

## Resolutions made at OTP Bank's AGM

OTP Bank Plc. announces that at its Annual General Meeting of 12 April 2019 the following resolutions were made:

### **RESOLUTION No. 1/2019**

*The Annual General Meeting accepts the Board of Directors' report on the Company's financial activity for the year ended 2018, furthermore with full knowledge of the Independent Auditor's Report, the Audit Committee's Report and the Supervisory Board's report, it accepts the proposal on the Bank's separate financial statements and the consolidated financial statements in accordance with the International Financial Reporting Standards for the year ended 2018, and the proposal for the allocation of the after-tax profit of the parent company.*

*The Annual General Meeting determines the statement of financial position for the year ended 2018 with total assets of HUF 8,506,188 million and with net profit for the period of HUF 173,442 million. The net profit for the period is allocated as follows: the general reserve must be increased by HUF 17,344 million, and HUF 61,320 million shall be paid as dividend from the net profit for the period.*

*The dividend per share is HUF 219, compared to the face value of shares it's 219%. The actual rate of dividend paid to shareholders is calculated and paid based on the Articles of Association, so the Company distributes the dividends for its own shares among the shareholders who are entitled for dividends. The dividends shall be paid from 3 June 2019 in accordance with the policy determined in the Articles of Association.*

*The Annual General Meeting determines the Company's consolidated balance sheet with total assets of HUF 14,590,288 million, and with net profit of HUF 318,322 million. The profit for shareholders is HUF 318,233 million.*

**FOR: 160,680,764 (99.95%)**

**AGAINST: 300**

**ABSTAIN: 69,164**

### **RESOLUTION No. 2/2019**

*The Annual General Meeting approves OTP Bank Plc.'s 2018 Report on Corporate Governance.*

**FOR: 160,747,795 (99.99%)**

**AGAINST: 0**

**ABSTAIN: 0**

### **RESOLUTION No. 3/2019**

*The Annual General Meeting, based on the request of the Board of Directors of the Company, has evaluated the activities of the executive officers in the 2018 business year and certifies that the executive officers gave priority to the interests of the Company when performing their activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of the executive officers in the business year 2018.*

**FOR: 157,553,053 (99.27%)**

**AGAINST: 1,079,210**

**ABSTAIN: 69,166**

#### **RESOLUTION No. 4/2019**

*Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2019, the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2019 until 30 April 2020.*

*The Annual General Meeting approves the nomination of dr. Attila Hruby (No. 007118 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of dr. Attila Hruby as appointed auditor in this capacity, the Annual General Meeting proposes the appointment of Tamás Horváth (No. 003449 chartered auditor) to be the individual in charge of auditing.*

*The Annual General Meeting establishes the total amount of HUF 67,128,000 + VAT as the Auditor's remuneration for the audit of the separate and consolidated annual financial statements for the year 2019, prepared in accordance with International Financial Reporting Standards. Out of total remuneration, HUF 53,353,000 + VAT shall be paid in consideration of the audit of the separate annual accounts and HUF 13,775,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.*

**FOR: 124,483,270 (77.43%)**

**AGAINST: 36,102,971**

**ABSTAIN: 60,183**

#### **RESOLUTION No. 5/1/2019**

*The Annual General Meeting decides to amend the Articles of Association by way of a single resolution in accordance with the proposal of the Board of Directors.*

**FOR: 160,749,158 (99.99%)**

**AGAINST: 532**

**ABSTAIN: 2**

#### **RESOLUTION No. 5/2/2019**

*The Annual General Meeting approves the amendment of Article 9 Section 4, Article 9 Section 14, Article 10 Section 1, Article 10 Section 2, Article 10 Section 3, Article 10 Section 4, Article 11 Section 6, Article 12/A. Section 1, Article 12/A Section 2 of the Articles of Association in accordance with the proposal of the Board of Directors, as per the annex to the minutes of the Annual General Meeting.*

**FOR: 160,694,596 (99.96%)**

**AGAINST: 3,432**

**ABSTAIN: 49,242**

#### **RESOLUTION No. 6/2019**

*The Annual General Meeting elects Mrs. Klára Bella as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2019 business year but not later than 30 April 2020.*

**FOR: 159,504,689 (99.22%)**

**AGAINST: 1,241,302**

**ABSTAIN: 2**

#### **RESOLUTION No. 7/2019**

*The Annual General Meeting in line with the annex of the minutes of the meeting approves the remuneration principles of OTP Bank Plc. and simultaneously empowers the Supervisory Board of the Company to define the rules of the bank group's remuneration policy in detail in line with the remuneration principles.*

**FOR: 157,628,390 (98.05%)**

**AGAINST: 3,053,825**

**ABSTAIN: 59,638**

## **RESOLUTION No.8/2019**

*The Annual General Meeting does not modify the honorarium of the members of the Board of Directors and the members of the Supervisory Board as determined in resolutions No. 9/2016 and No. 10/2017 of the Annual General Meeting. The members of the Audit Committee are not to receive any remuneration.*

**FOR: 157,457,148 (99.21%)**

**AGAINST: 1,243,397**

**ABSTAIN: 4**

## **RESOLUTION No.9/2019**

*The Annual General Meeting, based on the Subsection 1 of Section 3:223 of Act V of 2013 on the Civil Code, hereby authorizes the Board of Directors of OTP Bank Plc. (hereinafter referred to as "Bank") to acquire own shares of the Bank especially for the purpose of supplying the shares necessary for the management incentives system that is in operation at the Bank, creating the opportunity for rapid intervention in the event of share price fluctuations, developing and maintaining the services provided to customers, and executing transactions related to optimization of the Company's capital.*

*The Board of Directors is authorized to acquire a maximum of as many ordinary shares issued by the Bank with a nominal value of HUF 100 that is one hundred forints, as ensures that the portfolio of own shares, in respect of the measure stipulated in the frame-permissions of the Magyar Nemzeti Bank, does not exceed 70,000,000 shares at any moment in time.*

*Should the acquisition of own shares take place in a reciprocal transaction, then the consideration applied in such transaction may be a minimum of the share's nominal value, and a maximum of 150% of the highest price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction, or, in the case of a stock-exchange transaction, 120% of the closing price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction. The Board of Directors may exercise its rights set forth in this mandate until 12 October 2020. The mandate set forth in Annual General Meeting resolution no. 10/2018 shall lose its effect upon the passing of this resolution.*

**FOR: 124,727,305 (77.58%)**

**AGAINST: 35,945,258**

**ABSTAIN: 60,288**

OTP Bank Plc.

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## 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. The liability of the Board of Directors extends to the operation of the entire Company, as part of which the Board's main tasks include the approval of the Company's strategy, annual report, major organisational restructurings and policies, as well as making other significant company law-related decisions. 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.

In view of the fact that the Board of Directors also has an important role to play 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** (3 executive members, 7 non-executive members). 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 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 February 2018, he is Vice President of the FIFA Council.

As of 31 December 2018 he held 740,667 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 3,425,995).

#### **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 2018 she held 27,263 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. Between 30 June 2014 and 9 September 2018, he was 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 2018 she held 605,029 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 2011 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 2018 she held 54,000 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 2018 she held 24,956 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 2018 she held 9,639 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. He was Chairman of the Board of Directors at OTP Factoring Ltd. between 2006 and 2017.

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

As of 31 December 2018 she held 154,401 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 was Chairman of the Supervisory Board of Splitska banka from 2 May 2017 until its successful integration (on 30 November 2018).

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

As of 31 December 2018 she held 86,901 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.

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. He has been Chairman of the Board of Directors of Merkantil Real Estate Leasing Ltd. since 4 April 2018.

As of 31 December 2018 he held 208,792 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 2018 she held 151,314 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 2018, and of the attendance at these meetings:

**Board of Directors meetings**  
**2018**

<b><i>Date</i></b>	<b><i>Present</i></b>	<b><i>Absent</i></b>
<i>28 Feb.</i>	9	1
<i>13 March</i>	10	-
<i>5 June</i>	10	
<i>17 Sept.</i>	10	-
<i>19 Nov.</i>	9	1
<i>12 Dec.</i>	10	

**Note:**

*In 2018 the Board of Directors met on a total of 6 occasions. In addition, resolutions were passed on 102 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 liability of the Supervisory Board extends to the supervision of the lawfulness of the Company's operation, its business practices and management, including the control of the Company's internal audit organisation. 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 organisation.

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 2018 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 was a member of the Board of Directors of INA Industrija Nafta d.d. from 2014 to 2018.

As of 31 December 2018 he held no ordinary OTP shares.

**Olivier Péqueux**  
**Groupama**

He graduated from the Institute of Actuaries of France and Université Paris-Dauphine. He started work in 1998 as an insurance commissioner for the French Insurance Supervisory Authority.

In 2003, he joined the French Ministry of Finance to take part in the reform of the pension laws and the establishment of a pension fund for French civil servants. He then became technical adviser to the French Minister of Health and Pensions.

In 2005, he joined Groupama Group, first in charge of the actuary and accounting department of Gan Patrimoine, a life insurance company, and then in 2007 as Chief Financial Officer of Groupama Paris Val de Loire.

He moved to China in March 2011 as deputy CEO of Groupama China, where he was in charge of finance, actuary matters and investments in the joint venture between Groupama and AVIC.

From 2015 to 2017, he was the CEO of Groupama AVIC. He has been the Chairman of Groupama-Avic Property Insurance Company Ltd. since 2017.

He has been a member of the Supervisory Board and Audit Committee of OTP Bank since 2018.

As of 31 December 2018 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 2018 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 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 2018 she held 160,118 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 2018 she held 100 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 2018, and of the attendance at these meetings:

**Supervisory Board Meetings  
2018**

<i>Date</i>	<i>Present</i>	<i>Absent</i>
<i>2 March</i>	4	2
<i>13 March</i>	4	2
<i>18 May</i>	5	1
<i>5 June</i>	5	1
<i>21 Sept.</i>	4	2
<i>23 Nov.</i>	6	
<i>12 Dec.</i>	6	-

**Note:**

*In 2018 the Supervisory Board met on a total of 7 occasions. In addition, resolutions were passed on 48 occasions by written vote.*

*Dominique Uzel resigned from his post on the Supervisory Board with effect from 13 April 2018.*

*On 13 April 2018, the Bank's General Meeting elected Mr. Olivier Péqueux as a new member of the 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 CV, see the section entitled 'Management bodies')

#### **Tibor Tolnay**

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

#### **Olivier Péqueux**

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

#### **Dr. Márton Gellért Vági**

(For his CV, 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 2018, and of the attendance at these meetings:

### **Audit Committee meetings 2018**

<b>Date</b>	<b>Present</b>	<b>Absent</b>
<i>18 March</i>	<i>3</i>	<i>1</i>
<i>12 Dec.</i>	<i>4</i>	<i>-</i>

#### **Note:**

*In 2018 the Audit Committee met on a total of 2 occasions. In addition, resolutions were passed on 24 occasions by written vote.*

*Dominique Uzel resigned from his post on the Audit Committee effective as of 13 April 2018.*

*On 13 April 2018, the Bank's General Meeting elected Mr. Olivier Péqueux as a new member of the Audit Committee.*

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)
- Group Impairment Committee

Permanent committees are the Bank's bodies in charge of preparing and making decisions as well as conducting consultations. The task of permanent committees is to prepare and make decisions needed for the performance of the Bank's business activities, for minimising the Bank's risks and for ensuring its operation. Decisions to establish permanent committees are made by the Bank's Board of Directors. The members of the committees are persons in charge of the professional areas concerned, who have exceptional expertise and all-round competence in the given matter. 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, the Work-Out Committee and the Group Impairment Committee operate on the principle of simple majority, while in the case of the Management Committee, the Product Development, Sales and Pricing Committee and the IT and Operations Committee, decisions are made by a simple majority of votes 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 CV, see the section entitled 'Management bodies')

##### **Dr. Zsolt Barna** **General Deputy CEO** **Group Governance and Operations Division**

Dr. Zsolt Barna started his professional career at the State Financial and Capital Market Supervisory Commission, and rising through the ranks he became managing director of the Financial and Capital Market Supervisory Directorate in 2006. In this position, he was responsible for the supervision of banks and banking groups. Between 2006 and 2010, he was a member and permanent invitee to the CESR's, CEBS's management bodies and professional committees.

He has been working for OTP Group since 2010, during which time he was appointed to Chairman of the Board of Directors of CKB Bank in Montenegro, where he was in charge of the bank's reorganisation. Following several executive positions within OTP Group, between 8 June 2016 and 31 August 2018 he held the position of the Chairman and CEO of OTP Real Estate Investment Fund Management Ltd. and, in addition, from September 2016 to 31 August 2018 he acted as Chairman of the Board of Directors of OTP Fund Management Ltd. He has been Chairman of the Board of Directors of OTP Real Estate Investment Fund Management Ltd. since 8 June 2016. In 2017-2018, he supervised the integration of OTP

Bank's Croatian subsidiaries. Starting from 10 September 2018, he has been Chairman of the Supervisory Board of OTP Real Estate Ltd.

Since 1 September 2018, he has been the General Deputy CEO in charge of OTP Bank's Group Governance and Operations Division.

As of 31 December 2018 he held no ordinary OTP shares.

### **László Bencsik**

#### **Deputy CEO**

#### **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 2018 she held 39,105 ordinary OTP shares.

### **Tibor András Johancsik**

#### **Deputy CEO**

#### **IT and 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 Operations Division.

He has been Chairman of the Supervisory Board of Monicom Zrt. since 1 April 2016.

As of 31 December 2018 he held 8,558 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 2018 she held 20,131 ordinary OTP shares.

**Antal György Kovács**

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

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

**László Wolf**

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

(For his CV, 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 independent internal audit organisation has unrestricted access to the information, documents and data needed to carry out the audits, and receives continuous information on any and all changes in the structure, risks and priorities of the group.

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.

Once a year, the internal audit organisation draws up, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions and, in line with the provisions of the Credit Institutions Act, reports, once a year, to the Supervisory Board and the Board of Directors on the regularity of internal audit tasks, professional requirements and the conduct of audits, and on the review of compliance with IT and other technical conditions needed for the audits.

## **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. (company reg. no. 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), 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 2018, 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).

Voting at the General Meeting is performed using a computer, with a voting device. The shareholder or the shareholder's proxy, provided that he or she is attending lawfully in accordance with the provisions of the Articles of Association, may collect the voting device after certifying his or her identity and signing the attendance register at the venue of the General Meeting. If due to technical reasons voting is not possible with the voting device, the voting will take place with the help of voting books. Any given shareholder (including a shareholder represented by a shareholder's proxy) is only entitled to use a single voting device (book of voting slips)."

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. Remuneration Statement**

In compliance with the relevant European Union directive (CRD IV) and the provisions of the Credit Institutions Act, the Bank's General Meeting concluding the year 2017, 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).

Employees employed at the Bank or at OTP Mortgage Bank Ltd, OTP Building Society Ltd, Merkantil Bank Ltd, OTP Fund Management Ltd, OTP Factoring Ltd, OTP Real Estate Investment Fund Management Ltd, OTP Real Estate Ltd and OTP Pénzügyi Pont Ltd, who are subject to the consolidated-level personal scope of the Bank Group Remuneration Policy and who receive performance-based remuneration, are entitled, on a voluntary basis and 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.

Within the context of the Bank Group Remuneration Policy, the summarised information pertaining to the remuneration of employees in positions that have a material impact on the risk profile – including the remuneration of management – is contained in the following tables, in a breakdown as set out in the sector-specific legal regulations applicable to the Bank.

Aggregated quantitative data on remuneration at the Bank, by type of activity<sup>1)</sup>:

Remuneration for 2018					
Investment banking	Retail banking	Asset management	Corporate functions	Independent control functions	All other
(million HUF)					
408	1,601		2,619	596	331

Notes:

- 1) The types of activity were determined in accordance with Annex 13 of MNB Decree No. 28/2017. (XI.22.):
  - a. Investment banking: includes corporate finance advisory services, equity and capital market services, trading and sales;
  - b. Retail banking: includes deposit collection and all loan provision activity (for individuals and businesses);
  - c. Asset management: includes portfolio management, Undertakings for Collective Investment in Transferable Securities (UCITS) and other forms of asset management;
  - d. Corporate support functions: all internal support functions (e.g. HR, IT), whether at consolidated level, i.e. with responsibility for the entire institution, or at the stand-alone level, i.e. at the individual subsidiaries;
  - e. Independent control functions: staff working in independent risk management, compliance and internal audit functions as described in the EBA guidelines on internal governance;
  - f. Other activity: employees who cannot be classified as working in any of the specified business activities.

Aggregated quantitative data on remuneration at the Bank, by type of remuneration:

Persons receiving remuneration <sup>1)</sup>	Remuneration for 2018			Amount of unpaid, deferred remuneration <sup>4)</sup>		The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments <sup>5)</sup>
	Fixed remuneration <sup>2)</sup>	Performance based remuneration <sup>3)</sup>		Entitlement obtained	Entitlement not obtained	
		Cash based	Share based			
(persons)	(million HUF)					
48	2,827	1,364	1,364	261	3,055	1,192

Notes:

- 1) Employees at the Bank under the Bank Group Remuneration Policy as of 2018, whose professional activities have a material impact on the risk profile.
- 2) Contains the accrued amount of the share award that constitutes the fixed remuneration which will be settled after the General Meeting that closes the year 2018.
- 3) The calculated amount of performance-based remuneration for 2018, the settlement of which may take place based on performance evaluations after the General Meeting for 2019.
- 4) The first, second, third and fourth deferred part and the short-term withheld portion (vested) of the share-based part of performance-based remuneration for 2017, the second and third deferred part of performance-based remuneration for 2016, and the third deferred part of performance-based remuneration for 2015.
- 5) The third deferred part of performance-based remuneration for 2014, the second deferred part of performance-based remuneration for 2015, the first deferred part of performance-based remuneration for 2016 and the short-term withheld portion of the share-based part of performance-based remuneration for 2016, settled in 2018.

The amount of unpaid, deferred remuneration for employees in positions in years prior to 2018 which have a material impact on the risk profile but which positions are no longer identified by the Bank in 2018 or for employees that have already retired, and the amount of deferred remuneration awarded during the business year, was as follows:

Persons receiving remuneration	Amount of unpaid, deferred remuneration		The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments
	Entitlement obtained	Entitlement not obtained	
(persons)	(million HUF)		
22	5	357	426

During the business year, within the scope of the Remuneration Policy, no employees at the Bank received severance payment exceeding the statutory level, and no sign-on bonuses were given.

For 2018, one person receives remuneration between EUR 3.0-3.5 million, and two persons between EUR 1.0-1.5 million (calculated at the MNB exchange rate of 28 December 2018).

Remuneration settled in 2018 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board amounted to HUF 1,232 million, which includes the amount of the share allowance constituting the fixed remuneration of the members of the Board of Directors and which is settled after the General Meeting closing the 2017 business year.

Name	Position	Amount of compensation		Total amount of cash compensation in 2018 (HUF)
		HUF/month	OTP shares number/month <sup>1</sup>	
<b>Board of Directors</b>				
Dr. Sándor Csányi	Chairman	810,000	1,000	9,720,000
Antal György Kovács	Member	695,000	800	8,340,000
László Wolf	Member	695,000	800	8,340,000
Dr. Antal Pongrácz	Member (non-executive)	695,000	800	8,340,000
Dr. István Gresz	Member (non-executive)	695,000	800	8,340,000
Mihály Baumstark	Member (non-executive)	695,000	800	8,340,000
Tamás Erdei	Member (non-executive)	695,000	800	8,340,000
Dr. Tibor Bíró	Member (non-executive)	695,000	800	8,340,000
Dr. László Utassy	Member (non-executive)	695,000	800	8,340,000
Dr. József Vörös	Member (non-executive)	695,000	800	8,340,000
<b>Supervisory Board</b>				
Tibor Tolnay	Chairman	2,400,000	---	28,800,000
Dr. Gábor Horváth	Deputy Chairman	1,900,000	---	22,800,000
Dominique Uzel	Member	1,700,000	---	---
Olivier Péqueux	Member	1,700,000	---	---
Dr. Gellért Márton Vági	Member	1,700,000	---	20,400,000
Ágnes Rudas	Member (employee)	1,700,000	---	20,400,000
András Michnai	Member (employee)	1,700,000	---	20,400,000

Notes:

- 1) The share allowance is settled once a year, within 30 days after the General Meeting that closes the given business year, and in respect of 50% of the shares the beneficiaries are subject to an extended holding obligation (prohibition on sale) up to the end of their mandates.
- 2) Until 13 April 2018, the honorarium was transferred to Groupama S.A.
- 3) From 13 April 2018, the honorarium was transferred to Groupama S.A.

### ***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 2018 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 7 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.

**1.1.1. The Company has an organisational unit that deals with investor relations or a designated person that performs these tasks.**

Yes

**1.1.2. The Company's Articles of Association are accessible on the Company's website.**

Yes

**1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, the Company has published the methods and conditions for doing so, including all necessary documents.**

Yes

**1.2.1. The Company has published on its website a summary document with the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders.**

Yes

**1.2.2. The Company has published the precise date when the circle of those eligible to participate in a given company event is determined (effective date), and has also published the last date when the shares granting eligibility for participating in the given company event are traded.**

Yes

**1.2.3. The Company held its General Meetings by ensuring that as many shareholders can attend as possible.**

Yes

**1.2.6. The Company has not restricted the rights of shareholders to designate a different representative for each of their securities accounts at any General Meeting.**

Yes

**1.2.7. For proposals for the agenda items, in addition to the Board of Directors' draft resolution, the Supervisory Board's opinion was also disclosed to shareholders.**

Yes

**1.3.3. The Company has not restricted the rights of shareholders attending a General Meeting to request information, add comments and submit proposals, and has not set any preconditions for these, unless measures were taken in the interest of conducting the General Meeting in accordance with the rules and with its intended purpose.**

Yes

**1.3.4. By answering the questions raised at the General Meeting, the Company has ensured compliance with the information provision and disclosure principles set out in the legal and stock-exchange requirements.**

Yes

**1.3.5. The Company published on its website, within three working days after the General Meeting, its answers to questions that the representatives of the Company's boards or any auditor present were unable to satisfactorily answer at the time, or information as to why it refrained from offering answers.**

Yes

**1.3.7. The Chairman of the General Meeting ordered a recess or suggested that the General Meeting be postponed when a motion or proposal relating to a particular issue on the agenda was submitted which the shareholders did not have a chance to become familiar with before the General Meeting.**

Yes

**1.3.8.1. The chairperson of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling senior officers and Supervisory Board members.**

Yes

**1.3.8.2. For senior officers or Supervisory Board members, whose nominations were supported by shareholders, the Company disclosed the identity of the supporting shareholder(s).**

Yes

**1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting passed a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific manner.**

Yes

**1.3.10. The Company published the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting.**

Yes

**1.5.1.1. The Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members established guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management.**

Yes

**1.5.1.2. The tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its business/financial position were taken into consideration when establishing performance-based remuneration for the members of the management.**

Yes

**1.5.1.3. The remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members were assessed by the Supervisory Board.**

Yes

**1.5.1.4. The guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members were approved by the General Meeting in a separate agenda item.**

Yes

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

Yes

**1.5.2.2. 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

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

Yes

**1.5.3.2. Prior to the decision by the General Meeting concerning share-based remuneration schemes the shareholders received detailed information (at least as described in point 1.5.3)**

Yes

**1.5.4. The Company has a remuneration scheme in place which does not incentivise the staff to focus only on short-term maximisation of the share price.**

Yes

**1.5.5. Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price.**

Yes

**1.5.6. The Company has prepared a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations that are binding for the Company), which was presented to the General Meeting. The Remuneration Statement presented the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration. This information included the disclosure of the remuneration for the Board of Directors/Governing Board and the Supervisory Board, the details of all fixed and variable elements, any other remunerations, as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year.**

Yes

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

Yes

**1.6.1.2. 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**

**1.6.2.1. The Company has internal regulations in place with respect to disclosure (publication), which covers the treatment of the information listed in Section 1.6.2 of the Recommendations.**

**Yes**

**1.6.2.2. The internal regulations of the Company cover the classification of events that are material in terms of disclosure.**

**Yes**

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

**Yes**

**1.6.2.4. The Company has published the findings of its assessment of the disclosure processes.**

**Yes**

**1.6.3. The Company has published its annual corporate event calendar.**

**Yes**

**1.6.4. The Company has published its strategy, its business ethics policy and its guidelines related to other stakeholders.**

**Yes**

**1.6.5. The Company has published information on the careers of Board of Directors /Governing Board, Supervisory Board and management members in its annual report or on the company website.**

**Yes**

**1.6.6. The Company has published all relevant information about the work of the Board of Directors/Governing Board, the Supervisory Board and the management, the assessment of such work and any changes thereto in the current year.**

**Yes**

**1.6.7.1. The Company has published its remuneration guidelines in line with the recommendations set out in Section 1.5.**

**Yes**

**1.6.7.2. The Company has published its Remuneration Statement in line with the recommendations set out in Section 1.5.**

**Yes**

**1.6.8. The Company has published its risk management guidelines and information about its system of internal controls, the main risks and the principles applied in their management.**

**Yes**

**1.6.9.1. The Company has published its guidelines relating to the trading of its shares by insiders (insider dealing).**

**Yes**

**1.6.9.2. The Company has disclosed the share of the Board of Directors/Governing Board, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the share-based incentive system in the annual report or in some other manner.**

Yes

**1.6.10. The Company has disclosed the relationship of Board of Directors/Governing Board, Supervisory Board and management members with third parties which could affect the operation of the Company.**

Yes

**2.1.1. The Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors/Governing Board.**

Yes

**2.2.1. The Board of Directors/Governing Board has rules of procedure in place defining the tasks related to the preparation and conduct of meetings, and to the adopted resolutions, as well as other issues related to the operation of the Board of Directors/Governing Board.**

Yes

**2.2.2. The Company has published the procedure for nominating Board of Directors/Governing Board members and the principles for determining their remuneration.**

Yes

**2.3.1. In its rules of procedure and its work plan, the Supervisory Board provides a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it.**

Yes

**2.4.1.1. The Board of Directors/Governing Board and the Supervisory Board held meetings periodically at predefined intervals.**

Yes

**2.4.1.2. The rules of procedure of the Board of Directors/Governing Board and the Supervisory Board provides rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic means of communication.**

Yes

**2.4.2.1. The board members had access to the proposals of the given meeting at least five working days before the given meeting.**

Yes

**2.4.2.2. The Company ensured the appropriate conduct of the meetings, the drawing up of minutes on the meetings, and the management of the documentation and the resolutions of the Board of Directors/Governing Board and the Supervisory Board.**

Yes

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

Yes

**2.5.1. The members of the Board of Directors/Governing Board and the Supervisory Board were nominated and elected through a transparent process, and the information on the candidates was made public in due time before the General Meeting.**

Yes

**2.5.2. The composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations.**

Yes

**2.5.3. The Company ensured that the newly elected board members became familiar with the structure and operation of the Company and their tasks to be performed as members of the respective boards.**

Yes

**2.6.1. The Governing Board/Supervisory Board requested (in the context of preparing the annual corporate governance report) those of its members that are considered independent to confirm their independence at regular intervals.**

Yes

**2.6.2. The Company provided information about the tools which ensure that the Board of Directors/Governing Board assesses the management's activities objectively.**

Yes

**2.6.3. 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

**2.6.4. The Supervisory Board of the Company has no members who have held any position in the Board of Directors or in the management of the Company in the preceding five years, not including cases when they were involved to ensure employee participation.**

Yes

**2.7.1. The members of the Board of Directors/Governing Board informed the Board of Directors/Governing Board (the Supervisory Board/Audit Committee) if they (or individuals they have business relations with, or their relatives) have an interest in any business transactions of the Company (or any subsidiaries thereof) that prejudices their independence.**

Yes

**2.7.2. Transactions and assignments between members of boards/members of the management (or individuals closely associated with them) and the Company (or its subsidiaries) were carried out and approved in accordance with the Company's general business practices, but applying more stringent transparency rules as compared with such general business practices.**

Yes

**2.7.3. Board members informed the Supervisory Board/Audit Committee (Nominating Committee) if they received a request to sit on a board or take up a management position at a company not belonging to the Company Group.**

Yes

**2.7.4. 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

**2.8.1. The Company has established an independent internal audit function that reports directly to the Audit Committee/Supervisory Board.**

Yes

**2.8.2. Internal Audit has unrestricted access to all information necessary for carrying out audits.**

Yes

**2.8.3. Shareholders have received information about the operation of the system of internal controls.**

Yes

**2.8.4. The Company has a function ensuring compliance (compliance department).**

Yes

**2.8.5.1. 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

**2.8.5.2. The relevant organisation of the Company and the General Meeting received information about the effectiveness of the risk management procedures.**

Yes

**2.8.6. With the involvement of the relevant areas, the Board of Directors/Governing Board developed the basic principles of risk management, taking into account the unique features of the industry and the Company.**

Yes

**2.8.7. The Board of Directors/Governing Board defined the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives.**

Yes

**2.8.8. The functions of the internal control system reported on the operation of the internal control mechanisms and the corporate governance functions to the competent board at least once a year.**

Yes

**2.9.2. The Board of Directors/Governing Board invited the Company's auditor in an advisory capacity to meetings involving discussion of the financial reports.**

Yes

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

The Company must specify whether it applies the relevant proposal of the CGR or not. (Yes/No) The Company also has the opportunity to justify any deviation from such proposals.

**1.1.3. The Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights in their absence.**

Yes

**1.2.4. The Company determined the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account.**

Yes

**1.2.5. The voting procedure used by the Company ensures a clear, unambiguous and rapid determination of voting results, and in the case of electronic voting, the validity and reliability of such results.**

Yes

**1.3.1.1. The Board of Directors and the Supervisory Board were represented at the General Meeting.**

Yes

**1.3.1.2. In the event of the absence of the Board of Directors/Governing Board and the Supervisory Board, information thereon was disclosed by the Chairman of the General Meeting before discussion of the agenda items.**

Yes

**1.3.2.1. The Articles of Association of the Company do not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments, if that person's presence and expert opinion is thought to be necessary, and they also help in the provision of information to shareholders and for the General Meeting to make decisions.**

Yes

**1.3.2.2. The Articles of Association of the Company does not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments.**

Yes

**1.3.6. The annual report of the Company, prepared pursuant to the Accounting Act, contains a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's operations for the year.**

Yes

**1.4.1. In line with Section 1.4.1, the Company paid dividends within 10 working days to its shareholders who had submitted all the necessary information and documents.**

Yes

**1.6.11. The Company has published its information notices in English as well, in line with the provisions of Section 1.6.11.**

Yes

**1.6.12. The Company informed its investors about its operations, financial situation and assets on a regular basis, but at least on a quarterly basis.**

Yes

**2.9.1. The Company has internal procedures in place regarding the use of external advisors and of their outsourced services.**

Yes

**5/2/2019**

**PROPOSAL CONCERNING THE CREATION OF THE POSSIBILITY FOR THE MANAGEMENT FUNCTIONS APPEARING IN THE POSITION OF CHAIRMAN & CEO TO BE HELD IN SEPARATE POSITIONS, IF NECESSARY (AOA [ARTICLE 9 SECTION 4, ARTICLE 9 SECTION 14, ARTICLE 10 SECTION 1, ARTICLE 10 SECTION 2, ARTICLE 10 SECTION 3, ARTICLE 10 SECTION 4, ARTICLE 11 SECTION 6, ARTICLE 12/A. SECTION 1, ARTICLE 12/A SECTION 2])**

It is proposed to modify the AoA in order to create the possibility well-known in the corporate governance practice for the management functions appearing in the position of Chairman & CEO to be held in separate positions, if necessary, in order to adapt flexibly to the significant international expansion of the OTP Group and the new market challenges.

**[The Board of Directors:]**

- 9.4. The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company, unless the Board of Directors decides within its competence that the position of Chairman of the Board of Directors and the Chief Executive Officer of the Company are held by separate persons.
- 9.14. The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chairman & CEO and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, the employer rights in respect of the other executive directors of the Company (CEO, deputy CEOs) are exercised by the Board of Directors through the Chairman of Board of Directors, with the proviso that the Board of Directors shall be notified in advance of the appointment and dismissal of the CEO and Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the persons defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

## **[Chairman & CEO]**

- 10.1. Tasks are shared between the Board of Directors and the Chairman & CEO in such a way that the daily work of the Company is governed and overseen by the Chairman & CEO within the constraints of the law and the Company Articles of Association, and in accordance with the decisions of the General Meeting and Board of Directors. The Chairman & CEO has the authority to decide upon any matters that do not come under the authority of the General Meeting or Board of Directors in accordance with these Articles of Association. This division of tasks does not affect the statutory liability of the Board of Directors, or of the individual members of the Board of Directors. If the Chairman of the Board of Directors and the CEO are different persons, then the aforesaid rule shall apply adequately with the proviso that between the Chairman of the Board of Directors and CEO the division of the governing and overseeing powers relating to the daily work of the Company is defined by the Board of Directors in the Organisational and Operational Regulations of the Company.
- 10.2. If the Chairman & CEO is incapacitated, the nominated Deputy Chairman (or designated member of the Board of Directors) may substitute for the Chairman & CEO in his capacity as Chairman, and the Deputy CEO may substitute for him in his capacity as chief executive officer, although the substitution rights shall not extend to the exercising of employer rights. If the Chairman of the Board of Directors and the CEO are different persons, the Chairman of the Board of Directors may be substituted by the nominated Deputy Chairman (or designated member of the Board of Directors), the CEO may be substituted by the nominated Deputy CEO with the proviso that none of the substitution rights shall be extended to the exercising of employer rights.
- 10.3. The Chairman & CEO exercises employer's rights with respect to the employees of the Company in accordance with point 9.14. If the Chairman of the Board of Directors and the CEO are different persons, then the rules of exercising of employer rights with respect to the employees of the Company are defined – in accordance with point 9.14. – by the Board of Directors in the Organisational and Operational Regulations of the Company.
- 10.4. The Chairman & CEO governs the work of the Board of Directors and chairs its meetings. If the Chairman of the Board of Directors and the CEO are different persons, then the Chairman of the Board of Directors is vested with this competence.

## **[The Supervisory Board:]**

- 11.6. Meetings of the Supervisory Board are quorate if at least two thirds of its members are present. Decisions of the Supervisory Board are made with a simple majority of votes.

The Chairman & CEO, or a person delegated by him, must be invited to Supervisory Board meetings. If the Chairman of the Board of Directors and the CEO are different persons, then both the Chairman of the Board of Directors and the CEO shall be invited to meetings of the Supervisory Board.

The Supervisory Board is obliged to include matters proposed by the auditor to the agenda.

**[Executive officers of the Company]**

- 12/A.1. The executive officers of the Company include: the Chairman & CEO (or, if the Chairman of the Board of Directors and the CEO are different persons, then the Chairman of the Board of Directors and the CEO), members of the Board of Directors, the Chairman of the Supervisory Board, members of the Supervisory Board, and the Deputy Chief Executive Officers (executive employees).
- 12/A.2. Executive officers must immediately notify the Chairman & CEO (or, if the Chairman of the Board of Directors and the CEO are different persons, then the Chairman of the Board of Directors shall be notified) if:
- a.) they have a qualified holding or a controlling influence in any company as defined in the Credit Institutions Act;
  - b.) any of their close relatives has a qualified holding or a controlling influence in any company as defined in the Credit Institutions Act;
  - c.) since their appointment, an event has occurred that disqualifies them from serving as executive officers.

7/2019

**REMUNERATION GUIDELINES OF OTP BANK PLC.**

The Bank Group's Remuneration Policy is an integral part of the corporate governance system, and must be enforced throughout the entire Bank Group. The Bank Group's Remuneration Policy, in keeping with the relevant European Union directive, is consistent with effective and successful risk management, and in accordance with its purpose, it does not encourage the assumption of risks that exceed the risk-assumption limits of the Bank and Bank Group subsidiaries, and furthermore it is consistent with the business strategy, objectives, values and long-term interests of the Bank and Bank Group subsidiaries, and it promotes the achievement of this.

**1. The objective of the Remuneration Policy**

The objective of the Bank Group's Remuneration Policy is, within the Bank Group's risk-tolerance capacity, to acknowledge the contribution of those managers and employees of OTP Bank Plc. and the Bank Group Subsidiaries who, through their professional activity, have a material impact on the risk profile of the individual institutions operating within the Bank Group, towards the achievement of bank and group-level results, and to provide an incentive for their performance.

**2. Institutional and personal scope of the Remuneration Policy**

The institutional scope of the Bank Group's Remuneration Policy covers OTP Bank Plc., as well as all its subsidiaries that are rendered subject to consolidated supervision by the National Bank of Hungary.

Within this institutional circle, the personal scope of the Bank Group's Remuneration Policy is determined, in accordance with the applicable EU regulations, on the basis of qualitative criteria drawn from the risk profile of the institutions operating within the Bank Group, as well as quantitative criteria determined by income level. To ensure fulfilment of the qualitative criteria, the Bank applies a comprehensive risk-analysis procedure, in keeping with the group's business and risk strategy, based on which it performs an assessment three times a year for the purpose of identifying employees that exercise a material impact on the risk profile. The Bank takes the qualitative and quantitative criteria into account in accordance with the prevailing statutory requirements.

**Belonging under the scope of the Bank Group Remuneration Policy** are those senior officers and regular employees who, based on qualitative and quantitative criteria defined in Commission Delegated Regulation (EU) No 604/2014, exercise a material impact on the Bank Group's operation and risk profile at consolidated level, or on the operation and risk profile of the individual institutions of the Bank Group at sub-consolidated or local level.

The Bank also supplements the risk criteria defined by Commission Delegated Regulation (EU) No 604/2014 at the consolidated level with comprehensive internal risk-analysis methods approved by the Supervisory Board.

The Bank's Supervisory Board decides on the persons that fall under the scope of the Bank Group's Remuneration Policy based on the following criteria:

- In the case of those employees who are identified purely by quantitative criteria or, without excluding the possibility of this, qualitative criteria, the Bank's Supervisory Board is entitled to consider whether they exercise a material impact on the risk profile through their professional activity, and in the absence of such impact, it may decide to exclude the persons concerned from the scope of the remuneration policy – depending on the relevant statutory provisions – provided it reports this in advance to the National Bank of Hungary, or if it has permission to do so.
- Those subsidiaries that are not classed as credit institutions or investment firms and that represent less than 2% of the internal capital composition of the Bank Group or of a sub-consolidated group of an institution shall not qualify as material business units. Senior officers and regular employees of subsidiaries not classed as material business units are not, as a general rule – and in the absence of fulfilment of other identification criteria – regarded by the Bank as exercising a material impact on the risk profile of an institution.
- Persons who have not been identified by the criteria defined in Commission Delegated Regulation (EU) No 604/2014, but who through their activity may exercise a material impact on the Bank's operation and/or risk profile, may be brought by the Bank's Supervisory Board under the personal scope of the remuneration policy.

### **3. The framework for applying the Bank Group Remuneration Policy to the subsidiaries**

All basic decisions related to the remuneration policy shall be made by OTP Bank Plc., while the subsidiaries shall be responsible for complying with the local statutory provisions and obligations.

- As a general rule, **the Bank Group Remuneration Policy** covers staff identified at the parent bank, as well as identified staff at subsidiaries that do not belong under the effect of the local remuneration policy.
- **The local remuneration policies prepared by the foreign institutions operating within the Bank Group** – that transpose the provisions of the Bank Group Remuneration Policy to the local statutory environment of the individual countries – cover, as a general rule, the staff employed in the sub-consolidated group of the foreign institution who exercise a material impact on the risk profile of a bank-group institution.
- **Subsidiaries classed as fund management companies and operating in the European Union may also accept independent remuneration policies** in the interests of complying with the provisions of the AIFMD directive (Directive 2011/61/EU).

### **4. The ratio of basic remuneration and performance-based remuneration**

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 other persons falling under the effect of the remuneration policy, the remuneration consists of basic remuneration and performance-based remuneration. As a general rule, the components of basic remuneration are the basic salary and, in the case of Bank Group member institutions operating within the European Union, ordinary shares issued by OTP Bank. The basic

remuneration may not be subject to the performance of those entitled to it, or to the discretionary decision of the employer.

The ratio of basic remuneration to performance-based remuneration is determined by the OTP Bank Plc.'s Supervisory Board, on the basis of the function, size and complexity of the organisation managed. In respect of the staff identified at sub-consolidated and local level, the Supervisory Board may assign this power – within the framework defined in these Guidelines – to the Bank's General Deputy CEO. The proportion of the performance-based remuneration may not exceed 100% of the basic remuneration in the case of any individual concerned.

The ratio of performance-based remuneration to total remuneration, depending on the function performed and the organisational position occupied by the senior officer or employee concerned, in the case of subsidiaries classed as institutions operating within the Bank Group may vary within the bands set according to the following, with the proviso that the Supervisory Board of OTP Bank Plc. may – with consideration to the risk associated with retaining key staff as well as to local labour market practices – authorise departures from the specified bands:

		Levels							
		Level 1		Level 2		Level 3		Level 4	
		min.	max.	min.	max.	min.	max.	min.	max.
Type of position	Business	35%	50%	25%	50%	14%	40%	0%	25%
	Support	-	-	25%	50%	0%	34%	0%	25%
	Control	-	-	25%	50%	0%	34%	0%	25%

The ratios of performance-based remuneration in the case of subsidiaries not classed as institutions operating within the Bank Group, depending on the function performed and the organisational position occupied by the senior officer or employee concerned, may vary within the bands set according to the following, with the proviso that the Supervisory Board of OTP Bank Plc. may – with consideration to the risk associated with retaining key staff as well as to local labour market practices – authorise departures from the specified bands:

Levels			
Level 1		from Level 2	
min.	max.	min.	max.
14%	50%	7%	40%

## 5. The method of performance assessment linked to performance-based remuneration

In the case of **managers employed by OTP Bank Plc.**, performance is assessed on the basis of criteria that measure performance at the bank-group and at the individual level (financial indices and indices measuring the quality of work).

In the case of the **managers of the Bank Group subsidiaries**, performance is assessed on a differential basis, in view of the nature of the companies' respective activities.

Bank Group-level performance is, based on the decision of the Supervisory Board, assessed by applying the group-level RORAC indicator or the group-level Economic Value Added (EVA) indicator.<sup>1</sup>

The group-level RORAC indicator measures the return on risk-adjusted capital, whereas the EVA indicator measures the nominal value generation capacity of the bank group, as the difference between the profit produced by the group and the expected yield on the regulatory capital required for this purpose.

The target value of the bank group-level indicator chosen for evaluating performance is determined by the Bank's Supervisory Board based on the approved financial plan for the given year. The Supervisory Board may modify the target value in response to statutory changes implemented after the determination thereof and/or changes in market circumstances that have a significant objective effect on the Bank Group's profit and/or the achievement of the target values set.

## **6. Determining entitlement to performance-based remuneration**

The decision regarding the maximum amount that may be spent on performance-based remuneration in respect of the assessed year, taking the Bank Group's performance into account, is made by the Supervisory Board within 45 days following the annual General Meeting closing the year in question.

Eligibility for performance-based remuneration, and the extent of the annual award, is determined, proportionately with fulfilment of the annual organisational and individual objectives,

- by the Board of Directors on the basis of a proposal by the Remuneration Committee in the case of the Chairman & CEO of OTP Bank Plc.,
- by the manager exercising employer's rights in the case of managers employed by the Bank, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee shall have the right of joint decision-making,
- in the case of the chief executives and the employees of the Bank Group subsidiaries identified at consolidated level, the body exercising owner's rights
- in the case of the managers of Bank Group subsidiaries identified at sub-consolidated and local level – not including the chief executive – and in knowledge of the position on the matter of the manager exercising employer's rights, the chief executive

with due consideration to any restrictive decision by the Supervisory Board.

## **7. Principles and rules relating to the payment of performance-based remuneration**

### **7.1. Basic principles**

- When assessing the performance of the year evaluated (year T), the amount of performance-based remuneration is determined and broken down to the level of individuals. The amount of performance-based remuneration is determined on the basis

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<sup>1</sup> This indicator is calculated based on the figures of the Hungarian and foreign companies operating as group members that belonged to the circle of consolidated subsidiaries throughout the entire assessed financial year.

of an evaluation of individual performance as well as of the ratio of basic and performance-based remuneration.

- For persons exercising a material impact on the risk profile at consolidated level, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus and, depending on whether the beneficiary chooses it, a share award, granted at a discounted price, with the proviso that the proportion of shares within the performance-based remuneration is at least 50%. In the case of subsidiaries that have their registered office outside the area of the European Union, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus and, depending on whether the beneficiary chooses it, a cash payment of an amount equivalent to that which the beneficiary would have received had he or she received remuneration in the form of shares or a preferentially-priced share award, with the proviso that the method of calculating the nominal value of such award is to be approved by an independent expert. This latter form of award must account for at least 50% of the performance-based remuneration.
- For persons at Hungarian subsidiaries exercising a material impact on the risk profile at sub-consolidated level, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus and a share award, with the proviso that the proportion of shares within the performance-based remuneration is at least 50%.
- For persons employed at the foreign subsidiaries who exercise a material impact on the risk profile at sub-consolidated level or local level, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus plus a cash payment of an amount equivalent to that which the beneficiary would have received had he or she been paid in shares, with the proviso that the method of calculating the nominal value of such award is approved by an independent expert. This latter form of award must account for at least 50% of the performance-based remuneration.
- If, in the case of a foreign subsidiary operating within the area of the European Union, the award of OTP Bank's ordinary shares or an equivalent-value cash payment is not possible due to a statutory provision or the practice of the foreign financial supervision, and furthermore, if the local tax legislation imposes substantially higher taxes on the award of OTP Bank's ordinary shares than on a cash payment, then the subsidiary is entitled to substitute this with the provision of some other asset consistent with the stipulations of Commission Delegated Regulation (EU) No 527/2014, or to apply to employees identified at consolidated level the rules applicable to subsidiaries that have their registered office outside the area of the European Union, as set out above.
- For persons participating in the share award – not including any persons who join the OTP Bank ESOP Organisation as participants – the share-based portion of the variable remuneration shall be provided by OTP Bank Plc.
- As a general rule, for persons exercising a material impact on the risk profile at consolidated level, 60% of the performance-based remuneration is deferred, while for persons exercising a material impact on the risk profile at sub-consolidated and local level, 40% of such remuneration is deferred.
- The period of the deferment is at least 3 years – and in the case of the Chairman & CEO and the Deputy CEOs of OTP Bank Plc., 4 years – during which period the amount of the deferred payment is set annually, in equal proportions.
- Eligibility to receive such deferred instalments is determined through a retrospective assessment of risks. The assessment of risks takes place partly on the basis of criteria for assessing prudent operation, i.e. it is necessary to ensure that the capital remains

above the minimum level of regulatory capital defined in the law, and that operations are conducted without a need to resort to the deposit insurance fund, and, secondly, it is linked to the activity of the persons concerned. On the basis of the assessment of risks related to the activity of the persons concerned, deferred amounts may be reduced or clawed back in the case of a significant breach of the internal regulations, with special respect to those concerning risk management.

- Entitlement to the deferred instalments is linked to the subsequent assessment of risks, and is subject to the person's still being employed at the company at the time that the deferred instalment is due for payment. Exceptions to the above may only be validly authorised in respect of the executive directors (Chairman & CEO, Deputy CEOs) by OTP Bank's Supervisory Board, in the case of exceptional performance, whereas in respect of managers employed at the Bank and chief executives of subsidiaries identified at consolidated level, exceptions are permitted based on a decision of the Chairman & CEO of OTP Bank Plc. In the case of other staff identified at consolidated level and for chief executives identified at sub-consolidated and local level, OTP Bank Plc.'s General Deputy CEO is entitled to authorise exceptions. For other staff identified at sub-consolidated and local level, exceptions are permitted based on the decision of the subsidiary's chief executive, subject to the consent of the chairperson of the owner's governing body.
- OTP Bank Plc.'s Supervisory Board is entitled to make decisions on the proportionate application of the rules set out in the remuneration guidelines in respect of the settlement of the performance-based remuneration of staff identified at sub-consolidated and local level, whose annual performance-based remuneration does not exceed EUR 50,000 and whose performance-based remuneration within total remuneration for the year represents a ratio of maximum 25%. As part of proportionate application, the application of certain regulations (deferred payment, share-based payment) may be avoided either in part or in full, provided that such departure is not in conflict with local statutory or supervisory provisions. Proportionate application of the rules is not possible for staff who exercise a material impact on the Bank Group's risk profile at consolidated level.

## **7.2 Settlement rules**

- Settlement of the due instalments of performance-based remuneration takes place by 30 June in the year following the assessed period, at the latest.
- The number of shares that may be used for the settlement of performance-based remuneration taking the form of shares, broken down to individuals, must be determined as the quotient of the amount of performance-based remuneration taking the form of shares, and the share price determined by the Supervisory Board.
- The share price to be taken into account when determining the number of shares is set by the Supervisory Board on the basis of the arithmetic average of the daily quoted price of the ordinary shares issued by OTP Bank, as registered by the Budapest Stock Exchange, on the three trading days preceding the date of the Supervisory Board's decision made within the 10 days preceding settlement of the performance-based remuneration.
- Concurrently with this, the specific terms and conditions of the discounted share award are also determined, with the proviso that the share allowance granted at a discounted price may contain a maximum discount of HUF 2,000 at the time of performance

assessment, and the profit content per share may be a maximum of HUF 4,000 at the time of vesting the share award.

- The Bank's Board of Directors, in the interest of managing shares acquirable in the framework of the remuneration policy, has decided to establish an ESOP Organisation. In the course of implementing the remuneration policy, shares or bonds issued by OTP Bank Plc. as founder and that constitute coverage for payment of an award to which the beneficiary is entitled as part of his or her performance-based remuneration, may be handed over to the ESOP Organisation, or may be purchased, or subscribed to, by the ESOP Organisation using funds provided to it by the Bank or one of its subsidiaries. Through the handing over of these securities to the ESOP Organisation, or through the purchase thereof or subscription thereto by the ESOP Organisation – in the manner set out in the ESOP remuneration policy – the beneficiary concerned shall acquire a member's holding in the ESOP Organisation. The member's holding in the ESOP Organisation is not a negotiable instrument; it may not be encumbered or pledged as collateral, and it only assures payment of the award to the individual if the conditions prescribed in the remuneration policy (result of performance assessment, retrospective assessment of risks) are fulfilled. Any member's holding that does not fulfil the conditions shall revert to the Bank or to the Bank's subsidiary that employs the individual concerned.
- Among the staff identified by the Bank Group's Remuneration Policy, the detailed terms of share-based performance remuneration awards granted through an ESOP Organisation may – within the constraints of the Remuneration Guidelines – be set by the Supervisory Board, with the proviso that participation of the beneficiaries in the ESOP Organisation, and thus the settlement of the performance remuneration through the ESOP Organisation, may only take place on the basis of the beneficiaries' voluntary decision.

The Supervisory Board of OTP Bank Plc., with the exception of matters placed under the authority of the General Meeting by law – and subject to an obligation to subsequently inform the owners – is authorised to amend the Bank Group Remuneration Policy.