

30 April 2020

**Resolutions passed by the Board of Directors acting in the competency of the Annual General Meeting of OTP Bank Plc. in the year 2020**

**The Board of Directors acting in the competency of the Annual General Meeting of OTP Bank Plc. convened on 30 April 2020 – according to 9§ (2) of the Government Decree 102/2020 (IV.10.) on divergent provisions concerning the operation of personal and asset pooling organizations during the State of Danger – passed the following resolutions:**

**RESOLUTION No. 85/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, accepts the Board of Directors' report on the Company's financial activity for the year ended 2019, 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 2019, and the proposal for the allocation of the after-tax profit of the parent company.*

*The Board of Directors acting in the competency of the Annual General Meeting, determines the statement of financial position for the year ended 2019 with total assets of HUF 10,138,804 million and with net profit for the period of HUF 193,354 million. The net profit for the period is allocated as follows: the general reserve must be increased by HUF 19,335 million, and the remaining amount must be set to the retained earnings.*

*The Board of Directors acting in the competency of the Annual General Meeting, determines the Company's consolidated balance sheet with total assets of HUF 20,121,767 million, and with net profit continuing operations of HUF 417,250 million. The profit of continuing operations for shareholders is HUF 416,909 million. Net income from discontinued operations is HUF -4,668 million, and net income from continuing and discontinuing operations is HUF 412,582 million.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 86/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, approves OTP Bank Plc.'s 2019 Report on Corporate Governance.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 87/1/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that dr. Sándor Csányi gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/2/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that Mr. Tamás György Erdei gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/3/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that Mr. Antal György Kovács gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/4/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that Mr. László Wolf gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/5/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that Mr. Mihály Baumstark gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/6/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that dr. Tibor Bíró gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/7/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that dr. István Gresa gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/8/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that dr. Antal Pongrácz gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/9/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that dr. László Utassy gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 87/10/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, has evaluated the activities of the executive officers in the 2019 business year and certifies that dr. József Vörös gave priority to the interests of the Company when performing his activities during the business year, therefore, grants the discharge of liability determining the appropriateness of the management activities of him in the business year 2019.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 88/2020 OF THE BOARD OF DIRECTORS**

*Concerning the audit of OTP Bank Plc.'s separate and consolidated annual financial statements in accordance with International Financial Reporting Standards for the year 2020, the Board of Directors acting in the competency of 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 2020 until 30 April 2021.*

*The Board of Directors acting in the competency of the Annual General Meeting, approves the nomination of Tamás Horváth (No. 003449 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of Tamás Horváth as appointed auditor in this capacity, the Board of Directors acting in the competency of the Annual General Meeting proposes the appointment of Gábor Molnár (No. 007239 chartered auditor) to be the individual in charge of auditing.*

*The Board of Directors acting in the competency of the Annual General Meeting, establishes the total amount of HUF 70,350,000 + VAT as the Auditor's remuneration for the audit of the separate and consolidated annual financial statements for the year 2020, prepared in accordance with International Financial Reporting Standards. Out of total remuneration, HUF 55,914,000 + VAT shall be paid in consideration of the audit of the separate annual accounts and HUF 14,436,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 89/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, approves the amendment of Article 8 Section 33 Subsection 20 of the Articles of Association in accordance with the proposal of the Board of Directors, as per the annex of the resolution.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 90/1/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 90/2/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 90/3/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 90/4/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 90/5/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of 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 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 90/6/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects Mr. András Michnai as member of the Supervisory Board of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 91/1/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Tibor Tolnay as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 91/2/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects dr. József Gábor Horváth as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 91/3/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects Mr. Olivier Péqueux as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 91/4/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting, elects dr. Márton Gellért Vági as member of the Audit Committee of the Company until the Annual General Meeting of the Company closing the 2022 business year, but not later than 30 April 2023.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 92/1/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting in line with the annex of the resolution, approves the group remuneration guidelines of OTP Bank Plc. and simultaneously empowers the Supervisory Board of the Company to define the rules of the Banking Group's remuneration policy in detail, in line with the group remuneration guidelines.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 92/2/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of the Annual General Meeting in line with the annex of the resolution, on a consultative basis, approves the remuneration policy of OTP Bank Plc. under the act on encouraging long-term shareholder engagement.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No.93/1/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of the members of the Supervisory Board as determined in resolution No. 10/2017 of the Annual General Meeting. The members of the Audit Committee are not to receive any remuneration.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

**RESOLUTION No. 93/2/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of dr. Sándor Csányi, Chairman of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/3/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of Mr. Tamás György Erdei, Vice Chairman of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/4/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of Mr. Antal György Kovács member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/5/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of Mr. László Wolf member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/6/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of Mr. Mihály Baumstark member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/7/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of dr. Tibor Bíró member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/8/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of dr. István Gresa member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/9/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of dr. Antal Pongrácz member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/10/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of dr. László Utassy member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 93/11/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of Annual General Meeting, does not modify the honorarium of dr. József Vörös member of the Board of Directors as determined in resolution No. 9/2016 of the Annual General Meeting.*

**FOR: 9 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 1**

**RESOLUTION No. 94/2020 OF THE BOARD OF DIRECTORS**

*The Board of Directors acting in the competency of 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 15 October 2021. The mandate set forth in Annual General Meeting resolution no. 9/2019 shall lose its effect upon the passing of this resolution.*

**FOR: 10 (100%)                      AGAINST: 0                      ABSTAIN: 0                      NO STATEMENT: 0**

OTP Bank Plc.

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Postal address: P.O.B.: 501 Budapest H-1876 Hungary

Phone: +36 1 473 5460

Fax: +36 1 473 5951

E-mail: [investor.relations@otpbank.hu](mailto:investor.relations@otpbank.hu)

## **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.

To this end, the Bank is continuously reviewing and developing its corporate governance practices.

Our corporate governance practice is an important means of ensuring the **fulfilment of our strategic objectives**. Accordingly, within the effective statutory frameworks, we have developed a corporate governance system that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct. There is no perfect, universally applicable corporate governance solution through which every goal can be achieved as efficiently as possible. For this reason we continuously monitor our governance practices, identifying any deficiencies arising as the result of external and internal changes, and effect those modifications that best serve the fulfilment of our objectives.

The resulting governance structure, optimised to suit our objectives, takes into account the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank, while also endeavouring to comply with the related Budapest Stock Exchange (hereinafter: BSE) guidelines. The purpose of the BSE's corporate governance guidelines is for the governance and operating structures of stock exchange-listed companies to be **transparent and comparable** based on a uniform set of criteria. This enables investors, taking into consideration the special 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 operations of the Bank are, to a high degree, regulated in statutory provisions. As a consequence, not only certain 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 attested not only within the internal corporate governance system, but also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified 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. General meeting***

The supreme body of the Bank shall be the General Meeting consisting of the shareholders. The Articles of Association regulate the manner of convocation and operation of the General Meeting, the manner of participation, and of the exercise of voting rights.

The General Meeting shall be convened at least once annually by the Board of Directors.

### ***1.2. 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 makeup 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.

The Board of Directors is an executive body elected by the General Meeting of the Bank. The Board of Directors shall be entitled and obliged to make all decisions which are not within the competence of the General Meeting, the Supervisory Board or the Audit Committee as defined by law, the Articles of Association, or a resolution of the General Meeting.

### **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.

| <b>Members of the Board of Directors</b> |                     | <b>Beginning of Board of Directors membership</b> | <b>Beginning of mandate</b> | <b>End of mandate</b> | <b>External/internal member</b> |
|--|---------------------|---|-----------------------------|-----------------------|---------------------------------|
| <b>Chairman</b>                          | Dr. Sándor Csányi   | 15 March 1992                                     | 2016                        | 2021                  | Internal member                 |
| <b>Deputy Chairman</b>                   | Tamás Erdei         | 27 April 2012                                     | 2016                        | 2021                  | External member                 |
| <b>Members</b>                           | Mihály Baumstark    | 29 April 1999                                     | 2016                        | 2021                  | External member                 |
|  | Dr. Tibor Bíró      | 15 May 1992                                       | 2016                        | 2021                  | External member                 |
|  | Dr. István Gresa    | 27 April 2012                                     | 2016                        | 2021                  | External member                 |
|  | Antal György Kovács | 15 April 2016                                     | 2017                        | 2021                  | Internal member                 |
|  | Dr. Antal Pongrácz  | 26 April 2002                                     | 2016                        | 2021                  | External member                 |
|  | Dr. László Utassy   | 25 April 2001                                     | 2016                        | 2021                  | External member                 |
|  | Dr. József Vörös    | 15 May 1992                                       | 2016                        | 2021                  | External member                 |
|  | László Wolf         | 15 April 2016                                     | 2016                        | 2021                  | Internal member                 |

### **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; has been the Deputy Chairman of the UEFA Executive Committee since February 2019. Since April 2017 he has been a member of the FIFA Council and the Deputy Chairman of the FIFA Council since February 2018.

As of 31 December 2019 he held 870,255 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 3,555,583).

**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 executive 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.

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

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

As of 31 December 2019 he held 35,948 ordinary OTP shares.

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

Mr. László Wolf graduated from the Karl Marx University of Economic Sciences in 1983.

After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993.

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

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

As of 31 December 2019 he held 577,521 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 2019 he held 43,600 ordinary OTP shares.

### **Dr. Tibor Bíró**

#### **College Associate Professor**

Dr. Tibor Bíró graduated from the College of Finance and Accountancy (1974) and from the Karl Marx University of Economics (1978) with a degree in business administration. 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 2019 he held 29,000 ordinary OTP shares.

### **Tamás Erdei**

#### **BSc Business Administration**

Mr. 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 and 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.

He has been a member of the Board of Directors of OTP Bank Plc. since April 2019 and the Deputy Chairman of the Work-out Committee since October 2019.

He has been Chairman of the Board of Directors at OTP Factoring Ltd. between since December 2019.

As of 31 December 2019 he held 19,239 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 2019 he held 154,012 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 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 2019 he held 96,501 ordinary OTP shares.

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

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

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

He has been a member of OTP Bank's Board of Directors since 2001. He has been a member of OTP Bank's Risk Assumption and Risk Management Committee since 2014. He has been Chairman of the Board of Directors of Merkantil Real Estate Leasing Ltd. since 4 April 2018.

As of 31 December 2019 he held 145,597 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 Science 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 Economic Council of the University of Pécs. 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 2019 he held 154,914 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 2019, and of the attendance at these meetings:

**Board of Directors meetings**  
**2019**

| <b><i>Date</i></b>  | <b><i>Present</i></b> | <b><i>Absent</i></b> |
|---------------------|-----------------------|----------------------|
| <i>19 February</i>  | <i>10</i>             | <i>-</i>             |
| <i>08 March</i>     | <i>9</i>              | <i>1</i>             |
| <i>12 April</i>     | <i>10</i>             | <i>-</i>             |
| <i>12 June</i>      | <i>8</i>              | <i>2</i>             |
| <i>05 September</i> | <i>10</i>             | <i>-</i>             |
| <i>09 September</i> | <i>10</i>             | <i>-</i>             |
| <i>10 December</i>  | <i>10</i>             | <i>-</i>             |

**Note:**

*In 2019 the Board of Directors met on a total of 7 occasions. In addition, resolutions were passed on 145 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 – as a body elected by the General Meeting – performs the oversight of the Company’s management, business activity and legal operation and fulfils the responsibilities assigned to it by the Credit Institutions Act.

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 by the employer of the employment of, and well as the determination of the remuneration of, the head 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.

| <b>Members of the Supervisory Board</b> |                   | <b>Beginning of Supervisory Board membership</b> | <b>Beginning of mandate</b> | <b>End of mandate</b> | <b>Independent/ Employee member</b> |
|---|-------------------|--|-----------------------------|-----------------------|-------------------------------------|
| <b>Chairman</b>                         | Tibor Tolnay      | 15 May 1992                                      | 2017                        | 2020                  | Independent member                  |
| <b>Deputy Chairman</b>                  | Dr. Gábor Horváth | 29 April 2005                                    | 2017                        | 2020                  | Independent member                  |
| <b>Members</b>                          | Klára Bella       | 12 April 2019                                    | 2019                        | 2020                  | Employee delegate                   |
|   | András Michnai    | 25 April 2008                                    | 2017                        | 2020                  | Employee delegate                   |
|   | Dr. Márton Vági   | 29 April 2011                                    | 2017                        | 2020                  | Independent member                  |
|   | Olivier Péqueux   | 13 April 2018                                    | 2018                        | 2020                  | Independent member                  |



## **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 1989 to 1992, he was Director of State Construction Company No. 21.

From 1992 to 1994 he was CEO, then from 1994 to 2015 he was Chairman & CEO of Magyar Építő Rt. He has been the managing director of ÉRTÉK Kft. since 1994,

From 2001 to 2015, he was President of the National Association of Building Contractors.

From 2018, President of the National Association of Entrepreneurs and Employers.

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

As of 31 December 2019 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. 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 2019 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 2019 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 2019 he held no ordinary OTP shares.

**Employee delegates:**

**Klára Bella**  
**Director**  
**Corporate Directorate**

He graduated from the College of Finance and Accountancy and later received a degree from the Budapest University of Economic Sciences.

From 1992 to 1994 he worked as a clerk at the Fertőszentmiklós branch of OTP Bank.

From 1994 to 1995 he was a lending consultant at Polgári Bank.

From 1995 to 1996 he worked as a risk manager at the Central Branch of OTP Bank.

From 1996 to 1997 he was a credit authorizer in the Credit Approval and Risk Management Division.

From 1997 to 2010 he was Deputy Executive Director at the Central Branch.

From 2010 to 2016 he was Director at the Central Branch.

Since 2017 he has been Director of the Corporate Directorate.

He has been a member of OTP Bank's Supervisory Board, and representative of the Bank's employees, since 12 April 2019.

As of 31 December 2019 he held no 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 management 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 2019 he held 100 ordinary OTP shares.

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

As stipulated in the Articles of Association, 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 2019, and of the attendance at these meetings:

**Supervisory Board Meetings**  
**2019**

| <b><i>Date</i></b>  | <b><i>Present</i></b> | <b><i>Absent</i></b> |
|---------------------|-----------------------|----------------------|
| <i>15 February</i>  | <i>5</i>              | <i>1</i>             |
| <i>08 March</i>     | <i>5</i>              | <i>1</i>             |
| <i>17 May</i>       | <i>6</i>              | <i>-</i>             |
| <i>13 June</i>      | <i>5</i>              | <i>1</i>             |
| <i>19 September</i> | <i>5</i>              | <i>1</i>             |
| <i>21 October</i>   | <i>5</i>              | <i>1</i>             |
| <i>10 December</i>  | <i>5</i>              | <i>1</i>             |

**Note:**

*In 2019 the Supervisory Board met on a total of 7 occasions. In addition, resolutions were passed on 68 occasions by written vote.*

*Ágnes Rudas resigned from his post on the Supervisory Board with effect from 12 April 2019.*

*On 12 April 2019, the Bank's General Meeting elected Klára Bella 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, and to manage the internal audit organization. It is also responsible for verifying the financial institution's annual and interim financial statements, making a suggestion to the annual General Meeting for the acceptance of the documents, reports and annual reports verified by it and submitted to the annual General Meeting, as well as for the acceptance of the proposal for the use of after-tax profits, and the person and remuneration of the auditor to be elected.

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 principles of the Bank Group's Remuneration Policy are approved and reviewed by the Supervisory Board, while the Board of Directors is responsible for the annual internal audit of the Policy.

Additional agenda items of the meetings of the Supervisory Board included compliance with the provisions of the Credit Institutions Act, the situation in terms of implementation at group level 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, report on compliance activity, etc.

### **1.3 Audit Committee**

The Audit Committee, consisting of independent members of the Bank's Supervisory Board elected by the General Meeting, 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 powers 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 several domestic subsidiary banks.

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

The Audit Committee consists of four members who are elected for a term of three years. The Audit Committee elects a chairperson from among its own members.

| <b>Members of the Audit Committee</b> |                   | <b>Beginning of Audit Committee membership</b>        | <b>Beginning of mandate</b> | <b>End of mandate</b> |
|---------------------------------------|-------------------|---|-----------------------------|-----------------------|
| <b>Chairman</b>                       | Dr. Gábor Horváth | 21 September 2007 –<br>29 April 2011<br>25 April 2014 | 2017                        | 2020                  |
| <b>Deputy Chairman</b>                | Tibor Tolnay      | 21 September 2007 –<br>29 April 2011<br>25 April 2014 | 2017                        | 2020                  |
| <b>Members</b>                        | Dr. Márton Vági   | 25 April 2014   | 2017                        | 2020                  |
|                                       | Olivier Péqueux   | 13 April 2018   | 2018                        | 2020                  |

**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 2019, and of the attendance at these meetings:

**Audit Committee meetings  
2019**

| <b><i>Date</i></b> | <b><i>Present</i></b> | <b><i>Absent</i></b> |
|--------------------|-----------------------|----------------------|
| <i>08 March</i>    | <i>3</i>              | <i>1</i>             |
| <i>10 December</i> | <i>3</i>              | <i>1</i>             |

**Note:**

*In 2019 the Audit Committee met on a total of 2 occasion. In addition, resolutions were passed on 20 occasions by written vote.*

The items on the agenda of the Audit Committee meetings included, among others, a briefing on the profit approved by the Company's auditor, the Company's non-consolidated financial statements prepared in accordance with International Financial Reporting Standards, the report on the financial statements and on the proposal regarding the distribution of the profit, and a recommendation on the selection of the Company's auditor, approval of the person nominated to be responsible for the audit, and the determining of his/her remuneration.

The proposals submitted by domestic subsidiary banks 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.

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

A key consideration in the establishment of the composition of special and standing committees is the election of members who are capable of taking a position in all fields and professional matters within the competence of the committee.

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.

| <b>Members of the Remuneration Committee</b> |                  |
|--|------------------|
| <b>Chairman</b>                              | Dr. József Vörös |
| <b>Members</b>                               | Dr. Tibor Bíró   |
|  | Mihály Baumstark |

#### 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 procedural rules are approved by the committee itself.

| <b>Members of the Nomination Committee</b> |                  |
|--|------------------|
| <b>Chairman</b>                            | Dr. Tibor Bíró   |
| <b>Members</b>                             | Mihály Baumstark |
|  | Tamás Erdei      |

### 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 procedural rules are approved by the committee itself.

| <b>Members of the Risk Assumption and Risk Management Committee</b> |                   |
|---|-------------------|
| <b>Chairman</b>   | Tamás Erdei       |
| <b>Members</b>  | Dr. László Utassy |
|   | Dr. József Vörös  |

### 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 procedural rules are approved by the committee itself.

| <b>Ethics Committee</b> |                  |
|-------------------------|------------------|
| <b>Chairman</b>         | Mihály Baumstark |

### c) **Permanent committee** established by the Bank's Management 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). Their order of business is determined by its procedural rules.

| <b>Members of the Management Committee</b> |                        |
|--|------------------------|
| <b>Chairman</b>                            | Dr. Sándor Csányi      |
| <b>Members</b>                             | Dr. Zsolt Barna        |
|  | László Bencsik         |
|  | Tibor András Johancsik |
|  | György Kiss-Haypál     |
|  | Antal György Kovács    |
|  | László Wolf            |
|  | Dr. Bálint Csere       |

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
- Committee on the Prevention of Money Laundering

### **Asset-Liability Committee**

The Asset-Liability Committee (ALCO) is a standing committee established by the Board of Directors, which acts as the Bank's governing body in asset-liability management matters of the highest level.

| <b>Members of the Asset-Liability Committee</b> |                |
|---|----------------|
| <b>Chairman</b>                                 | László Bencsik |
| <b>Deputy Chairman</b>                          | László Wolf    |

### **Product Development, Sales and Pricing Committee**

The Product Development, Sales and Pricing Committee (TÉÁB) is a standing committee established by the Board of Directors. As a committee it deals with the products and services of the Bank and its domestic subsidiaries sold through the Bank's sales channels, including their normative pricing and their distribution through the various sales channels available, as well as with major campaigns.

| <b>Members of the Product Development, Sales and Pricing Committee</b> |              |
|--|--------------|
| <b>Chairman</b>  | Antal Kovács |
| <b>Deputy Chairman</b>   | László Wolf  |



## International Product Development, Sales and Pricing Committee

The International Product Development, Sales and Pricing Committee (NTÉÁB) is a standing committee established by the Board of Directors which deals with matters related to products and services sold by the Bank's foreign subsidiaries, including their pricing and sales.

| <b>Members of the International Product Development, Sales and Pricing Committee</b> |              |
|--|--------------|
| <b>Chairman</b>  | Antal Kovács |
| <b>Deputy Chairman</b>   | László Wolf  |

## Work-Out Committee

The Work-Out Committee is a standing committee established by the Board of Directors. Its responsibility is to approve the collection strategy and submit it to the Board of Directors. The Work-Out Committee exercises decision-making power in the enforcement of claims the recovery of which is at risk in the portfolio of the Bank, and right of consent concerning such in the portfolios of the Bank's foreign subsidiaries, Merkantil Bank Zrt. and its subsidiaries, as well as OTP Factoring Ltd. and its foreign subsidiaries. The Work-Out Committee also acts as an NPL committee in charge of the general management of non-performing exposures, in the framework of which it pre-approves, reviews and supports the Bank's NPL strategy and supports its implementation in practice.

| <b>Members of the Work-Out Committee</b> |             |
|--|-------------|
| <b>Chairman</b>                          | Tamás Erdei |
| <b>Deputy Chairman</b>                   | János Szász |

## Credit and Limits Committee

The Credit and Limits Committee (HLB) is a standing committee established by the Board of Directors. The HLB's core competence covers the Bank's and the Bank Group's regulatory and methodological responsibilities related to lending and credit risk management, as well as decisions concerning the assumption of credit risk vis-à-vis of customers, and in case of Bank Group members that assume credit risk, it entails the exercise of the power of decision or consent concerning this area of responsibilities.

| <b>Members of the Credit and Limits Committee</b> |                    |
|---|--------------------|
| <b>Chairman</b>                                   | György Kiss-Haypál |
| <b>Deputy Chairman</b>                            | László Wolf        |

## IT and Operations Board

The IT and Operations Board (ITOB) is a standing committee set up by the Board of Directors that provides guidance concerning the investment strategy within the sphere of competence of the Bank Group's IT Division in order to ensure the prudent and secure operation of the Bank Group.

| <b>Members of the IT and Operations Board</b> |                 |
|---|-----------------|
| <b>Chairman</b>                               | Tibor Johancsik |
| <b>Deputy Chairman</b>                        | László Bencsik  |

## Group Operational Risk Management Committee

The Group Operational Risk Management Committee is a standing committee set up by the Board of Directors that monitors changes in operational risks, operational risk management activities and business continuity planning activities and ensures that regulatory risk management solutions required by law and expected by the management are in place and that reporting pathways are working properly.

| <b>Members of the Group Operational Risk Management Committee</b> |                    |
|---|--------------------|
| <b>Chairman</b>   | György Kiss-Haypál |
| <b>Deputy Chairman</b>  | Gábor Horváth      |

## Group Impairment Committee

The Group Impairment Committee is a standing committee established by the Board of Directors. The sphere of competence of the Committee includes Bank Group-level decisions about the methodological issues involved in the group valuation used in impairment recognition under IFRS 9.

| <b>Members of the Group Impairment Committee</b> |                    |
|--|--------------------|
| <b>Chairman</b>                                  | László Bencsik     |
| <b>Deputy Chairman</b>                           | György Kiss-Haypál |

## Committee on the Prevention of Money Laundering

The Committee on the Prevention of Money Laundering is a standing committee established by the Board of Directors that makes decisions about the sustainability of a business relationship or the approval of the establishment of a business relationship that involve customers concerned with the arising of specific money laundering risks.

| <b>Members of the Committee on the Prevention of Money Laundering</b> |                  |
|---|------------------|
| <b>Chairman</b>   | dr. Bálint Csere |
| <b>Deputy Chairman</b>  | Gábor Bucsek     |

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.

### **1.5. 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. From 2008 to 2009 he was one of the decisive figures in crisis management activities conducted in the banking sector.

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. In 2017-2018, he supervised the integration of OTP Bank's Croatian subsidiaries.

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

Between 10 September 2018 and 29 March 2019, he was Chairman of the Supervisory Board of OTP Real Estate Ltd. He has been Chairman of the Board of Directors of OTP Real Estate Ltd. since 29 March 2019. Since 13 December 2019 he has been a member of the Board of Directors, and since 16 December 2019 Chairman of the Board of SKB Bank in Slovenia.

As of 31 December 2019 he held 1,010 ordinary OTP shares.

#### **László Bencsik**

##### **Deputy CEO**

##### **Strategy and Finance Division**

In 1996, László Bencsik graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Masters 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 2019 he held 41,756 ordinary OTP shares.

**Tibor András Johancsik**  
**Deputy CEO**  
**IT 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 2019 he held 13,153 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.

As of 31 December 2019 he held 1,776 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')**

## **1.6. 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. It is a basic expectation concerning the operation of internal control functions that they should operate in a way 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 covers all processes, organisational units, business lines and activities, including outsourced activities.

The Company's internal audit system consists of several modular control levels. The elements of the internal audit system are comprised of in-process controls and management controls, and an independent internal audit unit and management information system.

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.

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 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 group-level reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a summary account of the audits conducted by the Group's internal audit organisations, 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 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 Strategy determines, with respect to the entire Bank Group, the framework for risk management and the principles, guidelines and development programmes 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 Limit Committee, Workout Committee, Group Operational Risk 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.

The business continuity framework is intended to provide for the continuity of services. Developed on the basis of international methodologies, the lifecycle model includes process evaluation, action plan development for critical processes, the regular review and testing of these, as well as related DRP activities. The activity is overseen by the Group Operational Risk Management Committee.

## **Compliance**

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

The Compliance Directorate prepares a report quarterly to the Board of Directors, and annually to the Supervisory Board, about the Bank's and the Bank Group's compliance activities and position.

## **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.

With regard to the provisions of Article 17 of Regulation (EU) No 537/2014 of the European Parliament and of the Council ("Regulation"), Deloitte Könyvvizsgáló és Tanácsadó Kft. may perform the duties of auditor in the 2020 business year for the last time. The Audit Committee, on the basis of the proposal from the Tender Committee conducting and coordinating the tender, accepted the evaluation of the proposals received in relation to the tender *auditor to be elected from the business year 2021* and its compliance with the applicable legislation.

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 or 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.

### **1.7. 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, Ministry of Finance Decree 24/2008 (VIII. 15), Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization, 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 pertaining to the Company and having a bearing on the price of the Company's shares is published accurately, in full, and in good time.

The Board of Directors describes its business and strategic goals of the given year at every 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 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 2019, and found them to be satisfactory.

## ***1.8. 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 document 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 shareholder matching procedure is corroborated by the result of the shareholder matching procedure;
- 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

- o 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.

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

The Company requests a shareholder-matching procedure for the date of the General Meeting (including any repeated General Meeting), as a corporate event, from the 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 holding may only be made, at the earliest, on the working day following the closure of the General Meeting or following the day of the non-quotate 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 in order to avoid the proceeding referenced in Section 135 (2) of the Credit Institutions Act, can be announced at least 10 days before the projected 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 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,
- 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 proposed 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 resolution proposals 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 terminate the availability of the technical conditions (microphone) 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 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.

### **1.10. Declaration on Remuneration**

In compliance with the relevant European Union directive (CRD IV), Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization, and the provisions of the Credit Institutions Act, the Bank's General Meeting concluding the year 2018, 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, takes place 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 consolidated-level personal scope and personal scope identified at sub-consolidated level and at local Hungarian subsidiaries, 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 at foreign subsidiaries and within the Bank Group subsidiaries operating outside the European Union, remuneration is provided in the form of virtual 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, Merkantil Rent Ltd., and OTP Real Estate Leasing Ltd., who are subject to the consolidated, sub-consolidated or local-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, by type of activity<sup>1)</sup>:

| Remuneration for the year |             |                  |                     |                               |                |
|---------------------------|-------------|------------------|---------------------|-------------------------------|----------------|
| Investment bank           | Retail bank | Asset management | Corporate functions | Independent control functions | Other activity |
| (million HUF)             |             |                  |                     |                               |                |
| 380                       | 1,613       |                  | 3,009               | 577                           | 369            |

Notes:

- 1) The types of activity were determined in accordance with Annex 13 of MNB Decree No. 38/2019. (XI.20.):
  - 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, by type of remuneration:

| Number of recipients of remuneration <sup>1)</sup> | Remuneration for the year |  |             | Amount of unpaid deferred remuneration <sup>3)</sup> |            | Amount of deferred remuneration awarded and paid during the business year, less any adjustment for performance <sup>4)</sup> |
|--|---------------------------|--|-------------|--|------------|--|
|  | Fixed remuneration        | Performance-based remuneration <sup>2)</sup> |             | Vested   | Non-vested |  |
|  |                           | Cash-based                                   | Share-based |  |            |  |
| (persons)  | (million HUF)             |  |             |  |            |  |
| 62   | 3,108                     | 1,420  | 1,420       | 267  | 3,312      | 1,481  |

Notes:

- 1) Employees under the Bank Group Remuneration Policy as of 2019, whose professional activities have a material impact on the risk profile.
- 2) The calculated amount of performance-based remuneration for 2019, the settlement of which may take place based on performance evaluations after the General Meeting for 2020.
- 3) 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 2018, the second, third and fourth deferred part of performance-based remuneration for 2017, and the third deferred part of performance-based remuneration for 2016.
- 4) The third deferred part of performance-based remuneration for 2015, the second deferred part of performance-based remuneration for 2016, the first deferred part of performance-based remuneration for 2017 and the short-term withheld portion of the share-based part of performance-based remuneration for 2017, settled in 2019.

The amount of unpaid, deferred remuneration for employees in positions in years prior to 2019 which have a material impact on the risk profile but which positions are no longer identified 2019 é s for employees that have already retired, and the amount of deferred remuneration awarded during the business year, was as follows:

| Number of recipients of remuneration | Amount of unpaid deferred remuneration |            | Amount of deferred remuneration awarded and paid during the business year, less any adjustment for performance <sup>4)</sup> |
|--------------------------------------|--|------------|--|
|                                      | Vested                                 | Non-vested |  |
| (persons)                            | (million HUF)                          |            |  |
| 13                                   | 7                                      | 181        | 301  |

During the business year, within the scope of the Remuneration Policy, no employees at OTP Bank Plc. received severance payment exceeding the statutory level; sign-on bonuses were given to 2 persons in a total amount of HUF 21.4 million.

For 2019, 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 31 December 2019).

Remuneration settled in 2019 for the members of the OTP Bank Plc. Board of Directors and the Supervisory Board amounted to HUF 1,422 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 2018 year.

| Name                      | Position   | Amount of honorarium |                        | Amount of cash benefits for 2019 |
|---------------------------|--|----------------------|------------------------|----------------------------------|
|                           |  | Monetary honorarium  | OTP common stock       | (HUF)                            |
|                           |  | HUF/month            | pcs/month <sup>1</sup> |                                  |
| <b>Board of Directors</b> |  |                      |                        |                                  |
| Dr. Sándor Csányi         | Chairman of the Board of Directors                   | 810,000              | 1,000                  | 9,720,000                        |
| Tamás Erdei               | Deputy Chairman of the Board of Directors (external) | 695,000              | 800                    | 8,340,000                        |
| Antal György Kovács       | Member of the Board of Directors                     | 695,000              | 800                    | 8,340,000                        |
| László Wolf               | Member of the Board of Directors                     | 695,000              | 800                    | 8,340,000                        |
| Dr. Antal Pongrácz        | Member of the Board of Directors (external)          | 695,000              | 800                    | 8,340,000                        |
| Dr. István Gresá          | Member of the Board of Directors (external)          | 695,000              | 800                    | 8,340,000                        |
| Mihály Baumstark          | Member of the Board of Directors (external)          | 695,000              | 800                    | 8,340,000                        |
| Dr. Tibor Bíró            | Member of the Board of Directors (external)          | 695,000              | 800                    | 8,340,000                        |
| Dr. László Utassy         | Member of the Board of Directors (external)          | 695,000              | 800                    | 8,340,000                        |
| Dr. József Vörös          | Member of the Board of Directors (external)          | 695,000              | 800                    | 8,340,000                        |
| <b>Supervisory Board</b>  |  |                      |                        |                                  |
| Tibor Tolnay              | Chairman of the Supervisory Board                    | 2,400,000            | ---                    | 28,800,000                       |
| Dr. Gábor Horváth         | Deputy Chairman of the Supervisory Board             | 1,900,000            | ---                    | 22,800,000                       |
| Olivier Péqueux           | Member of the Supervisory Board                      | 1,700,000            | ---                    | ---                              |
| Dr. Márton Gellért Vági   | Member of the Supervisory Board                      | 1,700,000            | ---                    | 20,400,000                       |
| Ágnes Rudas <sup>4</sup>  | Member of the Supervisory Board (employee)           | 1,700,000            | ---                    | 5,723,333                        |
| Klára Bella <sup>5</sup>  | Member of the Supervisory Board (employee)           | 1,700,000            | ---                    | 14,676,667                       |
| András Michnai            | Member of the Supervisory Board (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) Since 12 April 2019 in the position of Deputy Chairman (was already a member of the Board of Directors before that; in this position his honorarium was 800 OTP ordinary shares / month)
- 3) The honorarium was transferred to Groupama S.A.
- 4) Until 12 April 2019
- 5) Since 12 April 2019

### ***1.11. 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 2019 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.

### ***1.12. 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. Without prejudice to the above principles, the Bank also strives to ensure that both genders are represented among the candidates during the selection process for members of management bodies.

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 mandate of the current female member began on 12 April 2019). The Bank's senior management currently consists of 7 persons, none of whom are women.

### ***1.13. Legal background***

The Bank Group complies with the prevailing corporate law and prudential legal provisions during its operation. OTP Bank Plc., which acts as the controlling credit institution, controls the members of the Bank Group with consideration to Hungarian law and the local law pertaining to each foreign subsidiary.

Pursuant to Section 3:112 (3) of the Civil Code, the Bank may give instructions to the executive officers of single-person companies owned 100% by the OTP, which the executive officer is obliged to comply with.

### **1.14. Group structure**

The Bank Group includes OTP Bank, its Subsidiaries and the totality of all Companies operating in Hungary or abroad in which OTP Bank or its Subsidiaries have, directly or indirectly, Controlling Interest or Minority Interest, and the uniform management of which follows the three-tier governance model detailed below.

### **1.15. Governance structure**

#### **Features of the governance model**

The operation of the OTP Bank Group is based on a country manager and professional field matrix governance system, which is the most appropriate solution considering the specifics of the group.

The applied model is used to ensure that the multinational organization consisting of banking group members of different sizes, operating in different market environments and being at different levels of development are managed according to uniform principles but taking into account local characteristics, optimizing business efficiency at the group level.

#### **Types of governance**

*Ownership governance* means the direct enforcement of interests, the exercise of the rights of ownership of the parent company as enshrined in law. The parent bank enforces its interests as owner at the general meeting and through the bodies and chairpersons of the subsidiary.

*Group-level governance* is the set of activities through which the parent bank establishes, and control compliance with, guidelines that provide for uniform governance at the group level, ensure the maximum enforcement of group-level interests, and implements unified group-level support.

*Functional governance* is the set of activities through which the parent bank's professional support/operation/service functions transfer knowledge and experience or provide services to the respective functions of the subsidiaries or directly control their operation.

*Business governance* is a key element of the system, it consisting of the adoption of best practices at the group level, the promotion of operation at the expected professional level, and the provision of professional support to group members.

### **1.16. Operating structure**

#### **Managers of the Bank's operation based on organizational hierarchy**

The Chairman & CEO controls and supervises the Bank's daily operation in order to ensure that it takes place within the framework of the law and the Bank's Articles of Association and in accordance with the decisions of the General Meeting and the Board of Directors.

Under the direction of the Chairman & CEO, each of the central professional areas and functions, with due regard to their logical and professional connections, are led by Deputy CEOs (Heads of Divisions). The General Deputy CEO in charge of the Bank's Group Governance and Operations Division is responsible for providing the framework for group governance, with the proviso that each head of division, head of business area and

functional area manager is also responsible for group-level business and functional governance.

### ***1.17. Reporting lines***

The reporting pathways of the Bank are well regulated and documented both within the Bank Group and concerning outsourced activities.

The Group Operational Risk Management Committee is responsible for the appropriate operation of the reporting pathways required by law and expected by the management.

## **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

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**Proposal on the amendment of Article 8 Section 33 Subsection 20 of the Articles of Association**

Reason for the proposal is change in the legislation: the amendment of the Civil Code Act V of 2013 entering into force during 2019 that shall be applied on the General Meeting of 2020. According to which the advisory decision on the remuneration is the competence of the General Meeting.

**[Article 8 The Company's General meeting]**

[8.33. The General Meeting has exclusive authority with respect to the following matters:]

20. advisory voting on the remuneration policy defined in the long-term shareholders engagement Act (Act LXVII of 2019) and advisory decision on the guidelines and framework for a long-term salary and incentives scheme for senior office-holders, Supervisory Board members and senior employees defined in the Credit Institutions Act (Remuneration Guidelines);

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**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 |      | fromLevel 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.<sup>1</sup>

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

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<sup>1</sup>This 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.

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 – 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.

92/2/2020

## OTP BANK PLC'S REMUNERATION POLICY BASED ON THE ACT ON THE ENCOURAGEMENT OF LONG-TERM SHAREHOLDER ENGAGEMENT

The remuneration policy of OTP Bank Plc (hereinafter: **Bank**) based on Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonisation (hereinafter: **Remuneration Policy**) has been developed in an effort to provide appropriate incentives to pursue both strategic and operational objectives, while ensuring compliance with domestic and international regulations.

The Bank's Remuneration Policy supports the values, long-term objectives, interests and sustainability of the Company, in the course of which it also promotes efficient and effective risk management, and ensures that no risks are taken beyond the limits of the Bank's risk exposure. To facilitate all of the above, the Bank's Remuneration Policy and practice includes the following:

- The managers' remuneration is based on value creation. It encourages high performance and appropriate risk-taking in line with the Bank's strategy, as well as a responsible behaviour serving the long-term interests of the Bank (e.g. developing incentives that align the managers' individual interests with the Bank's long-term interests, through the creation of a performance assessment scheme and the use of financial and non-financial indicators).
- The share-based honorarium and performance-based remuneration ensure consistency between the individual interests of the executives and the long-term interests of shareholders and the company, by guaranteeing the long-term commitment of the beneficiaries of share-based honorarium and performance-based remuneration and by making them interested in the Bank's sustainable and long-lasting success.
- The objective is to ensure that the Bank's senior management consists of executives with the appropriate skills and competences and with a good business reputation, who contribute to the Company's long-term success and the implementation of its strategy (including, in particular, the application of selection criteria aligned with these values and of a competitive wage system adjusted to market conditions, qualifications and the complexity of the tasks, in an effort to attract and retain the appropriate executive staff).
- Provisions intended to ensure several years' deferral of performance-based remuneration and the ex post risk assessment thereof also promote long-term value creation and sustainability, as well as ethical behaviour. These provisions examine eligibility for performance-based remuneration not only at the time that it is awarded, but also before each deferred instalment is paid (in every year of the deferral cycle), thereby ensuring that the performance assessment process is indeed based on long-term results and, where appropriate, any disbursed performance-based remuneration can be reclaimed.

### I. SCOPE OF THE REMUNERATION POLICY

The scope of the Bank's Remuneration Policy includes, in accordance with the relevant statutory provisions, the Chairman, Deputy Chairman and members of the Bank's Board of Directors, the Chairman, Deputy Chairman and members of the Supervisory Board, the

Bank's Chief Executive Officer (Chairman & CEO) and the deputy chief executives (hereinafter collectively: **Directors**). Should the Board of Directors, based on the authorisation granted by the Bank's Articles of Association, decide to have different persons as the Chairman of the Board of Directors and the CEO of the Bank, the provisions of this Remuneration Policy shall also apply to the CEO.

For the purpose of applying the remuneration rules relevant to Directors, the following personnel categories must be distinguished:

- **Directors qualifying as members of the management bodies:** Chairman, Deputy Chairman and members of the Board of Directors (collectively: **members of the Board of Directors**) and Chairman, Deputy Chairman and members of the Supervisory Board (collectively: **members of the Supervisory Board**).
- **Directors employed by the Bank:** Chairman & CEO (CEO), the Deputy CEOs (including internal members of the board of directors) and members of the Supervisory Board qualifying as employee delegates.
- **Directors not employed by the Bank:** external members of the board of directors and independent supervisory board members.

If a particular Director is a member of more than one personnel group, then the remuneration rules of this Remuneration Policy that are applicable to the personnel groups relevant to the Director concerned shall apply jointly to the Director concerned.

The Bank's Remuneration Policy shall enter into force on the day on which it is submitted to the General Meeting for expressing an opinion, although its provisions shall be applicable only from the 2021 business year.

The Bank's Remuneration Policy must be submitted to the General Meeting at least every four years, so this Remuneration Policy shall be reviewed by the General Meeting closing the 2023 business year, at the latest.

## II. ELEMENTS OF REMUNERATION, RATIO OF FIXED AND VARIABLE REMUNERATION

The Directors' remuneration may consist of fixed, variable and extraordinary elements.

**Fixed elements** of Directors' remuneration include:

- For Directors who are members of the Management Bodies, the *honorarium* shall be:
  - For members of the Board of Directors, the remuneration consists of a cash and a share-based award. With regard to 50% of the share-based award, the members of the Board of Directors are subject to an extended holding obligation until the end of their term of office.
  - In the case of members of the Supervisory Board, the honorarium shall consist solely of a cash award.
- The *basic salary* for Directors employed by the Bank.
- If an agency contract is concluded with an external member of the Board of Directors for the performance of a specific task beyond the scope of his/her duties as a member of the board, the *commission fee*.
- In the case of members of the Board of Directors and Directors employed by the Bank, *role-based allowances* shall be payable in respect of managers being on equal terms with all managers in the same position.
- Directors employed by the Bank shall be granted *benefits payable on equal terms to all employees*.



**Variable elements** of Directors' remuneration include:

- In the case of Directors not employed by the Bank, the remuneration has no variable components.
- In the case of Directors employed by the Bank, performance-based remuneration is provided in accordance with the Group Remuneration Guidelines.

The **extraordinary elements** of the Directors' remuneration are not considered as regular benefits, but may be linked to the establishment or termination of an employment relationship, and therefore only Directors who are employed by the Bank may acquire such benefits.

**Benefits related to the establishment of an employment relationship** granted to Directors employed by the Bank may include the guaranteed bonus and the buyout of a previous contract. Such benefits related to the establishment of an employment relationship may be payable only when the employment is first started and may not exceed the annual basic remuneration.

**Benefits related to the termination of an employment relationship** granted to Directors employed by the Bank may include:

- Compulsory benefits payable under the Labor Code: severance pay, absence fee for the discharge period, redemption of unused holidays.
- Severance pay paid in accordance with the provisions of the Remuneration Policy.
- Proportionate consideration for a non-compete commitment.

**The ratio between fixed and variable remuneration** is determined as follows:

- *In the case of Directors who are not employed by the Bank*, 100% of the remuneration shall be fixed, and no variable remuneration may be determined or paid.
- *In the case of the Chairman & CEO (CEO) and the Deputy CEOs (including internal members of the Board of Directors)*, the ratio of basic remuneration and performance-based remuneration is determined for both the general and the extraordinary bonus limits under the Group Remuneration Guidelines, as follows:
  - In the event that only the general bonus limit is determined for a given business year, the ratio of fixed and variable remuneration components is 60%-40%. The rate of variable remuneration may only exceed the above ratio – up to a 50-50% fixed and variable remuneration ratio – in the case of a specific Director, if the performance-based remuneration of another Director is reduced by the same extent as the former Director's performance-based remuneration was increased.
  - If an extraordinary bonus limit is also determined in addition to the general bonus limit, then the fixed and variable remuneration ratio shall be 50-50%, with the proviso that the ratio of variable remuneration may also be lower than this, depending on the determined extraordinary bonus limit.
- Although *the employee delegates of the Supervisory Board* are not entitled to variable remuneration only as Supervisory Board members, they may become eligible to variable remuneration based on their jobs filled at the Bank. The fixed and variable remuneration ratio of employee delegates is always determined by the Bank's Supervisory Board in association with the duties and responsibilities of the employee concerned. As the duties and responsibilities of an employee delegate delegated to the Supervisory Board cannot be foreseen, the ratio of the fixed and the variable components of the remuneration paid to employee delegates of the Supervisory Board with regard to their employment relationship cannot be specified in advance in this Remuneration Policy. However, it may be established as a guarantee rule that, in the case of employee delegates of the Supervisory Board as well, the proportion of the annual variable remuneration may not exceed the annual fix remuneration, and that, in justified cases, the Supervisory Board is entitled not to determine any variable

remuneration for members of the Supervisory Board qualifying as employee delegates. If variable remuneration is determined for an employee delegate, this shall be determined and paid to them in accordance with the Group Remuneration Guidelines.

### **III. AWARDS AND OTHER BENEFITS AVAILABLE TO DIRECTORS**

In the case of Directors who are not employed by the Bank, no variable remuneration (including premiums or awards) may be determined or paid.

Directors employed by the Bank may become eligible for performance-based remuneration (premium) under the Group Remuneration Guidelines, based on a target agreement and performance assessment.

Directors shall be entitled to the following *role-based allowances* qualifying as fixed remuneration:

- a) personally used IT devices,
- b) personally used mobile phones and mobile phone usage limits,
- c) travel (accident) and health insurance,
- d) reimbursement of health care costs,
- e) holidays in a facility owned by the Banking Group,
- f) providing for training and education,
- g) travel, hotel accommodation, subsistence allowances and material expenses in the case of missions,
- h) health insurance package for the Director's family.

The members of the Board of Directors, the Chairman of the Supervisory Board, the Chairman & CEO (CEO) and the Deputy CEOs are also entitled to a personalised entertainment budget, as role-based allowance qualifying as fixed remuneration.

The Chairman & CEO (CEO) and the Deputy CEOs shall, in addition to the above benefits, also be entitled to the following *role-based allowances* qualifying as fixed remuneration:

- a) provision of vehicles for personal use, and the associated drivers' thereto,
- b) term life insurance.

The Chairman & CEO shall, in addition to the above benefits, also be entitled to the following *role-based allowances* qualifying as fixed remuneration:

- a) reimbursement of the cost of a general medical examination every year,
- b) the creation of working conditions and reimbursement of costs associated with working outside the workplace (telecommuting),
- c) reimbursement of the costs of maintaining language skills and the provision of working time allowances for this purpose,
- d) reimbursement of travel and accommodation expenses of one family member travelling with the Chairman & CEO.

If an agency contract is concluded with an external member of the Board of Directors for the performance of a specific task beyond the scope of his/her duties as a member of the board, a personally used vehicle and a driver may also be granted to him/her in the agency contract, which shall qualify as fixed remuneration.

Members of the supervisory board who qualify as employee delegates are, as a general rule, eligible for role-based allowances based on their job classification, under the same conditions as all staff members with whom they work at the same classification level. On this basis, it is possible that members of the Supervisory Board who qualify as employee delegates may also be entitled to a personalised entertainment budget, or a personally used vehicle – aligned with the given classification level.

In addition to the above, Directors who are employed by the Bank shall be entitled to any benefits qualifying as fixed remuneration provided by the Bank on equal terms to all employees of the Bank, which shall include, in particular, the following remuneration components:

- a) annual cafeteria limit,
- b) health fund contribution,
- c) voluntary pension fund contribution,
- d) jubilee award.

**IV. CHARACTERISTICS OF EMPLOYMENT CONTRACTS CONCLUDED WITH DIRECTORS**

**1. Rules uniformly applicable to Directors who are not employed by the Bank**

Directors who are not employed by the Bank may be recalled at any time without explanation, in accordance with company-law stipulations, and they may resign from their office at any time.

Directors not employed by the Bank shall not be entitled to a notice period.

Directors who are not employed by the Bank are entitled to the allowances and benefits listed in Chapters II and III of this Remuneration Policy, as defined therein.

Directors who are not employed by the Bank shall not receive separate remuneration in the event of termination.

Directors who are not employed by the Bank are not entitled to participate in a supplementary or early retirement scheme.

**2. Rules uniformly applicable to Directors who are employed by the Bank**

The employment of Directors employed by the Bank may be terminated in accordance with the provisions of the Labor Code.

Directors employed by the Bank for an indefinite term shall be entitled to a uniform notice period calculated as follows:

|   |                  |                  |                   |                    |                    |                    |                      |
|---|------------------|------------------|-------------------|--------------------|--------------------|--------------------|----------------------|
| <i>Number of years of employment at OTP Bank Plc:</i> |                  |                  |                   |                    |                    |                    |                      |
| <i>below 3 years</i>                                  | <i>3-5 years</i> | <i>5-8 years</i> | <i>8-10 years</i> | <i>10-15 years</i> | <i>15-18 years</i> | <i>18-20 years</i> | <i>over 20 years</i> |
|   |                  |                  |                   |                    |                    |                    |                      |
| <i>Notice period in calendar days</i>                 |                  |                  |                   |                    |                    |                    |                      |
| <i>60</i>   | <i>70</i>        | <i>80</i>        | <i>90</i>         | <i>120</i>         | <i>140</i>         | <i>160</i>         | <i>180</i>           |

Directors employed by the Bank for an indefinite term shall be entitled to a uniform discharge period, provided that termination of the legal relationship was initiated by the Bank, calculated as follows:

| <i>Number of years of employment at OTP Bank Plc:</i> |                  |                  |                   |                    |                    |                    |                      |
|---|------------------|------------------|-------------------|--------------------|--------------------|--------------------|----------------------|
| <i>below 3 years</i>                                  | <i>3-5 years</i> | <i>5-8 years</i> | <i>8-10 years</i> | <i>10-15 years</i> | <i>15-18 years</i> | <i>18-20 years</i> | <i>over 20 years</i> |
| <i>Discharge period in calendar days</i>              |                  |                  |                   |                    |                    |                    |                      |
| <i>45</i>   | <i>53</i>        | <i>60</i>        | <i>68</i>         | <i>96</i>          | <i>112</i>         | <i>128</i>         | <i>162</i>           |

In the event that the employment is terminated due to retirement, the party exercising the employer's rights may exempt the Director from work for the entire duration of the notice period.

Directors who are employed by the Bank are entitled to the allowances and benefits listed in Chapters II and III of this Remuneration Policy, as defined therein.

Directors who are employed by the Bank are entitled to payment in the event of termination of their legal relationship, as follows:

- absence fee for the applicable discharge period, as calculated based on the Labor Code,
- severance pay calculated based on the Labor Code, depending on the duration of the employment,
- redemption of holidays not taken by the employee.

Directors who are employed by the Bank are not entitled to participate in a supplementary or early retirement scheme, although they are entitled to a supplement to their independent pension fund membership under the same conditions as all the employees of the Bank.

### **3. Rules applicable to members of the Board of Directors**

Members of the Board of Directors are elected by the General Meeting for a fixed term of 5 years, in accordance with the Bank's Articles of Association.

No separate contract is concluded with the members of the Board of Directors for the performance of their duties as members of the Board of Directors.

Internal members of the Board of Directors, as employees, are considered to be executive employees, so their employment may be terminated in writing at any time without explanation.

Members of the Board of Directors may be unilaterally recalled from the Board, or they may resign from their office at any time. If so required by the Bank's proper operation, the resignation shall take effect upon the election of a new member of the Board of Directors or, failing that, on the sixtieth day following notification.

If the Bank concludes an agency contract with an external member of the Board of Directors for the performance of a specific task beyond its duties as a member of the Board of Directors, such agency contract shall in all cases be for a fixed period, and it may at any time be terminated by the Bank unilaterally and without a notice period. The member of the Board of Directors shall not be entitled to any benefit in connection with the termination or early termination of such contract.

In all other respects, the above rules that are uniformly applicable to Directors employed by the Bank shall also apply to internal members of the Board of Directors, and the rules uniformly applicable to Directors not employed by the Bank shall also apply to external members of the Board of Directors.

Benefits to which the employed internal members of the Board of Directors are entitled in the event of termination of employment (in addition to the benefits laid down in the rules that apply uniformly to the Directors who are employed by the Bank):

- Consideration for non-compete commitment, the amount of which may not exceed the amount of the basic remuneration for the duration of the non-compete obligation.
- Severance pay provided within the standard framework defined in the Remuneration Policy, depending on the length of the employment, in addition to the statutory severance pay, and settled upon termination of employment, without deferral, as follows:

|  |                 |                 |                 |                 |                  |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| <i>Number of years of employment at OTP Bank Plc:</i>  |                 |                 |                 |                 |                  |
| <i>Above</i>   |                 |                 |                 |                 |                  |
| <i>3 years</i>   | <i>5 years</i>  | <i>10 years</i> | <i>15 years</i> | <i>20 years</i> | <i>25 years</i>  |
| <i>The extent of the severance pay expressed in the monthly basic salary, may not be more than</i>   |                 |                 |                 |                 |                  |
| <i>1 month</i>   | <i>3 months</i> | <i>5 months</i> | <i>7 months</i> | <i>9 months</i> | <i>12 months</i> |
| <i>with the proviso that the amount so determined is to be weighted by the arithmetic mean of the percentage representing the results of the performance assessment of the Director concerned for the 5 years preceding the year in which the employment was terminated.</i> |                 |                 |                 |                 |                  |

#### **4. Rules applicable to members of the Supervisory Board**

Members of the Supervisory Board are elected by the General Meeting for a fixed term of 3 years, in accordance with the Bank's Articles of Association.

No separate contract is concluded with the members of the Supervisory Board for their Supervisory Board membership.

In all other respects, the above rules that are uniformly applicable to Directors not employed by the Bank shall also apply to independent members of the Supervisory Board, and the rules uniformly applicable to Directors employed by the Bank shall also apply to employee delegates of the Supervisory Board.

#### **5. Rules applicable to the Chairman & CEO (CEO) and the Deputy CEOs**

The employment contract of the Chairman & CEO is adjusted to the membership of the Board of Directors, for a fixed term of 5 years. The employment contract of the Deputy CEOs (CEO) is concluded for an indefinite period.

The Chairman & CEO (CEO) and the Deputy CEOs, as employees, are considered to be executive employees, so their employment may be terminated in writing at any time without explanation.

In the event of early termination of the employment contract of the Chairman & CEO, the provisions of the Labor Code governing early termination of fixed-term employment contracts shall apply.

The basic salary of the Chairman & CEO is reviewed annually by the Board of Directors.

In all other respects, the rules that apply uniformly to the Directors employed by the Bank shall also apply to the Chairman & CEO (CEO) and the Deputy CEOs.

Those Deputy CEOs who are not members of the Board of Directors (and, if the chairman and the CEO positions are separated, the CEO, unless he/she is a member of the Board of Directors) are entitled to the same benefits upon termination of employment, as the internal members of the Board of Directors.

## V. RULES APPLICABLE TO SHARE-BASED PERFORMANCE-BASED REMUNERATION

The share-based performance-based remuneration constituting a part of the variable remuneration ensures consistency between the individual interests of the employees and the long-term interests of the shareholders and the company, by guaranteeing the long-term commitment of the beneficiaries of share-based performance-based remuneration and their commitment to the Bank's sustainable and long-lasting success.

Only Directors who are employed by the Bank are entitled to the share-based performance-based remuneration.

The share-based performance-based remuneration may be determined annually in relation to the performance achieved in the business year.

Share-based performance-based remuneration may only be paid in accordance with the time schedule determined by the deferral and retention rules set out in Chapter VII of the Remuneration Policy.

The variable (performance-based) remuneration of directors employed by the Bank shall be settled uniformly in the form of a cash bonus and share-based awards, in 50-50% proportions.

The share-based portion of variable remuneration shall be settled – depending on the decision of the authorised person – either in the form of remuneration converted into shares or as preferentially priced share award:

- **Remuneration converted into shares** means the conversion of the share-based portion of performance-based remuneration into OTP Bank's ordinary shares, at the share price determined by the Supervisory Board of OTP Bank Plc. The number of units of remuneration converted into shares, per individual, is determined by the ratio of the amount of performance-based remuneration given in shares and the price of the share.
- A **preferentially priced share award** is the right to purchase the Bank's ordinary shares at a discounted price, under the parameters determined by the Supervisory Board of the Bank. The preferentially-priced share award may entail a maximum discount of HUF 6,000 per share, and the income equivalent attainable per share, at the time of exercising the share award, may be a maximum of HUF 12,000. In the case of a preferentially-priced share award, the number of shares per individual is determined by the ratio of the amount of the share-based variable remuneration and the value of the share award. The Supervisory Board of the Bank is authorised to set the period for exercising the preferentially-priced share award at a maximum of two years, and to extend the specified period on one occasion, with the proviso that the total length of the draw-down period may not exceed two years.

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 implementing the remuneration policy, shares or bonds issued by OTP Bank Plc that constitute coverage for payment of an award to which the Director is entitled as part of his or her variable (performance-based) remuneration, may be provided to, purchased, or subscribed to, by the ESOP Organisation. Through the handing over of these securities to the ESOP Organisation, or through the purchase of, or subscription to them by the ESOP Organisation, the Director 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. The Supervisory Board is entitled to set the detailed conditions of performance-based remuneration awards granted through an ESOP entity, with the proviso that participation of the Director concerned in the ESOP entity may only take place based on the voluntary decision of the Director concerned.

## VI. CONDITIONS FOR ENTITLEMENT TO VARIABLE REMUNERATION

Directors not employed by the Bank are not entitled to variable remuneration.

In the case of Directors in an employment relationship with the Bank, the evaluation of performance at group and institution level takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance).

The **performance** of the Directors employed by the Bank **is measured** by weighting bank group / institutional and individual indicators, as follows:

- For the Chairman & CEO (CEO), institutional and individual indicators are taken into account with a 50% weight each.
- For the Deputy CEOs controlling the business and support areas, institutional indicators are taken into account with a 40% weight, while individual indicators with 60% weight.
- For Deputy CEOs fulfilling risk control functions, institutional indicators are taken into account with a 25% weight, while individual indicators with 75% weight.

The above weighting shall not apply to the case when the individual performance is below the institutional / banking group performance, as in this case the performance is determined based on the individual performance below the institutional / banking group performance, thereby ensuring that individual performances that are below the institutional / banking group performance are not recognised.

The **banking group and institutional indicators** applied to Directors may be as follows:

- RORAC+ (risk-adjusted ROE/COE)
- Cost-to-income ratio
- Market Share

The **individual numerical and logical indicators used for the Chairman & CEO (CEO)** may be as follows:

- OTP Group's strategic targets for the given business year.
- The Bank's strategic targets for the given business year.
- Priority projects of OTP Group and the Bank for the given business year.
- Additional numerical or logical (quality) indicators, that ensure the proper, profitable, sustainable and prudent operation of OTP Group in the given business year, at least one of which must be a target associated with social responsibility.

**Individual numerical and logical indicators** applied to **Deputy CEOs** may be as follows:

- If the Deputy CEO concerned qualifies as an ownership or professional manager of a subsidiary of the OTP Group, the composite indicator that defines the institutional targets of the subsidiary under his/her control as ownership / professional manager. The composite indicator that applies to such subsidiaries includes the observance of the cost manager's budget, at least one financial indicator for the given business year, at least one numerical indicator for the given functional area (if measurable), and at least two logical (quality) targets.
- If the Deputy CEO concerned qualifies as a cost manager at the Bank, the observance of the cost manager's budget.
- If the Deputy CEO concerned is in charge of a business area, he/she must have at least one financial/numerical indicator measuring the performance of the business area under his/her control.
- If the Deputy CEO is in charge of a support area, he/she must have at least one numerical indicator that measures the performance of the support area under his/her control, provided that the performance of the support area concerned is measurable and the performance expectation can be quantified in advance.

- If the Deputy CEO is in charge of a risk control area (risk management, internal audit, compliance), he/she must have at least one numerical indicator that measures the performance of the support area under his/her control, provided that the performance of the given area is measurable and the performance expectation can be quantified in advance.
- One or more of the logical (quality) indicators defined below, with the proviso that at least one target must be associated with social responsibility.

The **logical indicators** that measure quality performance may be as follows:

- Targets related to projects and business development.
- Targets related to acquisition and integration.
- Development, elaboration and implementation of corporate/business strategies.
- Strengthening, supporting and enforcing prudent behaviour.
- Targets related to human resources management.
- Targets related to group governance.
- Targets related to the establishment, provision and improvement of operating conditions.
- Corporate Social Responsibility (CSR) targets.

In terms of the **structure of the individual targets**, it is necessary to emphasise that, compared to all individual targets,

- numerical targets have a weighting of up to 60%,
- logical (quality) indicators represent at least 40% weight,
- competency-based (subjective) targets represent up to 20% weight.

The above performance assessment criteria effectively implement the Bank's strategy by aligning the business targets assigned to the Directors with the Bank's business plan, by ensuring that, in this context, the company's key strategic targets have a weight depending on the given Director's organisational level and his/her control over the implementation of the business targets, and by ensuring that the quantitative and qualitative targets that reflect the quality of the Directors' work, consistent with their responsibilities within the Bank, are also defined.

Members of the Supervisory Board who qualify as employee delegates may not, in this capacity, become eligible for variable remuneration, and therefore have no targets in this regard. The targets related to the employment of the employee delegate members of the Supervisory Board are aligned with the employees' organisational classification and responsibility, and cannot be determined in advance.

The group/institutional criteria for the business year in question, the related target values and the relevant performance and tolerance thresholds are determined by the Supervisory Board in the light of the annual financial plan. The Supervisory Board also determines the individual performance criteria of Directors for a given business year, the related target values and the relevant performance and tolerance thresholds.

Subject to this decision, the concrete performance assessment criteria for the Chairman & CEO (CEO) are established by the Board of Directors, while in the case of other Directors employed by the Bank, by the party exercising employer's rights. Another condition for eligibility for variable remuneration is the conclusion of a target agreement setting out the above objectives and the terms of payment.



Further detailed rules governing the determination of the eligibility for variable remuneration and the amount of the benefit are set out in the Group Remuneration Guidelines submitted to the General Meeting, and the Banking Group's Remuneration Policy elaborated on the basis thereof and accepted by the Supervisory Board, with particular regard to the following:

- the rules for determining the general and extraordinary bonus limits and for limiting these bonus limits;
- rules for determining and applying the performance threshold and the tolerance threshold;
- bodies and persons involved in performance assessment and entitled to determine the performance-based remuneration.

## **VII. DEFERRAL AND RETENTION RULES RELATING TO THE PAYMENT OF THE VARIABLE REMUNERATION**

Variable remuneration may only be paid out in accordance with the time schedule determined by the deferral and retention rules set out in the Group Remuneration Guidelines.

Variable remuneration payable under a deferred payment schedule is divided up into short-term (non-deferred) and deferred instalments.

50% of the share-based part of the short-term (non-deferred) instalment of the variable remuneration is retained for one year. Accordingly, half of the short-term (non-deferred) instalment of the share-based performance-based remuneration is the non-retained part, while the other half is the retained part.

In the case of Directors, 60% of the variable remuneration is deferred.

The deferred portion of the performance-based remuneration shall be paid to the Directors within the deferral period prescribed by law and by the Group Remuneration Guidelines. This deferral period shall be 3 years for members of the Supervisory Board who qualify as employee delegates at the time of adoption of this Remuneration Policy, and 4 years for all other Directors. If the statutory regulations or the Group Remuneration Guidelines subsequently stipulate stricter deferral periods, then these stricter deferral periods shall apply to the payment of Directors' performance-based remuneration, from the effective date thereof.

The deferred part of the performance-based remuneration shall be paid out in equal instalments (e.g. 15-15-15-15%).

With respect to shares constituting the share-based part of the performance-based remuneration that will be paid in the future (deferred and retained part), employees do not have any right of disposal (for example, they may not conclude a pre-contract or contract with respect to this part, or offer it as collateral), and they will not be entitled to any dividend related to these shares until the time of acquisition.

With respect to deferred instalments, ex post risk adjustment must be applied. 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. Throughout the full outstanding period of deferral, the impacts related to the activity of the Director, occurring in the meantime, must be assessed, and the amount of performance-based remuneration paid out in a deferred manner must, if necessary, be reduced accordingly, including the possibility of complete withdrawal.

The Bank's Supervisory Board is also authorised to decide on the clawback of performance-based remuneration settled/paid out to the person concerned in respect of a period affected by a

circumstance giving grounds for clawback, if the identified staff member was a participant in, or responsible for, a practice that resulted in a significant loss, or if he/she does not fulfil the expectations relating to suitability and competence or if a criminal offence or serious failures, abuses or deficiencies have been detected that have significantly damaged the good standing and/or profitability of the Bank or a Banking Group Subsidiary.

#### **VIII. RELATIONSHIP BETWEEN THE SALARIES AND THE EMPLOYMENT CONDITIONS OF THE DIRECTORS AND COMPANY'S EMPLOYEES**

Directors who are not employed by the Bank receive a honorarium but no performance-based remuneration. Due to its fixed nature, this honorarium is unrelated to the salaries and employment conditions of the Company's employees, and its amount is to be determined by the General Meeting. For Directors employed by the Bank, the relationships may be summarised as follows.

In addition to the Directors who are employed by the Bank, the Bank's employees are also entitled to performance-based remuneration aligned with their organisational level and classification, subject to the Bank's internal regulations.

An important principle in determining the variable remuneration for both Directors employed by the Bank and the Bank's other employees is that performance shall be measured against criteria on which the employee has an actual influence. In order to achieve this, in the course of performance assessment, descending through the Bank's organisational hierarchy, the weight of the banking group and institutional indicators decreases, while the weight of individual indicators gradually increases. The Bank's personnel engaged in sales activities are granted sales-based remuneration that takes account of the priority of consumer needs.

In the event that the Supervisory Board decides to establish an extraordinary bonus limit, on the basis of which additional variable remuneration will be paid to the Directors employed by the Bank, it is also necessary to determine, for the managers and employees subordinated to the Directors affected by the payment, a bonus limit ensuring payments exceeding the performance-based remuneration that is usual whenever a general bonus limit is opened, and to divide such limit for the persons concerned.

The approach applied in developing the remuneration is uniform for Directors employed by the Bank and all other employees of the Bank, and it ensures fair and competitive pay and employment conditions for all employees. For both the Directors and the Bank's other employees:

- the Bank uses market data obtained from external sources to make decisions regarding the level of income,
- the incentive system is closely linked to the company's strategic targets and long-term business performance,
- individual performance – including the achievement of individual targets – is measured every six months, and the results of the annual assessment constitutes the basis for performance-based remuneration.

It must also be noted, that the Bank has a number of benefit elements to which all employees of the Bank are entitled on equal terms (e.g. cafeteria limit, health fund and voluntary pension fund contribution, jubilee award).

#### **IX. PRESENTATION OF THE DECISION-MAKING PROCESS FOR DEFINING, REVIEWING AND IMPLEMENTING THE REMUNERATION POLICY**

The Bank's Remuneration Policy is required to set out rules, based on the statutory provisions applicable to credit institutions that are consistent with the Group Remuneration Guidelines elaborated in compliance with the same statutory regulations.

All Bank areas that are significant in terms of corporate governance are involved in the development of the Bank's Remuneration Policy. The proposal for the Bank's Remuneration Policy is to be approved by the Bank's Supervisory Board, after being discussed by the Bank's Risk Assumption and Risk Management Committee and the Bank's Remuneration Committee. After approval by the Supervisory Board, the Remuneration Policy is submitted by the Chairman of the Remuneration Committee to the General Meeting for a consultative vote. Should the General Meeting reject the Remuneration Policy, it must be re-submitted to the next General Meeting.

The Bank's Board of Directors is responsible for the day-to-day implementation of the Remuneration Policy. The Board of Directors of the Bank is required to ensure that the internal regulatory documents used in accordance with the provisions of the Remuneration Policy in respect of the same matters, as well as the individual declarations/agreements, are harmonised with the provisions of the Remuneration Policy.

The enforcement of the provisions of the Remuneration Policy is reviewed at least once a year by OTP Bank Plc's internal auditing unit, which makes a report on this to the Remuneration Committee, Supervisory Board and Board of Directors of the Bank.

Based on the internal auditor's report, the Remuneration Committee of OTP Bank Plc, if necessary, makes a proposal on amendment of the Remuneration Policy, and elaborates the appropriate procedures.

The Remuneration Committee of the Bank prepares remuneration decisions by taking into account the long-term interests of shareholders, investors and other stakeholders of the credit institution. The Remuneration Committee of the Bank draws up recommendations for the Bank's Supervisory Board with regard to the remuneration of the Directors, and provides support and advice to the Bank's Supervisory Board for the monitoring of the design and operation of the remuneration system. Proposals relating to the Remuneration Policy are submitted by the chairman of the Bank's Remuneration Committee to the Bank's Supervisory Board, which takes it into consideration and, if necessary, decides whether the proposal should be submitted to the next General Meeting of the Bank.

**In exceptional cases**, the Supervisory Board may, on the basis of a proposal by the Remuneration Committee, **derogate** from the provisions of this Remuneration Policy with respect to certain benefits and the objectives for which variable compensation is granted, if such derogation is necessary to ensure the long-term interests and sustainability of the company or to provide for its viability. Such exceptional circumstances may include, in particular, the situation where the Bank is able to attract or retain an adequately skilled and qualified, professionally suitable candidate in a position classified as Director under this Remuneration Policy only at the cost of derogating from this Remuneration Policy, and if failure to attract or retain such a Director would have a material adverse effect on the Bank's financial results. Derogations from the Remuneration Policy require a unanimous decision of the Remuneration Committee and a two-thirds majority decision of the Supervisory Board, and the derogation and its underlying reasons must be reported to the next General Meeting.

The Remuneration Policy must be amended if the amendment is made compulsory by a law.

In order to avoid a **conflict of interest** between the persons involved in the development of the Remuneration Policy, the following guarantee rules will be enforced:

- Members of the Bank's Board of Directors who perform the management of an organisational unit in the Bank or in a Bank Group Subsidiary cannot be members of the Bank's Remuneration Committee.
- Members of the Bank's Supervisory Board may not be members of the Bank's Remuneration Committee.

- Members of the Remuneration Committee of the Bank are obliged to notify the chairperson of the Remuneration Committee and the Supervisory Board of the Bank, simultaneously, should any cause of a conflict of interest on their part arise. Members of the Remuneration Committee of the Bank from the time at which the cause of a conflict of interest arises, may not act in matters with Remuneration Committee's scope of authority, and any declaration made by them on behalf of the Remuneration Committee shall be null and void.
- The Remuneration Committee submitting the Remuneration Policy and the Risk Assumption and Risk Management Committee discussing it consists exclusively of independent (external) members of the Board of Directors, and the Supervisory Board approving the Remuneration Policy has a majority of independent members. These independent members of the Board of Directors and the Supervisory Board are not entitled to variable remuneration under the Remuneration Policy, and therefore have no personal interest in developing the incentive scheme.