



**DOCUMENTS FOR THE GENERAL MEETING**

**EXTRAORDINARY GENERAL MEETING  
OF OTP BANK PLC.**

**TO BE HELD ON 15 OCTOBER 2021**

# AGENDA ITEMS OF THE EXTRAORDINARY GENERAL MEETING

- 1. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO SELL THE (OWN) SHARES OWNED BY OTP BANK PLC. TO THE SPECIAL EMPLOYEE CO-OWNERSHIP PROGRAM TO BE CREATED BY THE EMPLOYEES OF THE OTP BANK PLC. .... 3
  
- 2. DECISION ON PROVIDING SUPPORT TO THE SPECIAL EMPLOYEE CO-OWNERSHIP PROGRAM TO BE CREATED BY THE EMPLOYEES OF THE OTP BANK PLC. .... 8

**AUTHORIZATION FOR THE BOARD OF DIRECTORS  
TO SELL THE (OWN) SHARES OWNED BY  
OTP BANK PLC. TO THE SPECIAL EMPLOYEE  
CO-OWNERSHIP PROGRAM TO BE CREATED BY  
THE EMPLOYEES OF THE OTP BANK PLC.**

---

## **Authorization for the Board of Directors to sell the (own) shares owned by OTP Bank Plc. to the Special Employee Co-Ownership Program to be created by the employees of the OTP Bank Plc.**

### **I. Previous events, the redemption of ICES bonds and the repurchase of treasury shares by OTP Bank Plc.**

On 14 September 2021, the Board of Directors of OTP Bank Plc. („**Bank**”) decided – with the prior permission of the National Bank of Hungary („**NBH**”) – to terminate the subordinated swap agreement concluded between the Bank and OPUS Securities S.A. on 19 October 2006, as well as on the repurchase by the Bank of the approximately 14.5 million OTP ordinary shares held by OPUS Securities S.A., serving as a collateral behind the so-called ICES bonds<sup>1</sup> issued by OPUS Securities S.A. („**Termination**”). As a consequence of the Termination, on the same day (on 14 September 2021) OPUS Securities S.A. has decided upon the redemption of the ICES bonds as of 29 October 2021 as record date (hereinafter the above listed steps collectively referred to as „**ICES transaction**”).

The reason for the ICES transaction was that due to the amendments of the legislation of the European Union, as of 1 January 2022 the ICES bonds can be considered neither within the consolidated regulatory capital, nor for the fulfilment of the MREL<sup>2</sup> requirements. Furthermore, the spread of the ICES bonds are much higher than that of an MREL eligible senior instrument the Bank could issue at present.

As a consequence of the redemption of the ICES bonds, the share capital of OTP Group shall be reduced by approximately HUF 174 billion (this is the value of the external ICES debt calculated at 350 HUF/EUR rate; the exact amount depends on the actual exchange rate), out of which HUF 90 billion decrease will appear within the Tier 2 capital („**Tier 2**”), and HUF 84 billion decrease within the Common Equity Tier 1 capital („**CET1**”). Hence, the capital adequacy ratio of OTP Group („**CAR**”) would decrease by 1.1 percentage points compared to 18.1% as at 30 June 2021, and the 15.9% CET1 rate would decrease by 0.5 percentage points, ceteris paribus.

The discontinuation of interest payment on the ICES bonds (currently HUF 4.5 billion per annum) due to the redemption of ICES bonds has no effect on the net profit, since the interest payable on ICES bonds has not been recognized within the statement of recognized income, but within the equity. Based on that, the redemption of ICES bonds does not impact the net interest income.

As an additional effect, based on the ICES transaction – with the prior permission of NBH – treasury shares will be recorded within the books of the Bank. The repurchase of the treasury shares (on top of the effect of the redemption of ICES bonds) shall reduce neither the consolidated own funds, nor the shareholders' equity, because the OTP shares behind the ICES bonds are also currently treated as treasury shares on consolidated basis, i.e. their book value is currently deducted from the OTP Group's equity, and thus also deducted from its CET1 capital.

### **II. Planned sale of treasury shares acquired by OTP Group in the course of the ICES transaction**

If the treasury share package acquired by OTP Group is sold to a third party independent from OTP Group, that shall increase the consolidated equity and own funds of OTP Group in the same value. The rate of increase depends on the number of shares sold, the selling price, as well as the tax effect.

---

<sup>1</sup> EUR 514,274,000 Income Certificates Exchangeable for Shares (ISIN XS0272723551)

<sup>2</sup> Minimum Requirement for own funds and Eligible Liabilities

OTP Group plans to use the capital released by the sale of treasury shares to continue its extremely successful acquisition efforts in recent years, and to continue expand its loan portfolio organically.

OTP Group's performing loan portfolio increased to 2.4-fold in the period between 2016 and 2Q 2021 (FX-adjusted), within that acquisitions accounted for 39% of the increase. Acquisitions have significantly increased the market share of OTP Group in several countries: in Serbia it has become market leader in terms of outstanding loans, it has strengthened its market leadership in Bulgaria, its market share by total assets increased to over 10% in Croatia, as well as it entered three countries as new market player.

One of the pending or planned acquisitions in the near future is the acquisition of the Slovenian Nova KBM, for which the share purchase agreement has already been signed at the end of May 2021. Subject to supervisory approval, with the acquisition of Nova KBM, OTP Group's Slovenian operation would become the market leader in the Slovenian market with a pro-forma market share of almost 29%. In addition, the Bank has been continuously exploring the possibility of valuable acquisitions primarily in those countries of the Central and Eastern European region where OTP Group is already present. At the same time, promising opportunities are also appearing on new markets, one of which is Uzbekistan. The underdeveloped banking market in the highly populated Uzbekistan may provide an excellent growth opportunity for OTP Group, where economic reforms have already begun and the banking sector is before privatization.

### **III. Planned sale of treasury shares to the Special Employee Co-Ownership Program („OTP SECOP”) organizations initiated by the employees of the Bank**

On 7 September 2021, the Chairman of the Board of Directors and the Chairman of the Supervisory Board of the Bank received official notice from the Chairman of the Organizing Committee of the OTP SECOP, according to which the Bank's employees plan to establish two OTP SECOPs, which OTP SECOPs' aim is to purchase OTP shares in the maximum amount of HUF 210 billion.

As of 13 July 2021, the legal environment provides the opportunity to launch so-called Special Employee Co-Ownership Program (“**SECOP**”) as well as to establish SECOP organization in order to enforce such program.

The SECOP scheme is made possible based on the modifications set out in Act XLIV of 1992 on the Employee Co- Ownership Program (“**MRP Act**”), which entered into force on 13 July 2021 in order to assist employees in purchasing shares of the employer company, thus strengthening employees' engagement and reconciling long-term interests of shareholders and employees.

If the Bank sells partially its treasury shares – acquired as a result of the ICES transaction – to OTP SECOPs initiated by the Bank's employees, this, on the one hand, will help reconcile the interests of employees and shareholders in the long term, and the formation of a stable ownership structure in the long run on the other. All the above is in line with EU initiatives on employee participation, with the ESG efforts of the OTP Group, as well as the interests of shareholders, taking into account SECOP's structure which is based on the long-term increase of the share price.

Due to the fact that OTP SECOPs are considered as third parties independent from OTP Group, following the sale of treasury shares to OTP SECOPs, these shares are not expected to be deducted any more from the shareholders' equity and own funds of OTP Group. If the Bank sold HUF 210 billion worth of its treasury shares to OTP SECOPs, the shareholders' equity and own funds of OTP Group would also increase in the amount of approximately

HUF 204 billion (assuming 9% corporate tax rate and a 2.3% local business tax rate; the exact tax effect depends on the selling price of the shares).

Based on the capital ratios as at 30 June, 2021, the sale of the treasury shares in the amount of HUF 210 billion would increase both the OTP Group's CAR and CET1 ratio by 1.3 percentage points *ceteris paribus*, while as a joint result of the ICES transaction and the sale of treasury shares worth HUF 210 billion, the CAR ratio would increase to 18.3% and the CET1 ratio to 16.6%, respectively.

The potential sale of treasury shares to OTP SECOPs would take place as a stock exchange transaction at market price, bearing in mind that – as stated within the advisory opinion of Deloitte Business and Management Consulting Ltd. dated 21 September 2021 – in case of the sale of shares not exceeding 10% of total through a so-called block transaction, based on international benchmarks, a discount of 5.5% is justified compared to the volume-weighted average price one day before the closing of the transaction.

It is important to emphasize that the outlined transaction presumes the realization of several future events independent of the Bank. In order to establish OTP SECOPs and in order to become a legal entity, its registration by the competent court is required. Moreover, it is necessary that OTP SECOPs have sufficient resources to purchase the planned share package.

**RESOLUTION PROPOSAL No. 1/2021**

1. The General Meeting resolves that, subject to the conditions specified in clause 2, OTP Bank Plc. shall sell its treasury shares on the stock exchange up to the maximum amount of 210 billion Hungarian Forint – as outlined in the formula stated in the advisory opinion of Deloitte Business and Management Consulting Ltd. dated 21st September 2021 – on a purchase price, which is 5.5% lower than the volume-weighted average price one day before the closing of the transaction (“**Purchase Price**”) to those two Special Employee Stock Ownership Program organizations being established by OTP Bank Plc. employees (“**OTP SECOP I.**” and “**OTP SECOP II.**”) whose establishment was initiated by the employees of OTP Bank Plc. in accordance with article 24/M of Act XLIV. of 1992 until the date of the present resolution of the General Meeting.
2. The condition for the sale of treasury shares specified in point 1 is that
  - 2.1 OTP SECOP I. and OTP SECOP II. have been registered by the court until the date of sale,
  - 2.2 the provision of the Purchase Price calculated in accordance with point 1 are be available on the date of sale in respect of the total amount of the treasury shares that OTP SECOP I. and OTP SECOP II. intend to purchase, which OTP SECOP I. and OTP SECOP II. are obliged to justify by means of bank account statement of the given day.
  - 2.3 OTP SECOP I. and OTP SECOP II. shall within 2 (two) working days after the conclusion of the transaction, settle the Purchase Price via bank transfer to the payment account provided by OTP Bank Plc.
3. The General Meeting authorizes the Board of Directors to enter into share purchase agreements in accordance with points 1 and 2, as well as to conclude the transactions with OTP SECOP I. and OTP SECOP II. organizations. This authorization is valid until the date of the General Meeting approving the annual report of OTP Bank Plc. for business year 2021.

**DECISION ON PROVIDING SUPPORT TO THE  
SPECIAL EMPLOYEE CO-OWNERSHIP PROGRAM  
TO BE CREATED BY THE EMPLOYEES  
OF THE OTP BANK PLC.**

## **Decision on providing support to the Special Employee Co-Ownership Program to be created by the employees of the OTP Bank Plc.**

### **I. Background, presentation of the regulation of SECOP**

On 7 September 2021, the Chairman of the Board of Directors of OTP Bank Plc. (hereinafter: „Bank”) as well as the Chairman of the Supervisory Board of the Bank received notification from the chairman of the organizing committee that 17 employees of the Bank have initiated the launch of two SECOP organizations („OTP SECOP”). The chairman of the organizing committee asked the Bank in his letter to consider the possibility – in order for the SECOP organizations to operate successfully- of granting financing and operating support for the SECOP organizations in the future as provided by the Act LXXXI of 1996 on corporate tax and dividend tax („Tao. Act”).

From 13 July 2021, the Act XLIV of 1992 on Employee Co-Ownership Program („ECOP Act”) provides the opportunity to launch a so-called Special Employee Co-Ownership Program („SECOP”) and a SECOP organization to implement this program.

As provided by the ECOP Act, the SECOP organization counts as a legal person, employees with at least six months of employment, members of Board of Directors and the Supervisory Board (hereinafter referred to as: „eligible employees”) are eligible to establish and participate in it. A decision of at least 10 eligible employees is required to launch the SECOP.

According to the ECOP Act it is the essential feature of the SECOP organization that it can be launched by the employees of the given commercial company (limited liability company, private company limited by shares or public company limited by shares) on a voluntary basis, independent from the given company, specifically for the purpose of acquiring a long-term shareholding (member or shareholder) position in an organized form. The given company does not participate in the establishment and governance of the SECOP organization, the purpose of the SECOP program is not remuneration, the employees who participate in the SECOP do so on a voluntary basis, as a result of their performance their aim is to increase the successfulness of the company which employs them and as shareholders to increase the value of their investment due to the more efficient operation by the end of the duration.

### **II. Presentation of the advantages for shareholders relating to the support of SECOP organisations and employee stock ownership acquisitions**

The SECOP structure is a voluntary form of long-term employee shareholding participation, in which the participating employees, along with considering the risks, put their faith in the long-term increase of the share price of the given company compared to the current price.

Several international examples confirm that the share ownership of the employees strengthens their ownership attitude, thus it affects their satisfaction and motivation as well, which has an overall positive effect on the general performance and competitiveness of the company, and at the same time it strengthens the company’s ability to retain committed employees.

The European Commission in its 2002 report as well as the European Parliament in its 2018 resolution have urged the need for the strengthening of the efforts for employee participation – including granting tax benefits relating to such participation – on the basis of these considerations among other things.

Most of the large companies operating in Europe already have employee stock ownership programs.

The Directive 2007/36/EU of the European Parliament and Council on the exercise of individual shareholder rights in listed companies emphasizes that the efficient and sustainable involvement of shareholders (including employee shareholders) is one of the cornerstones of corporate governance model, which can assist to the improvement of the financial and non-financial performance of the companies as well as to the promotion of a long-term approach, including the environmental, society and governance factors.

The EU supports employee stock ownership programs with other regulations as well. For instance the Company Directive (2017/1132/EU) states that the stocks that are meant for or acquired by the employees are not subject to the authorization of the general meeting (for the acquisition of own shares) and the ban on financial assistance do not apply to them either, thus facilitating the implementation of employee stock ownership programs.

In 2021, as a new form of long-term employee stock ownership acquisition, a new legal institution has been introduced in the Hungarian legal environment in the form of SESOP, thus acknowledging the benefits of a long-term, committed group of employee shareholders and their positive effects on the performance of companies.

Another indicator of the importance of the institution of SECOP is that the conditions of the Bond Funding for Growth Scheme (BGS) have been modified by the Hungarian National Bank, so that SECOP organizations are also able to participate in it.

The launch and operation of SECOPs are specifically supported by the Hungarian legislation with a favourable tax environment. According to point B) 26. of Annex 3 of the Tao Act „the amount of any support, benefit, financial contribution provided by the company – recognized in its pre-tax profit for the tax year – to Special Employee Co-Ownership Program organization or asset-management foundation managing Special Employee Co-Ownership Program organization granted for financing and operating costs and expenses incurred by appropriate exercise of rights, without repayment obligation qualifies as cost, expense incurred in the interest of business activity.

### **III. Proposal on the support to be granted to SECOP organizations**

Within the proposal belonging to the 1<sup>st</sup> item of the agenda of the extraordinary general meeting of 15 October 2021, the detailed concept of a future, conditional share purchase transaction is going to be introduced in a detailed manner in which – in case of several preconditions – the Bank, in the event of a General Meeting decision, would sell OTP shares to OTP SECOPs in the amount of up to HUF 210 billion at a purchase price to be calculated by a formula determined by an independent consultant specified in the proposal.

The Board of Directors of the Bank takes the view that the sustainable operation of the SECOP organizations, which can be helped by the non-repayable support specified in the Tao. Act, could greatly contribute to the successful operation of the Bank given the advantages specified in the proposal. The sustainable operation of SECOP organizations could foster long-time employee commitment and ownership attitude and therefore it would have a positive effect on the successfulness of the Bank and the future development of OTP share price.

Based on the provision of the Act on Corporate Tax and Dividend Tax cited above, it can also be stressed as an advantage that the Bank could consider such supports as a factor reducing

corporate tax base if other legal conditions are met. According to the stance of the Board of Directors it could also strengthen shareholder interests if SECOP organizations would only be able to receive operating support in years in which shareholders are also eligible for dividend.

The support would be provided free of charge, resulting in no risk taking by the Bank.

In view of the reasons presented above, the Board of Directors proposes to the General Meeting that the Bank should grant operating and financing support to the two OTP SECOP organizations – in case of their establishment and court registration – based on the arguments set out in the proposal.

The proposed conditions of granting the support are as follows:

1. The two OTP SECOP organizations the launch of which already have been initiated by the eligible employees of the Bank based on the ECOP Act until the date of the Extraordinary General Meeting convened on 15 October 2021, shall each receive HUF 2.5 billion (altogether HUF 5 billion) non-refundable support, if – at the value at the time of the acquisition of the shares by the two OTP SECOP organizations – at least HUF 200 billion worth of OTP ordinary shares become the property of the two OTP SECOP organizations. The amount of support must be reduced proportionately if the value of OTP ordinary shares purchased by the two SECOP organizations is lower.

The support will be granted from the first business year following the court registration of the two OTP SECOP organizations until the closing general meeting of the OTP SECOPs in every business year in which business year the Bank pays dividend to the shareholders.

2. It is also proposed that the General Meeting decide on the granting of a one-off support per year for the duration of the SECOPs concerning the additional SECOPs that may be created in the future. It would also be a precondition for these supports that the Bank pays dividends in the year in which the support is granted.

The proposed one-year rate of the support of these future SECOPs is the positive sum, which is the difference between 1% of the audited pre-tax profit of the OTP Group (for the year preceding the granting of the given support) and the support granted to the first two OTP SECOPs presented in this proposal, that have already been initiated on 15 October 2021.

Moreover the one-year rate of the support granted to these future SECOPs cannot be more than 50% of the financing and operating costs of the given SECOP in the given year. The SECOP organization concerned would be obliged to repay the part of the support which exceeds this amount to the Bank.

**RESOLUTION PROPOSAL No. 2/2021**

1. The General Meeting decides that OTP Bank Plc. –under the condition and in a manner specified below- shall provide (financial) support („First SECOP support”) to cover financing and operating costs and expenditures once a year, without any repayment obligation, in the amount of HUF 2.5–2.5 billion each time, for the two organisations of Special Employee Co-Ownership Program („OTP SECOP I.” and „OTP SECOP II.”), which were initiated by the employees of OTP Bank Plc. under Article 24/M of Act XLIV of 1992 on Employee Co-Ownership Program (ECOP Act) until the date of this General Meeting Decision, in case until no later than the day of the General Meeting of OTP Bank Plc. approving the annual report for the 2021 business year, OTP ordinary shares worth at least HUF 100–100 billion each will become the property of OTP SECOP I. and OTP SECOP II. at the value calculated based upon purchase price.
  - 1.1. The condition for the First SECOP Support in the given year is that the Annual General Meeting of OTP Bank Plc. has made the decision to pay dividend in the given business year from the after-tax profit together with the approval of the annual report of the preceding business year.
  - 1.2. The First SECOP Support for OTP SECOP I. and OTP SECOP II. shall be given from the first business year following its registration in the court register and shall be given in every business year until the closing general meeting of OTP SECOP I. and OTP SECOP II., in which the condition set forth in point 1.1 is met.
  - 1.3. The deadline for the payment of the First SECOP Support is 30 days after the date of the Annual General Meeting of the given year.
  - 1.4. The First SECOP Support must be paid in cash by banking transfer to the payment account provided by the asset management foundation that is managing OTP SECOP I. and OTP SECOP II..
  - 1.5. In case until the day of the General Meeting of OTP Bank Plc. approving the annual report for the 2021 business year, OTP SECOP I. and OTP SECOP II. would purchase ordinary shares worth less than HUF 100–100 billion, calculated based upon the purchase price, each the amount of “First SECOP support” shall be decreased proportionately.
2. The General Meeting decides that if additional SECOP organisations („Additional SECOP”) will be initiated by the employees of OTP Bank Plc. under the ECOP Act, those will be given – regardless of how their asset is managed – one-off support on a yearly basis („Additional SECOP Support”), under the following conditions, to the extent and in the manner specified below:
  - 2.1. The condition of the payment of the Additional SECOP Support in a given year is that the Annual General Meeting of OTP Bank Plc. has made the decision to pay dividend in the given business year from the after-tax profit together with the approval of the annual report of the preceding business year.
  - 2.2. The amount of the Additional SECOP Support for a year is the positive sum, which is the difference between the 1% of the audited pre-tax profit of the OTP Group for the business year preceding the due date of the support for the given year („1% of

the Pre-Tax Profit”), and the First SECOP Support. In case the difference between the 1% of the Pre-Tax Profit and the First SECOP Support is a negative value, the Additional SECOP is not given Additional SECOP Support in the given year. The amount of the Additional SECOP Support for one year may not exceed 50% of the financing and operating costs of the given Additional SECOP for the given year. The condition for granting the Additional SECOP Support is that in case the Additional SECOP Support exceeds 50% of the financing and operating costs of the Additional SECOP incurred regarding the given year, the Additional SECOP is obliged to pay back the part exceeding the maximum amount to the OTP Bank Plc. within 30 days following the end of the given business year.

- 2.3. The Additional SECOP Support for each Additional SECOP shall be given from the first business year following its registration in the court register and shall be given in every business year until the closing general meeting of Additional SECOP, in which the condition set forth in point 2.1 is met.
- 2.4. The deadline for the payment of the Additional SECOP Support is 30 days after the date of the Annual General Meeting of the given year.
- 2.5. The Additional SECOP Support must be paid in cash by banking transfer to the payment account provided by the Additional SECOP or to the payment account provided by the organisation that is managing the Additional SECOP.
3. The General Meeting appoints the Board of Directors to implement the provisions of this Resolution.
4. Present Resolution enters into force as of 1<sup>st</sup> January 2022.