

GROUP REMUNERATION GUIDELINES OF OTP BANK PLC.

The Banking Group's Remuneration Policy is an integral part of the corporate governance system, and must be enforced throughout the entire Banking Group. The Banking Group's Remuneration Policy, in line with the relevant European Union directive, is consistent with the 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 the Banking Group subsidiaries, and furthermore it is consistent with the business strategy, objectives, values and long-term interests of the Bank and the Banking Group subsidiaries, and promotes the achievement thereof.

1. The objective of the Remuneration Policy

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

2. Institutional and personal scope of the Remuneration Policy

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

The Bank's Supervisory Board decides on the persons that fall under the scope of the Banking 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 Banking Group or of a sub-consolidated group of an institution shall not qualify as material business units. Senior executives 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 Banking Group's Remuneration Policy to the subsidiaries

All basic decisions relating 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 Banking Group's Remuneration Policy** covers staff identified at the parent bank, as well as identified staff at subsidiaries that do not fall under the scope of the local remuneration policy.
- **The local remuneration policies prepared by the foreign institutions operating within the Banking Group** – that transpose the provisions of the Banking Group's 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 banking-group institution.
- **Subsidiaries classed as fund management companies and operating in the European Union may also accept independent remuneration policies** in order to comply 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 scope of the remuneration policy, the remuneration consists of basic remuneration and performance-based remuneration. As a general rule, the elements of the basic remuneration are the basic salary and the benefits payable to all employees in the same

position on equal terms. 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 and 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 ratio of performance-based remuneration cannot exceed 100% of the basic remuneration for each person concerned. The maximum ratio of performance-based remuneration achievable in the case of a general bonus limit or in the case of joint application of a general and an extraordinary bonus limit is determined for each individual separately, taking into account the above limit.

In determining the general bonus limit, the ratio of performance-based remuneration to total remuneration, depending on the function performed and the organisational position occupied by the senior executive or employee concerned, in the case of subsidiaries classed as institutions operating within the Banking 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		from Level 4	
		min.	max.	min.	max.	min.	max.	min.	max.
Type of position	Business	30%	40%	20%	40%	11%	40%	0%	25%
	Support	-	-	20%	40%	0%	34%	0%	25%
	Control	-	-	20%	40%	0%	34%	0%	25%

The ratios of performance-based remuneration determined in respect of the general bonus limit in the case of subsidiaries not classed as institutions operating within the Banking Group, depending on the function performed and the organisational position occupied by the senior executive 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		Level 2		from Level 3	
min.	max.	min.	max.	min.	max.
14%	40%	7%	40%	0%	30%

Where an exceptional bonus limit is determined, the performance-based remuneration that may be granted to the senior executive or employee concerned from the extraordinary bonus limit may, as a general rule, not exceed 50% of the individual's performance-based remuneration determined based on the general bonus limit.

In the event of exceptional individual performance, a senior executive or employee may be granted payment from the general bonus limit as well, in an extent exceeding the performance-based

remuneration ratio determined with respect to the general bonus limit but not exceeding the performance-based remuneration ratio determined for the joint application of the general and the extraordinary bonus limit, provided that such payment is covered by the general bonus limit.

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 banking-group and at the individual level (financial indicators and indicators measuring the quality of work).

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

Banking Group level performance is, based on the decision of the Supervisory Board, assessed by applying the group-level RORAC+ indicator (risk-adjusted ROE/COE) or the group-level RORAC indicator or the group-level Economic Value Added (EVA) indicator.¹

The group-level RORAC+ indicator measures the return on equity, the group-level RORAC indicator measures the return on risk-adjusted capital, whereas the EVA indicator measures the nominal value generation capacity of the banking 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 banking 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 Banking Group's profit and/or the achievement of the target values set.

With regard to the financial indicators used for performance assessment, the Supervisory Board may set a performance threshold below which the employee is not entitled to performance-based remuneration, furthermore, it may also specify a tolerance threshold above which not only the measured performance, but subjective considerations may also be taken into account in assessing the actual performance. If the value of the banking group or institution-level financial indicators reach the tolerance threshold, only the Supervisory Board is entitled to recognise any performance deviating from the measured performance, provided that the performance is adversely affected by objective circumstances.

6. Determining entitlement to performance-based remuneration

The decision regarding the maximum amount (general bonus limit) that may be spent on performance-based remuneration for the assessed year, taking the Banking Group's performance into account, is made by the Supervisory Board within 45 days following the annual General Meeting closing the year in question. If the previous business year's business performance was exceptional, the Supervisory Board may also decide to set an extraordinary bonus limit. Extraordinary bonus limits may be set individually for each company operating within the Banking Group, provided that the exceptional business performance of the company concerned is demonstrated. Payments from the extraordinary bonus limit – even if all other conditions are met –

¹This index is calculated on the basis of the figures of Hungarian and foreign group members that were subject to consolidation throughout the entire economic year assessed.

is only possible if ratio between the payment that can be executed at group level jointly from the general and the extraordinary bonus limit and the Bank's consolidated common equity does not exceed 2%.

In respect of the general bonus limit, eligibility for performance-based remuneration, and the extent of the annual award are determined, proportionately with fulfilment of the institutional and individual targets,

- 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 Banking Group subsidiaries identified at consolidated level, the body exercising owner's rights
- in the case of the managers of Banking 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.

If the Supervisory Board has made a decision on the determination of an extraordinary bonus limit, then the Board of Directors shall decide on the eligibility and the amount of the effective disbursement of this bonus, based on a proposal by the Remuneration Committee in the case of the Chairman & CEO of OTP Bank Plc.

In the case of the senior officers employed by the Bank and the chief executives of the Banking Group's subsidiaries, proposals for eligibility and the amount of the effective disbursement from the exceptional bonus limit, while in the case of other employees of the Banking Group's subsidiaries, proposals for the allocable budget shall be made by the Chairman & CEO of OTP Bank Plc with the involvement of the Deputy CEOs and, if necessary, the chairman of the Banking Group Subsidiary's governing body.

The decision regarding disbursement from the exceptional bonus limit, based on the proposal, shall be made by the party 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 of the Banking Group's subsidiaries, the decision is made by the body controlling owner's rights, while in the case of other executives employed by the Banking Group's subsidiaries, the decision is made jointly by the chief executive of the subsidiary concerned and the chairman of the shareholders' governing body.

7. Principles and rules concerning the payment of performance-based remuneration

7.1. Basic Principles

- When assessing the performance of the year evaluated (“T year”), the amount of performance-based remuneration is determined and broken down to the level of individuals. The amount of performance-based remuneration payable from the general bonus limit is determined in consideration of individual performance, as well as the ratio of basic and performance-based remuneration achievable from the general bonus limit. The amount of the performance-based remuneration payable from the extraordinary bonus limit may not be higher than 50% of the performance-based remuneration payable from the general bonus limit.
- 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, in accordance with the decision of the beneficiary, remuneration converted into shares or preferentially priced share allowance, 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, in accordance with the decision of the beneficiary, in the form of such a cash-based payment, as if the settlement of the remuneration converted into shares or the preferentially priced share allowance would take place, with the proviso, that the calculation method of the allowance’s nominal value shall 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 or local level, the performance-based remuneration is, as a general rule, provided in the form of a cash bonus and a remuneration converted into shares, 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 such a cash-based payment, as if the settlement of the remuneration converted into shares or the preferentially priced share allowance would take place, with the proviso, that the calculation method of the allowance’s nominal value shall be 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 deferral 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 an ex post 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 provisions (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 Banking 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 preferentially priced share award are also determined, with the proviso that the preferentially priced share award may contain a maximum discount of HUF 6,000, and the profit content per share may amount to a maximum of HUF 12,000 at the time of claiming 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 shareholding in the ESOP Organisation. The member's shareholding in the ESOP Organisation is a non-marketable 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, ex post assessment of risks) are fulfilled. Any member's shareholding 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 Banking Group's Remuneration Policy, the detailed terms of share-based performance remuneration awards granted through an ESOP Organisation may – within the constraints of the Group 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-based 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 – is authorised to amend the Banking Group's Remuneration Policy.