Disclosure by institutions
31 December 2015

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, 15 April 2016

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 frameagreemant signed by OTP Bank according to the conditions determined in CSAs. 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 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 and in the Netherlands, this enables with 40 active counterparties to apply CRR allowed netting rules. 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 47%.

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.

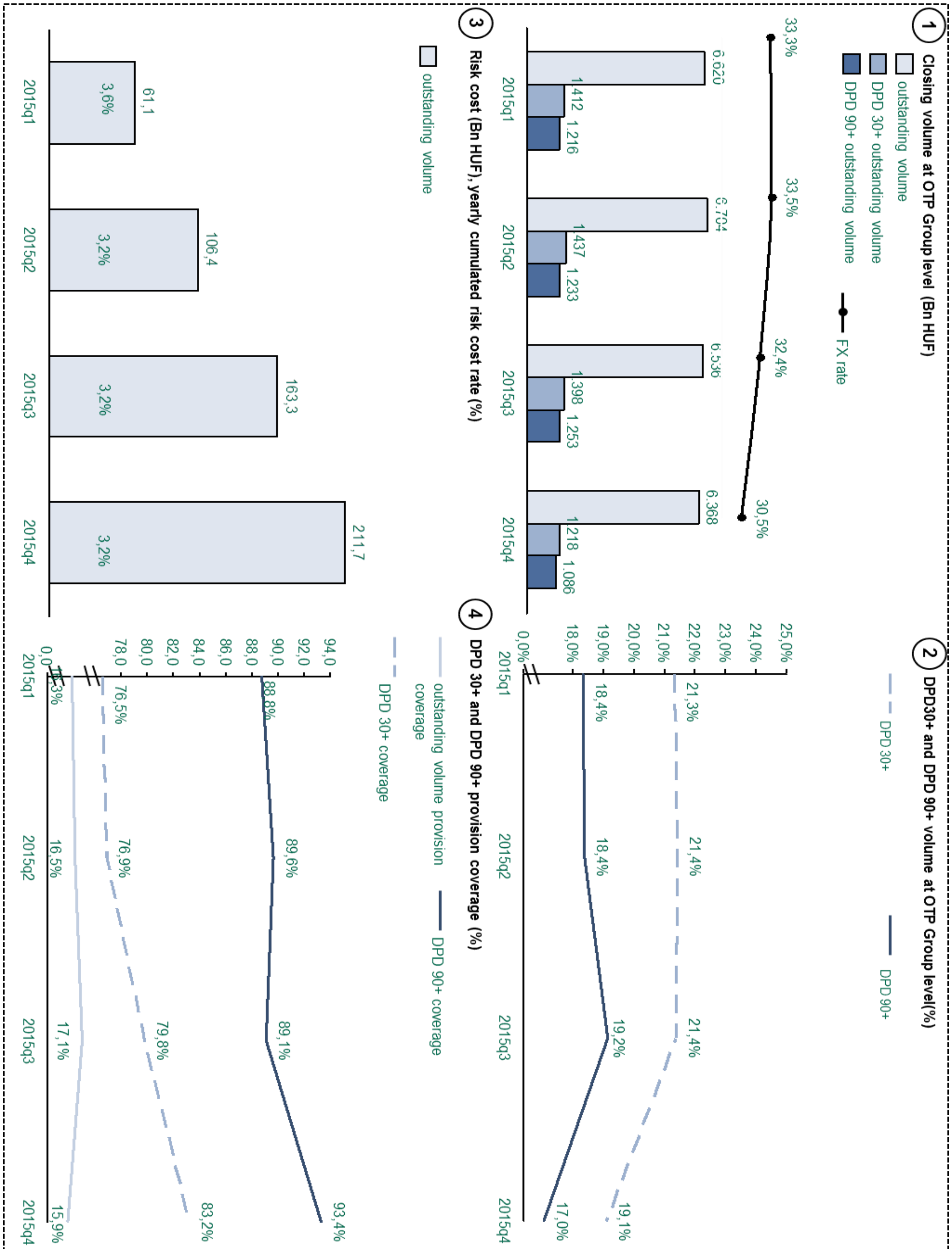
In order to avoid excessive dependency, OTP Bank manages the concentration risks of the portfolio by setting limits for sectors, countries, clients and counterparties at both bank and bank group levels.

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 2014-2016 made by the Board of Directors on 24t[h] February 2014.



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 18th March 2016 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

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

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	-
Antal KOVÁCS	-	5
András MICHNAI	-	-
Dr. Márton Gellért VÁGI	-	-
Dominique UZEL	1	-

*with the exception of directorships held at OTP Bank
** membership suspended on 3 April 2014
*** membership suspended on 3 October 2012

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

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

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

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

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

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

I.2.2. Board members' education data

Board of Directors	
Dr. Sándor CSÁNYI	
College of Finance and Accounting, Hungary	BSc in Finance (1974)
University of Economics, Hungary	MSc in Economics (1980)
Dr. Antal PONGRÁCZ	
University of Economics, Hungary	MSc in Economics (1969)
Mr. 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)
Mr. Péter BRAUN	
University of Technology, Hungary	MSc in Electrical Engineering (1961)
Mr. 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)
Mr. Zsolt HERNÁDI	
University of Economics, Hungary	MSc in Economics (1986)
Dr. István KOCSIS	
University of Technology, Hungary	MSc in Mechanical Engineering (1976)
Dr. László UTASSY	
Eötvös Lóránd University, Hungary	MA in Law (1978)
Dr. József VÖRÖS	
University of Economics, Hungary	MSc in Economics (1974)

Supervisory Board	
Mr. Tibor TOLNAY	
University of Technology, Hungary	MSc in Civil Engineering (1978)
Dr. József Gábor HORVÁTH	
Eötvös Lóránd University, Hungary	MA in Law (1980)
Mr. Antal György KOVÁCS	
University of Economics, Hungary	MSc in Economics (1985)
Mr. 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 rules 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 2015 the Committee held three meetings (9th February 2015; 15th June 2015 and 22nd July 2015).

Credit-Limit Committee (CLC) is a permanent committee meeting weekly (51 times in 2015). 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 (44 times in 2015). 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 2015 (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 2015

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	Debt Management Project 1. d.o.o.	Yes	No
9	D-ÉG Thermoset Ltd.	Yes	No
10	DSK Asset Management EAD	Yes	Yes
11	DSK Auto Leasing EOOD	Yes	Yes
12	DSK Bank EAD	Yes	Yes
13	DSK Leasing AD	Yes	Yes
14	DSK Leasing Insurance Broker EOOD	Yes	Yes
15	DSK Operating lease EOOD	Yes	Yes
16	DSK Tours EOOD	Yes	Yes
17	DSK Trans Security EOOD	Yes	Yes
18	Gizella Projekt Ingatlanforgalmazó Ltd.	Yes	No
19	INGA KETTŐ Ltd.	Yes	Yes
20	Jet-Sol Ltd.	Yes	No
21	JN Parkolóház Ltd.	Yes	No
22	JSC "OTP Bank" (Russia)	Yes	Yes
23	Kikötő Ingatlanforgalmazó Ltd.	Yes	No
24	Kratos nekretnine d.o.o.	Yes	Yes
25	LLC AllianceReserve	No	Yes
26	LLC AMC OTP Capital	Yes	Yes
27	LLC MFO "OTP Finance"	Yes	Yes
28	LLC OTP Credit under liquidation	Yes	Yes
29	LLC OTP Leasing	Yes	Yes
30	Merkantil Bank Ltd.	Yes	Yes
31	Merkantil Bérlet Ltd.	Yes	Yes
32	Merkantil Car Ltd.	Yes	Yes
33	Merkantil Property Leasing Ltd.	Yes	Yes
34	Miskolci Diákotthon Ltd.	Yes	No
35	MONICOMP Ltd.	Yes	Yes
36	NIMO 2002 Ltd.	Yes	Yes
37	OPUS Securities S.A.	Yes	Yes
38	OTP Asset Management SAI S.A.	Yes	Yes
39	OTP Aventin d.o.o.	Yes	Yes
40	OTP Bank JSC (Ukraine)	Yes	Yes
41	OTP Bank Romania S.A.	Yes	Yes
42	OTP Banka Hrvatska d.d.	Yes	Yes
43	OTP Banka Slovensko a.s.	Yes	Yes
44	OTP Banka Srbija a.d. Novi Sad	Yes	Yes
45	OTP Building Society Ltd.	Yes	Yes
46	OTP Buildings s.r.o.	Yes	No
47	OTP Card Factory Ltd.	Yes	Yes
48	OTP Factoring Bulgaria EAD	Yes	Yes
49	OTP Factoring Ltd.	Yes	Yes
50	OTP Factoring Management Ltd.	Yes	Yes
51	OTP Factoring Montenegro d.o.o.	Yes	Yes
52	OTP Factoring Serbia d.o.o.	Yes	Yes
53	OTP Factoring Slovensko s.r.o.	Yes	Yes
54	OTP Factoring SRL	Yes	Yes
55	OTP Factoring Ukraine LLC	Yes	Yes
56	OTP Financing Cyprus Company Limited	Yes	Yes
57	OTP Financing Malta Ltd.	Yes	Yes
58	OTP Financing Netherlands B.V.	Yes	Yes
59	OTP Financing Solutions B.V.	Yes	Yes
60	OTP Fund Management Ltd.	Yes	Yes
61	OTP Funds Servicing and Consulting Ltd.	Yes	No
62	OTP Holding Ltd.	Yes	Yes
63	OTP Holding Malta Ltd.	Yes	Yes
64	OTP Immobilien Verwertung GmbH.	No	Yes
65	OTP Ingatlanpont Ltd.	Yes	No
66	OTP Ingatlanüzemeltető Ltd.	Yes	Yes
67	OTP Invest d.o.o.	Yes	Yes
68	OTP Investments d.o.o. Novi Sad	Yes	Yes
69	OTP Leasing d.d.	Yes	Yes
70	OTP Leasing Romania IFN S.A.	Yes	Yes
71	OTP Life Annuity Ltd.	Yes	Yes
72	OTP Mérnöki Ltd.	Yes	Yes
73	OTP Mobile Service Ltd.	Yes	No
74	OTP Mortgage Bank Ltd.	Yes	Yes
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 2015

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

I.3.3. Not consolidated entities for the year ended 31 December 2015

	Not consolidated in accordance with IFRS[1]
1	Auctioneer s. r. o.
2	Diákigazolvány Ltd.
3	Gamayun LLC
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	Mlekara Han d.o.o. Vladicin Han f.a.
10	OFB Projects EOOD
11	OTP Advisor SRL
12	OTP Consulting Romania SRL
13	OTP Fedezetingatlan Ltd.
14	OTP Hungaro-Projekt Ltd.
15	OTP Nedvizhimost ZAO
16	OTP Travel Limited
17	OTP Újlakás Hitelközvetítő Ltd.
18	PEVEC d.o.o. Beograd
19	PortfoLion Venture Capital Fund Management Ltd.
20	Poslovno savjetovanje d.o.o.
21	Project 03 s.r.o.
22	Project Company Complex Banya EOOD
23	Projekt 13 Apartmany Slovensko s.r.o.
24	Projekt-Ingatlan 8. Ltd.
25	Rea Project One Company SRL
26	RESPV s.r.l.
27	SC AS Tourism SRL
28	SC Cefin Real Estate Kappa SRL
29	South Invest Montengro doo
30	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. 140 issued by National Bank of Ukraine (NBU) on Mar 3, 2016, unless the prepaid amount would be utilized for increase of Tier 1 capital of the bank. This restriction is in effect until Jun 8, 2016, however is expected to be prolonged 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 2015 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 2015 the audited capital adequacy ratio of OTP Group was 16.45% which contains the profit of financial year 2015 and the deduction of dividend payment of financial year of 2015[1]. The Group regulatory capital requirement as of 31st December 2015 was HUF 526,101 million, the amount of regulatory capital was HUF 1,081,766 million.

[1] The capital adequacy ratio of the Group without the profit of financial year 2015 and the deduction of dividend payment of financial year of 2015 is 16,18%. The Group regulatory capital requirement as of 31st December 2015 was HUF 526,101 million, the amount of regulatory capital was HUF 1,061,393 million.

OTP Group's capital requirement

OTP Group's capital requirement (million HUF)	31.12.2015.
Total capital requirement	**526 101**
Capital requirement of capital and counterparty risk*	419 670
Capital requirement of market risk	37 183
Capital requirement of operational risk	69 248

* including the Credit Value Adjustment capital requirement

The total RWA containing credit and counterparty risk RWA of OTP Group was HUF 5,224,751 million at the end of December 2015; its audited total capital requirement containing credit and counterparty risk capital requirement was HUF 417,979 million without the value of Credit Value Adjustment.

RWA and capital requirement of credit and counterparty credit risks and free deliveries on 31st December 2015

(million HUF)	Risk weighted assets	Capital requirement
Total	**5 224 751**	**417 980**
Central governments or central banks	165 654	13 252
Regional governments or local authorities	17 949	1 436
Public sector entities	51 151	4 092
International organisations	0	0
Multilateral development banks	0	0
Insitutions	240 479	19 239
Corporate	1 578 532	126 283
Retail	1 195 305	95 624
Secured by real estate property	1 250 651	100 052
Past due items	295 732	23 659
Items associated with particular high risk	29 556	2 364
Collective investment undertakings	19 063	1 525
Equity exposures	9 024	722
Other items	371 655	29 732

In calculation of credit risk capital requirement, the Group took into consideration the following guarantees as credit risk mitigation at the end of 2015:

- 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

Presentation of balance sheet discrepancies based on the differences in the scope of consolidation according to Accounting (IFRS) and prudential (CRR)

Assets (million HUF)	Balance sheet as in published financial statements [(1)] 31 December 2015	Cross reference to raws of transitional own funds disclosure template	Under regulatory scope of consolidation 31 December 2015
Cash, amounts due from banks and balances with the National Banks	1 878 960		1 879 081
Placements with other banks, net of allowance for placements losses	300 568		300 569
Financial assets at fair value through profit or loss	**253 782**		**253 742**
Securities held for trading	111 976	7*	111 936
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*30*	18, 72	*30*
Fair value of derivative financial instruments classified held for trading	141 806	7*	141 806
Securities available-for-sale	1 305 486	7*	1 305 435
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*8 185*	18, 72	*8 185*
Loans, net of allowance for loan losses	5 409 967		5 425 765
Associates and other investments	10 028		46 225
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities	*1 671*	23, 59a	*26 338*
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities	*1 153*	18, 72	*1 153*
Securities held-to-maturity	926 677		926 729
Property and equipment	193 661		193 493
Intangible assets	155 809	8	153 091
Fair value of derivative financial instruments designated as fair value hedge	16 009	7*	16 009
Deferred tax receivables	73 079		73 066
Of which: deferred tax assets that rely on future profitability, do not arise from temporary difference [(2)]	*67 474*	10;A, 10;C	*69 130*
Of which: deferred tax assets that rely on future profitability, arise from temporary difference [(2)]	*15 722*	25, 59a	*12 125*
Other assets	194 822		162 373
TOTAL ASSETS	***10 718 848***		***10 735 578***

*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.

Liabilities and shareholders' equity (million HUF)	Balance sheet as in published financial statements (1) 31 December 2015	Cross reference to raws of transitional own funds disclosure template	Under regulatory scope of consolidation 31 December 2015
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	533 310		531 836
Deposits from customers	7 984 579		8 027 435
Liabilities from issued securities	239 376		239 376
Financial liabilities at fair value through profit or loss	101 561	7*	101 561
Fair value of derivative financial instruments designated as fair value hedge	13 723	7*	13 723
Deferred tax liabilities	4 610		4 471
Other liabilities	373 246		341 119
Subordinated bonds and loans	234 784		234 784
Of which: eligible Upper T2 instruments and subordinated debts in regulatory capital (3)	*99 054*	46	*98 970*
Of which: instruments issued by subsidiaries that are given recognition in consolidated T2 Capital (4)	*113*	48	*141*
TOTAL LIABILITIES	***9 485 189***		***9 494 305***
Share capital	28 000	1	28 000
Retained earnings and reserves without proft or loss	***1 197 446***		***1 214 051***
Retained earnings	480 058	2	481 629
Changes in the equity of subsidiaries and jointly controlled entities	349 330	2	365 289
Changes due to consolidation	340 173	2	339 768
Reserves I.	***1 169 561***		***1 186 686***
Other reserves	60 474	3	60 475
Revaluation reserve	-165 307	3	-165 828
Reserves II.	***-104 833***		***-105 353***
Reserves	***1 064 728***		***1 081 333***
Fair value adjustment of securities available-for-sale and financial instruments in the retained earnings	28 126	3	28 126
Fair value of share based payments	24 707	3	24 707
Fair value adjustment of cash-flow hedges in the retained earnings	0	3	0
Net investment hedge in foreign operations	-12 207	3	-12 207
Additional reserve (issued capital element)	92 092	46	92 092
Profit for the year	63 583	2	54 592
Treasury shares	-58 021	16	-58 021
Non-controlling interests	2 651		2 651
Of which: eligible in regulatory capital (4)	*1 717*	5;A	*1 540*
SHAREHOLDERS' EQUITY	***1 233 659***		***1 241 273***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	***10 718 848***		***10 735 578***

*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 2015:

- Additional value adjustments
- Intangible assets

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 1,690 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 1,679 million on 31st December 2015.

In case of accounting scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 158,370 million, which contains the intangible assets (HUF 155 809 million) and the leased intangible assets (HUF 2 561 million). Under regulatory scope of consolidation the deduction from regulatory capital due to the intangible assets is HUF 155,290 million, which contains the intangible assets (HUF 153 306 million) and leased intangible assets (HUF 1 984 million).

Breakdown of regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: share	28 000	EBA list 26 (3)	
2	Retained earnings	1 186 944	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-64 208	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)	1 717	84, 479, 480	1 145
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1 152 453**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2015	(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)	-1 690	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-158 370	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)	-26 990	36 (1) (c), 38, 472 (5)	-40 484
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 (b)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-58 021	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)	-9 368
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1)-(3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2015	(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)	-17 393
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)	-1 671
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-15 722
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	-16 875	467, 468	
	Of which: Filter for unrealised loss on exposures to central governments classified in the "Available for sale" category of EU-endorsed IAS39	6 339	467	
	Of which: Filter for unrealised loss on other exposures in the "Available for sale" category	1 511	467	
	Of which: Filter for unrealised gain on exposures to central governments classified in the "Available for sale" category of EU-endorsed IAS39	-14 847	468	
	Of which: Filter for unrealised gain on other exposures in the "Available for sale" category	-9 878	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
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)**	**-261 946**		
29	**Common Equity Tier 1 (CET1) capital**	**890 507**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 2015	(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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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 2015	(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)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
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)**	**890 507**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 2015	(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	191 146	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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	113	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**	**191 259**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	(A) 31 December 2015	(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)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
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)	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**			
58	**Tier 2 (T2) capital**	**191 259**		
59	**Total capital (TC = T1 + T2)**	**1 081 766**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	57 534	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b), 475, 475 (2) (b), 475 (2) (c), 475 (4) (b), 477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
	Of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	4 178	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	14 052	475, 475 (2) (b), 475 (2) (c) 475 (4) (b)	
	Of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) - Deferred tax assets arising from temporary difference	39 304	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) (c) 475 (4) (b)	
	Of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	**Total risk weighted assets**	**6 576 258**		

	Capital ratios and buffers (in HUF million)	(A) 31 December 2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount**	**13,54%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount**	**13,54%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount**	**16,45%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount) (1)		CRD 128, 129, 130	
65	of which: capital conservation buffer requirement (1)			
66	of which: countercyclical buffer requirement (1)			
67	of which: systemic risk buffer requirement (1)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (1)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (1)		CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	(A) 31 December 2015	(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	9 368	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 2015	(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 2015	(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 2015 and dividend payment for financial year 2015 are taken into consideration in retained earnings.

(2) Capital buffers are not yet implemented.

Capital instruments' main features(1) on 31st December 2015

	Capital instruments' main features template (1)					
1	Issuer	OTP Bank Plc.	OTP Bank Plc.	OTP Bank Plc.	OTP Bank Plc.	Opus Securities S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	HU0000061726	XS0274147296	XS0268320800	XS0268320800	XS0272723551
3	Governing law (s) of the instrument	Hungarian law	In general English law except for Subordination w hich is governed by Hungarian law	In general English law except for Subordination w hich is governed by Hungarian law	In general English law except for Subordination w hich is governed by Hungarian law	In general English law except for provisions related to Subordination of the Subordinated Sw ap Agreement w hich is governed by Hungarian law . The Security Deposit Agreement and the Custody Agreement are governed by Hungarian law . The Guarantee is governed by the law s of the State of New York.
	Regulatory treatment					
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & 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	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): 121 193 m HUF (decreased by own instruments of OTP Bank) In consolidated regulatory capital (3): 76 526 m HUF (decreased by own instruments of OTP Bank and other subsidiaries)	13 513 m HUF, qualifying amount according to Regulation (EU) No 575/2013 article 64	9 015 m HUF, qualifying amount according to Regulation (EU) No 575/2013 article 64	92 093 m HUF
9	Nominal amount of instrument	28 000.001 m HUF	500 m EUR	300 m EUR	200 m EUR	514.274 m EUR
9a	Issue price	100 HUF	99.375 per cent.	100 per cent.	100.107 per cent.	100 per cent.
9b	Redemption price	N/A	100 per cent. + cumulated non-paid interest (if any)	100 per cent.	100 per cent.	100 per cent. + accumulated interest (if any)
10	Accounting classification	Shareholders' equity	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	10/08/1995	07/11/2006	19/09/2006	26/02/2007	31/10/2006
12	Perpeptual or dated	Perpetual	Perpetual	Dated	Dated	Perpetual
13	Original maturity date	No maturity	No maturity	19/09/2016	19/09/2016	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	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)	**Contingent call options:** Redemption for tax reasons any time after notification, at 100 per cent.	**Contingent call options:** Redemption for tax reasons any time after notification, at 100 per cent.	**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	N/A	N/A	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	Fixed	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 5.27% p.a. (payable annualy)	Fixed 5.27% p.a. (payable annualy)	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	No	No	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	N/A	Full discretionary	Mandatory	Mandatory	Full discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Full discretionary	Mandatory	Mandatory	Full discretionary
21	Existence of step up or other incentive to redeem	N/A	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative	Cumulative	Noncumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	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.	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	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	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.

Trading book positions capital requirement

Capital requirement for market risk	
(million HUF)	**31.12.2015**
Market risk total	**37 183**
Foreign exchange risk	31 986
Interest rate risk	5 006
Equity risk	55
Commodity risk	135
Counterparty risk total	**5 347**
CEM (Current Exposure Method)	3 657
CVA (Credit Valuation Adjustment)	1 690

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.

Net exposure value to leverage ratio	
(million HUF)	**31.12.2015**
Total assets as per published financial statements	10 718 848
Adjustment for entities which are consolidated for accoun	0
Adjustments for derivative financial instruments	0
Adjustments for securities financing transactions	0
Adjustment for off-balance sheet items	745 542
Other adjustments	148 196
Leverage ratio exposure	**11 612 586**

Leverage ratio		
(million HUF)		**31.12.2015**
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	10 718 848
2	Asset amounts deducted in determining Tier 1 capital	-1 575
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**10 717 273**
4	Replacement cost associated with derivatives transactions	62 158
5	Add-on amounts for PFE associated with derivatives transactions	69 319
6	Exposure determined under Original Exposure Method	0
7	**Total derivative exposures**	**131 477**
8	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	18 294
9	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	0
10	**Total securities financing transaction exposures**	**18 294**
11	Off-balance sheet exposures at gross notional amount	1 780 375
12	Adjustments for conversion to credit equivalent amounts	-1 034 833
13	**Total off-balance sheet exposures**	**745 542**
14	Exposures of financial sector entities according to Article 429 (4) 2nd subparagraph of Regulation (EU) NO. 575/2013	0
Total Exposures		**11 612 586**
Tier 1 capital		**873 124**
Leverage ratio		**7,52%**

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 2015.

On balance sheet net exposures	
(million HUF)	**31.12.2015**
Total on-balance sheet exposures (excluding derivatives and SFTs):	**10 751 960**
Trading book exposures	479 011
Banking book exposures	10 272 949
Covered bonds	0
Exposures treated as sovereigns	3 835 754
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	125 233
Exposures to institutions	359 586
Exposures secured by mortgages on immovable properties	2 263 810
Retail exposures	1 635 606
Exposures to corporates	1 180 889
Exposures in default	286 815
Other exposures	585 256

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.

Principles of measurement and provision allocation:

- principle of resumed business activity,
- principle of authenticity,
- principle of consistency,
- principle of comparability,
- principle of conservatism,
- principle of integrity.

Measurement process for credits:

- It must be tested whether there is an objective evidence for impairment in the case of assets with individually significant amounts.
- It must be tested whether there is an objective evidence for impairment in the case of assets with individually non-significant amounts, on an individual basis or by group.
- If, in the first step, there is no evidence for the individual impairment of an asset, the asset must be classified among assets embodying similar lending risks and the necessity of impairment recognition must be tested by group.
- If there is information available on lending loss in the case of the given asset, then such an asset must be withdrawn from the group-based assessment and individual provisions must be allocated for the asset.

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.

The Group qualifies the following as receivables that are not significant individually:

- credits in the retail business line,
- in the micro and small-sized enterprise segment;
- credits that do not reach the limit of significance individually
    - in the medium-sized and large enterprises, and
    - municipality business lines.

<u>Incurred But Not Reported (IBNR) loss:</u>

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.

In the Group the recommended method for the determination of IBNR impairment is: the expected loss calculation with usage of migration matrices. In case of receivables (loans) without any payment delinquency and receivables (loans) with less than 30 days in arrears, the applicable methods for the determination of the IBNR impairments are the follows:

- the expected loss calculation with usage of migration matrices,
- methods deducted directly from the structure of the portfolio, from its credit risk profile (expected loss estimation from risk of FX changes; at restructured loans, expert based provision level determination, according to the impairment level of the loan that it had before restructuring; estimation of expected losses from delay of inpayment at combined products as deposit, life insurance charge; or other statistical or expert based loss estimations from the structure of credit risks of the portfolio),
- methods, which describe the effect of changes in the exterior environment for the portfolio, defining the effect of the macroeconomic changes in portfolio.

<u>Individual assessment of long-term credit</u>

- 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.

Discounting and NPV calculation are not applied to loans with maturity within a year.

A different approach is applied to the calculation of the expected cash flows in the case of the existing contracts and the terminated, expired credits (those that are beyond the maturity set in the risk assumption contract) or the credits of customers who do not perform according to the contract.

<u>Portfolio-level (group-based) assessment of credits</u>

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.

Applicable methods:

1. Expected losses calculated using the migration matrix.

   This method of impairment/provision allocation calculation reviews how the transactions within the portfolio migrate between two dates among the individual default categories.

2. Adaptation of the Basel model with migration matrix.

   The result of the migration matrix can also be determined by the Basel formula. A method is shown below, which uses the classic Basel indicators to establish the expected loan loss provision. Based on this, the expected loss and provision requirement can be calculated using the following formula:

   Provision = EL = EXP x PD x LGD

   wherein:

   - EXP is the gross total capital exposure at default (determined on accounting date).
   - The LGD (loss given default) value is determined based on the migration matrix on the following way. In case of newly defaulted contracts, the average or median of the above 90 DPD and the below 365 DPD transactions gives the internal loan loss value. LGD is the discounted value of the Internal Loan Loss value with factoring sales price.
     Formula for the calculation of the LGD:
     LGD = 1 – (RECOVERYINTERNAL + (1 - RECOVERYINTERNAL) * RECOVERYEXTERNAL)
     wherein
     – RECOVERYINTERNAL is the recovery of transactions that became default within the OTP Group,
     – RECOVERYEXTERNAL is the recovery of transactions that became default upon sale (sale price) or the recovery discounted by time value and collection costs in the case of sales to an in-house factoring company.
   - The value of the PD is calculated from the ratio of average or median of Loan Loss data values of different DPD categories and the calculated (above mentioned) Internal Loan Loss indicator.

   It is expedient to specify the provision requirement by default category and the major product groups, separately.

3. In the absence of a developed measurement method, the application of the simplified method that is described below is a minimum requirement.

   The simplified procedure basically means the review of payment delinquency and the renegotiated status of the risk assumption contract.

   The credits have to be divided into measurement groups based on these two parameters. A credit can only be allocated to one specific measurement group.

   Provisions for all financial instruments that were divided into groups must be allocated based on the extent of the provisions allocated to the individual evaluation groups.

   The group allocation should be based on payment delinquency, and the extent of the provisions should increase by the increase of the number of days that are in default.

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).

Exposures broken down by net exposure classes (before credit risk mitigation)

Exposures (million HUF)	31.12.2015	2015 Average
Exposures to central governments or central banks	4 139 596	3 973 079
Exposures to regional governments or local authorities	82 975	100 626
Exposures to public sector entities	62 332	43 810
Exposures to multilateral development banks	1 235	863
Exposures to institutions	554 705	698 419
Exposures to corporates	2 006 015	1 947 134
Retail exposures	2 080 821	2 182 113
Exposures secured by mortgages on immovable property	2 382 396	2 314 028
Exposures in default	313 032	357 985
Exposures associated with particularly high risk	19 770	14 084
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	19 063	23 836
Equity exposures	6 518	21 428
Other items	653 917	578 090
Total	**12 322 375**	**12 255 494**

Exposures broken down by geographical areas (by the country of obligors) on 31st December 2015

(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 units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**4 049 675**	**55 902**	**60 602**	**1 235**	**0**	**476 809**	**1 550 030**	**1 615 442**	**2 300 034**	**283 706**	**19 704**	**19 063**	**6 518**	**542 261**	**10 980 981**
United Arab Emirates	0	0	0	0	0	0	300	0	0	6	0	0	0	0	**306**
Austria	0	0	0	0	0	23 939	68	14	37	34	7 357	0	0	0	**31 449**
Australia	0	0	0	0	0	235	0	1	14	0	0	0	0	0	**250**
Bosnia and Herzegovina	0	0	0	0	0	46	0	0	17	152	0	0	0	0	**215**
Belgium	0	0	0	0	0	25 261	13	1	0	0	0	0	0	0	**25 275**
Bulgaria	322 032	697	32	0	0	6 677	189 976	422 438	440 028	48 382	812	45	313	105 790	**1 537 222**
Belize	24	0	0	0	0	0	4 200	0	0	0	0	0	0	4 273	**8 497**
Canada	0	0	0	0	0	519	0	2	55	0	0	0	0	0	**576**
Switzerland	0	0	0	0	0	11 287	20 700	5	91	0	0	0	0	0	**32 083**
Cyprus	53	0	0	0	0	28	5 067	0	9 505	9 392	0	0	210	0	**24 255**
Czech Republic	0	0	0	0	0	531	3 753	14	137	22	0	0	0	0	**4 457**
Germany	24 432	0	0	0	0	33 704	1 869	54	259	37	0	0	0	0	**60 355**
Denmark	0	0	0	0	0	1 404	4	9	56	0	0	0	0	0	**1 473**
Spain	0	0	0	0	0	1 025	13	13	68	2	0	0	0	0	**1 121**
France	0	0	0	0	0	25 641	0	4	50	12	0	0	0	0	**25 707**
United Kingdom	948	0	0	0	0	84 570	1 096	198	1 272	465	0	0	0	0	**88 549**
Croatia	125 905	4 612	10 111	0	0	25 104	73 192	133 210	163 938	27 752	64	0	706	44 056	**608 650**
Hungary	3 314 289	33 645	49 058	0	0	108 162	769 637	509 981	1 136 770	87 471	7 210	18 525	3 029	258 892	**6 296 669**
Ireland	0	0	0	0	0	451	258	18	95	55	0	0	0	0	**877**
Italy	0	0	0	0	0	307	0	11	124	0	0	0	0	0	**442**
Japan	0	0	0	0	0	679	0	0	0	0	0	0	0	0	**679**
Kazakhstan	0	0	0	0	0	5	0	14	28	79	0	0	0	0	**126**
Luxembourg	0	0	0	0	0	3 036	42	0	0	0	0	0	0	0	**3 078**
Montenegro	30 100	4 173	0	0	0	14 652	41 134	28 094	22 058	21 491	0	0	24	32 216	**193 942**
Malta	205	0	0	0	0	1	427	0	0	0	0	0	0	17	**650**
Netherlands	63	0	0	0	0	2 113	1 597	9	47	0	0	0	0	0	**3 829**
Norway	0	0	0	0	0	5 756	0	4	60	0	0	0	0	0	**5 820**
Poland	0	0	0	0	0	627	3 860	6	182	0	0	0	0	0	**4 675**
Portugal	0	0	0	0	0	157	0	0	0	0	0	0	0	0	**157**
Romania	87 599	2 859	4	0	0	11 051	108 636	130 078	281 216	23 233	0	431	18	22 914	**668 039**
Serbia	20 962	0	0	0	0	17 208	39 937	20 094	22 990	15 579	16	0	0	10 601	**147 387**
Russian Federation	44 842	0	0	0	0	48 031	46 874	272 208	37 157	6 089	4	0	2 125	20 758	**478 088**
Sweden	0	0	0	0	0	386	13	2	3	16	0	0	0	0	**420**
Slovakia	25 016	9 916	1 397	1 235	0	911	90 733	80 236	160 382	18 203	3 599	0	92	26 007	**417 727**
Turkey	0	0	0	0	0	1 399	62	0	27	0	0	0	0	0	**1 488**
Ukraine	53 205	0	0	0	0	1 199	146 521	18 689	23 105	25 156	13	62	1	16 737	**284 688**
United States	0	0	0	0	0	20 581	1	16	21	8	629	0	0	0	**21 256**
Other	0	0	0	0	0	126	47	19	242	70	0	0	0	0	**504**

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

Exposure classes broken down by counterparty type on 31st December 2015

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 units or shares in collective investment undertakings ('CIUs')	Equity exposures	Other items	Total
Total	**4 049 675**	**55 902**	**60 602**	**1 235**	**0**	**476 809**	**1 550 030**	**1 615 442**	**2 300 034**	**283 706**	**19 704**	**19 063**	**6 518**	**542 261**	**10 980 981**
Goverments	3 858 055	0	0	0	0	0	0	0	0	0	0	0	0	0	**3 858 055**
Municipal	6 500	50 277	0	0	0	0	0	0	2 725	0	0	0	0	0	**59 502**
Public sector entities	37 463	1 725	59 626	0	0	0	0	0	0	620	0	0	0	0	**99 434**
International organisations	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	474 225	0	0	0	1	0	0	0	0	**474 226**
Coporate	3 822	3 232	4	22	0	1 440	1 135 549	0	187 533	70 056	0	7 770	0	0	**1 409 428**
Corporate SME	30 705	668	858	0	0	477	414 481	0	278 100	45 351	0	0	0	0	**770 640**
Retail	55 087	0	0	0	0	0	0	1 496 935	1 744 822	152 931	0	0	0	0	**3 449 775**
Retail SME	58 043	0	114	1 213	0	667	0	118 507	86 854	14 747	0	0	0	0	**280 145**
Equity	0	0	0	0	0	0	0	0	0	0	0	0	6 518	0	**6 518**
Other*	0	0	0	0	0	0	0	0	0	0	19 704	11 293	0	542 261	**573 258**

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

Exposure classes broken down by residual maturity on 31st December 2015

Exposures (million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity
Total	**3 420 304**	**860 232**	**1 167 287**	**2 989 199**	**803 720**
Exposures to central governments or central banks	2 150 548	273 330	467 272	832 762	32 423
Exposures to regional governments or local authorities	8 431	30 309	5 156	30 718	44
Exposures to public sector entities	7 509	2 361	2 505	48 177	0
Exposures to multilateral development banks	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0
Exposures to institutions	208 507	112 610	8 819	12 629	6 051
Exposures to corporates	473 919	181 763	236 480	362 414	1 469
Retail exposures	468 708	193 677	339 660	443 128	89 083
Exposures secured by mortgages on immovable property	57 088	62 340	88 125	1 224 651	0
Exposures in default	45 594	3 842	19 270	32 936	88 902
Exposures associated with particularly high risk	0	0	0	0	19 691
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	19 064
Equity exposures	0	0	0	0	6 518
Other items	0	0	0	1 784	540 475

Gross exposures with existing impairment broken down by counterparty types

Exposures (million HUF)	31.12.2015
Total	**1 422 080**
Exposures to banks	47
Bills of exchange	5 882
Gross customer loans	**1 416 151**
Mortgage	449 137
Consumer	227 129
SME	131 541
Corporate	569 798
Municipal	2 860
Car-finance	35 686

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

Exposures (million HUF)	DPD 0-90	DPD 90+	Total
Total	**5 569 632**	**1 104 597**	**6 674 229**
Exposures to banks	300 503	52	300 555
Bills of exchange	5 882	0	5 882
Gross customer loans	**5 263 247**	**1 104 545**	**6 367 792**
Mortgage	1 907 505	425 837	2 333 342
Consumer	1 215 742	213 652	1 429 394
SME	377 634	118 951	496 585
Corporate	1 494 209	310 403	1 804 612
Municipal	93 134	127	93 261
Car-finance	175 023	35 575	210 598

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	**5 569 632**	**1 104 597**	**6 674 229**
Hungary	2 235 484	330 951	2 566 436
Russian Federation	226 728	77 733	304 461
Ukraine	313 221	208 198	521 419
Bulgaria	1 222 119	182 717	1 404 835
Romania	626 067	92 964	719 031
Croatia	578 117	66 037	644 154
Slovakia	153 856	37 745	191 601
Serbia	35 849	43 259	79 108
Montenegro	178 191	64 993	243 184

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.

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

Exposures broken down by credit quality steps (CQS) of obligors

(million HUF)	Exposures 31.12.2015	Based on credit quality step					
		1	2	3	4	5	6
Exposures to central governments or central banks	4 049 675	25 380	0	46 049	2 079 500	20 962	53 205
Exposures to regional governments or local authorities	55 902	0	0	0	0	0	0
Exposures to public sector entities	60 602	0	0	0	0	0	0
Exposures to multilateral development banks	1235	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0	0
Exposures to institutions	476 809	28 852	162 138	77 214	5 983	21	105
Exposures to corporates	1 550 030	29	0	28 606	18 432	0	0
Retail exposures	1 615 442	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	2 300 034	0	0	0	0	0	0
Exposures in default	283 706	0	0	0	0	0	0
Exposures associated with particularly high risk	19 704	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	19 063	0	0	0	0	0	0
Equity exposures	6 518	0	0	0	0	0	0
Other items	542 261	0	0	0	0	0	0
Total	**10 980 981**	**54 261**	**162 138**	**151 869**	**2 103 915**	**20 983**	**53 310**

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 69,248 million on 31st December 2015.

Operational risk capital requirements on 31st December 2015

Operational risk capital requirement's breakdown based on methods (million HUF)	
Basic Indicator Approach	18 224
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	51 024
Total	**69 248**

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 2015

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No
2	Auctioneer s. r. o.	1	No
3	Borica - Bankservice AD	805	No
4	Budapesti Értéktőzsde Zrt.	123	No
5	Bulgarian Development Bank	0	No
6	Bulgarian Stock exchange AD	6	No
7	Central Depositary AD	1	No
8	Centralna depositary agency a.d.	23	No
9	Chip-Card a.d. Beograd	24	No
10	Company for Cash Services AD	313	No
11	Diákigazolvány Kft.	0	No
12	Eastern Securities S. A.	0	No
13	EI holding Niš	0	No
14	Elektroprivreda Crne Gore ad Nikšić	35	No
15	Első Alkotmány Utcai Ingatlanhasznosító Zrt.	0	No
16	Faktoring SK, a.s. v likvidácii	1	No
17	First Ukrainian Credit Bureau LLC	11	No
18	Gamayun LLC	0	No
19	Garantiqa Hitelgarancia Zrt.	280	No
20	Govcka Project Company SRL	1	No
21	HAGE Zrt.	135	No
22	HROK d.o.o.	25	No
23	Ikarus Zrt. u.c.l.	0	No
24	Industrija masina i traktora Novi Beograd	0	No
25	Industrija motora Rakovica	0	No
26	Ingatlanvagyon Projekt 14. Kft.	12	No
27	Investment Projekt 1. d.o.o.	0	No
28	Istarska autocesta d.d.	4	No
29	JSC PFTS	2	No
30	JSC Rostov Regional Mortgage Corporat	4	No
31	JSC Settlement Center	0	No
32	Kiev International Stock Exchange	0	No
33	Kisvállalkozás-fejlesztő Zrt.	40	No
34	KÖZVIL Első Magyar Közvilágítási Zrt.	0	No
35	Lido Immo Kft.	503	No
36	Lutrija Crne Gore ad	7	No
37	M8-2 Ingatlanhasznosító Kft.	1	No
38	Mátrai Erőmű Zrt.	0	No
39	MIN Holding Nis u.v.l.	0	No
40	Mlekara Han d.o.o. Vladicin Han u.c.l.	0	No
41	Montenegroberza ad	0	No
42	Multipont Ltd.	15	No
43	Naprijed d.d. u.c.l.	148	No
44	OFB Projects EOOD	0	No
45	OJSC Saint Petersburg Exchange	0	No
46	OTP Advisor SRL	0	No
47	OTP Consulting Romania SRL	27	No
48	OTP Fedezetingatlan Ltd.	15	No
49	OTP Hungaro-Projekt Ltd.	0	No
50	OTP Nedvizhimost ZAO	57	No
51	OTP Travel Limited	210	No
52	OTP Újlakás Hitelközvetítő Ltd.	9	No
53	Overdose Vagyonkezelő Ltd. u.v.l.	0	No
54	Financial Research Corporation	1	No
55	PEVEC d.o.o. Beograd	2 103	No
56	PortfoLion Venture Capital Fund Manage	150	No
57	Poslovno savjetovanje d.o.o.	0	No
58	Project Company Complex Banya EOOD	881	No
59	Projekt-Ingatlan 8. Ltd.	0	No
60	Rea Project One Company SRL	1	No
61	RESPV s.r.l.	0	No
62	RVS, a.s	89	No
63	S.W.I.F.T. SCRL	9	No
64	SC AS Tourism SRL	1 932	No
65	SC Casa de Compensare SA	0	No
66	SC Cefin Real Estate Kappa SRL	0	No
67	South Invest Montengro doo	2	No
68	Special Purpose Company LLC	1	No
69	Središnja depozitarna agencija d.d.	0	No
70	SUZUKI Financial Services Ltd.	25	No
71	Szallas.hu Ltd.	582	No
72	Trziste novca a.d. Beograd	16	No
73	Trziste novca d.d.	16	No
74	Vesta United Regional Registrar OJSC	0	No
75	VISA Europe Ltd	10 789	No
76	VISA Incorporated	629	No
77	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 104 million.

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

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

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

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis 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, EURIBOR and USD LIBOR is analyzed.

The simulation were prepared by assuming two scenarios:

- HUF base rate and BUBOR decreases gradually to 0.85% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.35% (scenario 2)

The net interest income in a one year period after January 1, 2016 would be decreased by HUF 1616 million (scenario 1) and HUF 3874 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 291 million for scenario 1, HUF 1109 million for scenario 2) on the government bond portfolio held for hedging.

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 can be summarized as follows:

Description (million HUF)	Effects to the net interest income (1Year period)	(Price change of AFS government bonds)
HUF -0.1% parallel shift	-588	195
EUR -0.1% parallel shift	-614	0
USD -0.1% parallel shift	-41	0
Total	**-1243**	**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 eight times in 2015 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 30 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 a share allowance granted at a discount, in a 50-50% ratio. 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 performance evaluation.

The value of the reduced-price share allocation as at the date of the performance evaluation is established by OTP Bank's Supervisory Board based on the average of the daily mid-price 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 performance evaluation.

The share allocation at a reduced price may include a maximum allowance of HUF 2,000 per share on the date of performance evaluation 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 is 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.

Summarised information of remuneration categorized by activities[1]:

	Remuneration for 2015					
(million HUF)	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent control functions**	**All other**
Persons under the effect of the Bank Group's Remuneration Policy	**767**	**2 400**		**5 761**	**956**	**467**
OTP Bank Plc.	*513*	*1 589*		*2 825*	*545*	*467*
OTP Mortgage Bank Ltd.		*39*		*12*		
OTP Building Society Ltd.		*40*		*9*		
Merkantil Bank Ltd.		*67*		*190*		
Other subsidiaries under Bank Group Remuneratin Policy	*254*	*665*		*2 725*	*411*	

Comments:

1) The specification of activities made in accordance with annex 11. of MNB regulation 51/2015. (XII.9.):
   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.

Summarised information of remuneration according to the type of remuneration:

	Persons receiving remuneration [1]	Remuneration for 2015			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]	**125**	**5 372**	**3 042**	**1 938**	**417**	**6 651**	**5 373**
OTP Bank Plc.	*47*	*3 043*	*1 448*	*1 448*	*265*	*4 973*	*4 484*
OTP Mortgage Bank Ltd.	*3*	*27*	*15*	*9*	*2*	*0*	*9*
OTP Building Society Ltd.	*2*	*26*	*13*	*10*	*2*	*22*	*12*
Merkantil Bank Ltd.	*2*	*129*	*64*	*64*	*12*	*183*	*127*
Other subsidiaries under Bank Group Remuneratin Policy [6]	*71*	*2 147*	*1 502*	*407*	*136*	*1 473*	*741*

Comments:

1) Persons under the Bank Group Remuneration Policy receiving performance-based remuneration as of 2015.
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 2015.
3) The sum of calculated performance-based remuneration after the year 2015, the settlement of which shall take place based on the performance evaluation after the General Meeting closing the year 2015.
4) The first, second, third deferred part and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2014, the second and third deferred part of performance-based remuneration for 2013, and the third deferred part of performance-based remuneration for 2012, and the first and second deferred part for 2012 and the first deferred part for 2013 at OTP Banka Slovensko a.s. as a vested remuneration.
5) The third deferred part of performance-based remuneration after 2011, second deferred part of performance-based remuneration for 2013 and the short-term withheld portion (vested) share-based part of performance-based remuneration for 2013 which settled in 2015 (without the deferred parts for 2012 and 2013 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 31 December 2015, 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 no sign-on bonus was settled and one person was compensated with a severance payment of 46.2 million HUF. During the year 2015. one person was compensated between 2.5 and 3.0 million EUR, one person was compensated between 1.5 and 2.0 million EUR and one person was compensated between 1 and 1.5 million EUR.

Remuneration settled in 2015 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board amounted to HUF 701 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 2014.

Name	Position	Amount of compensation		Total amount of cash compensation in 2015 (HUF)
		HUF/month	OTP shares number/month[1]	
Board of Directors				
Dr. Sándor Csányi	Chairman	810 000	1 000	9 600 000
Dr. Antal Pongrácz	Deputy Chairman	785 000	900	9 300 000
Dr. István Gresa	Member	695 000	800	8 240 000
Mihály Baumstark	Member (non-executive)	695 000	800	8 240 000
Dr. Tibor Bíró	Member (non-executive)	695 000	800	8 240 000
Péter Braun	Member (non-executive)	695 000	800	8 240 000
Tamás Erdei	Member (non-executive)	695 000	800	8 240 000
Dr. László Utassy	Member (non-executive)	695 000	800	8 240 000
Dr. József Vörös	Member (non-executive)	695 000	800	8 240 000
Dr. István Kocsis	Member (non-executive)[2]	---	---	---
Zsolt Hernádi	Member (non-executive)[3]	---	---	---
Supervisory Board				
Tibor Tolnay	Chairman	1 560 000	---	18 480 000
Dr. Gábor Horváth	Deputy Chairman	1 350 000	---	16 000 000
Dominique Uzel	Member	1 040 000	---	---[4]
Dr. Gellért Márton Vági	Member	1 040 000	---	12 320 000
Antal Kovács	Member (employee)	1 040 000	---	12 320 000
András Michnai	Member (employee)	1 040 000	---	12 320 000

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) Board membership was suspended as of 3 October 2012, no compensation was paid.
3) Board membership was suspended as of 2 April 2014, no compensation was paid.
4) The compensation has been transferred to Groupama S.A.

In case of Hungarian subsidiaries there is no remuneration paid for Board of Directors and Supervisory Board members, employed by the Bank Group. Taking this into consideration, the members of the OTP Mortgage Bank Ltd.'s Board of Directors and Supervisory Board in 2015 received a remuneration of HUF 1.4 million, OTP Building Society Ltd.'s Board of Directors and Supervisory Board members in 2015 received a remuneration of HUF 2.8 million, Merkantil Bank Ltd.'s Board of Directors and Supervisory Board members in 2015 received a remuneration of HUF 3.0 million.

I.14. Disclosure of encumbered and unencumbered assets

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	**502 760**		**10 221 890**	
Equity instruments	0	0	112 637	112 600
Debt securities	78 166	81 795	2 148 638	2 185 642
Other assets	389		1 014 299	

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**	**589 414**
Equity instruments	0	0
Debt securities	0	31 936
Other collateral received	0	320 671
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

Encumbered assets/collateral received and associated liabilities

(million HUF)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**370 095**	**502 760**

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 significantly contracted in 2015. Moreover, the HUF 52 billion frozen owing to the loan taken from the European Investment Bank (EIB) was released. The volumes of collateralization from derivative transactions was also decreasing, while mortgage bond issuance has slightly diminished. 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.

The over-collateralization for propriety trading, opened at the end of 2015 on the Budapest Stock Exchange, was HUF 580 million and the rate on multinet collaterals was HUF 3.5 billion. 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.

Regarding OTP Group, information related to the disclosure of encumbered and unencumbered assets is based on year-end data.

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 2015 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 2015 was HUF 293,820 million, the amount of regulatory capital was HUF 975,190 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 26,55%.

OTP Bank's capital requirement

OTP Bank's capital requirement (million HUF)	2015.12.31
Total capital requirement	**293 820**
Credit and counterparty risk capital requirement*	232 651
Market risk capital requirement	40 619
Operational risk capital requirement	20 550

* including the Credit Value Adjustment capital requirement

The total RWA, containing credit and counterparty risk RWA of OTP Bank, was HUF 2,890,080 million at the end of December 2015; its audited total capital requirement, containing credit and counterparty risk capital requirement, was HUF 231,205 million without the value of Credit Value Adjustment.

RWA and capital requirement of credit and counterparty credit risks and free deliveries on 31st December 2015

(million HUF)	RWA	Capital requirement
Total	**2 890 080**	**231 205**
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	6 765	541
Exposures to public sector entities	42 773	3 422
Exposures to international organisations	0	0
Exposures to institutions	223 897	17 912
Exposures to corporates	1 180 562	94 445
Retail exposures	267 621	21 410
Exposures secured by mortgages on immovable property	232 330	18 586
Exposures in default	34 702	2 776
Exposures associated with particularly high risk	778 504	62 280
Exposures in the form of covered bonds	1 440	115
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	33 918	2 713
Equity exposures	5 655	452
Other items	81 913	6 553

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

OTP Bank's regulatory capital

Total regulatory capital (million HUF)	31.12.2015	Cross reference to rows of transitional own funds disclosure template
Share capital	28 000	1
Capital reserve	52	3
General reserve	14 123	3
Retained earnings	856 990	2
Tied-up reserve	9 785	3
Balance sheet profit or loss	0	2
Intangible assets (-)	65 365	8
Treasury shares (-)	9 168	16
Shares and participations in corporations held for trading	88 957	
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	6 313	72
Shares and participations in corporations held as financial fixed assets	584	
Of which: direct and indirect not singnificant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	433	72
Shares and participating interests in affiliated companies	490 984	
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	456 449	19;C, 22;C, 23;C, 59a
Of which: direct and indirect holdings by an institution of own CET1 instruments - deducted from regulatory capital	2 948	16
Loans and advances to customers in connection with financial services - to affiliated companies, with a remaining maturity of more than one year	58 796	
Of which: direct, indirect and synthetic significant holdings of the CET1 instruments of financial sector entities - taken into consideration in RWA calculation	9 248	19
Common Equity Tier 1 capital	**831 469**	
Total Tier 1 capital	**831 469**	
Subordinated debt	156 560	
Of which: eligible in regulatory capital (1)	22 528	46
Other subordinated liabilities	156 560	46
Debt securities held for trading own shares repurchased	52 646	
Of which: direct and indirect holdings by an institution of own CET1 instruments negative amount - deducted from regulatory capital	35 367	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	53 325	
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	488 978	
Of which: direct and indirect significant holdings of the T2 instruments and subordinated loans of financial sector entities - taken into consideration in RWA calculation	38 721	55;C
Total Tier 2 capital	**143 721**	
Total regulatory capital	**975 190**	

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

Breakdown of regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (in HUF million)	(A) 31 December 2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	28 000	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: share	28 000	EBA list 26 (3)	
2	Retained earnings	856 990	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	23 961	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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**	**908 951**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2015	(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)	-65 365	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 (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)	-12 117	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)	-8 057
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)	-504 249

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (in HUF million)	(A) 31 December 2015	(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)	
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	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
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)**	**-77 482**		
29	**Common Equity Tier 1 (CET1) capital**	**831 469**		

	Additional Tier 1 (AT1) capital: instruments (in HUF million)	(A) 31 December 2015	(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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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 2015	(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)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
	Of which: direct holdings of significant investments in the capital of other financial sector entities			
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)		36 (1) (j)	
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)**	**831 469**		

	Tier 2 (T2) capital: instruments and provisions (in HUF million)	(A) 31 December 2015	(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	179 088	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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**	**179 088**		

	Tier 2 (T2) capital: regulatory adjustments (in HUF million)	(A) 31 December 2015	(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)	-35 367	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)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
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)	-43 061
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-35 367**		
58	**Tier 2 (T2) capital**	**143 721**		
59	**Total capital (TC = T1 + T2)**	**975 190**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	811 894	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b), 475, 475 (2) (b), 475 (2) (c), 475 (4) (b), 477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
	Of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) - 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	756 748	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	Of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) -Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities	12 085	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) (c) 475 (4) (b)	
	Of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) - direct and indirect holdings by the institution of the T2 instruments of financial sector entities where the institution has a significant investment in those entities	43 061	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	**Total risk weighted assets**	**3 672 753**		

	Capital ratios and buffers (in HUF million)	**(A) 31 December 2015**	**(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)**	**22,64%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**22,64%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**26,55%**	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount) (1)		CRD 128, 129, 130	
65	of which: capital conservation buffer requirement (1)			
66	of which: countercyclical buffer requirement (1)			
67	of which: systemic risk buffer requirement (1)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (1)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (1)		CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (in HUF million)	**(A) 31 December 2015**	**(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)	8 057	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 2015**	**(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 2015	(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

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

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

Capital requirement for market risk

Description (million HUF)	31.12.2015
Market risk total	**40 619**
Foreign exchange risk	38 123
Interest rate risk	2 305
Equity risk	55
Commodity risk	136
Counterparty risk total	**5 881**
CEM (Current Exposure Method)	4 437
CVA (Credit Valuation Adjustment)	1 444

II.3. Leverage

Net exposure value to leverage ratio (million HUF)	31.12.2015
Total assets as per published financial statements	6 883 826
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
Adjustments for derivative financial instruments	0
Adjustments for securities financing transactions	0
Adjustment for off-balance sheet items	605 224
Other adjustments	162 440
Leverage ratio exposure	**7 651 490**

Leverage ratio (million HUF)		31.12.2015
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	6 883 826
2	Asset amounts deducted in determining Tier 1 capital	-65 365
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**6 818 461**
4	Replacement cost associated with derivatives transactions	97 032
5	Add-on amounts for PFE associated with derivatives transactions	93 010
6	Exposure determined under Original Exposure Method	0
7	**Total derivative exposures**	**190 042**
8	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	37 763
9	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	0
10	**Total securities financing transaction exposures**	**37 763**
11	Off-balance sheet exposures at gross notional amount	1 363 376
12	Adjustments for conversion to credit equivalent amounts	-758 152
13	**Total off-balance sheet exposures**	**605 224**
14	Exposures of financial sector entities according to Article 429 (4) 2nd subparagraph of Regulation (EU) NO. 575/2013	0
Total Exposures		**7 651 490**
Tier 1 capital		**831 469**
Leverage ratio		**10,87%**

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 2015.

On balance sheet net exposures (million HUF)	31.12.2015
Total on-balance sheet exposures (excluding derivatives and SFTs):	**6 328 473**
Trading book exposures	507 738
Banking book exposures	5 820 735
Covered bonds	578 754
Exposures treated as sovereigns	2 069 405
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	72 659
Exposures to institutions	722 826
Exposures secured by mortgages on immovable properties	289 104
Retail exposures	348 598
Exposures to corporates	980 387
Exposures in default	36 182
Other exposures	722 820

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. (The following qualify as receivables: receivables from credit institutions and financial enterprises, loans, advance payments as well as items of receivable type recorded among accruals and deferrals of income.)

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.

OTP Bank determines the payment delay on the basis of the number of the calendar days without the client's fulfilment that pass without debt amortization from the due date of the principal repayment and/or the loan rate payment obligation specified in the assumption of risk contract to the cut-off date of the valuation.

The frequency and length of payment delay, as well as its growing trend increase the credit risk of the transaction and impair the quality of the risk assumption.

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. Classification into asset rating categories occurs on the basis of the expected amount of losses determined on the basis of the value of the collateral.

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.

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).

Net exposures broken down by exposure classes

Exposures (million HUF)	31.12.2015	2015 Average
Exposures to central governments or central banks	2 284 614	2 818 212
Exposures to regional governments or local authorities	58 215	77 334
Exposures to public sector entities	49 557	24 334
Exposures to international organisations	0	0
Exposures to institutions	1 383 739	1 653 642
Exposures to corporates	1 595 683	1 551 062
Retail exposures	638 931	654 047
Exposures secured by mortgages on immovable property	348 838	340 562
Exposures in default	34 426	56 407
Exposures associated with particularly high risk	519 003	502 722
Exposures in the form of covered bonds	578 754	601 303
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	33 918	35 694
Equity exposures	5 430	2 827
Other items	165 461	162 600
Total	**7 696 569**	**8 480 746**

Exposures broken down by geographical areas (by the country of obligors) on 31st December 2015

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	**2 206 380**	**33 136**	**48 875**	**0**	**1 065 550**	**1 248 779**	**362 791**	**315 672**	**33 979**	**519 003**	**578 754**	**33 918**	**5 430**	**165 461**	**6 617 728**
United Arab Emirates	0	0	0	0	0	300	0	0	0	0	0	0	0	0	**300**
Austria	0	0	0	0	10 952	64	4	0	0	7 826	0	0	0	0	**18 846**
Australia	0	0	0	0	216	0	0	0	0	0	0	0	0	0	**216**
Belgium	0	0	0	0	25 084	0	1	0	0	0	0	0	0	0	**25 085**
Bulgaria	0	0	0	0	19 802	14 664	1	36 952	0	59 792	0	0	0	0	**131 211**
Belize	0	0	0	0	0	4 163	0	0	0	3 845	0	0	0	0	**8 008**
Canada	0	0	0	0	291	0	1	0	0	0	0	0	0	0	**292**
Sw itzerland	0	0	0	0	3 677	20 700	2	0	0	0	0	0	0	0	**24 379**
Cyprus	0	0	0	0	0	4 968	0	9 505	9 375	313	0	0	0	0	**24 161**
Germany	24 432	0	0	0	20 936	1 869	11	0	1	0	0	0	0	0	**47 249**
Denmark	0	0	0	0	1 377	4	0	0	0	0	0	0	0	0	**1 381**
Spain	0	0	0	0	1 021	0	1	0	0	0	0	0	0	0	**1 022**
France	0	0	0	0	25 638	0	2	0	0	0	0	0	0	0	**25 640**
United Kingdom	948	0	0	0	83 469	1	2	0	0	0	0	0	0	0	**84 420**
Croatia	0	0	0	0	1 820	3 134	1	0	129	49 382	0	0	0	0	**54 466**
Hungary	2 181 000	33 136	48 875	0	703 472	812 349	359 068	212 787	17 476	79 217	571 552	33 918	1 073	165 461	**5 219 384**
Ireland	0	0	0	0	451	258	0	0	0	0	0	0	0	0	**709**
Italy	0	0	0	0	150	0	1	0	0	0	0	0	0	0	**151**
Japan	0	0	0	0	212	0	0	0	0	0	0	0	0	0	**212**
Luxembourg	0	0	0	0	4 029	42	0	0	0	0	0	0	0	0	**4 071**
Montenegro	0	0	0	0	949	871	5	0	2 637	34 460	0	0	0	0	**38 922**
Malta	0	0	0	0	0	339 352	0	0	0	37 172	0	0	0	0	**376 524**
Netherlands	0	0	0	0	1 994	2	2	0	0	632	0	0	0	0	**2 630**
Norw ay	0	0	0	0	5 456	0	0	0	0	0	0	0	0	0	**5 456**
Poland	0	0	0	0	610	3 250	1	0	0	0	0	0	0	0	**3 861**
Portugal	0	0	0	0	157	0	0	0	0	0	0	0	0	0	**157**
Romania	0	0	0	0	75 152	11 304	43	29 556	1 444	89 466	0	0	0	0	**206 965**
Serbia	0	0	0	0	5 458	1 822	3	4 496	0	27 696	0	0	4 357	0	**43 832**
Russian Federation	0	0	0	0	44 481	22 738	3 535	13 983	0	55 743	0	0	0	0	**140 480**
Slovakia	0	0	0	0	12 359	1 488	67	8 393	1	31 897	7 202	0	0	0	**61 407**
Turkey	0	0	0	0	1 379	0	0	0	0	0	0	0	0	0	**1 379**
Ukraine	0	0	0	0	8 757	5 364	8	0	2 916	41 319	0	0	0	0	**58 364**
United States	0	0	0	0	5 916	1	16	0	0	243	0	0	0	0	**6 176**
Other*	0	0	0	0	285	71	16	0	0	0	0	0	0	0	**372**

* 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 .

Exposure classes broken down by counterparty type on 31st December 2015

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	**2 206 380**	**33 136**	**48 875**	**0**	**1 065 550**	**1 248 779**	**362 791**	**315 672**	**33 979**	**519 003**	**578 754**	**33 918**	**5 430**	**165 461**	**6 617 728**
Goverments	2 092 153	0	0	0	0	0	0	0	0	0	0	0	0	0	**2 092 153**
Municipal	6 500	28 673	0	0	0	0	0	894	0	0	0	0	0	0	**36 067**
Public sector entities	15 246	1 725	48 875	0	0	0	0	0	0	0	0	0	0	0	**65 846**
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Institutions	0	0	0	0	1 064 866	0	0	0	0	0	578 754	0	0	0	**1 643 620**
Coporate	235	2 069	0	0	581	967 699	0	29 597	2 476	5 296	0	33 918	0	3 078	**1 044 949**
Corpoarte SME	30 704	669	0	0	103	281 080	0	222 556	26 715	0	0	0	0	0	**561 827**
Retail	3 499	0	0	0	0	0	337 750	59 167	4 363	0	0	0	0	0	**404 779**
Retail SME	58 043	0	0	0	0	0	25 041	3 458	425	0	0	0	0	0	**86 967**
Equity	0	0	0	0	0	0	0	0	0	0	0	0	5 430	0	**5 430**
Other*	0	0	0	0	0	0	0	0	0	513 707	0	0	0	162 383	**676 090**

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

Exposure classes broken down by residual maturity on 31st December 2015

(million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity
Total	**3 270 687**	**618 804**	**604 711**	**1 435 735**	**687 791**
Exposures to central governments or central banks	1 341 928	141 635	254 187	466 161	2 469
Exposures to regional governments or local authorities	2 190	3 439	3 072	20 679	3 756
Exposures to public sector entities	6 314	564	821	41 176	0
Exposures to international organisations	0	0	0	0	0
Exposures to institutions	661 639	102 166	65 478	236 267	0
Exposures to corporates	720 134	141 848	168 584	218 213	0
Retail exposures	231 704	35 121	57 262	37 144	1 560
Exposures secured by mortgages on immovable property	51 467	36 819	34 728	192 658	0
Exposures in default	6 396	940	15 627	11 016	0
Exposures associated with particularly high risk	0	0	0	0	519 003
Exposures in the form of covered bonds	248 915	156 272	4 952	168 615	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	0	0	0	0	33 918
Equity exposures	0	0	0	0	5 430
Other items	0	0	0	43 806	121 655

Gross exposures with existing impairment broken down by counterparty types

Exposures (million HUF)	31.12.2015
Total	**183 343**
Exposures to banks	29
Gross customer loans	**183 314**
Mortgage	12 977
Consumer	7 296
SME	1 902
Corporate	162 228
Municipal	-1 089

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

Exposures (million HUF)	DPD 0-90	DPD 90+	Total
Total	**2 342 349**	**78 048**	**2 420 397**
Exposures to banks	646 406	29	646 435
Gross customer loans	**1 695 943**	**78 019**	**1 773 962**
Mortgage	63 882	14 078	77 960
Consumer	259 558	7 085	266 643
SME	130 542	1 519	132 061
Corporate	1 222 070	55 222	1 277 292
Municipal	19 891	115	20 006

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

Country (million HUF)	31.12.2015
Total	**183 343**
Hungary	183 343

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	**2 342 349**	**78 048**	**2 420 397**
Hungary	2 342 349	78 048	2 420 397

II.5. Use of External Credit Assessment Institutions

Exposures broken down by credit quality steps (CQS) of obligors

(million HUF)	Exposure 31.12.2015	Credit Quality Steps					
		1	2	3	4	5	6
Exposures to central governments or central banks	2 206 380	25 380	0	0	2 181 000	0	0
Exposures to regional governments or local authorities	33 136	0	0	0	0	0	0
Exposures to public sector entities	48 875	0	0	0	0	0	0
Exposures to international organisations	0	0	0	0	0	0	0
Exposures to institutions	1 065 550	0	0	0	55 962	0	0
Exposures to corporates	1 248 779	28 674	136 114	47 311	0	0	0
Retail exposures	362 791	0	0	28 593	0	0	0
Exposures secured by mortgages on immovable property	315 672	0	0	0	0	0	0
Exposures in default	33 979	0	0	0	0	0	0
Exposures associated with particularly high risk	519 003	0	0	0	30 844	0	0
Exposures in the form of covered bonds	578 754	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	33 918	0	0	0	0	0	0
Equity exposures	5 430	0	0	0	0	0	0
Other items	165 461	0	0	0	0	0	0
Total	**6 617 728**	**54 054**	**136 114**	**75 904**	**2 267 806**	**0**	**0**

II.6. Capital requirements for operational risks

Capital requirements for operational risk of OTP Bank amounted to HUF 20,550 million on 31st December 2015, which was determined by advanced measurement approaches.

Capital requirements for operational risks on 31st December 2015

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	20 550
Total	**20 550**

II.7. Equity exposures not included in the trading book on 31 December 2015

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	ABE Clearing SAS	0	No
2	Air-Invest Ltd.	4 871	No
3	BANK CENTER No. 1. Ltd.	16 063	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	Garantiqa Creditguarantee Closed Co. Ltd.	270	No
10	HAGE Ltd.	135	No
11	INGA KETTŐ Ltd.	17 892	No
12	JSC "OTP Bank" (Russia)	74 321	No
13	Small Business Development Company Ltd.	40	No
14	KÖZVIL Ltd.	0	No
15	LLC AllianceReserve	50 074	No
16	Mátrai Power Plant Closed Company Ltd. by Share	0	No
17	Merkantil Bank Ltd.	1 600	No
18	MONICOMP Ltd.	9 065	No
19	Multipont Ltd.	15	No
20	OTP Fund Management Ltd.	1 653	No
21	OTP Bank JSC (Ukraine)	41 286	No
22	OTP Bank Romania S.A.	94 085	No
23	OTP Banka Hrvatska d.d.	63 709	No
24	OTP Banka Slovensko a.s.	17 125	No
25	OTP Banka Srbija a.d. Novi Sad	27 926	No

Number	Entity	Balance sheet value (in HUF million	Listed (Exchanged-traded)
26	OTP Life Annuity Ltd.	7 570	No
27	OTP Factoring Ltd.	1 411	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 Holding Ltd.	0	No
32	OTP Holding Malta Ltd.	32 359	No
33	OTP Hungaro-Projekt Ltd.	0	No
34	OTP Real Estate Investment Fund Management Ltd.	1 352	No
35	OTP Real Estate Ltd.	7 823	No
36	OTP Real Estate Leasing Ltd.	0	No
37	OTP Ingatlanüzemeltető Ltd.	15	No
38	OTP Mortgage Bank Ltd.	27 000	No
39	OTP Card Factory Ltd.	450	No
40	OTP Building Society Ltd.	1 950	No
41	OTP Funds Servicing and Consulting Ltd.	2 469	No
42	Overdose Vagyonkezelő Ltd. u.v.l.	0	No
43	Financial Research Corporation	1	No
44	PortfoLion Venture Capital Fund Management Ltd.	150	No
45	R.E. Four d.o.o., Novi Sad	4 357	No
46	S.W.I.F.T. SCRL	0	No
47	Szallas.hu Ltd.	582	No
48	VISA Europe Ltd	0	No
49	VISA Incorporated	0	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 2015 were 0 HUF.

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

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

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

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis 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 unchanged margin compared to the last re-pricing.

- 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, EURIBOR and USD LIBOR is analyzed.

The simulation were prepared by assuming two scenarios:

- HUF base rate and BUBOR decreases gradually to 0.85% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.35% (scenario 2)

The net interest income in a one year period after January 1, 2016 would be decreased by HUF 1 221 million (scenario 1) and HUF 3 058 million (scenario 2) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 291 million for scenario 1, HUF 1 109 million for scenario 2) on the government bond portfolio held for hedging.

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 can be summarized as follows:

Description (million HUF)	Effects to the net interest income (1Year period)	(Price change of AFS government bonds)
HUF -0.1% parallel shift	-574	195
EUR -0.1% parallel shift	-214	0
USD -0.1% parallel shift	-134	0
Total	**-922**	**195**

II.9. Disclosure of encumbered and unencumbered assets

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	**657 518**		**6 270 936**	
Equity instruments	813		636 289	
Debt securities	491 394		1 489 833	
Other assets	0		437 860	

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**	**60 756**
Equity instruments	0	0
Debt securities	0	15 206
Other collateral received	0	45 550
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**

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	**660 079**	**657 518**

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 2015 (from HUF 570 billion to HUF 264 billion). In the course of the year, the HUF 52 billion frozen owing to the loan taken from the European Investment Bank (EIB) was released. On the other hand, the value of encumbrances coming from the Funding for Growth Scheme's funds has increased.

The over-collateralization for propriety trading, opened at the end of 2015 on the Budapest Stock Exchange, was HUF 580 million and the rate was HUF 3.5 billion on multinet collaterals.

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

Description	OTP Total	Branch (Germany)	Without Branch (Hungary)
(million HUF)	year 2015	year 2015	year 2015
Turnover	494 874	-	494 874
Profit or loss before tax	-97 223	7	-97 230
Tax on profit or loss	103 534	5	103 529
Public subsidies received	-	-	-
Number of employees on a full time basis	6 708		
Return on assets	-1,38%		

II.11. Shareholders with significant investment in OTP Bank

The OTP Bank had no shareholders with significant investment on 31st December 2015.

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

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 KOVÁCS	-	5
András BECSEI	-	1
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 VÖRÖS	-	2
Ágota SELYMESI	-	2
Frigyes GARAI	-	-
András KUHÁRSZKI	-	1

*with the exception of directorships held at OTP Mortgage Bank

Board members' education data

Board of Directors	
Antal 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 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 GARAI	
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 2015 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 2015 was HUF 32,050 million, the amount of regulatory capital was HUF 45,566 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 11.35%.

OTP Mortgage Bank's capital requirement

OTP Mortgage Bank's capital requirement	
(million HUF)	**31.12.2015**
Total capital requirement	**32 050**
Credit and counterparty risk capital requirement	29 202
Market risk capital requirement	307
Operational risk capital requirement	2 541

The total RWA of OTP Mortgage Bank, containing credit risk RWA, was HUF 365,030 million at the end of December 2015; its audited total capital requirement, containing credit risk capital requirement, was HUF 29,202 million.

RWA and capital requirement of credit risk on 31st December 2015

(million HUF)	RWA	Capital requirement
Standardised approach's capital requirement	**365 030**	**29 202**
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	112	9
Exposures to public sector entities	0	0
Exposures to institutions	22	2
Exposures to corporates	1710	137
Retail exposures	16 479	1 318
Exposures secured by mortgages on immovable property	343 943	27 515
Exposures in default	2 745	219
Other items	19	2

In calculating credit risk capital requirement OTP Mortgage Bank took into consideration the following guarantees as credit risk mitigation at the end of 2015:

- Guarantees of Hungarian central government: the Hungarian central government belongs to the group 4 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

OTP Mortgage Bank's regulatory capital on 31st December 2015

Total regulatory capital (million HUF)	31.12.2015	Cross reference to rows of transitional own funds disclosure template
Share capital	27 000	(1)
Capital reserve		
General reserve	8 314	
Retained earnings	-34 489	(2)
Tied-up reserve		(3)
Balance sheet profit or loss	43 866	(25a)
Goodwill		
Other intangible assets	-166	(8)
Investments		
Of which: deducted from regulatory capital		
Common Equity Tier 1 capital	**44 525**	
Total Tier 1 capital	**44 525**	
Subordinated debt	4 341	
Of which: eligible in regulatory capital (1)	941	(46)
Total Tier 2 capital	**941**	
Total regulatory capital	**45 466**	

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

Breakdown of OTP Mortgage Bank's regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2015	(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)	9 377	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	8 314	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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**	**44 691**		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2015	(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)	-166	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) (c)	
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) to (3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF) (continuation)	(A) 31.12.2015	(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			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		467, 468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
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)	-166		
29	**Common Equity Tier 1 (CET1) capital**	**44 525**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2015	(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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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) 31.12.2015	(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)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)		56 (e)	
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)**	**44 525**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2015	(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	941	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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**	**941**		

	Tier 2 (T2) capital: regulatory adjustments (million HUF)	(A) 31.12.2015	(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)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
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)	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**		
58	**Tier 2 (T2) capital**	**941**		
59	**Total capital (TC = T1 + T2)**	**45 466**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b), 475, 475 (2) (b), 475 (2) (c), 475 (4) (b), 477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	**Total risk weighted assets**	**400 629**		

	Capital ratios and buffers (million HUF)	(A) 31.12.2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**11,11%**	92 (2) (a), 465	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**11,11%**	92 (2) (b), 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**11,35%**	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)		CRD 128, 129, 140	
65	of which: capital conservation buffer requirement (2)			
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 (2)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (2)		CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	(A) 31.12.2015	(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) 31.12.2015	(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) 31.12.2015	(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) Including the balance sheet profit of 2015
(2) Capital buffers are not yet implemented

Capital instruments' main features(1) on 31st December 2015

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)

Capital requirement for market risk

Description (million HUF)	31.12.2015
Market risk total	**307**
Foreign exchange risk	0
Interest rate risk	307
Equity risk	0
Commodity risk	0

III.4. Leverage

Net exposure value to leverage ratio (million HUF)	31.12.2015
Total assets as per published financial statements	1 082 649
Adjustment for entities which are consolidated for accounting purposes	0
Adjustments for derivative financial instruments	0
Adjustments for securities financing transactions	0
Adjustment for off-balance sheet items	3 946
Other adjustments	59 344
Leverage ratio exposure	**1 145 939**

Leverage ratio (million HUF)		31.12.2015
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1 082 648
2	Asset amounts deducted in determining Tier 1 capital	-166
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**1 082 482**
4	Replacement cost associated with derivatives transactions	36 883
5	Add-on amounts for PFE associated with derivatives transactions	19 824
6	Exposure determined under Original Exposure Method	0
7	**Total derivative exposures**	**56 707**
8	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	2 638
9	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	0
10	**Total securities financing transaction exposures**	**2 638**
11	Off-balance sheet exposures at gross notional amount	7 892
12	Adjustments for conversion to credit equivalent amounts	-3 946
13	**Total off-balance sheet exposures**	**3 946**
14	Exposures of financial sector entities according to Article 429 (4) 2nd subparagraph of Regulation (EU) NO. 575/2013	0
Total Exposures		**1 145 773**
Tier 1 capital		**48 917**
Leverage ratio		**4,27%**

There was no material change in the value of leverage ratio in 2015.

On balance sheet net exposures	
(million HUF)	**31.12.2015**
Total on-balance sheet exposures (excluding derivatives and SFTs):	**1 074 390**
Trading book exposures	3 832
Banking book exposures	1 070 558
Covered bonds	0
Exposures treated as sovereigns	4 683
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	558
Exposures to institutions	91 822
Exposures secured by mortgages on immovable properties	896 651
Retail exposures	72 331
Exposures to corporates	1 711
Exposures in default	2 783
Other exposures	19

III.5. Credit risk adjustments

III.5.1. Methodology of valuation and provisions

OTP Mortgage Bank is engaged in an activity falling under the scope of Act XXX. of 1997 on Mortgage Banks and Mortgage Bonds (by the Hungarian abbreviation: Jht.). In order to protect the interests of investors purchasing mortgage bonds, Jht. stipulates tighter-than-usual criteria concerning the coverage securing individual claims and the portfolio as a whole.

Accordingly, the portfolio of OTP Mortgage Bank:

- is homogeneous,
- is comprised, without exception, of loans secured by mortgage, and – for certain loan types – an additional state guarantee as well.

Pertaining to the assessment of the collateral value of the real estate offered as collateral, Jht. stipulates the use of a loan collateral value, which is lower than the market value of the real estate, takes certain risks into consideration and is checked and approved by OTP Mortgage Bank. The regulations governing the establishment of this value are approved by the National Bank of Hungary.

OTP Mortgage Bank's regulations on the collateral registry, which are tight regulations stipulating compliance at the level of the individual collateral items and the portfolio as a whole, are also approved by the National Bank of Hungary. Accordingly, OTP Mortgage Bank's portfolio may only contain fully covered loans.

Changes are monitored by the collateral registry system. Given this background, the internal structure, and hence the quality of the portfolio, are monitored on an ongoing basis.

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. (The following qualify as receivables: receivables from credit institutions and financial enterprises, loans, and advance payments.)

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 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.

OTP Mortgage Bank determines the payment delay on the basis of the number of the calendar days without the client's fulfilment that pass without debt amortization from the due date of the principal repayment and/or the loan rate payment obligation specified in the assumption of risk contract to the cut-off date of the valuation.

The frequency and length of payment delay, as well as its growing trend increase the credit risk of the transaction and impair the quality of the risk assumption.

Outstanding debts subject to group evaluation are classified into five categories during the rating process (problem-free, to be watched, substandard, doubtful, bad; in retail business: from "A" to "E"). A specific rate 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 classified 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 asset, 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;
- 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;
- resale-ability 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 asset 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 asset 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 asset 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. Classification into asset rating categories occurs on the basis of the expected amount of losses determined on the basis of the value of the collateral.

Qualified exposures and impairment

(million HUF)	Qualified exposure on gross value (31.12.2015.)	Volume of provision / impairment (01.01.2015)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2015)
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	102 659	27 691	18 335	-17 247	-2 687	-198	-1 797	25 894
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).

Net exposures broken down by exposure classes

Exposures (million HUF)	31.12.2015	2015 Average
Exposures to central governments or central banks	56 268	59 020
Exposures to regional governments or local authorities	558	497
Exposures to public sector entities	4	4
Exposures to institutions	124 834	164 637
Exposures to corporates	1 711	480
Retail exposures	23 196	25 055
Exposures secured by mortgages on immovable property	902 130	913 818
Exposures in default	2 742	3 000
Other items	19	42
Total	**1 111 462**	**1 166 553**

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

Exposure classes broken down by counterparty type on 31st December 2015

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	4 679	0	0	0	0	0	0	0	0	**4 679**
Municipal	0	558	0	0	0	0	0	0	0	**558**
Public sector entities	0	0	4	0	0	0	0	0	0	**4**
Institutions	0	0	0	124 834	0	0	0	0	0	**124 834**
Coporate	0	0	0	0	1 711	8	0	0	0	**1 719**
Corpoarte SME	0	0	0	0	0	0	1 044	0	0	**1 044**
Retail	51 588	0	0	0	0	21 903	895 307	2 742	0	**971 541**
Retail SME	0	0	0	0	0	79	3 040	0	0	**3 119**
Equity	0	0	0	0	0	0	0	0	0	**0**
Other*	0	0	0	0	0	0	0	0	19	**19**
Total	**56 268**	**558**	**4**	**124 834**	**1 711**	**21 990**	**899 391**	**2 742**	**19**	**1 107 517**

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

Exposures broken down by exposure classes and maturity on 31st December 2015

Exposures (million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity	Non allocated
Total	**94 464**	**31 025**	**46 392**	**913 216**	**22 421**	**0**
Exposures to central governments or central banks	36	247	879	53 308	1 798	0
Exposures to regional governments or local authorities	0	0	0	558	0	0
Exposures to public sector entities	0	0	0	4	0	0
Exposures to institutions	92 829	10 800	0	600	20 605	0
Exposures to corporates	4	0	0	1 707	0	0
Retail exposures	129	1 062	362	20 437	0	0
Exposures secured by mortgages on immovable property	1 459	18 873	45 009	834 051	0	0
Exposures in default	7	43	142	2 550	0	0
Other items	0	0	0	1	18	0

Gross exposures with existing impairment broken down by counterparty types

Exposures (million HUF)	31.12.2015
Total	**40 631**
Exposures to banks	0
Bills of exchange	0
Gross customer loans	**40 631**
Mortgage	40 590
Consumer	0
SME	8
Corporate	33
Municipal	0
Car-finance	0

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

Exposures (million HUF)	DPD 0-90	DPD 90+	Total
Total	**1 030 452**	**40 724**	**1 071 176**
Exposures to banks	70 570	0	70 570
Bills of exchange	0	0	0
Gross customer loans	**959 882**	**40 724**	**1 000 606**
Mortgage	955 811	40 658	996 469
Consumer	0	0	0
SME	2 462	7	2 469
Corporate	1 609	59	1 668
Municipal	0	0	0
Car-finance	0	0	0

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

Country (million HUF)	31.12.2015
Total	**40 631**
Hungary	40 631

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

Country (million HUF)	DPD 1-90	DPD 90+	Total
Total	**1 030 452**	**40 724**	**1 071 176**
Hungary	1 030 452	40 724	1 071 176

III.6. Use of External Credit Assessment Institutions

Exposures broken down by credit quality steps (CQS) of obligors on 31st December 2015

(million HUF)	Exposure 31.12.2015	Based on credit quality step 1	2	3	4	5	6
Exposures to central governments or central banks	56 268	0	0	0	4 734	0	0
Exposures to regional governments or local authorities	558	0	0	0	0	0	0
Exposures to public sector entities	4	0	0	0	0	0	0
Exposures to institutions	124 834	0	0	0	31 134	0	0
Exposures to corporates	1 711	0	0	0	0	0	0
Retail exposures	21 990	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	899 391	0	0	0	0	0	0
Exposures in default	2 742	0	0	0	0	0	0
Other items	19	0	0	0	0	0	0
Total	**1 107 517**	**0**	**0**	**0**	**35 868**	**0**	**0**

III.7. Capital requirement for operational risk

Capital requirements for operational risk of OTP Mortgage Bank was HUF 2,541 million at the end of 2015, which was determined by advanced measurement approaches.

Operational risk capital requirements on 31st December 2015

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	2 541
Total	**2 541**

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

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

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

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis 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, EURIBOR and USD LIBOR is analyzed.

The simulation were prepared by assuming two scenarios:

- HUF base rate and BUBOR decreases gradually to 0.85% (scenario 1)
- HUF base rate and BUBOR decreases gradually to 0.35% (scenario 2)

The net interest income in a one year period beginning with January 1, 2016 would be increased by HUF 152 million (scenario 1) and HUF 304 million (scenario 2) as a result of these simulation.

The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period can be summarized as follows:

Description (million HUF)	Effects to the net interest income in one year period
HUF -0.1% parallel shift	73
HUF 0.1% parallel shift	0
EUR -0.1% parallel shift	0
USD 0.1% parallel shift	0
Total	**73**

III.9. Disclosure of encumbered and unencumbered assets

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	**817 314**		**303 331**	
Equity instruments	0		0	
Debt securities	0		5 794	
Other assets	0		32 627	

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**

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	**701 985**	**817 314**

Information on importance of encumbrance

OTP Mortgage Bank finances its assets mostly (by 62% on 31 December 2015) by issuing mortgage bonds. The collateral for these mortgage bonds is the mortgage portfolio granted from these funds. On 31 December 2015, the carrying amount of the encumbered loan portfolio was HUF 789 billion. The encumbered assets dropped by 7% in 2015.

In 2015, OTP Mortgage Bank's receivables that can be accepted as collateral exceeded the issued mortgage bond portfolio by 12% on average (in respect of the carrying amounts).

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

Description (million HUF)	Hungary year 2015	
Turnover	29 007	
Profit or loss before tax	91 941	
Tax on profit or loss	3 210	*
Public subsidies received	0	
Number of employees on a full time basis	24	
Return on assets	6,53%	

*Special tax on financial institutions has been recognized as 20. Special tax liabilities on credit institutions in 2015.

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

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

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)
Dr. Ilona ÁDÁMNÉ 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 2015.

OTP Building Society applied standardized capital calculation method regarding credit and market risk and advanced measurement approach (AMA) regarding the operational risk. OTP Building Society regulatory capital requirement was HUF 3,606 million as of end of December 2015, the amount of regulatory capital was HUF 6,345 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 14.1%.

OTP Building Society's capital requirement

OTP Building Society's capital requirement	
(million HUF)	**31.12.2015**
Total capital requirement	**3 606**
Credit risk capital requirement	395
Market risk capital requirement	2 901
Operational risk capital requirement	309

The total credit RWA of OTP Building Society was HUF 4,940 million at the end of December 2015, its audited total credit capital requirement was HUF 395 million.

RWA and capital requirement of credit risk on 31st December 2015

(million HUF)	RWA	Capital requirement
Standardised approach's capital requirement	**4 940**	**395**
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	5	0
Exposures to public sector entities	0	0
Exposures to institutions	0	0
Exposures to corporates	378	30
Retail exposures	25	2
Exposures secured by mortgages on immovable property	4 387	351
Exposures in default	0	0
Exposures in the form of covered bonds	0	0
Equity exposures	83	7
Other items	62	5

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

OTP Building Society's regulatory capital

Total regulatory capital (million HUF)	31.12.2015	Cross reference to rows of transitional own funds disclosure template
Share capital	2 000	(1)
Capital reserve		
General reserve	3 444	(3)
Retained earnings	342	(2)
Tied-up reserve		
Balance sheet profit or loss	663	(2)
Goodwill		
Other intangible assets	-104	(8)
Investments	55	(22c, 59a)
Of which: deducted from regulatory capital	0	(19, 22)
Common Equity Tier 1 capital	**6 345**	
Total Tier 1 capital	**6 345**	
Subordinated debt		
Of which: eligible in regulatory capital		
Total Tier 2 capital	**0**	
Total regulatory capital	**6 345**	

Breakdown of OTP Building Society's regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2015	(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)	1 005	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	3 444	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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**	6 449		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2015	(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)	-104	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) (c)	
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) to (3), 79, 470, 472 (11)	

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF) (continuation)	(A) 31.12.2015	(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			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		467, 468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
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)**	**-104**		
29	**Common Equity Tier 1 (CET1) capital**	**6 345**		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2015	(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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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) 31.12.2015	(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)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	Of which items to be detailed line by line, e.g. Material net interim losses intangibles, shortfall of provisions to expected losses, etc.			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)		56 (e)	
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)**	**6 345**		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2015	(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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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) 31.12.2015	(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)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
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)	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**		
58	**Tier 2 (T2) capital**	**0**		
59	**Total capital (TC = T1 + T2)**	**6 345**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b), 475, 475 (2) (b), 475 (2) (c), 475 (4) (b), 477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
60	**Total risk weighted assets**	**45 074**		

	Capital ratios and buffers (million HUF)	(A) 31.12.2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**14,08%**	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	**14,08%**	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	**14,08%**	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)		CRD 128, 129, 140	
65	of which: capital conservation buffer requirement (2)			
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 (2)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (2)		CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	(A) 31.12.2015	(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) 31.12.2015	(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) 31.12.2015	(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) Including the balance sheet profit of 2015
(2) Capital buffers are not yet implemented

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

Capital requirement for market risk

Description (million HUF)	31.12.2015
Market risk total	**2 901**
Foreign exchange risk	0
Interest rate risk	2 901
Equity risk	0
Commodity risk	0

IV.4. Leverage

Net exposure value to leverage ratio (million HUF)	31.12.2015
Total assets as per published financial statements	273 130
Adjustment for entities which are consolidated for accounting purposes	0
Adjustments for derivative financial instruments	0
Adjustments for securities financing transactions	0
Adjustment for off-balance sheet items	59
Other adjustments	-105
Leverage ratio exposure	**273 084**

Leverage ratio (million HUF)		31.12.2015
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	273 130
2	Asset amounts deducted in determining Tier 1 capital	-105
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**273 025**
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	**Total 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	**Total securities financing transaction exposures**	**0**
11	Off-balance sheet exposures at gross notional amount	89
12	Adjustments for conversion to credit equivalent amounts	-30
13	**Total off-balance sheet exposures**	**59**
14	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	0
Total Exposures		**273 084**
Tier 1 capital		**6 345**
Leverage ratio		**2,3%**

There was no material change in the value of leverage ratio in 2015.

On-balance sheet net exposures (million HUF)	31.12.2015
Total on-balance sheet exposures (excluding derivatives and SFTs):	**213 216**
Trading book exposures	23 768
Banking book exposures	189 448
Covered bonds	34 958
Exposures treated as sovereigns	121 451
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	23
Exposures to institutions	28 160
Exposures secured by mortgages on immovable properties	4 357
Retail exposures	33
Exposures to corporates	378
Exposures in default	0
Other exposures	88

IV.5. Credit risk adjustments

IV.5.1. Methods of valuations and provisions

OTP Building Society is engaged in an activity falling under the scope of Act CXIII. of 1996 on Home Savings and Loan Association, which stipulates tighter-than-usual criteria in order to protect customers.

Its activity is restricted to collecting home savings deposits and providing home acquisition loans.

Its products, business regulations and the General Contractual Terms are approved by the National Bank of Hungary.

5-10% of entitled customers have utilized their right to take the loan since the start of OTP Building Society.

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.

Outstanding debts subject to group evaluation are classified into five rating categories on the basis of payment delay. 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.

At the end of December 2015 the gross amount of loans was HUF 4,735 million from which the non-problem-free volume was only HUF 28 million, which is 0.59% of the gross loan volume.

Qualified exposures and impairment

(million HUF)	Qualified exposure on gross value (31.12.2015.)	Volume of provision / impairment (01.01.2015)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2015)
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	4	12	4	0	0	7	12
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).

Net exposures broken down by exposure classes

Exposures (million HUF)	31.12.2015	2015 Average
Exposures to central governments or central banks	121 451	122 257
Exposures to regional governments or local authorities	23	27
Exposures to institutions	28 160	28 739
Exposures to corporates	378	389
Retail exposures	34	45
Exposures secured by mortgages on immovable property	4 416	4 547
Exposures in the form of covered bonds	34 959	35 240
Equity exposures	55	55
Other items	62	31
Total	**189 538**	**191 330**

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

Exposure classes broken down by counterparty type on 31st December 2015

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	121 450	0	0	0	0	0	0	0	0	0	**121 450**
Municipal	0	23	0	0	0	0	0	0	0	0	**23**
Public sector entities	0	0	0	0	0	0	0	0	0	0	**0**
Institutions	0	0	0	28 160	0	0	0	34 958	0	0	**63 118**
Coporate	0	0	0	0	378	0	50	0	0	0	**428**
Retail	0	0	0	0	0	33	4 337	0	0	0	**4 370**
Equity	0	0	0	0	0	0	0	0	55	0	**55**
Other	0	0	0	0	0	0	0	0	0	62	**62**
Összesen	**121 450**	**23**	**0**	**28 160**	**378**	**33**	**4 387**	**34 958**	**55**	**62**	**189 507**

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

Exposures broken down by exposure classes and maturity on 31st December 2015

Exposures (million HUF)	In 1 year	1 - 2,5 year	2,5 - 5 year	Over 5 year	Without maturity
Total	**34 154**	**20 777**	**37 650**	**96 130**	**796**
Exposures to central governments or central banks	5 825	19 784	30 079	65 037	726
Exposures to regional governments or local authorities	0	0	0	23	0
Exposures to institutions	28 159	0	0	1	0
Exposures to corporates	31	89	189	69	0
Retail exposures	1	8	12	12	0
Exposures secured by mortgages on immovable property	124	896	1 972	1 395	0
Exposures in the form of covered bonds	0	0	5 398	29 560	0
Equity exposures	0	0	0	0	55
Other items	14	0	0	33	15

Gross exposures with existing impairment broken down by counterparty types

Exposures (million HUF)	31.12.2015
Gross customer loans	**3 315**
Mortgage	3 310
Corporate	5

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

Country (million HUF)	31.12.2015
Gross customer loans	**3 315**
Hungary	3 315

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

Exposures (million HUF)	DPD 0-90	DPD 90+	Total
Gross customer loans	**4 755**	**20**	**4 775**
Mortgage	4 325	20	4 345

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
Gross customer loans	**4 755**	**20**	**4 775**
Hungary	4 755	20	4 775

IV.6. Use of External Credit Assessment Institutions

Exposures broken down by credit quality steps (CQS) of obligors

(million HUF)	Exposure 31.12.2015	Based on credit quality step 1	2	3	4	5	6
Exposures to central governments or central banks	121 450	0	0	0	121 450	0	0
Exposures to regional governments or local authorities	23	0	0	0	0	0	0
Exposures to institutions	28 160	0	0	0	0	0	0
Exposures to corporates	378	0	0	0	0	0	0
Retail exposures	33	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	4 387	0	0	0	0	0	0
Exposures in the form of covered bonds	34 958	0	0	0	0	0	0
Equity exposures	55	0	0	0	0	0	0
Other items	62	0	0	0	0	0	0
Total	**189 507**	**0**	**0**	**0**	**121 450**	**0**	**0**

IV.7. Capital requirement for operational risk

Capital requirements for operational risk of OTP Building Society amounted to HUF 309 million on 31st December 2015, which was determined by advanced measurement approaches.

Operational risk capital requirements on 31st December 2015

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	309
Total	**309**

IV.8. Exposures in equities not included in the trading book on 31st December 2015

Entity	Balance sheet value (in HUF million)	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 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:

1. HUF base rate and BUBOR decreases gradually to 0.85% (scenario 1)
2. HUF base rate and BUBOR decreases gradually to 0.35% (scenario 2)

The net interest income in a one year period beginning with January 1, 2016 would be decreased by HUF 70 million (scenario 1) and HUF 140 million (scenario 2) as a result of these simulation.

The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period can be summarized as follows:

Description **(million HUF)**	**Effects to the net interest income in one year period**
HUF -0.1% parallel shift	-30

IV.10. Disclosure of encumbered and unencumbered assets

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**		**265 072**	
Equity instruments	0		55	
Debt securities	0		216 602	
Other assets	0		7 703	

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

Description (million HUF)	Hungary year 2015
Turnover	9 375
Profit or loss before tax	1 363
Tax on profit or loss	348
Public subsidies received	0
Number of employees on a full time basis	12
Return on assets	0,34%

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

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	1	2
Ibolya dr. RAJMONNÉ VERES	-	2
dr. Krisztina NAGY	-	1

*with the exception of directorships held at Merkantil Bank

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

*with the exception of directorships held at Merkantil Bank

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. Krisztina NAGY	
ELTE University, Faculty of Law, Budapest	MA in Law (2001)
University of Pécs, Faculty of Law	Lawyer in Statutes of Labour (2012)

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 2015 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 16,779 million at the end of December 2015, the amount of regulatory capital was HUF 24,841 million. The capital adequacy ratio calculated in line with article 92 of CRR stood at 11,84%.

Merkantil Bank's capital requirement

Merkantil Bank's capital requirement (million HUF)	31.12.2015
Total capital requirement	**16 779**
Credit and counterparty risk	15 821
Market risk	50
Operational risk	908

The total credit RWA of Merkantil Bank was HUF 197,756 million at the end of December 2015, its audited total credit capital requirement was HUF 15,821 million.

RWA and capital requirement of credit risk on 31st December 2015

(million HUF)	RWA	Capital requirement
Standardised approach's capital requirement	**197 756**	**15 821**
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	32	3
Exposures to public sector entities	181	14
Exposures to institutions	7 399	592
Exposures to corporates	98 870	7 910
Retail exposures	85 401	6 832
Exposures secured by mortgages on immovable property	0	0
Exposures in default	1 575	126
Exposures in the form of covered bonds	0	0
Equity exposures	3 925	314
Other items	373	30

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

Merkantil Bank's regulatory capital

Total regulatory capital (million HUF)	**31.12.2015**	**Cross reference to rows of transitional own funds disclosure template**
Share capital	2 000	1
Capital reserve	0	
General reserve	1 746	
Retained earnings	2 029	2
Tied-up reserve	1 834	3
Balance sheet profit or loss	15 710	25a
Intangible assets (-)	-247	8
Investments	2 577	22c, 59a
Of which: deducted from regulatory capital	0	
Common Equity Tier 1 capital	**23 072**	
Total Tier 1 capital	**23 072**	
Subordinated debt	**0**	
Of which: eligible in regulatory capital	0	
Total Tier 2 capital	**1 769**	
Of which: general provision	1 769	50
Total regulatory capital	**24 841**	

Breakdown of Merkantil Bank's regulatory capital

	Common Equity Tier 1 capital: instruments and reserves (million HUF)	(A) 31.12.2015	(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	17 739	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	3 580	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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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**	23 319		

	Common Equity Tier 1 (CET1) capital: regulatory adjustments (million HUF)	(A) 31.12.2015	(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)	-247	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) 31.12.2015	(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	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
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)**	-247		
29	**Common Equity Tier 1 (CET1) capital**	23 072		

	Additional Tier 1 (AT1) capital: instruments (million HUF)	(A) 31.12.2015	(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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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) 31.12.2015	(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)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)			
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)**	23 072		

	Tier 2 (T2) capital: instruments and provisions (million HUF)	(A) 31.12.2015	(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)	
	Public sector capital injections grandfathered until 1 january 2018		483 (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) 31.12.2015	(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)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
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)	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0		
58	**Tier 2 (T2) capital**	1 769		
59	**Total capital (TC = T1 + T2)**	24 841		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b), 475, 475 (2) (b), 475 (2) (c), 475 (4) (b), 477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	**Total risk weighted assets**	209 734		

	Capital ratios and buffers (million HUF)	(A) 31.12.2015	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	11,00%	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	11,00%	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	11,84%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount) (1)		CRD 128, 129, 130	
65	of which: capital conservation buffer requirement (1)			
66	of which: countercyclical buffer requirement (1)			
67	of which: systemic risk buffer requirement (1)			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (1)		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (1)		CRD 128	

	Amounts below the thresholds for deduction (before risk-weighting) (million HUF)	(A) 31.12.2015	(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)	2 567	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) 31.12.2015	(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) 31.12.2015	(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)

Capital requirement for market risk

Description (million HUF)	31.12.2015
Market risk total	**50**
Foreign exchange risk	50
Interest rate risk	0
Equity risk	0
Commodity risk	0

V.4. Leverage

Net exposure value to leverage ratio

(million HUF)	31.12.2015
Total assets as per published financial statements	336 143
Adjustment for entities which are consolidated for accounting purposes but are otuside the scope of regulatory consolidation	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)	1 471
Other adjustments	0
Leverage ratio exposure	**337 614**

Leverage ratio

(million HUF)		31.12.2015
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	335 896
2	Asset amounts deducted in determining Tier 1 capital	247
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**336 143**
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	**Total 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	**Total securities financing transaction exposures**	**0**
11	Off-balance sheet exposures at gross notional amount	16 958
12	Adjustments for conversion to credit equivalent amounts	-15 487
13	**Total off-balance sheet exposures**	**1 471**
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)		**337 614**
Tier 1 capital		**23 072**
Leverage ratio		**6,83%**

On balance sheet net exposures (million HUF)	31.12.2015
Total on-balance sheet exposures (excluding derivatives and SFTs):	**335 896**
Trading book exposures	0
Banking book exposures	335 896
Covered bonds	0
Exposures treated as sovereigns	14 111
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	190
Exposures to institutions	71 277
Exposures secured by mortgages on immovable properties	0
Retail exposures	122 197
Exposures to corporates	123 563
Exposures in default	1 416
Other exposures	3 142

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.

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. (The following qualify as receivables: receivables from credit institutions and financial enterprises, loans, advance payments as well as items of receivable type recorded among accruals and deferrals of income.)

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.

Merkantil Bank determines the payment delay on the basis of the number of the calendar days without the client's fulfilment that pass without debt amortization from the due date of the principal repayment and/or the loan rate payment obligation specified in the assumption of risk contract to the cut-off date of the valuation.

The frequency and length of payment delay, as well as its growing trend increase the credit risk of the transaction and impair the quality of the risk assumption.

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. Classification into asset rating categories occurs on the basis of the expected amount of losses determined on the basis of the value of the collateral.

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.

Changes in impairment of the loan portfolio

Description (million HUF)	Volume of provision / impairment (01.01.2015)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2015)
Total	**27 039**	18 481	9 783	4 707	1 600	**2 391**	**29 430**
Loans to credit institutions and financial enterprises - domestic	**14**	16	17	3	0	**-4**	**10**
Loans to non-financial enterprises - domestic	**5 423**	3 012	1 658	527	352	**475**	**5 898**
Household loans - domestic	**19 705**	14 396	8 070	3 963	0	**2 363**	**22 068**
Other domestic loans	**20**	31	28	0	0	**3**	**23**
of which: loans to local governments	**0**	1	1	0	0	**0**	**0**
Loans abroad	**0**	1	1	0	0	**0**	**0**
Other receivables	**367**	65	8	93	0	**-36**	**331**
Other assets	**1 510**	959	0	121	1 248	**-410**	**1 100**

V.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).

Exposures broken down by exposure classes

Exposures (million HUF)	31.12.2015	2015 Average
Exposures to central governments or central banks	13 986	5 547
Exposures to regional governments or local authorities	125	100
Exposures to public sector entities	190	209
Exposures to multilateral development banks	0	0
Exposures to international organisations	0	0
Exposures to institutions	71 277	63 419
Exposures to corporates	140 497	111 605
Retail exposures	122 221	138 060
Exposures secured by mortgages on immovable property	0	0
Exposures in default	1 416	4 573
Exposures associated with particularly high risk	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0
Equity exposures	2 577	3 029
Other items	565	476
Total	**352 854**	**327 018**

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

Exposure classes broken down by counterparty type on 31st December 2015

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	Non-performing exposures	Exposures associated with particularly high risk	Exposures in the form of units or shares in collective investment undertakings ('CIUs');	Equity exposures	Other	Total
Total	**13 986**	**125**	**190**	**0**	**0**	**71 277**	**140 497**	**122 221**	**0**	**1 416**	**0**	**0**	**2 577**	**565**	**352 854**
Governments	13 986	0	0	0	0	0	0	0	0	0	0	0	0	0	**13 986**
Municipal	0	125	0	0	0	0	0	0	0	0	0	0	0	0	**125**
Public sector entities	0	0	190	0	0	0	0	0	0	4	0	0	0	0	**194**
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	71 277	0	0	0	0	0	0	0	0	**71 277**
Coporate	0	0	0	0	0	0	140 497	0	0	285	0	0	0	0	**140 782**
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	122 221	0	1 127	0	0	0	0	**123 348**
Retail SME	0	0	0	0	0	0	0	35 026	0	184	0	0	0	0	**35 210**
Equity	0	0	0	0	0	0	0	0	0	0	0	0	2 577	0	**2 577**
Other*	0	0	0	0	0	0	0	0	0	0	0	0	0	565	**565**

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

Exposures broken down by exposure classes and maturity on 31st December 2015

Exposures (million HUF)	In one year	1 - 2,5 years	2,5 - 5 years	5 years +	Without expiration	Cannot be classified
Net exposure	**130 554**	**36 557**	**118 392**	**47 818**	**2 824**	**0**
Central governments or central banks	13 986	0	0	0	0	0
Regional governments or local authorities	74	1	43	7	0	0
Public sector entities	14	85	89	3	0	0
Institutions	71 277	0	0	0	0	0
Corporate	37 595	15 118	59 151	11 700	0	0
Retail	6 832	21 060	58 759	35 546	0	0
Secured by real estate property	0	0	0	0	0	0
Past due items	211	293	350	562	0	0
Exposures in the form of covered bonds	0	0	0	0	0	0
Equity exposures	0	0	0	0	2 824	0
Other items	565	0	0	0	0	0

Impaired gross exposures broken down by geographical distribution (according to the place of disbursement)

Exposures (million HUF)	31.12.2015
TOTAL	**10 068**
Exposures to banks	**0**
Gross costumer loans	**10 068**
Mortgage	0
Consumer	0
SME	22
Equity	105
Corporate	940
Municipal	0
Car-finance	9 001

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

Exposures (million HUF)	DPD 1-90	DPD 90+	Total
TOTAL	**33 177**	**1 259**	**34 436**
Exposures to banks	**0**	**0**	**0**
Gross costumer loans	**33 177**	**1 259**	**34 436**
Mortgage	0	0	**0**
Consumer	0	0	**0**
SME	1 436	6	**1 442**
Equity	0	0	**0**
Corporate	5 694	97	**5 791**
Municipal	5	0	**5**
Car-finance	26 042	1 156	**27 198**

Impaired gross exposures by counterparty types

Country (million HUF)	31.12.2015
Total	**10 068**
Hungary	9 963
Russia	0
Ukraine	0
Bulgaria	0
Romania	105
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	**33 177**	**1 259**	**34 436**
Hungary	33 177	1 259	34 436
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

Exposures broken down by credit quality steps (CQS) of obligors

(million HUF)	Exposure 31.12.2015	Based on credit quality step 1	2	3	4	5	6	U
Exposures to central governments or central banks	13 986	0	0	0	0	0	0	0
Exposures to regional governments or local authorities	125	0	0	0	0	0	0	0
Exposures to public sector entities	190	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	71 277	0	0	0	0	0	0	0
Retail exposures	140 497	0	0	0	0	0	0	0
Exposures secured by mortgages on immovable property	122 221	0	0	0	0	0	0	0
Exposures in default	0	0	0	0	0	0	0	0
Exposures associated with particularly high risk	1 416	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	2 577	0	0	0	0	0	0	0
Other items	565	0	0	0	0	0	0	0
Total	**352 854**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

V.7. Capital requirement for operational risk

Capital requirements for operational risk of Merkantil Bank amounted to HUF 908 million on 31st December 2015, which was determined by advanced measurement approaches.

Operational risk capital requirements on 31st December 2015

Operational risk capital requirement's breakdown based on methods (million HUF)	
Standardised Approach	0
Alternative Standardised Approach	0
Advanced Measurement Approach	908
Total	**908**

V.8. Exposures in equities not included in the trading book on 31st December 2015

Number	Entity	Balance sheet value (in HUF million)	Listed (Exchanged-traded)
1	Garantiqa Creditguarantee Co. Ltd.	10	No
2	Merkantil Real Estate Lease Ltd.	25	No
3	Merkantil Car Ltd.	252	No
4	Merkantil Lease Ltd.	625	No
5	SPLC Asset Management Ltd.	210	No
6	NIMO 2002 Ltd.	809	No
7	Suzuki Financial Services Ltd.	25	No
8	DSK Leasing A.D.	213	No
9	OTP Leasing Románia IFN S.A.	105	No
10	OTP Leasing D.D.	303	No

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

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

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

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 that 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 adverse changes to interest rates. 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.
- Liabilities with discretionary re-pricing feature by Merkantil Bank were assumed to be re-priced with two-week 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 is analysed.

The simulation was prepared by assuming two scenarios:

- HUF base rate decreases gradually to 0,85 % (probable scenario)
- HUF base rate decreases gradually to 0.35 % (alternative scenario)

The net interest income in a one-year period beginning on January 1, 2016 would decrease by HUF 144 million (probable scenario) and by HUF 313 million (alternative scenario), as a result of this simulation.

The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period can be summarized as follows:

Description (million HUF)	Effects to the net interest income (1Year period)
HUF -0.1% parallel shift	-49
EUR 0.1% parallel shift	1
CHF -0.1% parallel shift	4
Total	**-44**

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

Description (million HUF)	Hungary year 2015
Turnover	19 974
Profit or loss before tax	18 576
Tax on profit or loss	893
Public subsidies received	0
Number of employees on a full time basis	252
Return on assets	5,9%