408 561**

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

176. chart: Credit quality of exposures by geography on 31st December 2018

(million HUF)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific/General credit risk adjustment	Net values
Total	**14 171**	**407 526**	**13 137**	**408 561**
Hungary	14 171	406 255	13 137	407 290
Bulgaria	0	0	0	0
Croatia	0	0	0	0
Romania	0	1 271	0	1 271

177. 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	25 258	288 464	288 464	0	0
Total debt securities	0	0	0	0	0
Total exposures	**25 258**	**288 464**	**288 464**	**0**	**0**
Of w hich defaulted	6 500	5 511	5 511	0	0

V.6. Use of External Credit Assessment Institutions

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

(million HUF)	Risk weight								
	0%	20%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposures to central governments or central banks	14 281	0	0	0	0	0	0	14 281	0
Exposures to regional governments or local authorities	0	87	0	0	0	0	0	87	0
Exposures to public sector entities	0	14	0	0	237	0	0	251	0
Exposures to multilateral development banks	0	0	0	0	0	0	0	0	0
Exposures to institutions	72 131	0	0	0	695	0	0	72 826	0
Exposures to corporates	14 314	0	0	0	129 228	0	0	143 542	0
Retail exposures	0	0	0	166 883	0	0	0	166 883	0
Exposures secured by mortgages on immovable property	0	0	0	0	12	0	0	12	0
Exposures in default	0	0	0	0	2 683	829	0	3 512	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	4 926	0	1 116	6 042	0
Other items	38	0	0	0	1 087	0	0	1 125	0
Total	**100 764**	**101**	**0**	**166 883**	**138 867**	**828**	**1 116**	**408 561**	**0**

V.7. Capital requirement for operational risk

Capital requirements for operational risk of Merkantil Bank amounted to HUF 846 million on 31st December 2018, which was determined by advanced measurement approach.

179. chart: Operational risk capital requirements on 31st December 2018:

Operational risk capital requirement's breakdown based on methods (million HUF)	
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	846
Total	**846**

V.8. Exposures in equities not included in the trading book on 31st December 2018

180. chart: Exposures in equities not included in the trading book according to IFRS on 31st December 2018

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 Lease Service LLC	625	No
4	Merkantil Property Leasing Ltd.	50	No
5	NIMO 2002 Ltd.	1 477	No
6	OTP Bank Romania S.A.	0	No
7	OTP Leasing d.d.	261	No
8	OTP Leasing Romania IFN S.A.	596	No
9	OTP Travel Ltd.	2 614	No
10	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)
- HUF base rate stays unchanged and BUBOR decreases gradually by 50 bps over the next year (scenario 2)

The net interest income in a one year period after January 1, 2019 would be decreased by HUF 47 million (scenario 1) and HUF 171 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):

181. 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	-72
EUR -0.1% parallel shift	2
CHF -0.1% parallel shift	0
Total	**-70**

V.10. Disclosure of encumbered and unencumbered assets

182. 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	**94 116**		**306 400**	
Equity instruments	0		0	0
Debt securities	65 431	58 046	10 534	10 649
Other assets	0		8 305	

183. 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**	**58 046**
Equity instruments	0	0
Debt securities	0	58 046
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

184. 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	**34 001**	**94 116**

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.

185. chart: Merkantil's liquidity coverage ratio

Description (in million HUF)	31.12.2018
Liquidity Buffer	11 098
Total Net Liquidity Outflow	2 998
Liquidity Coverage Ratio (%)	370%

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

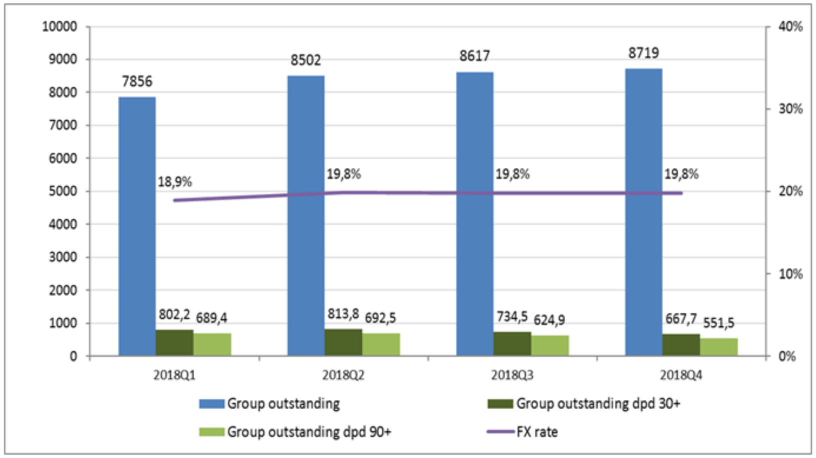
186. chart: Regional distribution of the activity, return on assets ratio

Description (million HUF)	Hungary year 2018
Turnover	18 804
Profit or loss before tax	7 274
Tax on profit or loss	1 220
Public subsidies received	0
Number of employees on a full time basis	251
Return on assets	2,1%

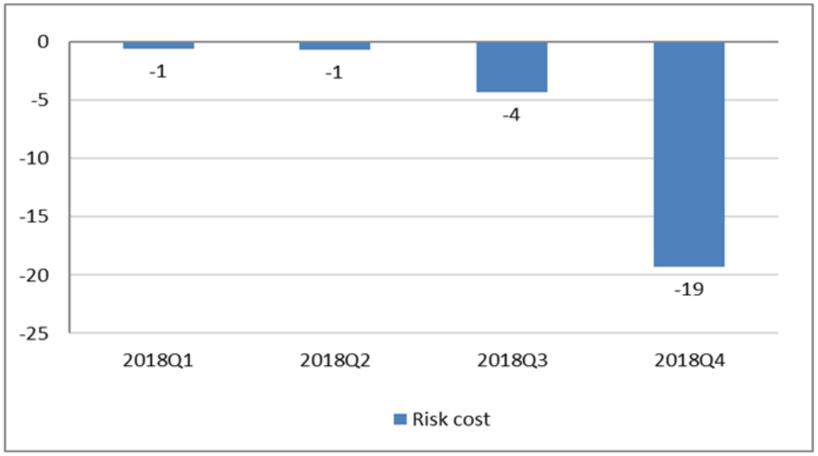
VI. Appendix

VI.1. OTP Group's risk profile

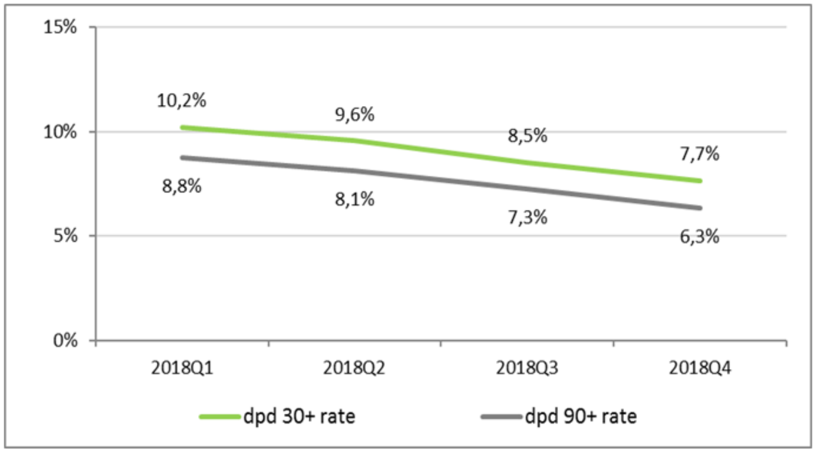
Closing volume (Bn HUF)



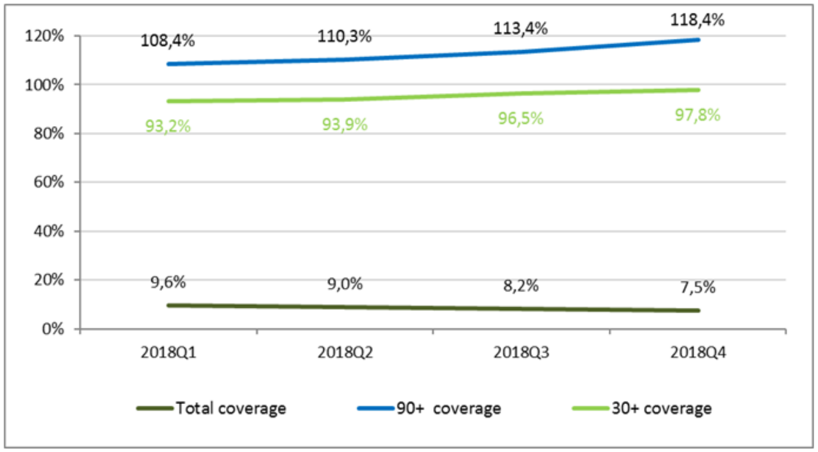
Cummulated risk cost (Bn HUF)



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). The Board of Directors was informed about the quality of the Group's portfolio on 8th March 2019

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: 2019/45/3.)

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 2018:

Risk indicator	31.12.2018 fact	Limit
Foreign Currency Equilibrium Ratio (regulatory)	6,2%	maximum 15%
Forign Exchange Funding Adequacy Ratio (regulatory)	133%	minimum 100%
Mortgage Financing Adequacy Ratio (regulatory)	31,9%	minimum 20%
Liquidity Coverage Ratio (regulatory)	182%	minimum 100%
Interbank Funding Ratio (regulatory)	7,8%	maximum 30%
Primary liquidity reserves (internal)	2 721 Mrd Ft	927 Mrd Ft
Operative liquidity reserves (internal)	2 500 Mrd Ft	1 080 Mrd Ft

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.