Disclosure by institutions
31. December 2016

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 2017.

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Chart list

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. 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.

OTP Bank defines and reviews its risk management framework as well as the principles and guidelines for risk assumption in respect of the whole OTP Group every three years, covering all major types of risks (credit, operational, market and liquidity risks) that arise in connection with the banking business.

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).

OTP Bank determines the risk profile of the Group, and strictly regulates the framework, the principles and guidelines of risk management by the Strategy, and ensures that it is uniformly applied at group level.

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.

I.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.
- 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.

I.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.

The Group applies the mark-to-market method to quantify counterparty risks.

I.1.4. Operational risk

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

The consolidated capital requirement is calculated based on the AMA model approved by the National Bank of Hungary. In accordance with the permission, the following subsidiaries are currently involved in the AMA scope: OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., Merkantil Bank Ltd., the Ukrainian, Russian, the Bulgarian and the Slovakian 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. 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.1.5. 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: collateral deposit, lien, guarantee and suretyship.

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.

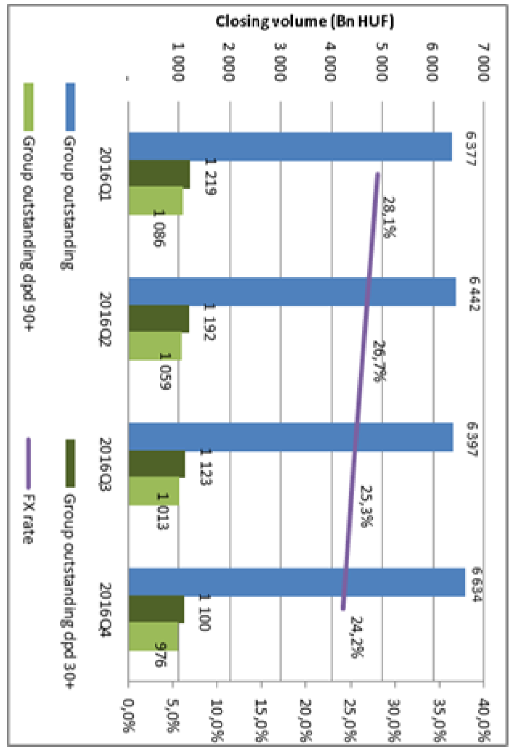
In order to restrain the transfer of risk originating from a potential owner-business interest relationship between clients or relationships of business nature or collateral-related relationships, clients that qualify as a client group must be defined and client level concentration limits must be interpreted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

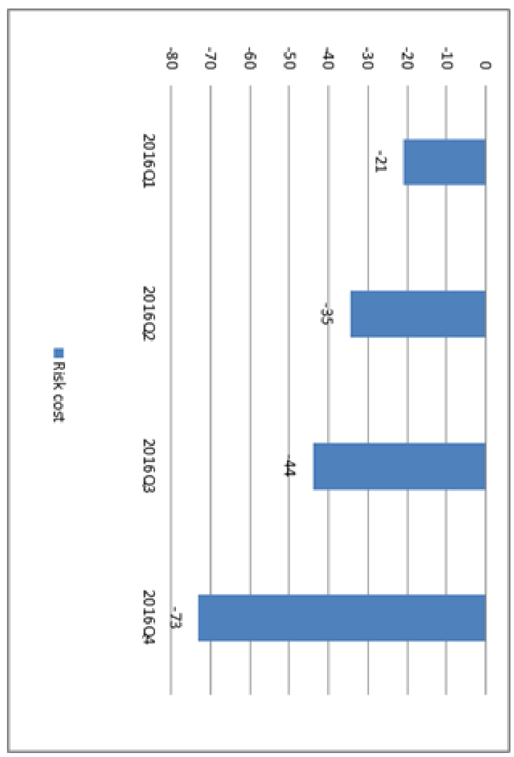
In order to support the recording and maintenance of client groups at bank group level, group-level regulations have been developed together with an IT system.

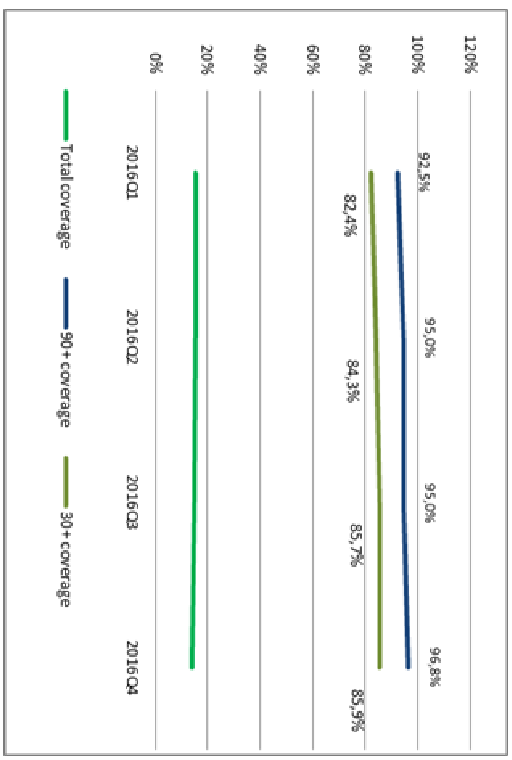
I.1.6. Declaration

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 25t^{h} November 2016.







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 approved this statement on 16th March 2017 by the acceptance of the report on Bank Group level portfolio quality.

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	1	-
Dr. Tibor BÍRÓ	-	-
Tamás ERDEI	1	-
Dr. István GRESA	-	1
Antal KOVÁCS	-	5
Dr. Antal PONGRÁCZ	-	1
Dr. László UTASSY	-	3
Dr. József VÖRÖS	-	-
László WOLF	-	3

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

*: with the exception of directorships held at OTP Bank

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

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

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

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

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

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

I.2.2. Board members' education data

2. chart: Board members' education data

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

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

Diversity policies governing the regulation of the European Union and Hungary are not of general application, for this reason OTP Bank currently has no diversity policy.

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 2016 the Committee held one meeting (8th February 2016).

Credit-Limit Committee (CLC) is a permanent committee meeting weekly (54 times in 2016). Its main function is the approval of constitutions, the risk management strategy of OTP Bank and bank group, and the presentation of the credit policy to the Board of Directors of OTP Bank; it decides on approval of risk assumption of specific counterparties and its presentation to the Board of Directors.

Work-Out Committee (WOC) is also a permanent committee meeting weekly (43 times in 2016). 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 2016 (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.

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.

I.3. Scope of consolidation in group level reports

I.3.1. Fully consolidated entities for the year ended 31 December 2016

3. chart: Fully consolidated entities for the year ended 31 December 2016

Num-ber	Entity	Consolidated in accordance with IFRS	Consolidated in accordance with CRR
1	OTP Bank Nyrt.	Yes	Yes
2	Air-Invest Ltd.	Yes	Yes
3	Bajor-Polár Center Real Estate Management Ltd.	Yes	Yes
4	BANK CENTER No. 1. Ltd.	Yes	Yes
5	CIL Babér Ltd.	Yes	Yes
6	CRESCO d.o.o.	Yes	Yes
7	Crnogorska Komercijalna Banka a.d.	Yes	Yes
8	DSK Asset Management EAD	Yes	Yes
9	DSK Auto Leasing EOOD	Yes	Yes
10	DSK Bank EAD	Yes	Yes
11	DSK Leasing AD	Yes	Yes
12	DSK Leasing Insurance Broker EOOD	Yes	Yes
13	DSK Mobile EAD	Yes	Yes
14	DSK Operating lease EOOD	Yes	Yes
15	DSK Tours EOOD	Yes	Yes
16	DSK Trans Security EOOD	Yes	Yes
17	Gizella Projekt Ingatlanforgalmazó Ltd.	Yes	No
18	INGA KETTŐ Ltd.	Yes	Yes
19	Jet-Sol Ltd.	Yes	No
20	JN Parkolóház Ltd.	Yes	No
21	JSC "OTP Bank" (Russia)	Yes	Yes
22	Kikötő Ingatlanforgalmazó Ltd.	Yes	No
23	LLC AllianceReserve	No	Yes
24	LLC AMC OTP Capital	Yes	Yes
25	LLC MFO "OTP Finance"	Yes	Yes
26	LLC OTP Leasing	Yes	Yes
27	Merkantil Bank Ltd.	Yes	Yes
28	Merkantil Bérlet Ltd.	Yes	Yes
29	Merkantil Car Ltd.	Yes	Yes
30	Merkantil Property Leasing Ltd.	Yes	Yes
31	Miskolci Diákotthon Ltd.	Yes	No
32	MONICOMP Ltd.	Yes	Yes
33	NIMO 2002 Ltd.	Yes	Yes
34	OPUS Securities S.A.	Yes	Yes
35	OTP Asset Management SAI S.A.	Yes	Yes
36	OTP Aventin d.o.o.	Yes	Yes
37	OTP Bank JSC (Ukraine)	Yes	Yes
38	OTP Bank Romania S.A.	Yes	Yes
39	OTP Banka Hrvatska d.d.	Yes	Yes
40	OTP Banka Slovensko a.s.	Yes	Yes
41	OTP Banka Srbija a.d. Novi Sad	Yes	Yes
42	OTP Building Society Ltd.	Yes	Yes
43	OTP Buildings s.r.o.	Yes	No
44	OTP Card Factory Ltd.	Yes	Yes
45	OTP eBIZ Ltd.	Yes	No
46	OTP Factoring Bulgaria EAD	Yes	Yes
47	OTP Factoring Ltd.	Yes	Yes
48	OTP Factoring Management Ltd.	Yes	Yes
49	OTP Factoring Montenegro d.o.o.	Yes	Yes
50	OTP Factoring Serbia d.o.o.	Yes	Yes
51	OTP Factoring Slovensko s.r.o.	Yes	Yes
52	OTP Factoring SRL	Yes	Yes
53	OTP Factoring Ukraine LLC	Yes	Yes
54	OTP Financing Cyprus Company Limited	Yes	Yes
55	OTP Financing Malta Ltd.	Yes	Yes
56	OTP Financing Netherlands B.V.	Yes	Yes
57	OTP Financing Solutions B.V.	Yes	Yes
58	OTP Fund Management Ltd.	Yes	Yes
59	OTP Funds Servicing and Consulting Ltd.	Yes	No
60	OTP Holding Ltd.	Yes	Yes
61	OTP Holding Malta Ltd.	Yes	Yes
62	OTP Hungaro-Projekt Ltd.	Yes	No
63	OTP Immobilien Verwertung GmbH.	No	Yes
64	OTP Ingatlanpont Ltd.	Yes	No
65	OTP Ingatlanüzemeltető Ltd.	Yes	Yes
66	OTP Invest d.o.o.	Yes	Yes
67	OTP Investments d.o.o. Novi Sad	Yes	Yes
68	OTP Leasing d.d.	Yes	Yes
69	OTP Leasing Romania IFN S.A.	Yes	Yes
70	OTP Life Annuity Ltd.	Yes	Yes
71	OTP Mérnöki Ltd.	Yes	Yes
72	OTP Mobile Service Ltd.	Yes	No
73	OTP Mortgage Bank Ltd.	Yes	Yes
74	OTP MRP	Yes	No
75	OTP Nekretnine d.o.o.	Yes	Yes
76	OTP Pénzügyi Pont Ltd.	Yes	Yes
77	OTP Real Estate Investment Fund Management Ltd.	Yes	Yes
78	OTP Real Estate Leasing Ltd.	Yes	Yes
79	OTP Real Estate Ltd.	Yes	Yes
80	OTP Real Slovensko s.r.o.	Yes	No
81	POK DSK-Rodina AD	Yes	Yes
82	PROJECT 3. Ltd.	Yes	No
83	R.E. Four d.o.o., Novi Sad	Yes	Yes
84	Sasad-Beregszász Ingatlanforgalmazó Ltd.	Yes	No
85	SC Aloha Buzz SRL	Yes	Yes
86	SC Favo Consultanta SRL	Yes	Yes
87	SC Tezaur Cont SRL	Yes	Yes
88	SPLC Ltd.	Yes	Yes
89	SPLC-B Ltd.	Yes	No
90	SPLC-C Ltd.	Yes	No
91	SPLC-N Ltd.	Yes	No
92	SPLC-P Ltd.	Yes	No
93	SPLC-S Ltd.	Yes	No
94	SPLC-T1 Ltd.	Yes	No
95	TOP Collector LLC	Yes	Yes
96	Velvin Ventures Ltd.	Yes	Yes

I.3.2. Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2016

4. chart: Associates which are accounted for using the equity method (proportionally consolidated) for the year ended 31 December 2016

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.3.3. Not consolidated entities for the year ended 31 December 2016

5. chart: Not consolidated entities for the year ended 31 December 2016

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

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

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

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

I.3.4. 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

Early pre-payment of liabilities is not allowed in accordance with Regulation No. 410 issued by National Bank of Ukraine (NBU) on Dec 13, 2016, unless the prepaid amount is utilized for increase of Tier 1 capital of the bank or a new agreement maturity that is later than the original one is signed. This restriction is in effect until cancellation by NBU depending on the actual situation of the Ukrainian FX Market.

In addition, banks which breach minimum CAR (capital adequacy requirement) regulation and other regulatory covenants of NBU are subjected to NBU regulation No. 129 (effective from Feb 24, 2015 till Jan 1, 2019). In accordance with this rule own shares buyback or redistribution of capital (which is other than adding profit of current year to capital reserves or using profit to cover losses of the past years) is not allowed until elimination of the above mentioned violations. No early repayment of liabilities to shareholders shall be done according to this Regulation except for the case, when these funds are converted to Tier 1 capital instruments.

Payment of dividend is not allowed according to the Regulation No. 129 until NBU covenants breaches are eliminated.

I.3.5. 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.3.6. 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 2016 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 2016 the audited capital adequacy ratio of OTP Group under the scope of consolidation according to Accounting (IFRS) was 18.25% which contains the profit of financial year 2016 and the deduction of dividend payment of financial year of 2016[1]. The Group regulatory capital requirement as of 31st December 2016 was HUF 538,437 million, the amount of regulatory capital was HUF 1,228,074 million.

[1] The capital adequacy ratio of the Group without the profit of financial year 2016 and the deduction of dividend payment of financial year of 2016 is 16,03%. The Group regulatory capital requirement as of 31st December 2016 was HUF 538,437 million, the amount of regulatory capital was HUF 1,079,064 million.

6. chart: OTP Group's capital requirement

OTP Group's capital requirement	
(million HUF)	**31.12.2016.**
Total capital requirement	**538 437**
Capital requirement of capital and counterparty risk*	427 571
Capital requirement of market risk	36 455
Capital requirement of operational risk	74 411

* including the Credit Value Adjustment capital requirement

The total RWA containing credit and counterparty risk RWA of OTP Group was HUF 5,328,659 million at the end of December 2016; its audited total capital requirement containing credit and counterparty risk capital requirement was HUF 426,293 million without the value of Credit Value Adjustment.

7. chart: RWA and capital requirement of credit and counterparty credit risks and free deliveries on 31st December 2016

(million HUF)	Risk weighted assets	Capital requirement
Total	**5 328 659**	**426 293**
Central governments or central banks	204 809	16 385
Regional governments or local authorities	13 189	1 055
Public sector entities	49 095	3 928
International organisations	0	0
Multilateral development banks	0	0
Insitutions	189 148	15 132
Corporate	1 604 114	128 329
Retail	1 253 345	100 268
Secured by real estate property	1 289 928	103 194
Past due items	274 363	21 949
Items associated with particular high risk	31 188	2 495
Exposures in the form of covered bonds	40 845	3 268
Collective investment undertakings	15 697	1 256
Equity exposures	12 616	1 009
Other items	350 322	28 025

In calculation of credit risk capital requirement, the Group took into consideration the following guarantees as credit risk mitigation at the end of 2016:

- 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

8. 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 2016	Cross reference to raws of transitional own funds disclosure template	Under regulatory scope of consolidation 31 December 2016
Cash, cash balances at central banks and other demand deposits	1 172 832		1 173 787
Financial assets held for trading	293 106	7*	294 236
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*32*	*18, 72*	*32*
Available-for-sale financial assets	1 527 093	7*	1 527 106
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*10 833*	*18, 72*	*10 864*
Loans and receivables	6 554 306		6 566 342
Held-to-maturity investments	1 114 227		1 114 278
Derivatives – Hedge accounting	7 887		7 887
Investments in subsidaries, joint ventures and associates	9 837		49 759
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities	*2 613*	*23, 59a*	*-26 314*
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*524*	*18, 72*	*524*
Tangible and intangible assets	406 304		382 960
Of which: GW and other intangible assets	*164 343*	*8*	*161 340*
Tax assets	64 272		66 252
Of which: deferred tax assets that rely on future profitability, do not arise from temporary difference (2)	*48 217*	*10;A, 10;C*	*47 082*
Other assets	157 801		149 424
TOTAL ASSETS	**11 307 665**		**11 332 031**

*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.

Total liabilities (in HUF million)	Balance sheet as in published financial statements (1) 31 December 2016	Cross reference to raws of transitional own funds disclosure template	Under regulatory scope of consolidation 31 December 2016
Financial liabilities held for trading	97 359	7*	97 487
Financial liabilities measured at amortised cost	9 308 716		9 351 237
Of which: eligible Upper T2 instruments and subordinated debts in regulatory capital (3)	*77 458*	*46*	*76 572*
Of which: instruments issued by subsidiaries that are given recognition in consolidated T2 Capital (4)	*343*	*48*	*352*
Derivatives – Hedge accounting	20 002		20 002
Provisions	54 568		51 697
Tax liabilities	19 300		23 401
Other liabilities	387 071		353 279
TOTAL LIABILITIES	**9 887 016**		**9 897 102**
Share capital	28 000	1	28 000
Equity instruments issued other than capital	89 935	46	89 935
Other equity	28 237	3	28 237
Accumulated other comprehensive income	-110 079		-111 837
Of which: Revaluation reserve	*-141 156*	*3*	*-141 327*
Of which: Fair value adjustment of securities available-for-sale and financial instruments in the retained earnings	*44 265*	*3*	*42 679*
Of which: Net investment hedge in foreign operations	*-13 189*	*3*	*-13 189*
Retained earnings	960 977		956 335
Of which: Retained earnings	*514 417*	*2*	*515 197*
Of which: Changes due to consolidation	*446 560*	*2*	*441 138*
Other reserves	278 199		290 642
Of which: Changes in the equity of subsidiaries and jointly controlled entities	*310 903*	*2*	*322 888*
Of which: Other reserves	*-32 704*	*3*	*-32 246*
Treasury shares	-60 121	16	-57 577
Profit or loss attributable to owners of the parent	202 210		207 901
Of which: eligible in regulatory capital (5)	*149 010*	*2*	*201 558*
Minority interests [Non-controlling interests]	3 291		3 293
Of which: eligible in regulatory capital (4)	*598*	*5;A*	*663*
SHAREHOLDERS' EQUITY	**1 420 649**		**1 434 929**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11 307 665**		**11 332 031**

*The additional value adjustments are determined according to simplified approach, which means that the regulatory capital is decreased by 0.1% of the marked balance sheet items.

Notes to the table:

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

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 2016:

- 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 1,924 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 1,925 million on 31st December 2016.

In case of accounting scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 164,343 million, which contains the intangible assets (HUF 162,038 million) and the leased intangible assets (HUF 2,305 million). Under regulatory scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 161,340 million, which contains the intangible assets (HUF 158,690 million) and leased intangible assets (HUF 2,650 million).

In case of accounting scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 60,121 million. Under regulatory scope of consolidation the deduction from regulatory capital due to the treasury shares is HUF 57,577 million,

Breakdown of regulatory capital is presented according to the accounting scope of consolidation in the next section. Under regulatory scope of consolidation the regulatory capital is HUF 1,090,975 million, capital adequaccy ratio is 15. 92%, CET1 ratio is 13. 48%.

9. chart: Breakdown of regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2016	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of w hich: share	28 000	EBA list 26 (3)	
2	Retained earnings (1)	1 420 891	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-114 546	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)	598	84, 479, 480	1 145
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**	**1 334 943**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2016	(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)	-1 924	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-164 343	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)	-48 217	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)	-60 121	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)	-11 388
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 (in HUF million)	(A) 31 December 2016	(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)	-18 546
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)	-2 613
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-15 933
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-274 605**		
29	**Common Equity Tier 1 (CET1) capital**	**1 060 338**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 2016	(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 2016	(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)**	**1 060 338**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 2016	(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	167 393	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	343	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**	**167 736**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	(A) 31 December 2016	(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**	**167 736**		
59	**Total capital (TC = T1 + T2)**	**1 228 074**		
60	**Total risk weighted assets**	**6 730 467**		

	Capital ratios and buffers (in HUF million)	(A) 31 December 2016	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount**	**15,75%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount**	**15,75%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount**	**18,25%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	5,125%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	0,625%		
66	of which: countercyclical buffer requirement (2)			
67	of which: systemic risk buffer requirement (2)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (3)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	689 637	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	**(A) 31 December 2016**	**(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	11 388	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 2016**	**(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 2016**	**(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 2016 and dividend payment for financial year 2016 are taken into consideration in retained earnings.

(2) Capital buffer are not yet implemented.

(3) Not relevant capital buffer

10. chart: Capital instruments' main features(1) on 31st December 2016

	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 which is governed by Hungarian law	In general English law except for provisions related to Subordination of the Subordinated Swap Agreement which is governed by Hungarian law. The Security Deposit Agreement and the Custody Agreement are governed by Hungarian law. The Guarantee is governed by the laws of the State of New York.
	Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share, Common Equity Tier 1 as published in Regulation (EU) No 575/2013 article 28	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	28 000.001 m HUF	In standalone regulatory capital [2]: 119 069 m HUF (decreased by own instruments of OTP Bank) In consolidated regulatory capital [3]: 77 458 m HUF (decreased by own 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 HAS data

(3) Calculated according to IFRS data

I.4.3. Internal capital requirement calculation

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

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

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

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

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

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

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

11. chart: Trading book positions capital requirement

Capital requirement for market risk	
(million HUF)	**31.12.2016**
Market risk total	**36 455**
Foreign exchange risk	27 381
Interest rate risk	8 228
Equity risk	17
Commodity risk	829
Counterparty risk total	**7 467**
CEM (Current Exposure Method)	6 189
CVA (Credit Valuation Adjustment)	1 278

I.6. Capital buffers

In the case of OTP Group there is no countercyclical 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 taking into account the transitional provisions according to the article 499 (1) of CRR.

12. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	11 307 665
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	24 366
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	131 490
5	Adjustment for securities financing transactions (SFTs)	56 398
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	649 182
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	-210 251
8	**Leverage ratio total exposure measure**	**11 958 850**

13. 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)	11 332 031
2	(Asset amounts deducted in determining Tier 1 capital)	-210 251
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**11 121 780**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	57 783
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	73 706
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	53 160
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-47 454
8	(Exempted CCP leg of client-cleared trade exposures)	-5 705
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)**	**131 490**
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	56 398
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)**	**56 398**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1 700 421
18	(Adjustments for conversion to credit equivalent amounts)	-1 051 239
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**649 182**
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	924 117
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	11 958 850
Leverage ratio		
22	**Leverage ratio**	**7,73%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

The change of Tier1 capital and risk weighted assets can have an impact on leverage ratio. There was no material change in the amount of leverage ratio in 2016.

14. 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:**	**11 332 031**
EU-2	Trading book exposures	293 037
EU-3	Banking book exposures, of which:	11 038 994
EU-4	Covered bonds	40 793
EU-5	Exposures treated as sovereigns	3 899 131
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	112 560
EU-7	Institutions	361 145
EU-8	Secured by mortgages of immovable properties	2 550 177
EU-9	Retail exposures	1 532 336
EU-10	Corporate	1 413 163
EU-11	Exposures in default	272 014
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	857 675

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 value limit of individually significant receivables:

- The value limit of credits that are significant individually must be set as the smaller of a maximum EUR 200,000 (or its equivalent in local currency) or the threshold of the receivables making up 80% of the portfolio to be measured.
- In the medium-sized and large entrepreneurs and the municipality business lines, loans whose amount is or is not significant on an individual basis must be realised at customer or customer group level.

Incurred But Not Reported (IBNR) loss:

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

Individual assessment

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

Portfolio-level (group-based) assessment of credits

The condition for a group-based assessment is that assets and debtors should be allocable to groups based on their major lending risk characteristics and their capability to fulfil contractual obligations, respectively, where such groups embody similar lending risks.

These lending risk characteristics must be relevant. They may include:

- the type of the asset;
- the industry of the debtor;
- geographical location;
- the type of the security;
- previous payment delinquencies.

When estimating future cash flows that are relevant for the group(s) of financial assets, the past lending loss data of assets embodying similar lending risks must be taken into account.

Past lending losses must be modified:

- using the currently observable factors that have an impact on the loss and that did not prevail when measuring past losses, and
- using the factors that existed during the past measuring but currently do not make an impact.

Portfolio-level (group-based) assessment covers financial instruments that are not significant individually.

Investments and off-balance sheet liabilities

Investments (including assets received in return for receivables and recorded as inventories) and off-balance sheet liabilities are evaluated based on individual assessment.

The group level evaluation standards are determined by ”The reserve policy of the OTP Bank Group’s credits in accordance with International Financial Reporting Standards (IFRS)”. The regulation disposes only over individual credit risk adjustments, so general credit risk adjustment is not applied.

I.8.2. Exposures to credit risks

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

15. chart: Exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (million HUF)	31.12.2016	2016 Average
Exposures to central governments or central banks	4 125 293	4 109 262
Exposures to regional governments or local authorities	61 565	93 072
Exposures to public sector entities	89 017	75 295
Exposures to multilateral development banks	1 254	1 121
Exposures to institutions	585 976	610 340
Exposures to corporates	2 136 804	2 225 122
Retail exposures	2 158 236	2 204 385
Exposures secured by mortgages on immovable property	2 650 764	2 242 811
Exposures in default	266 234	301 183
Exposures associated with particularly high risk	20 814	21 203
Exposures in the form of covered bonds	40 845	10 211
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	15 697	16 333
Equity exposures	8 696	6 036
Other items	529 196	630 641
Total	**12 690 391**	**12 547 015**

16. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2016

(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 international organisations	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	**4 092 903**	**44 621**	**86 689**	**1 213**	**0**	**557 539**	**1 671 946**	**1 693 667**	**2 524 795**	**263 997**	**20 792**	**40 845**	**15 697**	**8 696**	**578 922**	**11 602 322**
Australia	0	0	0	0	0	10 949	0	1	14	0	0	0	0	0	0	**10 964**
Austria	0	0	0	0	0	12 596	352	6	40	12	5 480	0	0	0	0	**18 486**
Belgium	0	0	0	0	0	6 391	13	0	0	0	0	0	0	0	0	**6 404**
Belize	0	0	0	0	0	0	8 747	0	0	0	0	0	0	0	5 049	**13 796**
Bosnia and Herzegovina	0	0	0	0	0	4	0	0	15	96	0	0	0	0	0	**115**
Bulgaria	454 440	411	72	0	0	15 197	173 426	410 330	494 438	44 612	935	0	46	313	105 541	**1 699 761**
Canada	0	0	0	0	0	1 936	0	1	49	0	0	0	0	0	0	**1 986**
Congo, The Democratic Rep	0	0	0	0	0	232	0	0	0	0	0	0	0	0	0	**232**
Croatia	143 061	4 321	13 141	0	0	5 227	74 899	69 584	161 461	17 204	64	0	0	226	45 276	**534 464**
Cyprus	53	0	0	0	0	0	5 722	0	2 433	7 976	0	0	0	0	0	**16 184**
Czech Republic	0	0	0	0	0	531	3 561	57	254	0	0	0	0	0	0	**4 403**
Denmark	0	0	0	0	0	2 061	3	6	53	0	0	0	0	0	0	**2 123**
France	0	0	0	0	0	25 546	33	2	44	13	0	0	0	0	0	**25 638**
Germany	317 765	0	0	0	0	35 955	844	198	149	35	0	0	0	0	0	**354 946**
Hungary	2 855 117	32 270	71 964	0	0	154 681	880 713	599 066	1 271 795	108 043	6 153	40 845	15 651	4 119	277 743	**6 318 160**
Ireland	0	0	0	0	0	2 003	419	18	88	54	0	0	0	0	0	**2 582**
Italy	0	0	0	0	0	11 494	189	6	86	0	0	0	0	0	0	**11 775**
Japan	0	0	0	0	0	674	0	0	0	0	0	0	0	0	0	**674**
Kazakhstan	0	0	0	0	0	12	0	10	31	65	0	0	0	0	0	**118**
Luxembourg	0	0	0	0	0	13 416	27	0	0	0	0	0	0	0	0	**13 443**
Malta	204	0	0	0	0	11	472	0	0	0	0	0	0	0	8	**695**
Montenegro	38 688	0	0	0	0	2	15 234	29 968	44 990	12 941	0	0	0	24	48 107	**189 954**
Netherlands	16	0	0	0	0	4 544	2 199	3	9	0	0	0	0	0	0	**6 771**
Norw ay	0	0	0	0	0	2 538	0	0	11	40	0	0	0	0	0	**2 589**
Poland	14 990	0	0	0	0	429	2 920	21	124	20	0	0	0	0	0	**18 504**
Romania	91 241	646	481	0	0	18 901	78 353	99 086	334 795	23 498	0	0	0	23	22 602	**669 626**
Russian Federation	27 581	0	0	0	0	96 989	116 613	336 661	28 120	4 040	4	0	0	2 125	18 763	**630 896**
Serbia	14 090	0	0	0	0	18 710	44 792	22 911	26 351	13 020	16	0	0	0	12 360	**152 250**
Slovakia	70 197	6 973	1 031	1 213	0	5	86 864	84 914	152 068	21 102	3 726	0	0	2	25 367	**453 462**
Slovenia	0	0	0	0	0	0	3 717	0	0	0	0	0	0	0	0	**3 717**
Spain	0	0	0	0	0	1 029	16	0	55	0	0	0	0	0	0	**1 100**
Sw eden	0	0	0	0	0	374	1 436	2	0	16	0	0	0	0	0	**1 828**
Sw itzerland	0	0	0	0	0	5 322	7 885	4	85	0	0	0	0	0	0	**13 296**
Turkey	0	0	0	0	0	9 727	0	4	0	0	0	0	0	0	0	**9 731**
Ukraine	65 460	0	0	0	0	1 439	160 328	40 518	6 062	10 534	13	0	0	1	16 229	**300 584**
United Arab Emirates	0	0	0	0	0	0	186	0	0	7	0	0	0	0	0	**193**
United Kingdom	0	0	0	0	0	79 649	1 139	168	953	460	0	0	0	0	1 877	**84 246**
United States	0	0	0	0	0	18 858	710	52	20	0	4 401	0	0	1 863	0	**25 904**
Other*	0	0	0	0	0	107	134	70	202	209	0	0	0	0	0	**722**

* The table does not show that countries' exposures w hich are below 100 m HUF. All countries' exposures below 100 m HUF are included in the "Other countries" row .

17. chart: Exposure classes broken down by counterparty type on 31st December 2016

Counterparty type (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 international organisations	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	**4 092 903**	**44 621**	**86 689**	**1 213**	**0**	**557 539**	**1 671 946**	**1 693 667**	**2 524 795**	**263 997**	**20 792**	**40 845**	**15 697**	**8 696**	**578 922**	**11 602 322**
Goverments	3 884 794	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**3 884 794**
Municipal	4 000	40 845	0	0	0	0	0	0	1 897	0	0	0	0	0	0	**46 742**
Public sector entities	46 221	980	85 495	0	0	0	0	0	5 399	24	0	0	0	0	0	**138 119**
International organisations	0	0	0	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	0	0	**0**
Institutions	0	0	0	0	0	556 976	0	0	0	0	0	40 845	0	0	0	**597 821**
Coporate	3 321	2 566	191	75	0	375	1 369 990	0	296 622	57 442	0	0	5 894	0	0	**1 736 476**
Corporate SME	44 789	230	781	0	0	188	301 956	0	298 080	29 298	0	0	0	0	0	**675 322**
Retail	45 914	0	0	0	0	0	0	1 597 692	1 789 503	164 128	0	0	0	0	0	**3 597 237**
Retail SME	63 864	0	222	1 138	0	0	0	95 975	133 294	13 105	0	0	0	0	0	**307 598**
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	8 696	0	**8 696**
Other*	0	0	0	0	0	0	0	0	0	0	20 792	0	9 803	0	578 922	**609 517**

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

18. chart: Exposure classes broken down by residual maturity on 31st December 2016

Exposures (million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity
Total	**1 990 592**	**2 074 878**	**1 339 983**	**3 679 373**	**787 397**
Exposures to central governments or central banks	951 585	1 161 589	719 158	947 688	0
Exposures to regional governments or local authorities	3 981	7 139	4 617	28 233	0
Exposures to public sector entities	4 638	3 635	2 475	75 570	0
Exposures to multilateral development banks	0	203	956	54	0
Exposures to international organisations	0	0	0	0	0
Exposures to institutions	101 528	214 508	12 823	40 160	0
Exposures to corporates	381 001	331 565	210 467	423 027	0
Retail exposures	425 729	204 181	266 971	554 389	107 721
Exposures secured by mortgages on immovable property	67 279	141 387	102 959	1 519 176	0
Exposures in default	32 829	9 113	13 383	52 350	83 204
Exposures associated w ith particularly high risk	0	0	0	16 033	4 759
Exposures in the form of covered bonds	21 983	891	5 412	12 559	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	9 532	6 165
Equity exposures	0	0	0	0	8 696
Other items	39	667	762	602	576 852

19. chart: Gross exposures with existing impairment broken down by counterparty types

Exposures (million HUF)	31.12.2016
Total	**1 262 350**
Exposures to banks	24
Bills of exchange	5 890
Gross customer loans	**1 256 436**
Mortgage	384 173
Consumer	252 186
SME	111 880
Corporate	456 152
Municipal	1 080
Car-finance	50 965

20. chart: Past due items (gross exposures) broken down by counterparty types

Exposures (million HUF)	DPD 0-90	DPD 90+	Total
Total	**6 029 478**	**973 740**	**7 003 218**
Exposures to banks	363 441	23	363 464
Bills of exchange	5 890	0	5 890
Gross customer loans	**5 660 147**	**973 717**	**6 633 864**
Mortgage	2 001 701	355 913	2 357 614
Consumer	1 292 146	228 330	1 520 476
SME	425 652	94 497	520 149
Corporate	1 688 808	255 503	1 944 311
Municipal	73 707	155	73 862
Car-finance	178 133	39 319	217 452

21. chart: Past due items (gross exposures) broken down by geographical distribution (according to the place of disbursement)

Country (million HUF)	DPD 0-90	DPD 90+	Total
Total	**6 029 478**	**973 740**	**7 003 218**
Hungary	3 162 886	291 837	3 454 723
Russian Federation	173 257	98 804	272 061
Ukraine	186 252	159 647	345 899
Bulgaria	1 165 533	134 414	1 299 948
Romania	474 620	91 142	565 762
Croatia	510 422	58 457	568 879
Slovakia	152 480	43 352	195 832
Serbia	30 261	35 424	65 684
Montenegro	173 767	60 663	234 430

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. Risk weights are derived based on CRR Articles 114, 119, 120, 121 and 122.

22. 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

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

(million HUF)	Exposures 31.12.2016	Based on credit quality step					
		1	2	3	4	5	6
Exposures to central governments or central banks	4 092 903	317 765	18 576	2 434 769	31 999	65 460	0
Exposures to regional governments or local authorities	44 621	0	0	0	0	0	0
Exposures to public sector entities	86 689	0	0	0	0	0	0
Exposures to multilateral development banks	1 213	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0	0
Exposures to institutions	557 539	26 205	156 877	150 703	29 713	238	129
Exposures to corporates	1 671 946	0	0	101 078	0	0	0
Retail exposures	1 693 667	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	2 524 795	0	0	0	0	0	0
Exposures in default	263 997	0	0	0	0	0	0
Exposures associated w ith particularly high risk	20 792	0	0	0	61 069	0	0
Exposures in the form of covered bonds	40 845	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	15 697	0	0	0	0	0	0
Equity exposures	8 696	0	0	0	0	0	0
Other items	578 922	1 877	0	0	70	0	0
Total	**11 602 322**	**345 847**	**175 453**	**2 686 550**	**122 851**	**65 698**	**129**

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 74,411 million on 31st December 2016.

24. chart: Operational risk capital requirements on 31st December 2016

Operational risk capital requirement's breakdown based on methods	
Basic Indicator Approach	22 963
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	51 448
Total	**74 411**

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 purchased or founded for the purposes of gaining permanent income, or gaining ability to influence, direct, control another company. Long-term investments can be classified as it follows:

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

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

Accounting and valuation methods:

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

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

I.11.2. Exposures in equities not included in the trading book on 31st December 2016

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

Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)	Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No	35	Mátrai Power Plant Closed Company Limited by Share	0	No
2	Auctioneer s. r. o.	1	No	36	MIN Holding Nis v.a.	0	No
3	Borica - Bankservice AD	928	No	37	Montenegroberza ad	31	No
4	Budapest Stock Exchange Ltd.	123	No	38	Naprijed d.d. ("liq.") (endorse)	0	No
5	Bulgarian Development Bank	0	No	39	OFB Projects EOOD	0	No
6	Bulgarian Stock exchange AD	6	No	40.	OJSC Saint Petersburg Exchange	0	No
7	Central Depositary AD	1	No	41.	OTP Advisor SRL	0	No
8	Centralna depositary agency a.d.	23	No	42.	OTP Consulting Romania SRL	22	No
9	Company for Cash Services AD	313	No	43.	OTP Fedezetingatlan Ltd. "u.v.l."	4	No
10	Diákigazolvány Ltd.	0	No	44.	OTP Nedvizhimost ZAO	57	No
11	Dinghy Sport Club Hungary Kft.	57	No	45.	OTP Travel Limited	2 614	No
12	Eastern Securities S. A.	0	No	46.	OTP Újlakás Hitelközvetítő Ltd.	8	No
13	EI holding Niš	0	No	47.	Overdose Vagyonkezelő Ltd. "u.v.l."	0	No
14	Első Alkotmány Utcai Ingatlanhasznosító Zrt.	0	No	48.	PEVEC d.o.o. Beograd	2 096	No
15	Financial Research Corporation	1	No	49.	PortfoLion Venture Capital Fund Management Ltd.	150	No
16	First Ukrainian Credit Bureau LLC	11	No	50.	Project 03 s.r.o.	0	No
17	Garantiqa Creditguarantee Closed Co. Ltd.	280	No	51.	Projekt 13 Apartmany Slovensko s.r.o.	0	No
18	Govcka Project Company SRL	1	No	52.	Projekt-Ingatlan 8. Ltd.	0	No
19	HAGE Ltd.	135	No	53.	Rea Project One Company SRL	1	No
20	HROK d.o.o.	25	No	54.	RESPV s.r.l.	0	No
21	IKARUS Vehicle Manufacturing Company Limited "liq."	0	No	55.	S.W.I.F.T. SCRL	217	No
22	Industrija masina i traktora Novi Beograd	0	No	56.	SC AS Tourism SRL	1 932	No
23	Industrija motora Rakovica	0	No	57.	SC Casa de Compensare SA	0	No
24	Ingatlanvagyon Projekt 14. Ltd.	2	No	58.	SC Cefin Real Estate Kappa SRL	0	No
25	Investment Projekt 1. d.o.o.	0	No	59.	Small Business Development Company Ltd.	40	No
26	Istarska autocesta d.d.	5	No	60.	South Invest Montengro doo	2	No
27	JSC PFTS	2	No	61.	Special Purpose Company LLC	1	No
28	JSC Rostov Regional Mortgage Corporation	4	No	62.	Središnja depozitarna agencija d.d.	0	No
29	JSC Settlement Center	0	No	63.	SUZUKI Financial Services Ltd. "u.v.l."	25	No
30	Kiev International Stock Exchange	0	No	64.	Trziste novca a.d. Beograd	16	No
31	KÖZVIL Ltd.	0	No	65.	Trziste novca d.d.	16	No
32	Lido Immo Ltd.	503	No	66.	Vesta United Regional Registrar OJSC	0	No
33	Lovcen osiguranje AD Podgorica	0	No	67.	VISA Incorporated	3 629	No
34	M8-2 Ingatlanhasznosító Ltd.	4	No	68.	Zagrebgacka burza d.d.	39	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 15 906 million.

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

Asset-Liability Management 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 was 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 0.2% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.0% (scenario 2)

The net interest income in a one year period after January 1, 2017 would be decreased by HUF 924 million (scenario 1) and HUF 3416 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 291 million for scenario 1, HUF 648 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):

26. 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	-1 383	195
EUR -0.1% parallel shift	-594	0
USD -0.1% parallel shift	-100	0
Total	**-2 077**	**195**

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 Bank 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 notify all the subsidiaries of the OTP Bank Group of the amendment immediately and/or that it 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 Bank Group's Remuneration Policy.

The provisions of the Bank 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 – included 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 for, taking into consideration that the members cannot be employed by the bank. The Remuneration Committee held sessions and voted in writing twelve times in 2016 and carried out its activities without an external consultant.

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

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

The most important principle of the Bank Group's Remuneration Policy is that the amount of performance-based remuneration – with the risks assessed in advance as well as subsequently – is tied to the extent to 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 persons subject to the effect of the Bank Group's Remuneration Policy, performance evaluation, as a rule of thumb, is based on individual agreements. Performance expectations are determined in a predefined indicator structure at Bank 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 bank 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 individual performance** (financial indicators and indicators measuring the quality of work performance).

In the case of the managers of the Bank 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 this 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 a fixed and a performance-based remuneration element.

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, and is in harmony with the competitive market trends, providing that 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 Bank 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 as a function of the Bank Group's capital position and its expected financial performance.

Bank Group level and individual performances are evaluated once a year. At Bank 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, based on the decision of the individual, as remuneration converted into shares or as a share allowance granted at a discount, in a 50-50% ratio. 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 share allocation at a reduced price 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 reduced-price share allocation as at the date of the Supervisory Board decision.

The share price and the value of the reduced-price share allocation 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 each member of the Bank Group, the share-based portion of variable remuneration is provided by OTP Bank Plc. to those concerned.

Pursuant to the general rule that is in line with the provisions of the Credit Institutions Act, 60% of the variable remuneration is deferred for 3 years, 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 the one hand, on the basis of quantitative criteria pertaining to prudent operations and, on the other, on qualitative evaluation criteria. On the basis of the values of the criteria of prudent operation, OTP Bank Plc.'s Supervisory Board makes a decision on whether to pay the 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 retention 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 Employer Bank Group member. Decisions on claw back shall be taken by the Supervisory Board of OTP Bank Plc.

I.13.5. Summarised information relating to the remuneration

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

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

(million HUF)	Remuneration for 2016					
	Investment banking	Retail banking	Asset management	Corporate functions	Independent control functions	All other
Persons under the effect of the Bank Group's Remuneration Policy	**800**	**2 527**		**5 756**	**726**	**576**
OTP Bank Plc.	*553*	*1 495*		*2 592*	*334*	*576*
OTP Mortgage Bank Ltd.		*51*		*12*		
OTP Building Society Ltd.		*43*		*9*		
Merkantil Bank Ltd.		*67*		*190*		
Other subsidiaries under Bank Group Remuneratin Policy	*247*	*871*		*2 953*	*392*	

Comments:

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

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

	Persons receiving remuneration [1)]	Remuneration for 2016			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)					
Persons under the effect of the Bank Group's Remuneration Policy [1)]	**136**	**5 346**	**3 181**	**1 859**	**451**	**5 262**	**4 064**
OTP Bank Plc.	*54*	*2 811*	*1 370*	*1 370*	*275*	*3 636*	*3 176*
OTP Mortgage Bank Ltd.	*2*	*31*	*16*	*16*	*2*	*0*	*2*
OTP Building Society Ltd.	*2*	*27*	*12*	*12*	*2*	*23*	*13*
Merkantil Bank Ltd.	*2*	*129*	*64*	*64*	*13*	*163*	*108*
Other subsidiaries under Bank Group Remuneratin Policy [6)]	*76*	*2 348*	*1 719*	*397*	*159*	*1 440*	*765*

Comments:

1) Persons under the Bank Group Remuneration Policy receiving performance-based remuneration as of 2016.
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 2016.
3) The sum of calculated performance-based remuneration after the year 2016, the settlement of which shall take place based on the performance evaluation after the General Meeting closing the year 2016.

4) The first, second, third deferred part and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2015, the second and third deferred part of performance-based remuneration for 2014, and the third deferred part of performance-based remuneration for 2013, and the first and second deferred part for 2013 and the first deferred part for 2014 at OTP Banka Slovensko a.s. as a vested remuneration.
5) The third deferred part of performance-based remuneration after 2012, second deferred part of performance-based remuneration for 2013 and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2014 which settled in 2016 (without the deferred parts for 2013 and 2014 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 30 December 2016, the performance based remuneration is calculated at the official middle rate of the National Bank of Hungary on the day of the evaluation of the financial year.

During the business year in the frame of the Remuneration Policy nobody was compensated with a severance payment and one person was compensated with sign-on bonus of 7.2 million HUF. During the year 2016. one person was compensated between 2.5 and 3.0 million EUR.

Remuneration settled in 2016 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board amounted to HUF 838 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 2015.

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

Name	Position	Amount of compensation			Total amount of cash compensation in 2016 (HUF)
		to 14/04/2016	from 15/04/2016	OTP shares number/month[1]	
		HUF/month			
Board of Directors					
Dr. Sándor Csányi	Chairman	810 000	810 000	1 000	9 720 000
Antal Kovács	Member[2]	---	695 000	800	5 930 667
László Wolf	Member[2]	---	695 000	800	5 930 667
Dr. Antal Pongrácz	Deputy Chairman[3]	785 000	---	900	8 652 000
	Member (non-executive)[3]	---	695 000	800	
Dr. István Gresa	Member[3]	695 000	---	800	8 340 000
	Member (non-executive)[3]	---	695 000	800	
Mihály Baumstark	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. Tibor Bíró	Member (non-executive)	695 000	695 000	800	8 340 000
Péter Braun	Member (non-executive)[4]	695 000	---	800	2 247 167
Tamás Erdei	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. László Utassy	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. József Vörös	Member (non-executive)	695 000	695 000	800	8 340 000
Dr. István Kocsis	Member (non-executive)[5]	---	---	---	---
Zsolt Hernádi	Member (non-executive)[6]	---	---	---	---
Supervisory Board					
Tibor Tolnay	Chairman	1 560 000	2 000 000	---	22 474 667
Dr. Gábor Horváth	Deputy Chairman	1 350 000	1 600 000	---	18 333 333
Dominique Uzel	Member	1 040 000	1 400 000	---	---[7]
Dr. Gellért Márton Vági	Member	1 040 000	1 400 000	---	15 552 000
Antal Kovács	Member (employee)[8]	1 040 000	---	---	3 605 333
Ágnes Rudas	Member (employee)[9]	---	1 400 000	---	11 946 667
András Michnai	Member (employee)	1 040 000	1 400 000	---	15 552 000

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) From 15 April 2016.
3) Non-executive member of Board of Directors from 15 April 2016.
4) Died at 7 April 2016.

5) Board membership was suspended as of 3 October 2012, no compensation was paid. The mandate eliminated on 14 April 2016.
6) Board membership was suspended as of 2 April 2014, no compensation was paid. The mandate eliminated on 14 April 2016.
7) The compensation has been transferred to Groupama S.A.
8) The mandate eliminated on 14 April 2016.
9) From 15 April 2016.

In case of Hungarian subsidiaries there is no remuneration paid for Board of Directors and Supervisory Board members, employed by the Bank Group. Taking this into consideration, the members of the OTP Mortgage Bank Ltd.'s Board of Directors and Supervisory Board in 2016 received a remuneration of HUF 1.4 million, OTP Building Society Ltd.'s Board of Directors and Supervisory Board members in 2016 received a remuneration of HUF 2.8 million, Merkantil Bank Ltd.'s Board of Directors and Supervisory Board members in 2016 received a remuneration of HUF 3.0 million.

I.14. Disclosure of encumbered and unencumbered assets

30. 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	**563 948**		**10 586 598**	
Equity instruments	0	0	139 663	139 721
Debt securities	78 593	83 872	2 557 550	2 610 366
Other assets	485		990 993	

31. 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**	**144 107**
Equity instruments	0	0
Debt securities	0	92 001
Other collateral received	0	52 106
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

32. 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	**286 333**	**563 948**

Information on importance of encumbrance

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

- The collateral for the funds granted by the MNB's Funding for Growth Scheme is partly the loans refinanced through the funds, and in part the loans that cover the mortgage bonds issued by OTP Mortgage Bank, which are in the Group's books
- Two of the Group's subsidiary banks issue mortgage bonds to finance their assets. The collateral for mortgage bonds is the mortgage loan stock placed from the funds.
- The encumbrances caused by derivative transactions largely stem from CIRS transactions, the market value of which may fluctuate depending on the foreign exchange rate.
- Some subsidiary banks enter into repo agreements, the collateral for which typically consists of government bonds issued by the government of that country.
- The value of other encumbrances (e.g. collaterals from securities lending, collaterals for VISA/MasterCard or stock exchanges) is the least relevant in the Group's encumbrances.

OTP Group's repo stock and the mortgage bond issuance significantly contracted in 2016. On the other hand, the value of encumbrances arising from the Funding for Growth Scheme funds has increased.

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.

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 2016 is based on Hungarian Accounting Standards (HAS) 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 2016 was HUF 330,083 million, the amount of regulatory capital was HUF 1 141,463 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 27.66%.

33. chart: OTP Bank's capital requirement

OTP Bank's capital requirement (million HUF)	2016.12.31
Total capital requirement	**330 083**
Credit and counterparty risk capital requirement*	260 392
Market risk capital requirement	47 887
Operational risk capital requirement	21 804

* including the Credit Value Adjustment capital requirement

The total RWA, containing credit and counterparty risk RWA of OTP Bank, was HUF 3,240,077 million at the end of December 2016; its audited total capital requirement, containing credit and counterparty risk capital requirement, was HUF 259,206 million without the value of Credit Value Adjustment.

34. chart: RWA and capital requirement of credit and counterparty credit risks and free deliveries on 31st December 2016

(million HUF)	RWA	Capital requirement
Total	**3 240 077**	**259 206**
Exposures to central governments or central banks	42 369	3 390
Exposures to regional governments or local authorities	8 806	704
Exposures to public sector entities	40 825	3 266
Exposures to international organisations	0	0
Exposures to institutions	233 859	18 709
Exposures to corporates	1 315 352	105 228
Retail exposures	276 122	22 090
Exposures secured by mortgages on immovable property	262 433	20 995
Exposures in default	35 624	2 850
Exposures associated with particularly high risk	892 404	71 392
Exposures in the form of covered bonds	40 127	3 210
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	5 894	472
Equity exposures	9 196	736
Other items	77 066	6 164

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

35. chart: OTP Bank's regulatory capital

Total regulatory capital (million HUF)	31. December 2016.	Cross reference to raws of transitional own funds disclosure template
Paid in capital	28 000	1
Capital reserve	52	3
General reserve	34 289	3
Retained earnings	857 018	2
Non-distributable reserve	9 506	3
Balance sheet profit or loss (2)	128 278	2
Intangible assets (-)	22 954	8
Treasury shares (-)	8 870	16
Shares and participations in corporations held for trading	88 084	
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	5 480	72
Shares and participations in corporations held as financial fixed assets	2 432	
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	2 296	72
Shares and participating interests in affiliated companies	583 007	
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	506 310	19;C, 22;C, 23;C, 59a
Of which: direct and indirect holdings by an institution of own CET1 instruments - deducted from regulatory capital	2 925	16
Loans and advances to customers in connection with financial services - to affiliated companies, with a remaining maturity of more than one year	165 233	
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	19 521	19
Common Equity Tier 1 capital	**1 022 394**	
Total Tier 1 capital	**1 022 394**	
Subordinated debt	0	
Of which: eligible in regulatory capital (1)	0	46
Other subordinated liabilities	155 510	46
Debt securities held for trading own shares repurchased	56 121	
Of which: direct and indirect holdings by an institution of own CET1 instruments negative amount - deducted from regulatory capital	36 441	52
Loans and advances to credit institutions, other loans and advances in connection with financial services - to affiliated companies, with a remaining maturity of more than one year	182 153	
Of which: direct and indirect significant holdings of the T2 instruments and subordinated loans of financial sector entities - taken into consideration in RWA calculation	4 341	55;A
Loans and advances to customers in connection with financial services - to affiliated companies, with a remaining maturity of less than one year	358 381	
Of which: direct and indirect significant holdings of the T2 instruments and subordinated loans of financial sector entities - taken into consideration in RWA calculation	33 021	55;C
Total Tier 2 capital	**119 069**	
Total regulatory capital	**1 141 463**	

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

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

36. chart: Breakdown of regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2016	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of w hich: share	28 000	EBA list 26 (3)	
2	Retained earnings (1)	985 296	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	43 847	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
5	Minority interests (amount allow ed in consolidated CET1)		84, 479, 480	
5a	Independently review ed interim profits net of any foreseeable charge or dividend		26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1 057 143**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2016	(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)	-22 954	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)		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)	-11 795	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)	-11 708
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)	-574 746

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	**(A) 31 December 2016**	**(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)	-150
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)	-150
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-34 749**		
29	**Common Equity Tier 1 (CET1) capital**	**1 022 394**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	**(A) 31 December 2016**	**(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 2016	(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)**	**1 022 394**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 2016	(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	155 510	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**	**155 510**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	(A) 31 December 2016	(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)	-36 441	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)	-37 362
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-36 441**		
58	**Tier 2 (T2) capital**	**119 069**		
59	**Total capital (TC = T1 + T2)**	**1 141 463**		
60	**Total risk weighted assets**	**4 126 043**		

	Capital ratios and buffers (in HUF million)	**(A) 31 December 2016**	**(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**	**24,78%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount**	**24,78%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount**	**27,66%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	5,125%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	0,625%		
66	of which: countercyclical buffer requirement (1)			
67	of which: systemic risk buffer requirement (1)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (2)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	811 379	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	**(A) 31 December 2016**	**(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	11 708	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	0	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 2016**	**(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 2016	(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 2016 and dividend for finacial year 2016 are included in retained earnings.

(2) Capital buffer are not yet implemented.

(3) Not relevant capital buffer

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

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

37. chart: Capital requirement for market risk

Capital requirement for market risk (million HUF)	31.12.2016
Market risk total	**47 887**
Foreign exchange risk	41 636
Interest rate risk	5 404
Equity risk	18
Commodity risk	829
Counterparty risk total	**9 276**
CEM (Current Exposure Method)	8 090
CVA (Credit Valuation Adjustment)	1 186

II.3. Leverage

38. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	7 109 622
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	152 721
5	Adjustment for securities financing transactions (SFTs)	89 183
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	638 581
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	-31 824
8	**Leverage ratio total exposure measure**	**7 958 283**

39. chart: Leverage ratio

	m HUF	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	7 109 622
2	(Asset amounts deducted in determining Tier 1 capital)	-31 824
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**7 077 798**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	68 313
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	84 408
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	53 160
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-47 454
8	(Exempted CCP leg of client-cleared trade exposures)	-5 706
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)**	**152 721**
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	89 183
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)**	**89 183**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1 337 798
18	(Adjustments for conversion to credit equivalent amounts)	-699 217
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**638 581**
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	1 022 394
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	7 958 283
Leverage ratio		
22	**Leverage ratio**	**12,85%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

The change of Tier1 capital and risk weighted assets can have an impact on leverage ratio. There was no material change in the amount of leverage ratio in 2016.

II.4. Credit risk adjustments

II.4.1. Methodology of valuation and provisions

OTP Bank's provisioning policy is prudent and conservative.

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

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

If the amount of the debt that is expected to be recovered exceeds the book value of the debt at the cut-off date for rating, the impairment recognized earlier will be reduced through reversal.

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

In its regulations entitled "Special valuation criteria", OTP Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities.

Low-amount outstanding debts are rated on the basis of group evaluation with a simplified method. The most important parameters of the simplified rating procedure are payment delay and the status of restructuring.

Outstanding debts subject to group evaluation are classified into five categories during the rating process. A certain amount of provision is allocated to each rating category, and it is this percentage value on the basis of which impairment is recognized on all receivables in the same category.

Based on a case-by-case evaluation, outstanding debts not qualifying as 'low amount' are included in one of the following asset rating categories, which are associated with the following provisioning weight bands:

- problem-free 0%,
- to be watched 1-10%,
- substandard 11-30%,
- doubtful 31-70%,
- bad 71-100%.

Depending on the nature of the item, classification into asset rating categories is based on the joint deliberation of the following aspects:

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

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. The comparison of such probable future losses with the value of the collateral securing the item indicates the expected amount of losses determined on the basis of the value of the collateral, i.e. the required amount of provisions. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment.

Investments (including assets received in return for receivables and recorded as inventories) and off-balance sheet liabilities are, in all cases, evaluated on a case-by-case basis.

40. chart: Qualified exposures and impairment

(in HUF million)	Qualified exposure gross value 31/12/2016	Volume of provision impairment 01/01/2016	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision impairment 31/12/2016
Loans to credit institutions and financial enterprises	2 258	3 416	1 115	-2 273	0	0	-1 158	2 258
Loans to non-financial enterprises	75 924	83 851	15 635	-13 281	-41 344	158	-38 831	45 019
Household loans	40 217	16 255	22 649	-17 607	-8 983	0	-3 941	12 313
Other domestic loans	44	117	111	-135	-50	-3	-77	40
Loans abroad	91 331	55 907	5 938	-4 311	-2 489	37	-825	55 082

II.4.2. Exposures to credit risk

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

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

Exposures (million HUF)	31.12.2016	2016 Average
Exposures to central governments or central banks	2 901 395	3 005 278
Exposures to regional governments or local authorities	46 279	73 357
Exposures to public sector entities	71 821	59 499
Exposures to international organisations	0	0
Exposures to institutions	1 715 851	1 812 732
Exposures to corporates	1 689 683	1 742 164
Retail exposures	643 219	645 611
Exposures secured by mortgages on immovable property	485 865	341 051
Exposures in default	34 681	37 677
Exposures associated with particularly high risk	594 936	587 695
Exposures in the form of covered bonds	292 711	363 055
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	5 894	12 431
Equity exposures	8 971	12 075
Other items	178 362	170 318
Total	**8 669 668**	**8 862 943**

42. chart: Exposures broken down by geographical areas (by the country of obligors) on 31st December 2016

million HUF	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to international organisations	Exposures to institutions	Exposures to corporates (1)	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 (1)	Other items	Total
Total	**2 867 637**	**31 867**	**71 819**	**0**	**1 359 208**	**1 375 142**	**374 495**	**450 692**	**33 953**	**594 936**	**292 711**	**5 894**	**8 971**	**178 362**	**7 645 687**
Australia	0	0	0	0	8 393	0	0	0	0	0	0	0	0	0	**8 393**
Austria	0	0	0	0	8 486	340	3	0	0	7 917	0	0	0	0	**16 746**
Belgium	0	0	0	0	1 558	0	0	0	0	0	0	0	0	0	**1 558**
Belize	0	0	0	0	0	8 733	0	0	0	2 430	0	0	0	0	**11 163**
Bulgaria	3 362	0	0	0	42 501	12 213	0	35 143	0	59 174	0	0	0	0	**152 393**
Croatia	0	0	0	0	411	3 173	1	0	128	63 688	0	0	0	0	**67 401**
Cyprus	0	0	0	0	0	5 722	0	2 433	7 970	311	0	0	0	0	**16 436**
Czech Republic	0	0	0	0	331	17	0	0	0	0	0	0	0	0	**348**
Denmark	0	0	0	0	2 041	3	0	0	0	0	0	0	0	0	**2 044**
France	0	0	0	0	24 388	0	2	0	0	0	0	0	0	0	**24 390**
Germany	317 765	0	0	0	18 179	790	8	0	0	0	0	0	0	0	**336 742**
Hungary	2 521 217	31 867	71 819	0	1 009 992	929 886	373 553	360 168	22 563	89 605	270 889	5 894	3 515	176 485	**5 867 453**
Ireland	0	0	0	0	445	419	0	0	0	0	0	0	0	0	**864**
Italy	0	0	0	0	2 250	166	2	0	0	0	0	0	0	0	**2 418**
Japan	0	0	0	0	436	0	0	0	0	0	0	0	0	0	**436**
Luxembourg	0	0	0	0	2 986	27	0	0	0	0	0	0	0	0	**3 013**
Malta	0	0	0	0	0	341 281	0	0	0	31 442	0	0	1 200	0	**373 923**
Montenegro	0	0	0	0	844	0	3	0	461	34 228	0	0	0	0	**35 536**
Norw ay	0	0	0	0	2 221	0	0	0	0	0	0	0	0	0	**2 221**
Poland	14 990	0	0	0	300	2 250	1	0	0	0	0	0	0	0	**17 541**
Romania	10 303	0	0	0	56 630	8 896	34	37 059	1 154	88 540	0	0	0	0	**202 616**
Russian Federation	0	0	0	0	65 115	30 778	746	9 493	0	114 563	0	0	0	0	**220 695**
Serbia	0	0	0	0	4 782	8 629	2	4 466	0	27 052	0	0	4 256	0	**49 187**
Slovakia	0	0	0	0	19 839	2 763	62	1 930	0	32 100	21 822	0	0	0	**78 516**
Slovenia	0	0	0	0	0	3 662	0	0	0	0	0	0	0	0	**3 662**
Spain	0	0	0	0	1 026	0	0	0	0	0	0	0	0	0	**1 026**
Sw eden	0	0	0	0	199	1 422	2	0	0	0	0	0	0	0	**1 623**
Sw itzerland	0	0	0	0	2 515	7 885	1	0	0	0	0	0	0	0	**10 401**
Turkey	0	0	0	0	9 691	0	0	0	0	0	0	0	0	0	**9 691**
Ukraine	0	0	0	0	3	5 497	6	0	1 645	38 500	0	0	0	0	**45 651**
United Arab Emirates	0	0	0	0	0	186	0	0	0	0	0	0	0	0	**186**
United Kingdom	0	0	0	0	70 240	1	2	0	0	0	0	0	0	1 877	**72 120**
United States	0	0	0	0	2 021	0	52	0	0	4 703	0	0	0	0	**6 776**
Other	0	0	0	0	1 385	403	15	0	32	683	0	0	0	0	**2 518**

* The table does not show that countries' exposures w hich are below 100 m HUF. All countries' exposures below 100 m HUF are included in the "Other countries" row .

43. chart: Exposure classes broken down by counterparty type on 31st December 2016

Counterparty type (million HUF)	Exposures to central governments or central banks	Exposures to regional governments or local authorities	Exposures to public sector entities	Exposures to international organisations	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	**2 867 637**	**31 867**	**71 819**	**0**	**1 359 208**	**1 375 142**	**374 495**	**450 692**	**33 953**	**594 936**	**292 711**	**5 894**	**8 971**	**178 362**	**7 645 687**
Goverments	2 737 390	0	0	0	0	0	0	0	0	0	0	0	0	0	**2 737 390**
Municipal	4 001	28 392	0	0	0	0	0	869	0	0	0	0	0	0	**33 262**
Public sector entities	14 449	980	71 819	0	0	0	0	0	0	0	0	0	0	0	**87 248**
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Institutions	0	0	0	0	1 359 048	0	0	0	0	0	292 711	0	0	0	**1 651 759**
Coporate	98	2 265	0	0	56	1 148 542	0	61 919	6 413	5 746	0	5 894	0	0	**1 230 933**
Corpoarte SME	44 789	230	0	0	104	226 600	0	194 997	17 021	0	0	0	0	0	**483 741**
Retail	3 046	0	0	0	0	0	349 636	189 116	10 059	0	0	0	0	0	**551 857**
Retail SME	63 864	0	0	0	0	0	24 859	3 791	460	0	0	0	0	0	**92 974**
Equity	0	0	0	0	0	0	0	0	0	0	0	0	8 971	0	**8 971**
Other*	0	0	0	0	0	0	0	0	0	589 190	0	0	0	178 362	**767 552**

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

*Other, non-credit risk items, units or shares in collective investment undertaking, high-risk items

44. chart: Exposure classes broken down by residual maturity on 31st December 2016

(million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity
Total	**2 946 721**	**926 007**	**1 125 621**	**1 872 506**	**774 832**
Exposures to central governments or central banks	931 636	649 166	612 721	674 114	0
Exposures to regional governments or local authorities	3 907	4 905	2 648	20 407	0
Exposures to public sector entities	4 510	0	263	67 046	0
Exposures to international organisations	0	0	0	0	0
Exposures to institutions	817 828	104 126	93 599	343 655	0
Exposures to corporates	714 016	92 368	262 303	306 455	0
Retail exposures	227 205	31 008	62 127	54 155	0
Exposures secured by mortgages on immovable property	64 447	35 715	46 375	304 155	0
Exposures in default	3 473	3 076	9 117	18 287	0
Exposures associated w ith particularly high risk	0	0	0	5 522	589 414
Exposures in the form of covered bonds	179 663	5 026	35 763	72 259	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	5 894	0
Equity exposures	0	0	0	0	8 971
Other items	36	617	705	557	176 447

45. chart: Gross exposures with existing impairment broken down by counterparty types

Exposures (million HUF)	31.12.2016
Total	**160 215**
Exposures to banks	32
Gross customer loans	**160 183**
Mortgage	13 090
Consumer	10 255
SME	3 680
Corporate	122 742
Municipal	10 416

46. chart: Past due items (gross exposures) broken down by counterparty types

Exposures (million HUF)	DPD 0-90	DPD 90+	Total
Total	**2 828 208**	**73 283**	**2 901 491**
Exposures to banks	913 374	0	913 374
Gross customer loans	**1 914 834**	**73 283**	**1 988 117**
Mortgage	196 602	14 455	211 057
Consumer	267 603	4 927	272 530
SME	145 346	2 163	147 509
Corporate	1 271 632	51 588	1 323 220
Municipal	33 651	150	33 801

47. chart: Gross exposures with existing impairment broken down by geographical distribution (according to the place of disbursement

Country (million HUF)	31.12.2016
Total	**160 215**
Hungary	160 215

48. chart: Past due items (gross exposures) broken down by geographical distribution (according to the place of disbursement)

Country (million HUF)	DPD 0-90	DPD 90+	Total
Total	**2 828 208**	**73 283**	**2 901 491**
Hungary	2 828 208	73 283	2 901 491

II.5. Use of External Credit Assessment Institutions

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

(million HUF)	Exposure 2016.12.31	Credit Quality Steps					
		1	2	3	4	5	6
Exposures to central governments or central banks	2 867 637	317 765	18 576	2 390 337	10 712	0	0
Exposures to regional governments or local authorities	31 867	0	0	0	0	0	0
Exposures to public sector entities	71 819	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0	0
Exposures to institutions	1 359 208	20 080	140 518	57 856	29 142	12	123
Exposures to corporates	1 375 142	0	0	55 338	0	0	0
Retail exposures	374 495	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	450 692	0	0	0	0	0	0
Exposures in default	33 953	0	0	0	0	0	0
Exposures associated w ith particularly high risk	594 936	0	0	0	61 069	0	0
Exposures in the form of covered bonds	292 711	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	5 894	0	0	0	0	0	0
Equity exposures	8 971	0	0	0	0	0	0
Other items	178 362	1 877	0	0	70	0	0
Total	**7 645 687**	**339 722**	**159 094**	**2 503 531**	**100 993**	**12**	**123**

II.6. Capital requirements for operational risks

Capital requirements for operational risk of OTP Bank amounted to HUF 21,804 million on 31st December 2016, which was determined by advanced measurement approaches.

50. chart: Capital requirements for operational risks on 31st December 2016:

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	21 804
Total	**21 804**

II.7. Equity exposures not included in the trading book on 31 December 2016

51. chart: Equity exposures not included in the trading book accordint to IFRS on 31 December 2016

Num-ber	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No
2	Air-Invest Ltd.	5 311	No
3	BANK CENTER No. 1. Ltd.	21 063	No
4	Budapest Stock Exchange Ltd.	123	No
5	CIL Babér Ltd.	824	No
6	Crnogorska Komercijalna Banka a.d.	31 770	No
7	DSK Bank EAD	86 832	No
8	Eastern Securities S. A.	0	No
9	Financial Research Corporation	1	No
10	Garantiqa Creditguarantee Closed Co. Ltd.	270	No
11	HAGE Ltd.	135	No
12	INGA KETTŐ Ltd.	17 892	No
13	JSC "OTP Bank" (Russia)	74 324	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 Bank Ltd.	1 600	No
18	MONICOMP Ltd.	9 065	No
19	OTP Bank JSC (Ukraine)	41 286	No
20	OTP Bank Romania S.A.	94 085	No
21	OTP Banka Hrvatska d.d.	63 709	No
22	OTP Banka Slovensko a.s.	17 125	Yes
23	OTP Banka Srbija a.d. Novi Sad	27 926	No
24	OTP Building Society Ltd.	1 950	No

Num-ber	Entity	Balance sheet value (in HUF millio	Listed (Exchanged-traded)
25	OTP Card Factory Ltd.	450	No
26	OTP Factoring Ltd.	1 411	No
27	OTP Factoring Ukraine LLC	2 417	No
28	OTP Financing Cyprus Company Limited	301	No
29	OTP Financing Malta Ltd.	31	No
30	OTP Financing Netherlands B.V.	481	No
31	OTP Fund Management Ltd.	826	No
32	OTP Funds Servicing and Consulting Ltd.	2 469	No
33	OTP Holding Ltd.	2 000	No
34	OTP Holding Malta Ltd.	32 359	No
35	OTP Hungaro-Projekt Ltd.	1 575	No
36	OTP Ingatlanüzemeltető Ltd.	15	No
37	OTP Life Annuity Ltd.	7 828	No
38	OTP Mortgage Bank Ltd.	27 000	No
39	OTP Real Estate Investment Fund Management Ltd.	1 352	No
40	OTP Real Estate Leasing Ltd.	0	No
41	OTP Real Estate Ltd.	7 823	No
42	Overdose Vagyonkezelő Ltd. "u.v.l."	0	No
43	PortfoLion Venture Capital Fund Management Ltd.	150	No
44	R.E. Four d.o.o., Novi Sad	4 357	No
45	S.W.I.F.T. SCRL	0	No
46	Small Business Development Company Ltd.	40	No
47	Szallas.hu Ltd.	599	No
48	VISA Incorporated	1 863	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 2016 were 8 368 HUF.

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

Asset-Liability Management 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 was 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 0.2% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.0% (scenario 2)

The net interest income in a one year period after January 1, 2017 would be decreased by HUF 915 million (scenario 1) and HUF 3442 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 291 million for scenario 1, HUF 648 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):

52. 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	-1 435	195
EUR -0.1% parallel shift	-377	0
USD -0.1% parallel shift	-74	0
Total	**-1 886**	**195**

II.9. Disclosure of encumbered and unencumbered assets

53. 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	**517 672**		**6 475 542**	
Equity instruments	0		703 456	
Debt securities	392 478		1 808 837	
Other assets	0		405 130	

54. 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	**0**	**105 561**
Equity instruments	0	0
Debt securities	0	65 156
Other collateral received	0	40 405
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

55. 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	**506 616**	**517 672**

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 2016 (from HUF 264 billion to HUF 180 billion). On the other hand, the value of encumbrances coming from the Funding for Growth Scheme's funds has increased by HUF 36 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. Regional distribution of the Bank's activity, return on assets ratio

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

Description (million HUF)	OTP Total year 2016	Branch (Germany) year 2016	Without Branch (Hungary) year 2016
Turnover	505 453	-3	505 456
Profit or loss before tax	213 192	7	213 185
Tax on profit or loss	78 423	5	78 418
Public subsidies received	0	0	0
Number of employees on a full time basis	6 978	1	6 977
Return on assets	2,88%		

*Special tax on financial institutions has been recognized as 20. Special tax liabilities on credit institutions in 2016.

II.11. Shareholders with significant investment in OTP Bank

The OTP Bank had no shareholders with significant investment on 31st December 2016.

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

57. 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	-	2
Attila KOVÁCS	-	1
Zoltán ROSKÓ	-	-
Anna FLOROVA MITKOVA	-	1

*with the exception of directorships held at OTP Mortgage Bank

Members of the Supervisory Board	Number of directorship (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
Tamás Endre VÖRÖS	-	-
Ágota SELYMESI	-	2
Frigyes László GARAY	-	-
András KUHÁRSZKI	-	1

*with the exception of directorships held at OTP Mortgage Bank

58. 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)
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	
Tamás Endre VÖRÖS	
University of Economics, Budapest	MSc in Economics (1996)
Ágota SELYMESI	
College of Finance and Accounting	BSc in Finance (1973)
Ministry of Finance, Budapest	Tax advisor (1989)
	Chartered accountant (1995)
Penta Unió Education Centre	Certified Tax expert (International Taxation) (2004)
Frigyes László GARAY	
University of Technology, Budapest	Chemical engineer (1977)
University of Economics, Budapest	Engineer-economist (1987)
András KUHÁRSZKI	
University of London/London Business School	MSc in Economics (2009)

III.2. Regulatory capital and capital requirements

III.2.1. Capital adequacy of OTP Mortgage Bank

The capital requirement calculation of OTP Mortgage Bank for the end of 2016 is based on Hungarian Accounting Standards (HAS) 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 2016 was HUF 32,447 million, the amount of regulatory capital was HUF 44,501 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 10.97%.

59. chart: OTP Mortgage Bank's capital requirement

(million HUF)	31.12.2016
Total capital requirement	**32 447**
Credit and counterparty risk capital requirement	29 835
Market risk capital requirement	230
Operational risk capital requirement	2 382

The total RWA of OTP Mortgage Bank, containing credit risk RWA, was HUF 372,933 million at the end of December 2016; its audited total capital requirement, containing credit risk capital requirement, was HUF 29,835 million.

60. chart: RWA and capital requirement of credit risk on 31st December 2016

(million HUF)	RWA	Capital requirement
Standardised approach's capital requirement	**372 933**	**29 835**
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	72	6
Exposures to public sector entities	0	0
Exposures to institutions	1	0
Exposures to corporates	842	67
Retail exposures	9 395	752
Exposures secured by mortgages on immovable property	347 773	27 822
Exposures in default	13 340	1 067
Other items	1 510	121

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

- Guarantees of Hungarian central government: the Hungarian central government belongs to the group 3 according to the credit quality step.

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

61. chart: OTP Mortgage Bank's regulatory capital on 31st December 2016

Total regulatory capital (million HUF)	31.12.2016	Cross reference to rows of transitional own funds disclosure template
Share capital	27 000	(1)
Capital reserve		
General reserve	10 364	
Retained earnings (1)	7 209	(2)
Tied-up reserve		(3)
Balance sheet profit or loss (2)	0	(25a)
Goodwill		
Other intangible assets	-143	(8)
Investments		
Of which: deducted from regulatory capital		
Common Equity Tier 1 capital	**44 430**	
Total Tier 1 capital	**44 430**	
Subordinated debt	4 341	
Of which: eligible in regulatory capital (1)	71	(46)
Total Tier 2 capital	**71**	
Total regulatory capital	**44 501**	

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

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

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

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2016	(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 which: share	27 000	EBA list 26 (3)	
2	Retained earnings (1)	7 209	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	10 364	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**	**44 573**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2016	(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)	-143	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 (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)-(3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF) (continuation)	(A) 31.12.2016	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-143		
29	**Common Equity Tier 1 (CET1) capital**	**44 430**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2016	(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) 31.12.2016	(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)**	**44 430**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2016	(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	71	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**	**71**		

	Tier 2 (T2) capital: regulatory adjustments (million HUF)	(A) 31.12.2016	(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**	**71**		
59	**Total capital (TC = T1 + T2)**	**44 501**		
60	**Total risk weighted assets**	**405 591**		

	Capital ratios and buffers (million HUF)	(A) 31.12.2016	(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)**	**10,95%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**10,95%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**10,97%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount) (2)	5,125%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement (2)	0,625%		
66	of which: countercyclical buffer requirement (2)			
67	of which: systemic risk buffer requirement (2)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (3)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (2)	11 982	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	(A) 31.12.2016	(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) 31.12.2016**	**(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) 31.12.2016**	**(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 2016 and dividend for finacial year 2016 are included in retained earnings.
(2) Capital buffer are not yet implemented.
(3) Not relevant capital buffer.

63. chart: Capital instruments' main features(1) on 31st December 2016

1	**Issuer**	**OTP Mortgage Bank Ltd.**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law (s) of the instrument	Hungarian law
Regulatory treatment		
4	Transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	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)	941m HUF
9	Nominal amount of instrument	15 m CHF
9a	Issue price	1
9b	Redemption price	1
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	30/01/2009
12	Perpetual or dated	Dated
13	Original maturity date	30/01/2017
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Three-month CHF LIBOR + 3,88% quarterly (payable quarterly)
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	immediately prior to shares
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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

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

64. chart: Capital requirement for market risk

Description (million HUF)	31.12.2016
Market risk total	**230**
Foreign exchange risk	0
Interest rate risk	230
Equity risk	0
Commodity risk	0

III.4. Leverage

65. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	973 484
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	2 266
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)	7 232
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	-143
8	**Leverage ratio total exposure measure**	**982 839**

66. 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)	973 484
2	(Asset amounts deducted in determining Tier 1 capital)	-143
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**973 341**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	668
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	1 598
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)**	**2 266**
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	14 464
18	(Adjustments for conversion to credit equivalent amounts)	-7 232
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**7 232**
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	44 430
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	982 839
Leverage ratio		
22	**Leverage ratio**	**4,52%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

There was no material change in the value of leverage ratio in 2016.

III.5. Credit risk adjustments

III.5.1. Methodology of valuation and provisions

OTP Mortgage Bank's provisioning policy is prudent and conservative.

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

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

If the amount of the debt that is expected to be recovered exceeds the book value of the debt at the cut-off date for rating, the impairment recognized earlier will be reduced through reversal.

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

In its regulations entitled "Special valuation criteria", OTP Mortgage Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities.

Low-amount outstanding debts are rated on the basis of group evaluation with a simplified method. The most important parameters of the simplified rating procedure are payment delay and the status of restructuring.

Outstanding debts subject to group evaluation are classified into five categories during the rating process. A certain amount of provision is allocated to each rating category, and it is this percentage value on the basis of which impairment is recognized on all receivables in the same category.

Based on a case-by-case evaluation, outstanding debts not qualifying as 'low amount' are included in one of the following asset rating categories, which are associated with the following provisioning weight bands:

- problem-free 0%,
- to be watched 1-10%,
- substandard 11-30%,
- doubtful 31-70%,
- bad 71-100%.

Depending on the nature of the item, classification into asset rating categories is based on the joint deliberation of the following aspects:

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

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. The comparison of such probable future losses with the value of the collateral securing the item indicates the expected amount of losses determined on the basis of the value of the collateral, i.e. the required amount of provisions. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment.

Investments (including assets received in return for receivables and recorded as inventories) and off-balance sheet liabilities are, in all cases, evaluated on a case-by-case basis.

67. chart: Qualified exposures and impairment

(million HUF)	Qualified exposure on gross value (31.12.2016.)	Volume of provision / impairment (01.01.2016)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2016)
Loans to credit institutions and financial enterprises	0	0	0	0	0	0	0	0
Loans to non-financial enterprises	0	0	0	0	0	0	0	0
Household loans	51 848	25 894	22 826	-26 475	-9 599	1	-13 247	12 647
Other domestic loans	0	0	0	0	0	0	0	0
Loans abroad	0	0	0	0	0	0	0	0

III.5.2. Exposures to credit risk

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

68. chart: Net exposures broken down by exposure classes

Exposures (million HUF)	31.12.2016	2016 Average
Exposures to central governments or central banks	46 854	50 959
Exposures to regional governments or local authorities	346	647
Exposures to public sector entities	27	10
Exposures to institutions	5 552	70 268
Exposures to corporates	867	738
Retail exposures	14 629	31 051
Exposures secured by mortgages on immovable property	895 101	866 304
Exposures in default	13 259	16 181
Other items	1 510	1 331
Total	**978 145**	**1 037 489**

The rate of foreign exposure in the portfolio of OTP Mortgage Bank is not material.

69. chart: Exposure classes broken down by counterparty type on 31st December 2016

Counterparty type (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	Other items	Total
Goverments	3 987	0	0	0	0	0	0	0	0	**3 987**
Municipal	0	346	0	0	0	0	0	0	0	**346**
Public sector entities	0	0	27	0	0	0	0	0	0	**27**
Institutions	0	0	0	5 552	0	0	0	0	0	**5 552**
Coporate	0	0	0	0	830	6	0	0	0	**836**
Corpoarte SME	0	0	0	0	37	0	1 295	0	0	**1 332**
Retail	42 867	0	0	0	0	12 361	886 100	13 252	0	**954 580**
Retail SME	0	0	0	0	0	210	2 525	7	0	**2 742**
Equity	0	0	0	0	0	0	0	0	0	**0**
Other*	0	0	0	0	0	0	0	0	1 510	**1 510**
Total	**46 854**	**346**	**27**	**5 552**	**867**	**12 577**	**889 920**	**13 259**	**1 510**	**970 912**

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

70. chart: Exposures broken down by exposure classes and maturity on 31st December 2016

Exposures (million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity
Total	**7 934**	**20 047**	**40 835**	**900 615**	**1 481**
Exposures to central governments or central banks	48	310	756	45 740	0
Exposures to regional governments or local authorities	0	0	0	346	0
Exposures to public sector entities	0	0	23	4	0
Exposures to institutions	4 846	0	0	706	0
Exposures to corporates	0	0	1	866	0
Retail exposures	98	1 752	107	10 620	0
Exposures secured by mortgages on immovable property	2 839	17 818	39 544	829 719	0
Exposures in default	103	167	381	12 608	0
Other items	0	0	23	6	1 481

71. chart: Gross exposures with existing impairment broken down by counterparty types

Exposures (million HUF)	31.12.2016
Total	**31 468**
Exposures to banks	0
Bills of exchange	0
Gross customer loans	**31 468**
Mortgage	31 436
Consumer	0
SME	5
Corporate	27
Municipal	0
Car-finance	0

72. chart: Past due items (gross exposures) broken down by counterparty types

Country (million HUF)	31.12.2016
Total	**31 468**
Hungary	31 468

73. chart: Gross exposures with existing impairment broken down by geographical distribution (according to the place of disbursement)

Exposures (million HUF)	DPD 0-90	DPD 90+	Total
Total	**955 011**	**18 712**	**973 723**
Exposures to banks	2 580	0	2 580
Bills of exchange	0	0	0
Gross customer loans	**952 431**	**18 712**	**971 143**
Mortgage	948 331	18 696	967 027
Consumer	0	0	0
SME	2 378	5	2 383
Corporate	1 722	11	1 733
Municipal	0	0	0
Car-finance	0	0	0

74. chart: Past due items (gross exposures) broken down by geographical distribution (according to the place of disbursement)

Country (million HUF)	DPD 0-90	DPD 90+	Total
Total	**955 011**	**18 712**	**973 723**
Hungary	955 011	18 712	973 723

III.6. Use of External Credit Assessment Institutions

75. chart: Exposures broken down by credit quality steps (CQS) of obligors on 31st December 2016

	Exposure	Based on credit quality step					
(million HUF)	31.12.2016	1	2	3	4	5	6
Exposures to central governments or central banks	46 854	0	0	3 987	0	0	0
Exposures to regional governments or local authorities	346	0	0	0	0	0	0
Exposures to public sector entities	27	0	0	0	0	0	0
Exposures to institutions	5 552	0	0	0	2 266	0	0
Exposures to corporates	867	0	0	0	0	0	0
Retail exposures	12 577	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	889 920	0	0	0	0	0	0
Exposures in default	13 259	0	0	0	0	0	0
Other items	1 510	0	0	0	0	0	0
Total	**970 912**	**0**	**0**	**3 987**	**2 266**	**0**	**0**

III.7. Capital requirement for operational risk

Capital requirements for operational risk of OTP Mortgage Bank was HUF 2,382 million at the end of 2016, which was determined by advanced measurement approaches.

76. chart: Operational risk capital requirements on 31st December 2016:

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	2 382
Total	**2 382**

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

Asset-Liability Management 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 was 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 is analyzed.

The simulation were prepared by assuming two scenarios:

- HUF base rate stays unchanged and BUBOR decreases gradually to 0.2% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.0% (scenario 2)

The net interest income in a one year period beginning with January 1, 2017 would be increased by HUF 62 million (scenario 1) and HUF 162 million (scenario 2) as a result of these simulation.

77. 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	113
HUF 0.1% parallel shift	-113
EUR -0.1% parallel shift	0
USD 0.1% parallel shift	0
Total	**-113**

III.9. Disclosure of encumbered and unencumbered assets

78. 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	**777 873**		**242 628**	
Equity instruments	0		0	
Debt securities	0		11 587	
Other assets	0		22 980	

79. 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**

80. 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	**454 808**	**777 873**

Information on importance of encumbrance

OTP Mortgage Bank finances its loans partly (by 50% on 31 December 2016) by issuing mortgage bonds. The collateral for these mortgage bonds is the mortgage portfolio granted from these funds. On 31 December 2016, the carrying amount of the encumbered loan portfolio was HUF 748 billion. The encumbered assets dropped by 5% in 2016.

In 2016, OTP Mortgage Bank's receivables that can be accepted as collateral exceeded the issued mortgage bond portfolio by 69% on average (in respect of the carrying amounts).

III.10. Geographical distribution of the activity, return on assets ratio

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

Description (million HUF)	Hungary year 2016	
Turnover	39 448	
Profit or loss before tax	24 512	
Tax on profit or loss	2 820	*
Public subsidies received	0	
Number of employees on a full time basis	30	
Return on assets	1,99%	

*Special tax on financial institutions has been recognized as 20. Special tax liabilities on credit institutions in 2016.

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

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

Members of the Board of Directors	Number of directorships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
Antal Kovács	-	5
Attila Kovács	-	1
Péter Köntös	-	-
Szabolcs Annus	-	2
Árpád Srankó	-	-
András Becsei	-	1

*with the exception of directorships held at OTP Building Society

Member of Supervisory Board	Number of directorships (according to CRR Art. 435. paragraph (2))	
	outside OTP Group	in OTP Group*
Beáta Sukovich	-	-
Ilona Dr. Ádám Istvánné dr. Környei	-	-
Dr. Tamás Gudra	-	-
József Windheim	-	1

*with the exception of directorships held at OTP Building Society

83. chart: Board members' education data

Board of Directors	
Antal KOVÁCS	
University of Economics, Budapest	MSc in Economics (1985)
Attila KOVÁCS	
University of Economics, Budapest	MSc in Economics (2001)
Péter KÖNTÖS	
University of Veszprém	MSc in Technical management (2001)
University of Economics, Budapest	Financial expert (2004)
Szabolcs ANNUS	
University of Economics, Budapest	MSc in Economics (2001) Economist in Bank Management (2003)
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 Hungarian Accounting Standards (HAS) and audited data on 31st December 2016.

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 2,581 million as of end of December 2016 the amount of regulatory capital was HUF 6,492 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 20.12%.

84. chart: OTP Building Society's capital requirement

m HUF	31.12.2016
Total capital requirement	**2 581**
Credit risk capital requirement	831
Market risk capital requirement	1 306
Operational risk capital requirement	444

The total credit RWA of OTP Building Society was HUF 10,383 million at the end of December 2016, its audited total credit capital requirement was HUF 831 million.

85. chart: RWA and capital requirement of credit risk on 31st December 2016

(million HUF)	RWA	Capital requirement
Standardised approach's capital requirement	**10 383**	**831**
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to public sector entities	0	0
Exposures to institutions	0	0
Exposures to corporates	408	33
Retail exposures	16	1
Exposures secured by mortgages on immovable property	4 798	384
Exposures in default	0	0
Exposures in the form of covered bonds	5 029	402
Equity exposures	83	7
Other items	49	4

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

86. chart: OTP Building Society's regulatory capital

Total regulatory capital (million HUF)	31.12.2016	Cross reference to rows of transitional own funds disclosure template
Share capital	2 000	(1)
Capital reserve		
General reserve	3 579	(3)
Retained earnings	1 005	(2)
Tied-up reserve		
Balance sheet profit or loss (1)	16	(2)
Goodwill		
Other intangible assets	-108	(8)
Investments	55	(22c, 59a)
Of which: deducted from regulatory capital		(19, 22)
Common Equity Tier 1 capital	**6 492**	
Total Tier 1 capital	**6 492**	
Subordinated debt		
Of which: eligible in regulatory capital		
Total Tier 2 capital		
Total regulatory capital	**6 492**	

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

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

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2016	(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)	1 021	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	3 579	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**	6 600		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2016	(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)	-108	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 (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) 31.12.2016	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-108**		
29	**Common Equity Tier 1 (CET1) capital**	**6 492**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2016	(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) 31.12.2016	(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)**	**6 492**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2016	(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) 31.12.2016	(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)**	**6 492**		
60	**Total risk weighted assets**	**32 263**		

	Capital ratios and buffers (million HUF)	(A) 31.12.2016	(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)	**20,12%**	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	**20,12%**	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	**20,12%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount)	5,125%	CRD 128, 129, 130, 131 and 133	
65	of which: capital conservation buffer requirement	0,625%		
66	of which: countercyclical buffer requirement (2)			
67	of which: systemic risk buffer requirement (2)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (3)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	3 911	CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	**(A) 31.12.2016**	**(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) 31.12.2016**	**(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) 31.12.2016**	**(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 2016 and dividend for finacial year 2016 are included in retained earnings.
(2) Capital buffer are not yet implemented.
(3) Not relevant capital buffer

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

88. chart: Capital requirement for market risk

Description (million HUF)	31.12.2016
Market risk total	**1 306**
Foreign exchange risk	0
Interest rate risk	1 306
Equity risk	0
Commodity risk	0

IV.4. Leverage

89. chart: Net exposure value to leverage ratio

	m HUF	Applicable Amount
1	Total assets as per published financial statements	283 824
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	265
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	-108
8	**Leverage ratio total exposure measure**	**283 981**

90. 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)	283 824
2	(Asset amounts deducted in determining Tier 1 capital)	-108
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**283 716**
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	530
18	(Adjustments for conversion to credit equivalent amounts)	-265
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**265**
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	6 492
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	283 981
Leverage ratio		
22	**Leverage ratio**	**2,29%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

There was no material change in the value of leverage ratio in 2016.

IV.5. Credit risk adjustments

IV.5.1. Methods of valuations and provisions

OTP Building Society's provisioning policy is prudent and conservative.

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

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

If the amount of the debt that is expected to be recovered exceeds the book value of the debt at the cut-off date for rating, the impairment recognized earlier will be reduced through reversal.

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

According to OTP Building Society's regulation, its outstanding debts are low-amount debts and are evaluated on the basis of group evaluation with a simplified method.The most important parameters of the simplified rating procedure are payment delay and the status of restructuring.

Outstanding debts subject to group evaluation are classified into five categories during the rating process. A certain amount of provision is allocated to each rating category, and it is this percentage value on the basis of which impairment is recognized on all receivables in the same category.

91. chart: Qualified exposures and impairment

(million HUF)	Qualified exposure on gross value (31.12.2016.)	Volume of provision / impairment (01.01.2016)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2016)
Loans to credit institutions and financial enterprises	0	0	0	0	0	0	0	0
Loans to non-financial enterprises	0	0	0	0	0	0	0	0
Household loans	23	13	10	20	0	0	-10	3
Other domestic loans	0	0	0	0	0	0	0	0
Loans abroad	0	0	0	0	0	0	0	0

IV.5.2. Exposures to credit risk

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

92. chart: Net exposures broken down by exposure classes

Exposures (million HUF)	31.12.2016	2016 Average
Exposures to central governments or central banks	136 487	144 021
Exposures to regional governments or local authorities	0	32
Exposures to institutions	20 838	21 725
Exposures to corporates	423	417
Retail exposures	22	1 162
Exposures secured by mortgages on immovable property	6 628	3 935
Exposures in the form of covered bonds	73 047	44 764
Equity exposures	55	55
Other items	49	162
Total	**237 549**	**216 273**

There is no foreign exposure in OTP Building Society's portfolio.

93. chart: Exposure classes broken down by counterparty type on 31st December 2016

Counterparty type (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 the form of covered bonds	Equity exposures	Other items	Total
Goverments	136 487	0	0	0	0	0	0	0	0	0	**136 487**
Municipal	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**
Institutions	0	0	0	20 838	0	0	0	73 047	0	0	**93 885**
Coporate	0	0	0	0	408	0	59	0	0	0	**467**
Retail	0	0	0	0	0	21	6 320	0	0	0	**6 341**
Equity	0	0	0	0	0	0	0	0	55	0	**55**
Other	0	0	0	0	0	0	0	0	0	49	**49**
Összesen	**136 487**	**0**	**0**	**20 838**	**408**	**21**	**6 379**	**73 047**	**55**	**49**	**237 284**

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

94. chart: Exposures broken down by exposure classes and maturity on 31st December 2016

Exposures (million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity
Total	**26 467**	**29 366**	**14 875**	**166 472**	**104**
Exposures to central governments or central banks	6 419	25 995	4 094	99 979	0
Exposures to regional governments or local authorities	0	0	0	0	0
Exposures to institutions	19 854	0	0	984	0
Exposures to corporates	24	86	153	145	0
Retail exposures	1	6	5	9	0
Exposures secured by mortgages on immovable property	169	1 091	2 385	2 734	0
Exposures in the form of covered bonds	0	2 188	8 238	62 621	0
Equity exposures	0	0	0	0	55
Other items	0	0	0	0	49

95. chart: Gross exposures with existing impairment broken down by counterparty types

m HUF	Total
Gross customer loans	**1 738**
Mortgage	1 629
Corporate	109

96. chart: Gross exposures with existing impairment broken down by geographical distribution (according to the place of disbursement)

m HUF	Total
Gross customer loans	**1 738**
Hungary	1 738

97. chart: Past due items (gross exposures) broken down by counterparty types

m HUF	DPD 0-90	DPD 90+	Total
Gross customer loans	**6 539**	**0**	**6 539**
Mortgage	6 087	0	6 087
Corporate	452	0	452

98. chart: Past due items (gross exposures) broken down by geographical distribution (according to the place of disbursement)

(million HUF)	DPD 0-90	DPD 90+	Total
Gross customer loans	**6 539**	**0**	**6 539**
Hungary	6 539	0	6 539

IV.6. Use of External Credit Assessment Institutions

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

(million HUF)	Exposure 31.12.2016	Based on credit quality step 1	2	3	4	5	6
Exposures to central governments or central banks	136 487	0	0	136 487	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0	0
Exposures to institutions	20 838	0	0	0	0	0	0
Exposures to corporates	408	0	0	0	0	0	0
Retail exposures	21	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	6 379	0	0	0	0	0	0
Exposures in the form of covered bonds	73 047	0	0	0	0	0	0
Equity exposures	55	0	0	0	0	0	0
Other items	49	0	0	0	0	0	0
Total	**237 284**	**0**	**0**	**136 487**	**0**	**0**	**0**

IV.7. Capital requirement for operational risk

Capital requirements for operational risk of OTP Building Society amounted to HUF 444 million on 31st December 2016, which was determined by advanced measurement approaches.

100. chart: Operational risk capital requirements on 31st December 2016

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	444
Total	**444**

IV.8. Exposures in equities not included in the trading book on 31st December 2016

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

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

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

Asset-Liability Management 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 was prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis was 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 is analyzed.

The simulation was prepared by assuming two scenarios:

- HUF base rate stays unchanged and BUBOR decreases gradually to 0.2% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.0% (scenario 2)

The net interest income in a one year period beginning with January 1, 2017 would be increased by HUF 19 million (scenario 1) and HUF 42 million (scenario 2) as a result of these simulation.

102. 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	-25

IV.10. Disclosure of encumbered and unencumbered assets

103. 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**		**277 789**	
Equity instruments	0		55	
Debt securities	0		245 815	
Other assets	0		8 704	

104. 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	42 787
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

105. 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. Regional distribution of the activity, return on assets ratio

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

Description (million HUF)	Hungary year 2016	
Turnover	10 871	
Profit or loss before tax	1 667	
Tax on profit or loss	363	*
Public subsidies received	0	
Number of employees on a full time basis	12	
Return on assets	0,48%	

*Special tax on financial institutions has been recognized as 20. Special tax liabilities on credit institutions in 2016.

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

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

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

*with the exception of directorships held at Merkantil Bank

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

*with the exception of directorships held at Merkantil Bank

108. chart: Board members' education data

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

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

V.2. Regulatory capital and capital requirements

V.2.1. Capital adequacy of Merkantil Bank

The capital requirement calculation of Merkantil Bank on 31st December 2016 is based on Hungarian Accounting Standards (HAS) 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 18,320 million at the end of December 2016, the amount of regulatory capital was HUF 26,253 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 11.5%.

109. chart: Merkantil Bank's capital requirement

Merkantil Bank's capital requirement	
(million HUF)	**31.12.2016**
Total capital requirement	**18 320**
Credit and counterparty risk	16 710
Market risk	664
Operational risk	946

The total credit RWA of Merkantil Bank was HUF 208,870 million at the end of December 2016, its audited total credit capital requirement was HUF 16,710 million.

110. chart: RWA and capital requirement of credit risk on 31st December 2016

(million HUF)	RWA	Capital requirement
Standardised approach's capital requirement	**208 870**	**16 710**
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	67	5
Exposures to public sector entities	144	12
Exposures to institutions	1 683	135
Exposures to corporates	125 147	10 012
Retail exposures	71 929	5 754
Exposures secured by mortgages on immovable property	0	0
Exposures in default	2 004	160
Exposures in the form of covered bonds	0	0
Equity exposures	7 394	591
Other items	502	41

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

111. chart: Merkantil Bank's regulatory capital

Total regulatory capital (million HUF)	31.12.2016	Cross reference to raws of transitional own funds disclosure template
Share capital	2 000	1
Capital reserve	0	
General reserve	1 893	
Retained earnings	17 747	2
Non-distributable reserve	1 826	3
Balance sheet profit or loss	1 329	25a
Intangible assets (-)	-311	8
Investments	5 533	22;C 59a
Of w hich: deducted from regulatory capital	0	
Common Equity Tier 1 capital	**24 484**	
Total Tier 1 capital	**24 484**	
Subordinated debt	**0**	
Of w hich: eligible in regulatory capital	0	
Total Tier 2 capital	**1 769**	
Of w hich: general provision	1 769	50
Total regulatory capital	**26 253**	

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

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2016	(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	17 747	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	5 048	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**	24 795		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2016	(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)	-311	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) 31.12.2016	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89-91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		467, 468	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-311		
29	**Common Equity Tier 1 (CET1) capital**	24 484		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2016	(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) 31.12.2016	(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)**	24 484		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2016	(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	1 769	62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	1 769		

	Tier 2 (T2) capital: regulatory adjustments (million HUF)	(A) 31.12.2016	(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 ow n 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 w here those entities have reciprocal cross holdings w ith the institutions designed to inflate artificially the ow n 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 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)		66 (c), 69, 70, 79, 477 (4)	
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities w here 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**	1 769		
59	**Total capital (TC = T1 + T2)**	26 253		
60	**Total risk weighted assets**	229 004		

	Capital ratios and buffers (million HUF)	(A) 31.12.2016	(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	10,69%	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount	10,69%	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount	11,46%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance w ith article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount) (1)		CRD 128, 129, 130	
65	of w hich: capital conservation buffer requirement (1)			
66	of w hich: countercyclical buffer requirement (1)			
67	of w hich: systemic risk buffer requirement (1)			
67a	of w hich: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (1)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (1)		CRD 128	

Amounts below the thresholds for deduction (before risk-weighting) (million HUF)		(A) 31.12.2016	(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	5 523	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) 31.12.2016	(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) 31.12.2016	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

(1) capital buffers are not yet implemented

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

113. chart: Capital requirement for market risk

Description (million HUF)	31.12.2016
Market risk total	**664**
Foreign exchange risk	69
Interest rate risk	595
Equity risk	0
Commodity risk	0

V.4. Leverage

114. chart: Net exposure value to leverage ratio

Net exposure value to leverage ratio (million HUF)	31.12.2016
Total assets as per published financial statements	355 675
Adjustment for entities which are consolidated for accounting purposes but are otuside the scope of	0
Adjustments for derivative financial instruments	0
Adjustments for securities financing transactions	0
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	829
Other adjustments	0
Leverage ratio exposure	**356 504**

115. chart: Leverage ratio

Leverage ratio (million HUF)		31.12.2016
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	355 364
2	Asset amounts deducted in determining Tier 1 capital	311
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**355 675**
4	Replacement cost associated with derivatives transactions	0
5	Add-on amounts for PFE associated with derivatives transactions	0
6	Exposure determined under Original Exposure Method	0
7	**Derivative exposures**	**0**
8	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	0
9	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	0
10	**Securities financing transaction exposures**	**0**
11	Off-balance sheet exposures at gross notional amount	10 955
12	Adjustments for conversion to credit equivalent amounts	-10 127
13	**Off-balance sheet exposures**	**829**
14	**Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013**	**0**
Total Exposures (sum of lines 3, 11, 16, 19 and 21a)		**356 504**
Tier 1 capital		**24 484**
Leverage ratio		**6,9%**

V.5. Credit risk adjustments

V.5.1. Methods of valuations and provisions

Merkantil Bank's provisioning policy is prudent and conservative.

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

The rating cut-off date, the business year cut-off date and the balance sheet date are on the same day. Impairment is recognized based on available information for the unpaid debts outstanding at the rating cut-off date; 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.

If the amount of the debt that is expected to be recovered exceeds the book value of the debt at the cut-off date for rating, the impairment recognized earlier will be reduced through reversal.

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

In its regulations about special valuation criteria, Merkantil Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities.

Low-amount outstanding debts are rated on the basis of group evaluation with a simplified method. The most important parameters of the simplified rating procedure are payment delay and the status of restructuring.

Outstanding debts subject to group evaluation are classified into five categories during the rating process. A certain amount of provision is allocated to each rating category, and it is this percentage value on the basis of which impairment is recognized on all receivables in the same category.

Based on a case-by-case evaluation, outstanding debts not qualifying as 'low amount' are included in one of the following asset rating categories, which are associated with the following provisioning weight bands:

- problem-free 0%,
- to be watched 1-10%,
- substandard 11-30%,
- doubtful 31-70%,
- bad 71-100%.

Depending on the nature of the item, classification into asset rating categories is based on the joint deliberation of the following aspects:

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

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. The comparison of such probable future losses with the value of the collateral securing the item indicates the expected amount of losses determined on the basis of the value of the collateral, i.e. the required amount of provisions. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment.

Investments (including assets received in return for receivables and recorded as inventories) and off-balance sheet liabilities are, in all cases, evaluated on a case-by-case basis.

116. chart: Changes in impairment of the loan portfolio

Description (million HUF)	Volume of provision / impairment (01.01.2016)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2016)
Total	**29 430**	**15 180**	**7 404**	**6 494**	**0**	**1 282**	**30 712**
Loans to credit institutions and financial enterprises - domestic	**10**	18	11	3	0	**4**	**14**
Loans to non-financial enterprises - domestic	**5 898**	2 919	2 109	1 997	0	**-1 187**	**4 711**
Household loans - domestic	**22 068**	12 045	5 248	4 472	0	**2 325**	**24 393**
Other domestic loans	**24**	41	28	7	0	**6**	**30**
of w hich: loans to local governments	**0**	0	0	0	0	**0**	**0**
Loans abroad	**0**	0	0	0	0	**0**	**0**
Other receivables	**330**	87	3	14	0	**70**	**400**
Other assets	**1 100**	70	5	1	0	**64**	**1 164**

V.5.2. Exposures to credit risk

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

117. chart: Exposures broken down by exposure classes

Exposures (million HUF)	31.12.2016	2016 Average
Central governments or central banks	13 355	13 126
Regional governments or local authorities	324	288
Public sector entities	151	183
Multilateral development banks	0	0
International organisations	0	0
Institutions	79 869	77 930
Corporate	162 679	150 127
Retail	102 384	109 876
Secured by real estate property	0	0
Exposures in default	1 812	2 435
Exposures associated w ith particularly high risk	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0
Equity exposures	5 533	2 944
Other items	627	572
Exposure	**366 734**	**357 481**

In Merkantil Bank’s portfolio there is no foreign exposure.

118. chart: Exposure classes broken down by counterparty type on 31st December 2016

Counterparty type (million HUF)	Governments	Municipal	Public sector entities	Multilateral development banks	International organization	Institutions	Corporate	Retail	Secured by real estate exposures	Non-performing exposures	Exposures associated with particularly high risk	Exposures in the form of units or shares in collective investment undertakings ('CIUs');	Equity	Other	Total
Total	**13 355**	**324**	**151**	**0**	**0**	**79 869**	**162 679**	**102 384**	**0**	**1 812**	**0**	**0**	**5 533**	**627**	**366 734**
Governments	13 355	0	0	0	0	0	0	0	0	0	0	0	0	0	**13 355**
Municipal	0	324	0	0	0	0	0	0	0	0	0	0	0	0	**324**
Public sector entities	0	0	151	0	0	0	0	0	0	2	0	0	0	0	**153**
International organization	0	0	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	0	**0**
Institutions	0	0	0	0	0	79 869	0	0	0	0	0	0	0	0	**79 869**
Coporate	0	0	0	0	0	0	162 679	0	0	517	0	0	0	0	**163 196**
Corpoarte SME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Retail	0	0	0	0	0	0	0	102 384	0	1 293	0	0	0	0	**103 677**
Retail SME	0	0	0	0	0	0	0	27 206	0	107	0	0	0	0	**27 313**
Equity	0	0	0	0	0	0	0	0	0	0	0	0	5 533	0	**5 533**
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	627	**627**

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

119. chart: Exposures broken down by exposure classes and maturity on 31st December 2016

Client exposure berakdown by segment and expiration - book value (million HUF)	In one year	1 - 2,5 years	2,5 - 5 years	5 years +	Without expiration
Net exposure	**30 501**	**139 919**	**56 191**	**109 304**	**0**
Central governments or central banks	0	0	11 929	0	0
Regional governments or local authorities	6	54	6	0	0
Public sector	7	76	3	57	0
Institutions	0	2	0	72 187	0
Corporate	17 346	77 474	21 756	32 380	0
Retail	12 918	61 421	22 048	4 434	0
Secured by real estate property	0	0	0	0	0
Past due items	224	892	449	246	0
Exposures in the form of covered bonds	0	0	0	0	0
Equity exposures	0	0	0	0	0
Other items	0	0	0	0	0

Exposures (million HUF)	31.12.2016
TOTAL	**9 471**
Exposures to banks	**0**
Gross customer loans	**9 471**
Mortgage	0
Consumer	0
SME	442
Equity	422
Corporate	959
Municipal	0
Car-finance	7 648

Exposures (million HUF)	DPD 1-90	DPD 90+	Total
TOTAL	**25 135**	**7 079**	**32 214**
Exposures to banks	**0**	**0**	**0**
Gross customer loans	**25 135**	**7 079**	**32 214**
Mortgage	0	0	**0**
Consumer	0	0	**0**
SME	7 196	500	**7 696**
Equity	0	0	**0**
Corporate	6 005	1 298	**7 303**
Municipal	1	0	**1**
Car-finance	11 933	5 281	**17 214**

Impaired gross exposures by counterparty types

Country (million HUF)	31.12.2016
Total	**9 471**
Hungary	9 049
Russia	0
Ukraine	0
Bulgaria	0
Romania	422
Croatia	0
Slovakia	0
Serbia	0
Montenegro	0

Past due items (gross exposures) broken down by counterparty types

Country (million HUF)	DPD 1-90	DPD 90+	Total
Total	**25 135**	**7 079**	**32 214**
Hungary	25 135	7 079	32 214
Russia	0	0	0
Ukraine	0	0	0
Bulgaria	0	0	0
Romania	0	0	0
Croatia	0	0	0
Slovakia	0	0	0
Serbia	0	0	0
Montenegro	0	0	0

V.6. Use of External Credit Assessment Institutions

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

(million HUF)	Exposure 31.12.2016	Based on credit quality step 1	2	3	4	5	6	U
Exposures to central governments or central banks	13 355	0	0	13 355	0	0	0	0
Exposures to regional governments or local authorities	324	0	0	0	0	0	0	0
Exposures to public sector entities	151	0	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0	0	0
Exposures to institutions	0	0	0	0	0	0	0	0
Exposures to corporates	79 869	0	0	0	0	0	0	0
Retail exposures	162 679	0	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	102 384	0	0	0	0	0	0	0
Exposures in default	0	0	0	0	0	0	0	0
Exposures associated with particularly high risk	1 812	0	0	0	0	0	0	0
Exposures in the form of covered bonds	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
Equity exposures	5 533	0	0	0	0	0	0	0
Other items	627	0	0	0	0	0	0	0
Total	**366 734**	**0**	**0**	**13 355**	**0**	**0**	**0**	**0**

V.7. Capital requirement for operational risk

Capital requirements for operational risk of Merkantil Bank amounted to HUF 946 million on 31st December 2016, which was determined by advanced measurement approach.

121. chart: Operational risk capital requirements on 31st December 2016:

Operational risk capital requirement's breakdown based on methods (million HUF)	
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	946
Total	**946**

V.8. Exposures in equities not included in the trading book on 31st December 2016

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

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	DSK Leasing AD	209	No
2	Garantiqa Creditguarantee Closed Co. Ltd.	10	No
3	Merkantil Bérlet Ltd.	625	No
4	Merkantil Car Ltd.	452	No
5	Merkantil Property Leasing Ltd.	25	No
6	NIMO 2002 Ltd.	809	No
7	OTP Bank Romania S.A.	0	No
8	OTP Leasing d.d.	261	No
9	OTP Leasing Romania IFN S.A.	425	No
10	OTP Travel Limited	2 614	No
11	SPLC Ltd.	210	No
12	SUZUKI Financial Services Ltd. "u.v.l."	25	No

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

Asset-Liability Management 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 was 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 re-priced to the modelled benchmark yields at the re-pricing dates assuming the unchanged margin compared to the last re-pricing.
- Fixed-rate assets and liabilities were re-priced at the contractual maturity date.
- As for liabilities with discretionary re-pricing feature by Merkantil Bank were assumed to be re-priced with two-weeks delay, assuming no change in the margin compared to the last re-pricing date.
- The assets and liabilities with interest rates lower than 0.3% were 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 0.2% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.0% (scenario 2)

The net interest income in a one year period after January 1, 2017 would be decreased by HUF 51 million (scenario 1) and HUF 97 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):

123. 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	-33
EUR 0.1% parallel shift	-3
CHF -0.1% parallel shift	0
Total	**-36**

V.10. Regional distribution of the activity, return on assets ratio

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

Description (million HUF)	Hungary year 2016
Turnover	19 934
Profit or loss before tax	1 559
Tax on profit or loss	497
Public subsidies received	0
Number of employees on a full time basis	252
Return on assets	0,5%