

## Corporate Governance Report

### Introduction

OTP Bank Plc. (hereinafter: OTP Bank, Bank or Company) regards the development and maintenance of an **advanced corporate governance system** that conforms to local and international standards as being of primary importance. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms provide a stable basis for efficient and profitable operation.

In the interests of this, the Bank continuously reviews and develops its corporate governance practices.

Our corporate governance practice is one of the key elements in ensuring **we are able to achieve our strategic objectives**. Accordingly, within the statutory parameters, we have developed the corporate governance system in a way that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and socially responsible corporate conduct. There is no perfect, universally applicable corporate governance solution that is always able to ensure the achievement of every goal in the most efficient manner possible. For this reason we continuously monitor our practices, identifying any deficiencies that might arise from external and internal changes, and implement the modifications that best serve the fulfilment of our objectives.

The governance structure adjusted to these objectives reflects the specific characteristics of our activity, as well as the statutory, supervisory and stock-exchange requirements that apply to the Bank, including the guidelines of the Budapest Stock Exchange (hereinafter: BSE). The aim of the BSE's corporate governance guidelines is to ensure that the governance and operating structure of listed companies is **transparent and comparable** based on a uniform set of criteria. This enables investors, taking into consideration the specific characteristics of a given company's operations, the complexity of its activities, and the statutory requirements related to its risk management and financial reporting, to make a well-founded judgement regarding the extent to which the given corporate governance practice ensures reliable and profitable operation.

Like all organisations that provide financial and investment services, the Bank's activity is, to a high degree, regulated in statutory provisions. As a consequence, not only certain of our business activities, but our operations as a whole are regulated in detail and monitored by the authorities on a continuous basis. The individual internal control functions (risk management, compliance, and internal audit) have to conform to strict standards, and their effectiveness must be evidenced not only within the internal corporate governance system, but also to the satisfaction of the external supervisory authorities. All these factors assure purposeful, comprehensive and controlled risk management procedures, as well as reliable and appropriately supervised data reporting. Therefore, our status as a financial and investment service provider requires us to implement complex and effective corporate governance practices that simultaneously ensure **responsible conduct towards clients and shareholders, reliable operation, and long-term profitability**.

## **1.) Statement on Corporate Governance Practice**

The Bank's operation fully complies with the provisions of the relevant statutory regulations, the decrees of the supervisory authorities and the regulations of the BSE. The structure and operating conditions of the Company are contained in the Articles of Association, which are approved by the General Meeting.

### **1.1. Management bodies**

#### **Board of Directors**

The Company's management body is the Board of Directors. In its objectives and activities, particular emphasis is placed on increasing shareholder value, profitability and efficiency, and on managing risks and complying fully with external requirements – in other words on ensuring the most effective enforcement of business, ethical and internal control policies.

The scope of its authority is defined in the effective statutory provisions, the Company's Articles of Association, General Meeting resolutions, and the Organisational and Operational Regulations. Its rules of procedure include the legal status and composition of the Board of Directors, as well as the regulations applicable to its operation and decision making.

All the obligations and prohibitions specified for executive officers under Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.

The Board of Directors has an executive role in the governance of the Bank, and this is reflected in its members' remuneration, an important element of which is the share-based honorarium, which serves to harmonise the interests of the board with those of the shareholders.

It oversees the Company's operative management through the Chairman & CEO. The Chairman & CEO is authorised to decide in all matters that do not, pursuant to the Articles of Association, fall within the scope of authority of the General Meeting or the Board of Directors. The employer's rights related to the executive officers of the Company are in general exercised by the Board of Directors as a corporate body, with the proviso that in the case of the deputy CEOs, employer's rights are exercised through the Chairman & CEO, and the prior notification of the Board of Directors is required for their appointment and for the withdrawal of their appointment.

Since the Board of Directors also has an important role in overseeing the work of the management, it is of substantive importance that **the principle of a majority of external (non-executive) members be implemented in respect of the Board of Directors**. The composition of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that goes beyond the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes.

## **Members of the Board of Directors of OTP Bank Plc.:**

The members of the Board of Directors are elected by the General Meeting for a term of five years.

### **Executive members:**

#### **Dr. Sándor Csányi** **Chairman & CEO**

Dr. Sándor Csányi graduated from the College of Finance and Accountancy in 1974 with a bachelor's degree in business administration and in 1980 from the Karl Marx University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance, and a certified auditor. After graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance, after which, between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a head of department at Magyar Hitel Bank. He was deputy CEO of K&H Bank from 1989 to 1992. He has been Chairman & CEO of OTP Bank Plc. since 1992. He is a member of the European Advisory Board of MasterCard, one of the world's leading payment card companies, and is Deputy Chairman of the Board of Directors of MOL Plc., Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and Co-Chairman of the Chinese-Hungarian Business Council. He has been Chairman of the Hungarian Football Association (MLSZ) since July 2010, and a member of the UEFA Executive Committee since March 2015. Since April 2017 he has been a member of the FIFA Council.

As of 31 December 2017 he held 605,097 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 2,405,097).

#### **Antal György Kovács** **Deputy CEO** **Retail Division**

Antal György Kovács graduated from the Karl Marx University of Economic Sciences with a degree in economics. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the managing director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's Deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute.

Between April 2007 and April 2012 he was Chairman of the Supervisory Board of OTP banka Hrvatska d.d.

He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been Chairman of the Board of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. since 24 April 2014. He is Chairman of the Supervisory Board of OTP Fund Management and OTP Mobile Kft.

From 2004 to 14 April 2016 he was a member of OTP Bank's Supervisory Board.

He has been a member of OTP Bank's Board of Directors since 15 April 2016.

As of 31 December 2017 she held 23,728 ordinary OTP shares.

**László Wolf**  
**Deputy CEO**  
**Commercial Banking Division**

László Wolf graduated from the Karl Marx University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993.

From April 1993 he was managing director of OTP Bank's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division. Member of DSK Bank's Supervisory Board. He has been Chairman of the Board of Directors of OTP banka Srbija since 10 December 2010. He is Chairman of the Supervisory Board of OTP Real Estate Ltd. He has been a member of OTP Bank's Board of Directors since 15 April 2016.

As of 31 December 2017 she held 597,164 ordinary OTP shares.

**Non-executive members:**

**Mihály Baumstark**  
**BSc Agricultural Business Administration, MSc Economics**

Mihály Baumstark graduated with a degree in agricultural business administration at Gödöllő University of Agriculture (1973), and went on to do a masters in economics at the Karl Marx University of Economic Science (1981). He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was deputy head of the Investment Policy Department. After this he was managing director of Hubertus Bt., and from 1999 to 2012 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired. He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999. He has been Chairman of OTP Bank's Ethics Committee since 2010, as well as a member of its Remuneration Committee since 2011, and of its Nomination Committee since 2014.

As of 31 December 2017 she held 54,400 ordinary OTP shares.

**Dr. Tibor Bíró**  
**College Associate Professor**

Dr. Tibor Bíró graduated with a bachelor's degree in business administration from the College of Finance and Accountancy (1974) and received a further degree from the Karl Marx University of Economics (1978). He has been a certified auditor and chartered accountant since 1986. He was the Head of the Financial Department of the City Council of Tatabánya from 1978 to 1982. From 1982, he was a professor at the College of Finance and Accounting, and between 1990 and 2013 head of department at the Budapest Business School. Since his retirement in 2015, he has been a visiting lecturer, and working actively in his auditing and consulting company.

From 2000 onwards, for a period of ten years, he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and also worked as a member of the Chamber's Education Committee for five years.

He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been a member of OTP Bank's Remuneration Committee since 2009, and of its Nomination Committee since 2014.

As of 31 December 2017 she held 22,356 ordinary OTP shares.

**Tamás Erdei**  
**BSc Business Administration**

Tamás Erdei graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.

Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was Chairman & CEO.

Between 1997 and 2008, and between 2009 and 2011, he was the elected president of the Hungarian Banking Association.

He is the chairman of the Supervisory Board of the International Children's Safety Service.

He has been a member of OTP Bank's Board of Directors since 27 April 2012. He has been a member of OTP Bank's Risk Assumption and Risk Management Committee, and of its Nomination Committee, since 2014.

As of 31 December 2017 she held 16,039 ordinary OTP shares.

**Dr. István Gresa**  
**PhD Business Administration and Economics**

Dr. István Gresa graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Karl Marx University of Economic Sciences in 1980. He earned a PhD from the University of Economic Sciences in 1983.

He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch.

From 1993 he was director of OTP Bank's Zala County Directorate, and from 1998 he served as the managing director of the bank's West Transdanubian Region.

From 1 March 2006 until 14 April 2016 – when he retired – he was deputy CEO of the Credit Approval and Risk Management Division. Between 2006 and 2017 he was also Chairman of the Board of Directors at OTP Factoring Ltd.

He has been a member of OTP Bank's Board of Directors since 27 April 2012.

As of 31 December 2017 she held 143,071 ordinary OTP shares.

**Dr. Antal Pongrácz**  
**PhD Economics**

Dr. Antal Pongrácz graduated from the Karl Marx University of Economic Sciences in 1969 and earned a PhD from there in 1971. From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt, then in 1998-99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been managing director of OTP Bank's Staff Division and more recently – up until his retirement on 14 April 2016 – Deputy CEO.

He has been Chairman of the Supervisory Board of OTP banka Hrvatska d.d. since 12 April 2012 and of Splitska banka since 2 May 2017.

He has been a member of OTP Bank's Board of Directors since 2002. He was Deputy Chairman of OTP Bank Plc's Board of Directors from 9 June 2009 to 14 April 2016.

As of 31 December 2017 she held 82,101 ordinary OTP shares.

**Dr. László Utassy**  
**Chairman & CEO**  
**Merkantil Bank Zrt.**

Dr. László Utassy graduated from the Faculty of Law of Eötvös Loránd University in Budapest in 1978.

He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd.

He has been a member of OTP Bank's Board of Directors since 2001. He has been a member of OTP Bank's Risk Assumption and Risk Management Committee since 2014.

As of 31 December 2017 she held 200,000 ordinary OTP shares.

**Dr. József Vörös**  
**Professor, academician**  
**University of Pécs**

Dr. József Vörös earned a degree in economics from the Karl Marx University of Economic Sciences in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, and was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was chairman of the Board of Trustees.

He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been Chairman of OTP Bank's Remuneration Committee since 2009, and of its Risk Assumption and Risk Management Committee since 2014.

As of 31 December 2017 she held 150,714 ordinary OTP shares.

**Operation of the Board of Directors of OTP Bank Plc.**

Meetings of the **Board of Directors** are convened by the Chairman & CEO by means of a written invitation, in accordance with the prevailing work schedule.

The Chairman & CEO must convene a meeting of the Board of Directors if

- the Board of Directors has passed a resolution calling for an expedited meeting of the Board of Directors;
- At least three members of the Board of Directors initiate a meeting in writing by designating the reason and the purpose, and the agenda items, and by submitting a written proposal in respect of the decision to be made;
- The Supervisory Board or the auditor initiates such a meeting in writing;
- The National Bank of Hungary (hereinafter: MNB or Supervisory Authority) requires it;
- Under the law, a decision must be made about whether to convene an extraordinary General Meeting.

The meetings of the Board of Directors shall be held as necessary, but at least six times a year.

The Board of Directors passes resolutions in accordance with the rules of procedure, by simple majority; minutes must be taken of its meetings, and its resolutions must be documented.

If decisions are made without convening a meeting, instead of the minutes, a summary must be prepared of the resolutions and these must be attached to the minutes of the next meeting of the Board of Directors that follows the successful written vote.

The table below provides a brief overview of the number of Board of Directors meetings held in 2017, and of the attendance at these meetings:

**Board of Directors meetings**  
**2017**

<i>Date</i>	<i>Present</i>	<i>Absent</i>
27/2	9	1
16/3	10	-
12/6	9	1
18/09	10	-
14/11	9	1
14/12	9	1

**Note:**

*In 2017 the Board of Directors met on a total of 6 occasions. In addition, resolutions were passed on 98 occasions by written vote.*

The items on the agenda of the Board of Directors included, among other things, the tasks stipulated by law, such as making a decision on convening, and specifying the agenda of, the General Meeting, the acceptance of the documents submitted to the annual ordinary General Meeting, preparing a proposal concerning the annual report prepared in accordance with the Accounting Act and the use of the after-tax profit, preparation of the report on the management, on the Company's asset/liability position and on its business policy, measures taken to ensure the appropriate management of the Bank's trading books.

Additional, strategic tasks are, for example, the approval and annual review of the Bank's strategy, determination of its business plan, a review of the Bank's asset/liability position based on the quick reports, review of the Bank's liquidity situation, evaluation of changes in the qualified receivables portfolio, approval and review of the regulations that fall within the Board of Director's scope of authority (collateral evaluation, risk assumption, customer rating, etc.), regular review of compliance with the Credit Institutions Act and Act CXX of 2001 on the Capital Market (hereinafter: Capital Market Act), compliance, and customer complaints management. Furthermore, the Board of Directors is informed of any undertaking of obligations in excess of HUF 3 billion.

In addition, as part of its operative duties, the Board of Directors may make case-by-case decisions in respect of transactions that exceed the threshold value limit.

**Supervisory Board**

At the Bank, in line with the two-tier governance structure, the Supervisory Board performs the oversight of the Company's management and business activity. For this reason – and in accordance with the legal provisions – the principle of a majority of independent (non-executive) members is fully enforced in respect of the composition of the Supervisory Board.

The ratio of independent (non-executive) Supervisory Board members (4 persons) to the total number of Supervisory Board members (6 persons) is 67%.

The rules applicable to the appointment and recall of the employee delegate of the Supervisory Board are defined by the Works Council operating at the Company, and the Company does not consider such a member to be independent.

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board.

The Supervisory Board determines and approves its own rules of procedure.

The Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises a preliminary right of consent in respect of decisions relating to the establishment and termination of the employment of, and well as the determination of the remuneration of, the managers of the internal audit department.

It is the task of the Supervisory Board to accept and regularly review – within the limits defined by the General Meeting – the principles of the Remuneration Policy.

### **Members of the Supervisory Board of OTP Bank Plc.:**

Supervisory Board members are elected by the General Meeting for a term of three years.

#### **Independent members:**

#### **Tibor Tolnay**

#### **Chairman of the Supervisory Board**

Tibor Tolnay graduated from the Budapest University of Technology with a degree in civil engineering in 1978 and then in economic engineering in 1983, and subsequently received a degree in economics from the Budapest University of Economics in 1993.

From 1994 to 2015 he was Chairman & CEO of Magyar Építő Rt. He has been the managing director of ÉRTÉK Kft. since 1994,

and a member of OTP Bank's Supervisory Board since 1992, and Chairman of the same Board since 1999. He was a member of OTP Bank's Audit Committee between 2007 and 2011, and has been again since 2014.

As of 31 December 2017 he held 54 ordinary OTP shares.

#### **Dr. József Gábor Horváth**

#### **Deputy Chairman of the Supervisory Board**

#### **Lawyer**

Dr. József Gábor Horváth earned a degree in law from Eötvös Loránd University in Budapest in 1980. From 1983 he worked for the Hungarian State Development Bank. From 1983 he worked for the Hungarian State Development Bank. He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance. His main fields of expertise are corporate finance and corporate governance. He has been a member of the Supervisory Board of OTP Bank since 1995, and was a member of MOL Plc's Board of Directors between 1999 and 2014.

He has been Deputy Chairman of OTP Bank's Supervisory Board since 2007. He was a member of OTP Bank's Audit Committee between 2007 and 2011, and has been again since

2014. He has been a member of the Board of Directors of INA Industrija Nafta d.d. since 2014.

As of 31 December 2017 he held no ordinary OTP shares.

**Dominique Uzel**

**Director**

**Groupama International SA**

Dominique Uzel graduated as an agricultural development engineer, then obtained a Master's degree in agricultural and food industry management at the ESSEC Business School. He joined Gan in 1991 as head of the agricultural division. Five years later he left France to join Gan España, where he headed the subsidiary's department responsible for planning and auditing, then became technical director of the newly established Groupama Seguros. In 2008 he was appointed managing director of the insurance business, in which capacity he was instrumental in the launch and roll-out of Click Seguros, a direct marketing tool on the Spanish insurance market. In July 2010 he joined the international board of directors of Groupama S.A. as Managing Director for direct insurance, but he also continued to be responsible for the management of the direct insurance division in Spain and Poland. Since 1 October 2012 he has coordinated the international operations of Groupama.

He has been a member of OTP Bank's Supervisory Board since 2013. He has been a member of OTP Bank's Audit Committee since 2014.

As of 31 December 2017 he held no ordinary OTP shares.

**Dr. Márton Gellért Vági**

**General Secretary**

**Hungarian Football Association**

Dr. Márton Gellért Vági graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science (today the Corvinus University of Budapest), where he also earned his doctorate in 1994. From 1987 to 2000 he was a member of the university faculty, in the capacity of associate professor and head of department from 1994 onwards. Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, deputy CEO and then CEO. Between 2006 and 2010 he was Chairman of the National Development Agency. From July 2002 until 1 January 2011 he was a member of the Board of Directors of FHB Nyrt., during which period he also spent four years as Chairman of the Board. Since 2010 he has been general secretary of the Hungarian Football Association.

He has been a member of the UEFA HatTrick Committee since 2011 and of FIFA's Financial Committee since 2017.

He has authored or co-authored more than 80 research papers, essays and books.

He has been a member of OTP Bank's Supervisory Board since 2011. He has been a member of OTP Bank's Audit Committee since 2014.

As of 31 December 2017 he held no ordinary OTP shares.

**Employee delegates:**

**Ágnes Rudas**

**Managing Director**

**Presidential Cabinet Office**

Ágnes Rudas, who represents the employees of OTP Bank, graduated from the College of Finance and Accounting with a degree in business economics in 1979. Certified accountant.

She has worked for the bank since 1992, first as a head of department coordinating the secretarial services supporting the bank's operative activity, then from 1994 onwards she managed organisational development, process engineering and efficiency-boosting projects. From 1999 she was the director in charge of the bank's human resources activity, and since 2007 she has been a managing director. She has been head of the Presidential Cabinet Office since 2016.

She has been a member of the Board of Directors of the OTP Voluntary Supplementary Pension Fund since 1 January 2008, and a member of the Supervisory Board of OTP Banka Slovensko a.s. since 12 April 2012.

With effect from 15 April 2016 she is a member of OTP Bank's Supervisory Board.

As of 31 December 2017 she held 145,598 ordinary OTP shares.

### **András Michnai** **Managing Director**

András Michnai graduated in 1981 from the College of Finance and Accounting with a degree in business administration.

He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. Following this he held a management position in the central network coordination department before returning to work in the branch network. From 1994, as deputy managing director, he participated in the central coordination of the branch network. Between 2005 and 2014 he headed the Bank's Compliance Department as a managing director. He further expanded his professional skills, earning a Master's degree at the Budapest Business School, and is a registered tax advisor.

He has been a member of OTP Bank's Supervisory Board, and representative of the Bank's employees, since 2008. He has been Secretary of OTP Bank's Employees' Trade Union since December 2011.

As of 31 December 2017 she held 5,624 ordinary OTP shares.

### **Operation of the Supervisory Board of OTP Bank Plc.**

The **Supervisory Board** meets at least six times a year.

The meetings of the Supervisory Board are convened by the chairman. The meetings must also be convened if a member of the Supervisory Board or at least two members of the Board of Directors, or the auditor, requests it in writing, indicating the objectives and reasons for the meeting.

The Supervisory Board passes its resolutions by simple majority; minutes are taken of its meetings, and its resolutions are documented.

If decisions are made without convening a meeting, instead of the minutes, a summary must be prepared of the resolutions and these must be attached to the minutes of the next Supervisory Board meeting that follows the successful written vote.

The table below provides a brief overview of the number of Supervisory Board meetings held in 2017, and of the attendance at these meetings:

**Supervisory Board Meetings  
2017**

<i>Date</i>	<i>Present</i>	<i>Absent</i>
17 Feb.	5	1
03/03	5	1
16/3	4	2
12/04*	5	1
19/05	6	-
16/06	5	1
22/09	5	1
01/12	4	2
14/12	6	-

**Note:**

*In 2017 the Supervisory Board met on a total of 9 occasions. In addition, resolutions were passed on 37 occasions by written vote.*

*\*On 12 April 2017 the Bank's General Meeting elected a 6-member Supervisory Board*

The main function of the Supervisory Board is to see to it that the Bank has a comprehensive and effectively operating system of oversight and control. The agendas of the meetings included, among other things, the review of documents to be submitted to the annual ordinary General Meeting, a report on the annual financial statements and on the proposal concerning the use of the after-tax profit, the review of the Bank's annual and interim financial reports, and the proposal to the General Meeting regarding the auditor to be elected as well as his/her remuneration.

The tasks concerning the management of the internal audit unit includes the acceptance of the audit plan at the bank-group level, and the discussion of the report at the bank-group level of the audits performed by the internal audit units and of the performance of the audit tasks at the bank-group level.

The principles and frameworks of the long-term remuneration and incentives system for employees in senior positions are determined by the General Meeting. With effect from 2014, the provisions of the Bank Group's Remuneration Policy are approved, implemented and reviewed by the Supervisory Board, while the Board of Directors is responsible for their monitoring. Accordingly, it adopts the necessary decisions in matters related to the operating of the Remuneration Policy.

Additional agenda items include compliance with the provisions of the Credit Institutions Act, the situation regarding group-level implementation of the Unified Internal Audit System and the further development of the system, a review of the volume and composition of the qualified receivables portfolio, changes in impairment and in the risk provisioning obligation, report on compliance activity, etc.

**1.2 Audit Committee**

The Audit Committee is a body that assists the work of the Supervisory Board in relation to the monitoring of the financial reporting system, selection of the auditor, and cooperation with the auditor. Under its new powers exercised since 1 January 2017, it monitors the internal audit, risk management and reporting systems, as well as the auditor's activity. The Audit Committee reviews and monitors – in respect of the entire OTP Bank Group – the auditor's

independence, with special regard to the performance of any non-prohibited non-audit services to be provided by the auditor in addition to its audit activity. Furthermore, it fulfils the audit committee tasks of the domestic subsidiary banks.

### **Members of OTP Bank Plc's Audit Committee:**

The Audit Committee consists of four members, and its members are elected by the General Meeting from among the **non-executive** members of the Supervisory Board. They are elected for a term of three years. The Audit Committee elects a chairperson from among its own members.

#### **Dr. József Gábor Horváth** **Chairman of the Audit Committee**

(For his CVs, see the section entitled 'Management bodies')

#### **Tibor Tolnay**

(For his CVs, see the section entitled 'Management bodies')

#### **Dominique Uzel**

(For his CVs, see the section entitled 'Management bodies')

#### **Dr. Márton Gellért Vági**

(For his CVs, see the section entitled 'Management bodies')

### **Operation of OTP Bank Plc.'s Audit Committee**

The Audit Committee meets at least two times a year.

The table below provides a brief overview of the number of Audit Committee meetings held in 2017, and of the attendance at these meetings:

#### **Audit Committee meetings 2017**

<b><i>Date</i></b>	<b><i>Present</i></b>	<b><i>Absent</i></b>
16/3	3	1
12/04	3	1
14/12	4	-

#### **Note:**

*In 2017 the Audit Committee met on a total of 3 occasion. In addition, resolutions were passed on 21 occasions by written vote.*

The items on the agenda of the Audit Committee meetings included, among others, a briefing on the profit approved by the Company's auditor, the Company's non-consolidated financial statements prepared in accordance with International Financial Reporting Standards, the

report on the financial statements and on the proposal regarding the distribution of the profit, and a recommendation on the selection of the Company's auditor, approval of the person nominated to be responsible for the audit, and the determining of his/her remuneration.

The proposals submitted by domestic subsidiary banks in relation to the new powers, as well as the quarterly reports on contracts for non-prohibited auditor's services, have also been included in the agenda of the Audit Committee.

### **Remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee**

Determining the remuneration of the Board of Directors, the Supervisory Board and the Audit Committee is in the competence of the Company's supreme body, the General Meeting.

#### **1.3. The operation of the committees**

a) Committees that operate with the participation of non-executive members of the Company's Board of Directors:

##### Remuneration Committee

The Remuneration Committee, established by the Board of Directors and meeting on a continuous basis, prepares proposals to the management bodies for elaborating and monitoring the guidelines and system of remuneration, as well as for specific remuneration decisions.

The Remuneration Committee exercises its authority as a body.

Its chairperson and members are appointed by the Board of Directors, and its rules of procedure are also approved by the Board of Directors.

##### Nomination Committee

This committee, which was established by the Board of Directors in 2014 and operates on a continuous basis, elaborates the principles for selection of the members of the Bank's executive bodies, and nominates candidates accordingly, and also makes recommendations regarding the basic principles and framework for the testing of compliance with the requirements prescribed in respect of members of the executive bodies of the Bank and the Bank Group, and in respect of employees in management and key positions.

Its chairperson and members are appointed by the Board of Directors, and its rules of procedure are approved by the committee itself.

##### Risk Assumption and Risk Management Committee

This committee, which was established by the Board of Directors and operates on a continuous basis, fulfils a decision support function, commenting on the Bank's risk assumption strategy and propensity for risk, and providing support for the supervision of implementation of the risk assumption strategy.

Its chairperson and members are appointed by the Board of Directors, and its rules of procedure are approved by the committee itself.

b) **Special committee:**

##### Ethics Committee

A special committee of the Bank established by the Board of Directors – and consisting of delegated members thereof – presided over by one of the non-executive members of the Board of Directors.

The committee gives guidance on compliance with standards of ethical conduct through its position statements issued in general and specific cases, and its decisions serving to assist with interpretation. The committee also makes decisions in the event of reports, relating to the Bank, made via the ethical complaints hotline, or investigates the reports and makes a decision in a second-tier procedure.

Its rules of procedure are approved by the committee itself.

c) The **permanent committee** established by the Bank's Board of Directors in support of management functions:

#### Management Committee

The Management Committee is a permanent committee established by the Board of Directors. It is a forum that directly supports the work of the Chairman & CEO and is the supreme management body of the Bank. It has decision making power in the issues that are relegated into its scope of authority by the Organisational and Operational Regulations, it takes a preliminary position and prepares decisions in the majority of issues that are discussed by the General Meeting, the Board of Directors and the Supervisory Board, and plays a coordinating role in the senior management of the Bank.

The Management Committee also ensures that the Bank can respond flexibly and effectively to market and regulatory factors and that the Bank as a whole can act in a coordinated fashion.

The Management Committee performs its work on the basis of a six-month work schedule approved by the committee itself, and meets once a month (and on an ad-hoc basis as and when necessary). Its order of business is determined by its rules of procedure.

The following additional permanent committees operate within the Company for the performance of specific tasks:

- Asset-Liability Committee (ALCO)
- Product Development, Sales and Pricing Committee (TÉÁB)
- International Product Development, Sales and Pricing Committee (NTÉÁB)
- Work-Out Committee (WOB)
- Credit and Limits Committee (HLB)
- IT and Operations Board (ITOB)
- Group Operational Risk Management Committee (OpRisk)

Decisions to establish permanent committees are made by the Bank's Board of Directors. The chairpersons of the committees are nominated by the Chairman & CEO, and their rules of procedure – with the exception of the Management Committee – are approved by the head of the Legal Directorate. The Management Committee approves its own rules of procedure. In respect of resolutions, the Asset-Liability Committee, the Credit and Limits Committee, the Group Operational Risk Management Committee, the International Product Development, Sales and Pricing Committee, and the Work-Out Committee, operate on the principle of simple majority, whereas the Management Committee, the Product Development, Sales and Pricing Committee and the IT and Operations Board also pass decisions by a simple majority, but the chairperson has a right of veto.

#### **1.4. Members of OTP Bank Plc.'s senior management (with CV):**

##### **Dr. Sándor Csányi Chairman & CEO**

(For his CVs, see the section entitled 'Management bodies')

##### **László Bencsik Chief Strategy and Finance Officer Strategy and Finance Division**

In 1996, Mr. László Bencsik graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Master's in Business Administration (MBA) from INSEAD Business School in France.

Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture). From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company.

He joined OTP Bank in 2003, when he became managing director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning.

He has been deputy CEO of OTP Bank, and head of the Strategy and Finance Division, since August 2009. Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank.

As of 31 December 2017 she held 34,961 ordinary OTP shares.

##### **Tibor András Johancsik Deputy CEO IT and Bank Operations Division**

Mr. Tibor András Johancsik graduated from the Budapest Technical University with a degree in electrical engineering in 1988, and then in 1993 earned a further degree in foreign trade business administration from the College of Foreign Trade. He began his professional career at as a researcher in the field of industrial automation at the Hungarian Academy of Sciences Institute for Computer Science and Control (MTA SZTAKI). From 1994 onwards he held management positions at the Hungarian subsidiaries of international IT development companies (ICL, Unisys, Cap Gemini).

From 2001 he worked as an advisor in the fields of IT and organisational development, then from 2003, as managing director of JET-SOL Kft., he participated in the development of numerous systems in Hungary and abroad.

Since 24 February 2016 he has been Deputy CEO in charge of OTP Bank's IT and Bank Operations Division.

As of 31 December 2017 she held 4,510 ordinary OTP shares.

##### **György Kiss-Haypál Deputy CEO Credit Approval and Risk Management Division**

György Kiss-Haypál is a qualified economist. He graduated from the Budapest University of Economic Sciences in 1996. He started his career as a project finance analyst for Budapest Bank Plc., and by 2007 he had been appointed head of the bank's risk management

department. Between 2002 and 2006 he also worked in Ireland as corporate credit risk portfolio manager for GE Consumer Finance, and in Austria as GE Money Bank's consumer loans portfolio manager.

From 2015 he was deputy head of the Credit Approval and Risk Management Division of OTP Bank Plc., and was then appointed acting head of the Division.

Since 3 May 2017, he has been deputy CEO of the Credit Approval and Risk Management Division.

He has been chairman of the Board of Directors at OTP Factoring Ltd. since 1 September 2017.

As of 31 December 2017 he held 6,935 ordinary OTP shares.

**Antal György Kovács**

**Member of the Board of Directors, Deputy CEO  
Retail Division**

(For his CVs, see the section entitled 'Management bodies')

**László Wolf**

**Member of the Board of Directors, Deputy CEO  
Commercial Banking Division**

(For his CVs, see the section entitled 'Management bodies')

***1.5. Internal control system***

The appropriate functioning of the internal control system is provided for, at bank-group level, in accordance with the relevant statutory regulations and in keeping with the relevant Recommendations.

The internal control system, alongside responsible corporate governance, is a cornerstone of the internal lines of defence that promote prudent, reliable and effective operation in accordance with the statutory regulations and internal regulations, protects the economic interests and social objectives of the customers and the owners and ensures continued trust in the Company.

The internal control functions are independent of each other and of the areas they supervise and audit. A significant aspect of their operation is management support; however, internal control functions are also expected to provide support to the senior management in making sound decisions.

**Internal audit**

The main function of the internal audit system is to protect customers, the company's assets and shareholder's interests, as well as to facilitate and monitor operation in compliance with the statutory provisions.

The internal audit system extends to all of the company's organisational units, business lines and activities, including outsourced activities. To ensure effective auditing, the internal audit system consists of several modular control levels, and is segmented in line with the departmental structure of the organisation. The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit unit and management information system.

OTP Bank Plc. has developed and applies such a unified internal audit system consistently throughout the Bank Group that is proportionate to the size of the OTP Group and the market share of the Company, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the financial institutions that are subject to consolidated supervision as specified in the Credit Institutions Act. To this end, standardised internal audit procedures and methodologies pertaining to the operation and activities of group members' internal audit departments are developed, enhanced and applied on a continuous basis. Internal audit also liaises regularly and cooperates with external auditing bodies.

The independent internal audit unit assists in the legally compliant and effective management of assets and liabilities and the protection of property; it supports secure business operation, the effectiveness, cost-efficiency and success of internal control systems, the minimisation of risks, and moreover – alongside the compliance unit – it detects and reports departures from the provisions of the statutory regulations and internal policies, makes recommendations for the elimination of deficiencies, and monitors the implementation of the measures. It performs its activities independently, objectively and professionally. Its independence is ensured by the fact that it is professionally overseen by the Supervisory Board, within the framework set out by the Credit Institutions Act. The internal auditing organisation is structured in a way that ensures the performance of owner's audits at the Company, in the branch network and at the foreign and Hungarian subsidiaries, as well as the professional supervision of the subsidiaries' own internal audit organisations in Hungary and abroad.

The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it treats the making of reports and the controlling of data as a priority, and takes into account the Company's prevailing strategic priorities.

The internal audit organisation makes independent reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a group-level, summary account of the audits conducted in the given quarter, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. In exceptional cases that require immediate intervention, it provides the management with extraordinary briefings. The audit organisation reports annually on the performance of the tasks set out in the group-level annual plan, the audits conducted and other activities, and on the circumstances of the organisation's operation, as well as on any changes to the internal audit system.

The organisation annually prepares, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions.

## **Risk management**

The basis for effective group-level risk management is the operating of a standardised, 'OTP-compliant' organisational structure as well as regulations and procedures at the subsidiaries concerned. The Company has detailed risk management rules for each of the various types of risk (liquidity, market, country, counterparty, credit, operational, compliance), and these rules are in harmony with the statutory regulations pertaining to prudential banking operations. The annual report describes the risk management practices, the limits, and compliance with these limits.

Within the Company, the Credit Approval and Risk Management Division and the Strategy and Finance Division exercise functional control over the guidelines, methodology and infrastructure of the bank-group risk management strategy, the purpose of which is to create a clearly defined, transparent, standardised credit, country, counterparty, market and operational risk management system at group level which complies with the expectations of the Supervisory Authority and local conditions. The Bank Group's Risk Assumption Strategy, as well as the rules on risk prescribed by the Credit Institutions Act, are approved by the Bank's Board of Directors.

The Risk Assumption Strategy determines, with respect to the entire Bank Group, the framework for risk management and the principles and guidelines of risk assumption.

With respect to the cornerstones of the risk management methodologies, and the main risk topics for Bank Group members, the final decision-making competence is held by the Group members' risk committees (Credit and Limits Committee, Workout Committee, Group Operational Risk Management Committee).

The Bank's risk management system encompasses the identification of the risks, assessment of their impact, elaboration of the necessary action plans, and the monitoring of their effectiveness and results. The management make their business decisions in a knowledge of all the key risks. All significant risks related to internal and external operations, or to compliance with financial and legal requirements, as well as numerous other risks, are evaluated and managed using a clearly-defined and transparent internal mechanism.

## **Compliance**

In accordance with EU regulations and with the Hungarian statutory provisions an independent organisational unit (the Compliance and Security Directorate) operates at the Company, with the task of exploring and managing compliance risks. This function is supported by the appropriate regulatory documents: the compliance and security policy, strategy and work plan. The purpose of the compliance and security policy is to set out a summary of the Bank's key principles related to compliance and security, and to mark out the main strategy relating to independent compliance and security activity, which together facilitate and support the Bank's compliant, lawful, secure and prudent operation. The compliance policy is approved by the Board of Directors of the Bank. The Bank Group's senior management is responsible for the implementation in practice of the compliance and security policy.

The Compliance and Security Directorate prepares a comprehensive report each year about the Bank Group's compliance activities and position, which is approved by the Bank's Board of Directors.

## **Auditor**

The General Meeting has the authority to elect the company performing the audit, and to approve the nomination of the member responsible for the audit.

Our Company is audited by Deloitte Auditing and Advisory Kft. (Cg. 01-09-071057). Last year the auditor did not perform any activity that might have compromised its independence.

The Audit Committee makes a decision on any non-audit service provided to the auditor, and the related contract may only be concluded with the Committee's approval. The Audit Committee receives quarterly reports on the composition and the value of any non-auditor contracts, ensuring the independence of the auditor.

The Board of Directors must inform the Company's General Meeting and Supervisory Board if the auditor is given any other material mandates. In addition, if warranted, the Company's

Board of Directors, Supervisory Board and other boards may use the services of an external consultant as well.

In the course of developing its accounting policy and accounting procedures, the Company establishes internal controls that reliability assure fulfilment of the Company's objectives in the interest of ensuring the reliability of financial reporting, the effectiveness and efficiency of the various corporate operations, consistency with the latest statutory provisions, and full compliance with the reporting requirements towards the individual regulatory bodies. The detailed tasks relating to the production of reports and to accounting audits are regulated in internal regulatory documents, the scope of which extends to all of the Bank's organisational units involved in the compilation of the financial statements.

An internal regulatory document provides instructions on the account-closing and reporting tasks related to the Company's interim (monthly, quarterly, half-yearly) and annual financial statements, and sets out in a consolidated format the account-closing operations, tasks and reporting actions to be performed monthly, quarterly, half-yearly and at the end of the year, specifying the deadline for completion of the tasks and the persons responsible.

Another regulatory document instructions on the inventory-taking and reconciliation of general ledger accounts serving the temporary recording of items that, at the time they arise, cannot for various reasons be stated immediately in actual asset or liability accounts, or in accounts that serve to record off-balance sheet items.

Pursuant to the provisions of the Accounting Act (IFRS's), the financial statements must be supported with an inventory report. An internal regulatory document sets out in detail the tasks related to inventory-taking, in the interest of assuring the authenticity of the balance sheet through the accurate valuation of assets and liabilities, and ensuring the auditing of records, and through this a strengthening of documentary discipline, the protection of property, and the identification of any depreciated inventory stock and assets that are no longer in use.

In addition to the foregoing, the Company has elaborated and applies detailed accounting procedures, and continuously adapts the related accounting rules in relation to individual new products and activities. The individual internal accounting documents relating to accounting are regularly (annually) reviewed, and updated where necessary. The legal, internal auditing and compliance units also participate in the elaboration and amendment of the Bank's internal regulatory documents.

## **1.6. Disclosure of information**

Providing regular, authentic information is essential if the shareholders and the other participants in the capital market are to make sound decisions, and the way in which the Company discloses information also has an impact on its reputation.

The Company performs its disclosures in strict compliance with the provisions of Act V of 2013 on the Civil Code (hereinafter: Civil Code), the Capital Market Act, the Credit Institutions Act, Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and the Regulations governing their Activities, Act C of 2000 on Accounting and Ministry of Finance Decree 24/2008 (VIII. 15), as well as the relevant Regulations of the BSE. In addition, the Company has effective internal regulations that ensure compliance with the obligation to disclose information.

The aforementioned regulations ensure that all material information concerning the Company, and that may affect the price of the Company's shares, is published accurately, in full, and in good time.

The Board of Directors provides information on the business and strategic goals of the given year at each annual ordinary General Meeting. The proposal to the General Meeting is

published by the Company on the website of the Budapest Stock Exchange in accordance with its rules of disclosure and the provisions of the relevant regulations of the BSE.

The Company, in accordance with the statutory regulations, publishes on the Company's website and in its Annual Report the professional careers of the members of the Board of Directors, the Supervisory Board and the management.

The proposal pertaining to the remuneration of the chairman and members of the Board of Directors and the chairman and members of the Supervisory Board constitute a part of the proposals of the General Meeting.

The Company has detailed risk management regulations that include every type of risk (liquidity, market, country, counterparty, credit, operational, compliance) which are consistent with the statutory regulations pertaining to prudential banking operation. The Annual Report provides information about the Company's risk management practices, the relevant limits and compliance with the limits.

The Company has detailed internal regulations pertaining to insiders and potential insiders that fully comply with the restrictions and prohibitions regulated in detail by the Capital Market Act. In addition, the guidelines pertaining to securities trading by insiders are also available on the website. All transactions involving the Company's shares performed by the members of the Board of Directors and the Supervisory Board are published by the Company in accordance with the rules on disclosure, and the shareholdings in the Company of the executive officers of the Company (number of shares) are published in the Company's Annual Report.

The Board of Directors has assessed the effectiveness of information disclosure processes in 2017, and found them to be satisfactory.

### ***1.7. Overview of the exercising of shareholders' rights***

#### **Participation in the General Meeting and voting rights**

Shareholders may exercise their right of participation and their voting rights at the General Meeting, in person or by proxy.

The letters of proxy must be set forth in a notarised deed or a private deed of full probative force. In the event that a shareholder is represented at the General Meeting by its legal representative (e.g. director, managing director, mayor etc.), the authenticated deed issued by the court or court of registration concerning the right of representation, or a certificate testifying to the election of the mayor, must be presented at the venue of the General Meeting.

The letters of proxy must be handed over at the location specified in the invitation to the General Meeting, within the allotted time. The authorisation shall be valid only for a General Meeting or for a specified period not exceeding twelve months. Unless otherwise regulated, the authorisation shall be valid for the continuation of a suspended General Meeting and for re-convened General Meetings by reason of the lack of quorum. If the letter of proxy was issued outside Hungary, it must satisfy, in terms of its form, the statutory provisions pertaining to the authentication or counter-authentication of documents issued outside Hungary. Information on the subject can be obtained from the Hungarian representation offices abroad.

A condition of participation and voting in the General Meeting is that

- the shareholding as at the time of the ownership verification process is corroborated by the result of the ownership verification process;
- the owner of the shares be validly recorded in the Company's Share Register by the time of its closure as per point 8.4. of the Company's Articles of Association (hereinafter: Articles of Association); and
- the shareholder's shareholding or voting right does not violate the statutory provisions or the provisions of the Articles of Association, which the Company ascertains through a check following receipt of the result of a ownership verification process from KELER Central Depository Ltd. (hereinafter: KELER Zrt).

The rules on participation in the General Meeting and the exercising of voting rights on the part of GDR holders are contained in the Custody Agreement concluded between The Bank of New York and the Company.

Further details are contained in the Articles of Association published on our website.

### ***1.8. Brief description of the rules related to the conducting of the General Meeting***

The Company requests a ownership verification process for the date of the General Meeting (including any repeated General Meeting), as a corporate event, from KELER Zrt. The ownership verification process may take place only in the period between the 7th and 5th trading day at the stock exchange prior to the General Meeting (including any repeated General Meeting). The rules pertaining to the ownership verification process are set out in the latest effective regulations of KELER Zrt.

The Company, at 18:00 Budapest time on the second working day before the General Meeting (or repeated General Meeting), deletes all the data in the Share Register and at the same time registers the results of the ownership verification process in the Share Register, and closes it with the results of the shareholder identification. After this, any entry related to the shareholder's shareholding may only be made in the Share Register, at the earliest, on the working day following the closure of the General Meeting or following the day of the non-quorate General Meeting.

The General Meeting must be announced in the manner specified in respect of announcements made by the Company, at least 30 days before the projected date of the General Meeting, unless otherwise stipulated in the Civil Code and the Credit Institutions Act. The (extraordinary) General Meeting that is to decide on a capital increase necessary to avoid the proceeding referred to in Section 135 (2) of the Credit Institutions Act must be announced at least 10 days prior to the planned start date of the meeting.

The invitation must include the following:

- a) the Company's official name and registered office;
- b) the date and place of the General Meeting;
- c) the manner in which the General Meeting is to be held;
- d) the agenda of the General Meeting;
- e) the provisions contained in section 8.5 of the Articles of Association, with the reminder that shareholders may participate in and vote at the General Meeting only in compliance therewith;
- f) information about the place and date of the handing over of the letters of proxy;

- g) in the event that there is no quorum, the place and date of the reconvened General Meeting
- h) the time of ownership verification process and closure of the Share Register,
- i) the fact that in order to exercise shareholder's rights at the General Meeting the shareholder must be listed in the Share Register at the time of its closure, but subsequent to this the shares may be freely traded without this affecting the ability to exercise shareholder's rights at the General Meeting,
- j) the conditions, stipulated in the Articles of Association, for exercising the shareholder's right to request information,
- k) the conditions, stipulated in the Articles of Association, for exercising the shareholder's right to supplement the agenda of the General Meeting, and
- l) information regarding the time, place and means (including the address of the Company's website) of accessing the motions and draft resolutions on the agenda of the General Meeting.

Questions not listed on the agenda may be discussed by the General Meeting only if all shareholders are present and they give their unequivocal consent thereto.

The General Meeting is regarded as having a quorum if the votes of the attending shareholders represent more than one-third of the total votes embodied by shares entitling the holder to vote.

If a duly convened General Meeting does not have a quorum, then the repeated General Meeting – convened for the time and date and venue specified in the announcement that is published in accordance with section 8.13 of the Articles of Association – shall have a quorum in respect of the agenda items set forth in the invitation irrespectively of the extent of the voting rights represented by those in attendance. If the agenda of the General Meeting includes a proposal relating to the withdrawal of the shares from any regulated market (hereinafter: delisting), then the repeated General Meeting shall have a quorum in respect of such agenda item if shareholders representing more than half of the votes embodied by the shares conferring voting rights are in attendance.

If a General Meeting that has a quorum cannot pass a resolution in respect of all the items on the agenda, it may decide to suspend the meeting and to convene a follow-up General Meeting, while indicating the new time and place. The General Meeting may only be suspended once, and the follow-up General Meeting must be held within 30 days of the suspension.

In respect of the quorum of a suspended and then reconvened General Meeting (follow-up General Meeting), the general rules apply. The follow-up General Meeting may pass decisions only in respect of the announced agenda items of the original General Meeting in respect of which the original General Meeting did not make a decision.

The General Meeting is chaired by the Chairman of the Board of Directors or another person designated by the Board of Directors who

- opens the General Meeting;
- appoints the person responsible for taking minutes;
- determines whether the General Meeting has a quorum;
- gives and revokes the right to speak;
- formulates draft resolutions and puts them to the vote;
- announces the result of the vote on the basis of the results indicated by the vote counters;
- announces the intermission; and
- closes the General Meeting.

Prior to the opening of the General Meeting, shareholders who have voting devices may notify the Chairman of the General Meeting in writing if they would like to speak in relation to any of the agenda items. The comments made by the shareholders may not be on a topic that is different from the designated agenda item. The Chairman of the General Meeting must grant the right to speak to persons who have indicated their desire to speak in accordance with the above.

The Chairman of the General Meeting may determine the order in which the comments on the given agenda item will be heard, may grant any person the right to speak or may retract such right, with the proviso that the right to speak may be retracted from a shareholder who has indicated his/her wish to speak in writing only if the shareholder's comments depart from the given agenda item despite a warning in this regard. The Chairman of the General Meeting may prohibit the recording in the minutes of comments that are made after the right to speak is retracted, and may remove the technical conditions (microphone) needed for making such comments.

The Chairman of the General Meeting may decide to hold the General Meeting in private, and, with the exception of the members of the Board of Directors, the managing directors specified in the Credit Institutions Act, the members of the Supervisory Board, the auditor, shareholders with voting terminals, and the representatives of such shareholders as well as the representatives of the MNB and the BSE, he may exclude anyone from attending the General Meeting.

The General Meeting passes its resolutions, unless the Articles of Association stipulate otherwise, through a simple majority of the votes of the attending shareholders.

Decisions at the General Meeting are made by open vote.

In its first resolution, the General Meeting selects, from the list proposed by the Chairman of the General Meeting, the attending shareholders who will act as the authenticator of the minutes and the vote counters. In the case of an unsuccessful vote the Chairman of the General Meeting must submit a new proposal.

Minutes must be taken of the General Meeting, which must include the following:

- the Company's official name and registered seat;
- the date and place of the General Meeting and the manner in which it is held;
- data necessary for determining whether the General Meeting has a quorum and changes in the number of persons attending;
- the name of the Chairman of the General Meeting, the person taking the minutes, the authenticator of the minutes and the name of the vote counters;
- the most important events at the General Meeting and the proposals made;
- the draft resolutions, in the case of each resolution the number of shares with respect to which valid votes have been cast, the share represented by these votes in the share capital, the number of votes for and against the proposals and the number of those who abstained;
- objections to a resolution by any shareholder and any member of the Board of Directors or the Supervisory Board if the person objecting requests it himself.

The minutes are signed by the Chairman of the General Meeting and the person taking the minutes and are authenticated by an attending shareholder who has been selected for this purpose.

The Board of Directors must send the Company Court an authenticated copy of the minutes of the General Meeting within 30 days after the General Meeting is adjourned, together with the attendance register and the documents that certify that the General Meeting was properly convened.

Further details are contained in the Articles of Association published on our website.

### **1.9. Declaration on Remuneration**

In compliance with the applicable European Union directive (CRD IV) and the provisions of the Credit Institutions Act and Financial Enterprises, the Bank's General Meeting concluding the year 2016, its Board of Directors and Supervisory Board have provided for a review of the Remuneration Policy for the Bank and the Bank Group. In line with the national and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy contains the methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and the procedural rules relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Board of Directors and Supervisory Board of the Bank and of the institutions (credit institutions and investment enterprises) operating within the Bank Group, and – among the staff in an employment relationship with the Bank and with the institutions operating within the Bank Group – the members of the management (Chairman & CEO and the deputies thereof), and managers who materially influence the risk profile and profit, managers who perform special management functions, as well as those managers whose salaries are in the same category as the salaries of the management of the given institution. The personal scope also covers the chief executives and deputy chief executives of those Bank Group Subsidiaries that are under consolidated supervision and that qualify as material business units relative to the Bank or the subsidiary institution concerned, as well as those employees employed by the Bank Group Subsidiaries under consolidated supervision, whose salaries are in the highest-earning 0.3% segment at the level of the Bank Group, the sub-consolidated group managed by the institution or of the institution concerned. Those managers whose impact on the risk profile is deemed to be material at Bank Group level fall under the consolidated-level personal scope, whereas managers whose impact on the risk profile is deemed to be material only at the level of the sub-consolidated group managed by the institution or at institution level fall under the sub-consolidated or local level personal scope. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed. The proportion

of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, is conducted on the basis of the criteria used to measure strategic and individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – remuneration in the form of shares or a preferentially-priced share award, in equal proportions. As a general rule, in the case of the consolidated-level personal scope, the share-based portion of the variable remuneration is provided to the employees concerned by the Bank, whereas within the personal scope identified at sub-consolidated and local level and within the Bank Group subsidiaries operating outside the European Union, remuneration is provided in the form of shares (payment of cash bonus in amounts adjusted to the share price at the given time).

Workers employed at the Bank or at OTP Jelzálogbank Zrt., OTP Lakástakarék Zrt. and Merkantil Bank Zrt., who come under the consolidated-level personal scope of the Bank Group's Remuneration Policy and who receive performance-based remuneration, are entitled, on a voluntary basis, up to the amount of the share-based portion of their performance-based remuneration, to acquire a membership share in OTP Bank's Employee Share Ownership Plan (ESOP) entity. The membership share in the ESOP entity is not fungible, may not be encumbered or pledged as collateral, and shall only guarantee actual settlement of the share award subject to the fulfilment of the conditions prescribed in the Remuneration Policy (result of performance assessment, retrospective assessment of risks). Any share of a member who does not meet the conditions for the award shall revert to the Bank.

In keeping with the Credit Institutions Act, within the personal scope identified at consolidated level, payment of 60% of the variable remuneration, whereas within the personal scope identified at sub-consolidated and local level, as a general rule, payment of 40 % of the variable remuneration, is staggered over a period of 3 years – in the case of the Bank's management for 4 years – during which period the deferred amount is determined annually in equal proportions. Eligibility to receive such deferred instalments is determined through a retrospective assessment of risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the Remuneration Policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

### ***1.10. Evaluation of the work of the Board of Directors, the Supervisory Board and the management***

In accordance with the expectations of the Supervisory Authority, the execution capabilities of the Board of Directors, the Supervisory Board and the management were evaluated with respect to the affected managers, in the framework of the 2017 annual performance evaluation. The evaluation was performed along the following dimensions: business thinking, business and operational development, governance, relationship and resource management, integrity and personal drive. Based on the results of the evaluation, no issue has arisen that would necessitate action.

Within the group of managers concerned, during the evaluated period – based on the conflicts of interest policy, code of ethics, or human risk criteria – no conflict of interest or issue relating to the independence of the managers has arisen.

### ***1.11. Description of the diversity policy applied with respect to the undertaking's administrative, management and supervisory bodies***

The Bank defines and regulates the requirements relating to executive officers in compliance with the requirements and guidelines under European Union and domestic law that fundamentally determine the operation of credit institutions.

When nominating the members of its management bodies (Board of Directors, Supervisory Board) the Bank, and when appointing the members of the Management, the Board of Directors, gives priority to the possession of professional expertise, advanced interpersonal and management skills, varied academic qualifications, wide-ranging business experience and good standing, but they are also strongly committed to taking effective steps to ensure diversity in connection with the Company's operation, including efforts to steadily improve the rate of participation by women.

In this spirit, the Bank's Nomination Committee constantly monitors the applicable European Union and domestic regulations, with the purpose of taking the necessary steps without delay should clearly expressed expectations be announced.

It should be borne in mind, however, that as a public limited company the election of members of the management bodies is the exclusive prerogative of the General Meeting, over which the Bank has no substantive influence beyond fully complying with the above criteria.

Pursuant to the Bank's Articles of Association, a Board of Directors with 5-11 members and a Supervisory Board with 5-9 members operate at the Bank. The present Board of Directors has 10 members, none of whom are female, while the Supervisory Board has 6 members, including one female member since 15 April 2016. The Bank's senior management currently consists of 6 persons, none of whom are women.

## **2.) CG Report on compliance with the Corporate Governance Recommendations**

As part of the Corporate Governance (CG) Report, the Company states, by completing the following tables, the extent to which it has implemented the recommendations and guidances specified in the specific sections of the Corporate Governance Recommendations (hereinafter: CGR) of the Budapest Stock Exchange in its own corporate governance practice.

By looking at the tables, market participants are able to gain a quick insight into the extent to which the corporate governance practices of particular companies comply with certain requirements specified in the CGR, and to quickly compare the practices of various companies.

### **Level of compliance with the Recommendations**

The company specifies whether it has applied the relevant recommendation or not, and if not, it describes briefly the reasons why a particular recommendation has not been implemented.

***R 1.1.1 The Board of Directors has ensured that shareholders have access, in a timely manner, to the information required for exercising their rights.***

Yes

***R 1.1.2 The Company follows the "one share – one vote" principle***

No

Each of the Company's ordinary shares ensures one voting right. In keeping with the stipulations of the Company's Articles of Association, voting rights depend specifically on the size of the shareholding.

***R 1.2.8 The Company ensures that owners may participate in the General Meeting if they meet the same conditions.***

Yes

***R 1.2.9 Only those issues may be put on the General Meeting's agenda items that are accurately defined and described.***

Yes

***The draft resolutions comprised the recommendation of the Supervisory Board and included a detailed explanation of the effects that the decision would have if taken.***

Yes

***R 1.2.10 Shareholders' comments and addenda to the agenda items were published no later than two days before the General Meeting.***

Yes

***R 1.3.8 Comments made in respect of the agenda items of the General Meeting were available to the shareholders no later than at the time of registration.***

Yes

***Written comments in respect of the agenda items were published two working days before the General Meeting.***

Yes

**R 1.3.10 The election and recall of senior officers is made in a separate resolution in respect of each person.**

Yes

**R 2.1.1 The tasks of the Board of Directors include those specified in point 2.1.1.**

Yes

**R 2.3.1 The Board of Directors held meetings at pre-specified, regular intervals.**

Yes

**The Supervisory Board held meetings at pre-specified, regular intervals.**

Yes

**The rules of procedure of the Board of Directors contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.**

Yes

**The rules of procedure of the Supervisory Board contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.**

Yes

**R 2.5.1. The Company's Board of Directors / Supervisory Board has a sufficient number of independent members to ensure impartiality.**

Yes

**R 2.5.4 The Board of Directors / Supervisory Board regularly (in relation to the annual CG report) asked its members who are considered to be independent to confirm that they are independent.**

Yes

**R 2.5.6 The Company has published on its website its guidelines concerning the independence of the Board of Directors / Supervisory Board and the applied criteria of independence.**

Yes

**R 2.6.1 Members of the Board of Directors notified the Board of Directors (supervisory board / Audit Committee) if he/she (or a person who is closely related to him/her) had a material personal stake in any transaction of the Company (or any of its subsidiaries).**

Yes

**R 2.6.2 Transactions concluded between board and management members (and persons related to them) and the Company (or its subsidiary) were conducted in accordance with the regular business practices of the Company but on the basis of stricter rules of transparency than is customary in the course of regular business practices.**

Yes

**Transactions, specified in 2.6.2, which depart from regular business practices and the conditions thereof were accepted by the Supervisory Board (Audit Committee).**

No

The Company prepared procedural rules for approving transactions that depart from usual business practices, and this ensures adequate control.

***R 2.6.3 The board member informed the Supervisory Board / Audit Committee (Nomination Committee) if he/she was asked to act as a member on the board or in the management of a company that does not belong to the Group.***

Yes

***R 2.6.4 The Board of Directors created guidelines pertaining to the flow of information within the Company as well as the management of insider information and supervises compliance therewith.***

Yes

***The Board of Directors created guidelines pertaining to insider trading of securities and supervises compliance therewith.***

Yes

***R 2.7.1 The Board of Directors created remuneration guidelines for the remuneration and evaluation of the work of the Board of Directors, the Supervisory Board and the management.***

Yes

***The Supervisory Board commented on the remuneration guidelines.***

Yes

***The General Meeting approved the remuneration guidelines and the amendments thereto pertaining to the Board of Directors and the Supervisory Board in a separate agenda item.***

Yes

***R 2.7.2 The Board of Directors evaluated its own performance in a given business year.***

No

The Company has a Nomination Committee, which has assessed the board's work. Also see section 1.10 of the report.

***R 2.7.2.1 The Supervisory Board evaluated its own performance in a given business year.***

No

The Company has a Nomination Committee, which has assessed the board's work. Also see section 1.10 of the report.

***R 2.7.3 The supervision of the performance of the management and the remuneration of the management falls within the competence of the Board of Directors.***

Yes

***The framework of and changes in benefits that are due to the members of the management and are different from what is customary are approved by the General Meeting in a separate agenda item.***

Yes

***R 2.7.4 The General Meeting approved the principles of share-based remuneration schemes.***

Yes

**Prior to the decision by the General Meeting concerning share-based remuneration schemes the shareholders received detailed information (at least as described in point 2.7.4)**

Yes

**R 2.7.7 The Company has prepared a Declaration on Remuneration and presented it to the General Meeting.**

No

In compliance with the applicable European Union directive (CRD IV) and the provisions of the Credit Institutions Act and Financial Enterprises, the Bank's General Meeting concluding the year 2016, its Board of Directors and Supervisory Board have provided for a review of the Remuneration Policy for the Bank and the Bank Group. In line with the national and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy contains the methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and the procedural rules relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Board of Directors and Supervisory Board of the Bank and of the institutions (credit institutions and investment enterprises) operating within the Bank Group, and – among the staff in an employment relationship with the Bank and with the institutions operating within the Bank Group – the members of the management (Chairman & CEO and the deputies thereof), and managers who materially influence the risk profile and profit, managers who perform special management functions, as well as those managers whose salaries are in the same category as the salaries of the management of the given institution. The personal scope also covers the chief executives and deputy chief executives of those Bank Group Subsidiaries that are under consolidated supervision and that qualify as material business units relative to the Bank or the subsidiary institution concerned, as well as those employees employed by the Bank Group Subsidiaries under consolidated supervision, whose salaries are in the highest-earning 0.3% segment at the level of the Bank Group, the sub-consolidated group managed by the institution or of the institution concerned. Those managers whose impact on the risk profile is deemed to be material at Bank Group level fall under the consolidated-level personal scope, whereas managers whose impact on the risk profile is deemed to be material only at the level of the sub-consolidated group managed by the institution or at institution level fall under the sub-consolidated or local level personal scope. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed. The proportion of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, is conducted on the basis of the criteria used to measure strategic and individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – remuneration in the form of shares or a preferentially-priced share award, in equal proportions. As a general rule, in the case of the consolidated-level personal scope, the share-based portion of the variable remuneration is provided to the employees concerned by the Bank, whereas within the personal scope identified at sub-consolidated and local level and within the Bank Group subsidiaries operating outside the European Union, remuneration is provided in the form of shares (payment of cash bonus in amounts adjusted to the share price at the given time).

Workers employed at the Bank or at OTP Jelzálogbank Zrt., OTP Lakástakarékpénztár Zrt. and Merkantil Bank Zrt, who come under the consolidated-level personal scope of the Bank Group's Remuneration Policy and who receive performance-based remuneration are entitled, on a voluntary basis, up to the amount of the share-based part of their performance-based remuneration, to acquire a membership share in OTP Bank's Employee Share Ownership Plan (ESOP) entity. The membership share in the ESOP entity is not fungible, may not be encumbered or pledged as collateral, and shall only guarantee actual settlement of the share award subject to the fulfilment of the conditions prescribed in the Remuneration Policy (result of performance assessment, retrospective assessment of risks). Any share of a member who does not meet the conditions for the award shall revert to the Bank.

In keeping with the Credit Institutions Act, within the personal scope identified at consolidated level, payment of 60% of the variable remuneration, whereas within the personal scope identified at sub-consolidated and local level, as a general rule, payment of 40 % of the variable remuneration, is staggered over a period of 3 years – in the case of the Bank's management for 4 years – during which period the deferred amount is determined annually in equal proportions. Eligibility to receive such deferred instalments is determined through a retrospective assessment of risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the Remuneration Policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

***The Declaration on Remuneration contains the remuneration of certain members of the Board of Directors, the Supervisory Board, and the management.***

No

See the previous point.

**R 2.8.1 The Board of Directors or the committee operated by it is responsible for the supervision and direction of the Company's entire risk management operations.**

Yes

**The Board of Directors verifies the efficiency of risk management procedures at specific intervals.**

Yes

**The Board of Directors took the necessary steps to identify key risk areas.**

Yes

**R 2.8.3 The Board of Directors formulated the principles pertaining to the internal control system.**

Yes

**The internal control system, which has been established by the management, ensures that the risks to which the Company is exposed are managed and that the Company's objectives are attained.**

Yes

**R 2.8.4 When formulating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.4.**

Yes

**R 2.8.5 The management is responsible for establishing and maintaining the internal control system.**

Yes

**R 2.8.6 The company created an independent internal audit function, which is under obligation to report to the Audit Committee / Supervisory Board.**

Yes

**The internal audit group reported, at least once, to the Audit Committee / Supervisory Board about the operation of risk management, the internal control mechanisms, and the corporate governance functions.**

Yes

**R 2.8.7 The internal audit activity is performed by internal audit on the basis of a mandate given by the Audit Committee / Supervisory Board.**

Yes

**Internal audit is organisationally separate from operative management.**

Yes

**R 2.8.8 The internal audit plan was approved by the Board of Directors (Supervisory Board) upon the recommendation of the Audit Committee.**

Yes

**R 2.8.9 The Board of Directors prepared a report for shareholders on the operation of internal controls.**

Yes

**R 2.8.10 The Board of Directors formulated its rules of procedure in respect of receiving and processing reports on the operation of internal controls and preparing its own reports.**

Yes

**R 2.8.11 The Board of Directors identified the key deficiencies of internal controls and reviewed and re-evaluated the relevant activities.**

Yes

**R 2.9.2 The Board of Directors, the Supervisory Board and the Audit Committee were notified when the auditor's mandate, by its nature, may have incurred considerable expenditure, may have given rise to a conflict of interest or may have had any other material impact on business operations.**

Yes

**R 2.9.3 The Board of Directors notified the Supervisory Board if it gave a mandate to an audit company or an external audit expert in respect of an event that has a material impact on the Company's operation.**

Yes

**The Board of Directors specified in advance, in a resolution, the events that may be considered to have a material impact on the Company's operation.**

No

In 2017 the Board of Directors did not pass a resolution in this matter.

**R 3.1.6 The company published on its website the tasks delegated to the Audit Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).**

No

OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee and the Committee's objectives are public and available in the Articles of Association and in the Corporate Governance Report. The Audit Committee's rules of procedure are not in the public domain.

**R 3.1.6.1 The company published on its website the tasks delegated to the Nomination Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).**

No

OTP Bank Plc. has established and operates a Nomination Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Nomination Committee and the Committee's objectives are public and available in the Corporate Governance Report. The Nomination Committee's rules of procedure are not in the public domain.

**R 3.1.6.2 The company published on its website the tasks delegated to the Remuneration Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).**

Yes

**R 3.2.1 The Audit Committee / Supervisory Board oversaw the effectiveness of risk management, the operation of the internal control system and the internal audit activity.**

Yes

**R 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information about the work schedule of the internal auditor and the independent auditor, and received a copy of the report by the auditor on the problems identified during the audit.**

Yes

**R 3.2.4 The Audit Committee / Supervisory Board asked the new nominee for auditor to submit a disclosure declaration as specified in 3.2.4.**

Yes

**R 3.3.1 The Company has a Nomination Committee.**

Yes

**R 3.3.2 The Nomination Committee prepares the way for changes in personnel.**

Yes

For managers who are subject to the authority of the Nomination Committee.

**The Nomination Committee reviewed the procedures pertaining to the selection and appointment of the members of the management.**

Yes

**The Nomination Committee evaluated the activities of board members and the members of the management.**

Yes

**The Nomination Committee examined all proposals concerning the nomination of board members that were proposed by the shareholders or by the Board of Directors.**

Yes

**R 3.4.1 The Company has a Remuneration Committee.**

Yes

**R 3.4.2 The Remuneration Committee has submitted a proposal regarding the remuneration system of the boards and the management (amount and structure of remuneration for each person), and oversees this process.**

Yes

**R 3.4.3 The remuneration of the management has been approved by the Board of Directors based on the proposal of the Remuneration Committee.**

Yes

The remuneration of the Board of Directors is approved by the General Meeting upon the recommendation of the Remuneration Committee.

Yes

**The Remuneration Committee has also checked the system of share options, cost reimbursements and other contributions.**

Yes

**R 3.4.4 The Remuneration Committee formulated proposals with regard to the principles of remuneration.**

Yes

**R 3.4.4.1 The Remuneration Committee formulated proposals with regard to the remuneration of individual persons.**

Yes

**R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts that were concluded with the management.**

No

A review of the terms of contracts concluded with members of the management does not fall within the remit of the Remuneration Committee.

**R 3.4.4.3 The Remuneration Committee checked if the Company has satisfied the obligation of disclosure regarding executive remuneration issues.**

Yes

**R 3.4.7 The majority of the members of the Remuneration Committee are independent.**

Yes

**R 3.5.1 The Board of Directors has disclosed its reasons for merging the Remuneration and the Nomination Committee.**

No

The Company operates both a Remuneration Committee and a Nomination Committee.

**R 3.5.2 The Board of Directors performed the tasks of the Nomination Committee and issued a statement on its reasons for doing so.**

No

The Nomination Committee performed its own tasks.

**R A 3.5.2.1 The Board of Directors performed the tasks of the Remuneration Committee and issued a statement on its reasons for doing so.**

No

The Remuneration Committee performed its own tasks.

**R 4.1.1 The Board of Directors, in its disclosure guidelines, has determined the principles and procedures that ensure that all material information that has a significant bearing on the Company and on the price of its shares is published and is accessible accurately, in full and in good time.**

Yes

**R 4.1.2 In the course of providing information, the Company has ensured that all shareholders and market participants receive equal treatment.**

Yes

**R 4.1.3 The Company's disclosure guidelines include electronic and internet disclosure procedures.**

Yes

**The Company's website has been created with due regard to the disclosure guidelines, and with a view to providing appropriate information to investors.**

Yes

**R 4.1.4 The Board of Directors has assessed the effectiveness of disclosure processes.**

Yes

**R 4.1.5 The Company publishes its corporate events calendar on its website.**

Yes

**R 4.1.6 The Company, in its annual report and on its website, has provided information to the public about its strategic goals and about its guidelines related to its core activity, business ethics and its various stakeholders.**

Yes

**R 4.1.8 The Board of Directors has stated in its annual report the other mandates, together with the type and volume of such mandates, that the entity that audits the Company's annual financial statements has received from the Company and its subsidiaries.**

Yes

**R 4.1.9 The Company, in its annual report and on its website, has disclosed information pertaining to the professional careers of members of the Board of Directors, the Supervisory Board and the management.**

Yes

**R 4.1.10 The Company provided information about the internal organisation and operation of the Board of Directors and the Supervisory Board.**

Yes

**R 4.1.10.1 The Company provided information about the work of the Board of Directors and the Management Committee, and the criteria applied when evaluating the individual members.**

Yes

**R 4.1.11 The Company has published in its annual report and on its website a Declaration on Remuneration, which describes the remuneration guidelines used and, specifically, the guidelines pertaining to the remuneration of members of the Board of Directors, the Supervisory Board and the management.**

No

See the comments under point 2.7.7 above.

**R 4.1.12 The Board of Directors has published risk management guidelines which discuss the internal control system, and the risk management principles and rules, and provide an overview of major risks.**

Yes

**R 4.1.13 In order to provide information to market participants, the Company publishes its report on corporate governance once a year, when the annual report is published.**

Yes

**R 4.1.14 The Company publishes on its website the guidelines pertaining to securities trading in respect of the Company's shares by persons classified as insiders.**

Yes

**The Company, in its annual report and on the Company's website, has disclosed information about the stakes held in the Company's securities and in its share-based incentive system by members of the Board of Directors, the Supervisory Board and the management.**

Yes

***R 4.1.15 The Company has published in the annual report and on the Company's website the relationship of members of the Board of Directors and the management with any third parties that may have an impact on the Company's operation.***

Yes

## **Level of compliance with the guidances**

The Company must specify whether it applies the relevant guidance of the CGR or not.

Yes

G 1.1.3 The Company has an organisational unit that deals with investor relations.

Yes

G 1.2.1 The Company has published on its website the summary related to its General Meetings and shareholder voting rights (including voting by proxy).

Yes

G 1.2.2 The Company's Articles of Association are accessible on the Company's website.

Yes

G 1.2.3 The Company's website contains the information specified in point 1.2.3 (regarding the cut-off date in respect of corporate events).

Yes

G 1.2.4 The Company has published on its website the information and documents regarding the General Meeting as specified in point 1.2.4 (invitation, proposals, draft resolutions, resolutions, minutes).

Yes

G 1.2.5 The Company held its General Meeting by ensuring that as many shareholders can attend as possible.

Yes

G 1.2.6 The Company published the addenda to the agenda items within five days of their receipt, in a manner that is identical to the manner of publishing the original invitation to the General Meeting.

Yes

G 1.2.7 The voting procedure used by the Company ensured that the decision by the owners is determined unequivocally, clearly and quickly.

Yes

G 1.2.11 The Company, upon the shareholders' request, forwarded information pertaining to the General Meeting electronically as well.

Yes

G 1.3.1 The Company's General Meeting accepted the chairman of the General Meeting prior to the actual discussion of the agenda items.

No

G 1.3.2 The Board of Directors and the Supervisory Board were represented at the General Meeting.

Yes

G 1.3.3 The Company's Articles of Association allow the invitation of a third party to the Company's General Meetings upon the initiative of the Chairman of the Board of Directors or the shareholders of the Company, and such third party may participate with advisory right and comment on the relevant agenda item.

Yes

G 1.3.4 The Company did not restrict the right of owners who participate in the General Meeting to ask for information, to comment and to submit a motion and did not set any preconditions in respect of such right.

Yes

G 1.3.5 The Company published on its website within three days its responses to questions that it was unable to answer satisfactorily at the General Meeting. The Company published an explanation in respect of questions that it refused to answer.

Yes

G 1.3.6 The Chairman of the General Meeting and the Company ensured that responses to questions asked at the General Meeting did not violate any statutory or stock exchange regulations pertaining to the provision of information and disclosure and ensured that such provisions are observed.

Yes

G 1.3.7 The Company published a press release and/or held a press conference about the decisions of the General Meeting.

Yes

G 1.3.11 The Company's General Meeting makes decisions about amendments to the Articles of Association in separate resolutions.

Yes

G 1.3.12 The Company published the minutes of the General Meeting containing the Company's resolutions, the description of the draft resolutions and all material questions and answers concerning the draft resolutions within 30 days after the General Meeting.

Yes

G 1.4.1 The Company, within 10 working days, paid dividends to shareholders who have provided all necessary information and documents.

Yes

G 1.4.2 The Company published its guidelines concerning solutions for preventing hostile takeovers directed at the Company.

No

G 2.1.2 The rules of procedure of the Board of Directors contain the organisational structure of the Board of Directors, tasks related to the preparation and execution of the meetings and the formulation of resolutions and other issues related to the operation of the Board of Directors.

Yes

G 2.2.1 The Supervisory Board provides a detailed description in its rules of procedure and work plan of the operation and tasks of the board, as well as of the administrative rules and procedures that the Supervisory Board follows.

Yes

G 2.3.2 The board members had access to the proposals of the given meeting at least five days before the given meeting.

Yes

G 2.3.3 The rules of procedure stipulate the regular and occasional participation in the board meetings of non-board members.

Yes

G 2.4.1 The members of the Board of Directors were selected in a transparent manner, and information pertaining to the candidates were disclosed at least five days before the General Meeting.

Yes

G 2.4.2 The composition and headcount of the boards complies with the stipulations of point 2.4.2.

Yes

G 2.4.3 In the orientation program of the Company, newly elected non-executive board members were able to learn about the structure and operation of the Company and their tasks as board members.

Yes

G 2.5.2 The division of the tasks of the chairman and the CEO is stipulated in the key documents of the Company.

Yes

G 2.5.3 The Company provided information about how it ensures that the Board of Directors remains objective in its evaluation of the management activities in the event that the position of Chairman & CEO is combined.

No

G 2.5.5 No member of the Company's Supervisory Board held a position on the Company's Board of Directors or in the management in the three years prior to his/her nomination.

No

G 2.7.5 The remuneration policy of the Board of Directors, the Supervisory Board and the management serves the purposes of the Company and therefore the strategic objectives of shareholders.

Yes

G 2.7.6 Members of the Supervisory Board receive a fixed remuneration no portion of which is tied to the share price.

Yes

G 2.8.2 The Board of Directors elaborated risk management principles and basic rules together with the members of the management who are responsible for planning, operating and supervising risk management processes and for the incorporation thereof into the Company's daily operation.

Yes

G 2.8.10 When evaluating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.10.

Yes

G 2.8.12 The Company's auditor assessed and evaluated the Company's risk management systems and the risk management activities of the management and submitted a relevant report to the Audit Committee / Supervisory Board.

Yes

G 2.9.1 The rules of procedure of the Board of Directors include the procedure to be followed when the services of an external consultant are used.

Yes

G 2.9.1.1 The rules of procedure of the Supervisory Board include the procedure to be followed when the services of an external consultant are used.

Yes

G 2.9.1.2 The rules of procedure of the Audit Committee include the procedure to be followed when the services of an external consultant are used.

Yes

G 2.9.1.3 The rules of procedure of the Nomination Committee include the procedure to be followed when the services of an external consultant are used.

Yes

G 2.9.1.4 The rules of procedure of the Remuneration Committee include the procedure to be followed when the services of an external consultant are used.

Yes

J 2.9.4 The Board of Directors may invite the Company's auditor to attend its meetings where the agenda items of the General Meeting are discussed, with advisory right.

Yes

G 2.9.5 The Company's internal audit organisation cooperated with the auditor in order to ensure the effective execution of the audit.

Yes

G 3.1.2 The Chairman of the Audit Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the management body and the Supervisory Board.

No

G 3.1.2.1 The Chairman of the Nomination Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the management body and the Supervisory Board.

Yes

G 3.1.2.2 The chairman of the Remuneration Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the management body and the Supervisory Board.

Yes

G 3.1.4 The Company's committees consist of members who have appropriate abilities, expertise and experience for carrying out their tasks.

Yes

G 3.1.5 The rules of procedure of the Company's committees contain the stipulations specified in point 3.1.5.

Yes

G 3.2.2 The members of the Audit Committee / Supervisory Committee received comprehensive information on the Company's accounting, financial and operating characteristics.

Yes

G 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Board of Directors about the operation of the Board of Directors and the work and performance of individual members of the Board of Directors.

Yes

G 3.3.4 The majority of the members of the Nomination Committee is independent.

Yes

G 3.3.5 The Nomination Committee's rules of procedure include the stipulations specified in point 3.3.5.

No

G 3.4.5 The Remuneration Committee ensures that a declaration on remuneration is prepared.

No

G 3.4.6 The Remuneration Committee consists only of the non-executive members of the Board of Directors.

Yes

G 4.1.4 The Company's disclosure guidelines include at least the stipulations set out in point 4.1.4.

Yes

In the annual report the Board of Directors informs shareholders of the results of its study concerning the effectiveness of disclosure processes.

Yes

G 4.1.7 The Company prepares its financial statements in accordance with IFRS principles.

Yes

G 4.1.16 The Company prepares and publishes its statements in English as well.

Yes