



OTP Bank  
Annual Report  
2014





# Senior management\* of OTP Bank and executive members of the Board of Directors



**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 Budapest University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance and a chartered 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. Since 1992 he has been Chairman & CEO of OTP Bank Plc. He is a member of the Europe Advisory Board for MasterCard, one of the world's leading payment card companies, and Vice 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 the President of the Hungarian Football Association (MLSZ) since July 2010. As of 31 December 2014 he held 108,866 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 608,866).

**Dr. Antal Pongrácz**  
Deputy Chairman, Deputy CEO  
Staff Division

Dr. Antal Pongrácz graduated from the Budapest University of Economic Sciences 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, in 1986–87 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, deputy CEO. He has been a member of OTP Bank Plc.'s Board of Directors since 2002, and its deputy Chairman since 9 June 2009. Since 12 April 2012 he has been Chairman of the Supervisory Board of OTP banka Hrvatska d.d. As of 31 December 2014 he held 25,427 ordinary OTP shares.

**Dr. István Gresa**  
Deputy CEO  
Credit Approval and Risk  
Management Division

Dr. István Gresa graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Budapest University of Economic Sciences in 1980. He earned a PhD from the same establishment 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. Since 1 March 2006 he has been deputy CEO of OTP Bank, as well as the head of the Credit Approval and Risk Management Division and Chairman of the Board of Directors at OTP Factoring Ltd. He has been a member of OTP Bank's Board of Directors since 27 April 2012. As of 31 December 2014 he held 45,752 ordinary OTP shares.

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

Mr. László Bencsik has been deputy CEO of OTP Bank Plc. and head of the Strategy and Finance Division since August 2009. He joined OTP Bank in September 2003, when he became managing director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning. From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company. Between 1996 and 2000 he worked as a consultant at Andersen Consulting (Accenture). In 1996 he 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. Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank. As of 31 December 2014 he held 14,039 ordinary OTP shares.

\* Mr. Daniel Gyuris has been deputy CEO until 15 April 2014. (see on Annual Report – 2013)  
Mr. Ákos Takáts has been deputy CEO until 30 June 2014. (see on Annual Report – 2013)



### Antal Kovács

Member of the Supervisory Board  
Deputy CEO  
Retail Division

Mr. Antal Kovács graduated from the Budapest University of Economics with a degree in economics. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the managing director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute. He has been a member of OTP Bank's Supervisory Board since 2004. He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. Since 24 April 2014 he has been Chairman of the Board of Directors at OTP Mortgage Bank Ltd. and OTP Building Society. As of 31 December 2014 he held 27,074 ordinary OTP shares.

### Miroslav Stanimirov Vichev

Deputy CEO  
IT and Operations Division

Mr. Miroslav Vichev graduated from the Technical University of Sofia in 1988. During his professional career he held various executive positions in the financial sector, at technology companies as well as at consulting firms. From 2003 he was employed as the Head of IT and Bank Operations Division of DSK Bank and he was there deputy CEO between 2007 and 2014. Since 1 July 2014 he has been deputy CEO of OTP Bank and the head of IT and Operations Division. As of 31 December 2014 he held no ordinary OTP shares.

### László Wolf

Deputy CEO  
Commercial Banking Division

Mr. László Wolf graduated from the Budapest 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. He has been Chairman of the Board of Directors at OTP banka Srbija since 10 December 2010. As of 31 December 2014 he held 542,895 ordinary OTP shares.

# Non-executive members of the Board of Directors of OTP Bank



**Mihály Baumstark**  
Agricultural engineer, economist

Mr. Mihály Baumstark is an agricultural engineer and an agricultural economist. He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left, he was deputy head of the Investment Policy Department of the Ministry. After this he was managing director of Hubertus Rt., and from 1999 to 2012 he was deputy CEO and then Chairman & CEO of 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 a member of the OTP Bank's Remuneration Committee since 2011 and a member of the Nomination Committee since 2014. As of 31 December 2014 he held 25,600 ordinary OTP shares.

**Dr. Tibor Bíró**  
College Associate Professor  
Budapest Business School

Dr. Tibor Bíró graduated from the Budapest University of Economic Sciences with a degree in business administration. He is a certified auditor and chartered accountant. He was head of the Finance Department of Tatabánya City Council's Executive Committee between 1978 and 1982, then from 1982 a professor at the College of Finance and Accountancy, and between 1990 and 2013 head of department at the Budapest Business School. From 2000 to 2010 he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and currently works as a member of the Chamber's Education Committee. He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been a member of the OTP Bank's Remuneration Committee since 2009 and Chairman of the Nomination Committee since 2014. As of 31 December 2014 he held 38,956 ordinary OTP shares.

**Péter Braun**  
Electrical Engineer  
Former Deputy CEO

Mr. Péter Braun earned a degree in electrical engineering from the Technical University of Budapest. Between 1954 and 1989 he worked for the Research Institute for Electrical Energy, with his last position there being head of department. After that, he was the managing director of K&H Bank Rt., working in its Computer and Information Centre. He was deputy CEO of OTP Bank Plc. from 1993 until his retirement in 2001. Since the second half of 2009 he has been the chairman of the Chief Information Officers' Association (VISZ). He has been a member of OTP Bank's Board of Directors since 1997. As of 31 December 2014 he held 298,505 ordinary OTP shares.

**Tamás Erdei**

Mr. Tamás Erdei graduated in 1978 with a degree from the College of Finance and Accountancy. 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 for two years 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 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 Chairman of the OTP Bank's Risk Assumption and Risk Management Committee and a member of the Nomination Committee since 2014. As of 31 December 2014 he held 16,039 ordinary OTP shares.



**Zsolt Hernádi**  
Chairman & CEO  
MOL Plc.

Mr. Zsolt Hernádi graduated in 1986 from the department of industrial planning at the Karl Marx University of Economic Science. Between 1989 and 1994 he held a number of positions at K&H Bank, where from 1992 to 1994 he was deputy CEO of the financial institution. Between 1994 and 2001 he was CEO and a member of the Board of Directors at Magyar Takarékszövetkezeti Bank Rt. He has been a member of MOL's Board of Directors since 1994, and its Chairman since 2000, while since 11 June 2001 he has been the company's Chairman and CEO. He is also a member of the Corporate Governance and Remuneration Committee of MOL's Board of Directors. He has been a member of OTP Bank's Board of Directors since 29 April 2011. Membership suspended since 3 April 2014. As of 31 December 2014 he held 25,600 ordinary OTP shares.

**Dr. István Kocsis**  
Managing Director  
Merkantil Bank Ltd.

Dr. István Kocsis obtained his degree in mechanical engineering from the Mechanical Engineering Faculty of the Technical University of Budapest in 1976, and earned his PhD in 1985. Career highlights: 2002–2005 Paks Nuclear Power Plant, CEO; 2005–2008 Hungarian Power Companies Ltd. (MVM Ltd.), CEO; 2008–2011, CEO of Budapest Transport Corporation (BKV Ltd.); since 2011 managing director of Merkantil Bank Ltd. Offices held: Chairman of the Ányos Jedlik Society; chairman of the Scientific Society For Measurement, Automation and Informatics; member of the Social Senate of the University of Pécs; member of the national Presidium of the Hungarian Chamber of Commerce and Industry; chairman of the endowment advisory board of the Duna-Mecsek Regional Development Foundation. Non-executive member of OTP Bank's Board of Directors since 1997. He's membership suspended since 3 October 2012. As of 31 December 2014 he held 3,635 ordinary OTP shares.

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

Dr. László Utassy graduated from the Faculty of Law of ELTE 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 Plc. 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. As of 31 December 2014 he held 300,915 ordinary OTP shares.

**Dr. József Vörös**  
Professor, Head of Institute  
University of Pécs

Dr. József Vörös earned a degree in economics from the Budapest 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 of Pécs from 2004–2007, between 2007 and 2011 he was Chairman of the Board of Trustees. Non-executive member of OTP Bank's Board of Directors since 1992. He has been Chairman of the OTP Bank's Remuneration Committee since 2009 and a member of the OTP Bank's Risk Assumption and Risk Management Committee since 2014. As of 31 December 2014 he held 140,914 ordinary OTP shares.



# Members of the Supervisory Board\* of OTP Bank



**Tibor Tolnay**  
Chairman of the Supervisory Board  
Chairman & CEO  
Magyar Építő Ltd.

Mr. Tibor Tolnay graduated from the Budapest University of Technology with a degree in civil engineering and then in economic engineering, and subsequently received a degree in economics from the Budapest University of Economics. In 1994 he was appointed Chairman & CEO of Magyar Építő Rt. He has been Chairman of OTP Bank's Supervisory Board since 1999. He was a member of the Audit Committee between 2007 and 2011 and he has been its member since 2014. As of 31 December 2014 he held 54 ordinary OTP shares.

**Dr. Gábor Horváth**  
Deputy Chairman of  
the Supervisory Board  
Lawyer

Dr. Gábor Horváth earned a degree in law from ELTE University in Budapest. 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. He has been a member of the Supervisory Board of OTP Bank Plc. since 1995. He was a member of MOL Plc.'s Board of Directors between 1999 and 2014. He has been the deputy Chairman of OTP Bank's Supervisory Board since 2007. He was the Chairman of the Audit Committee between 2007 and 2011 and he has been its Chairman since 2014. He has been a member of the Management Board of INA Indusztija Nafta d.d. since 2014. As of 31 December 2014 he held no ordinary OTP shares.

**András Michnai**  
Managing Director

Mr. András Michnai, who represents the employees of OTP Bank, graduated from the College of Finance and Accountancy with a degree in business economics. He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. From 1981 he held a management position in the central network coordination department and then in the network. From 1994, as deputy managing director, he participated in the central coordination of the branch network. Since 2005 he has headed the Bank's Compliance Department (since 2011 a Directorate) as managing director until 30 April 2014. He further expanded his professional skills, earning a masters degree at the College of Finance and Accounting, and is a registered tax advisor. He has been a member of OTP Bank's Supervisory Board since 2008. He has been the secretary of the OTP Bank's Trade Union since December 2011. As of 31 December 2014 he held 6,528 ordinary OTP shares.

\* Mr. Antal Kovács has been a member of OTP Bank's Supervisory Board since 2004 (see page 249).



**Dominique Uzel**  
Director  
Groupama International SA

Mr. Dominique Uzel graduated as an agricultural development engineer, then obtained a Masters degree in agricultural and food industry management at the ESSEC Business School. He joined Gan in 1991 as head of the agricultural division. Five years later he left France to join Gan España, where he headed the subsidiary's department responsible for planning and auditing, then became technical director of the newly established Groupama Seguros. In 2008 he was appointed managing director of the insurance business, in which capacity he was instrumental in the launch and roll-out of Click Seguros, a direct marketing tool on the Spanish insurance market. In July 2010 he joined the international board of Groupama S.A. as Managing Director for direct insurance, but he also continued to be responsible for the management of the direct insurance division in Spain and Poland. Since 1 October 2012, he is in charge of the international activities of Groupama. He has been a member of OTP's Supervisory Board since 2013. From 2014 he has been a member of the OTP Bank's Audit Committee. As of 31 December 2014 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. Between 1987 and 2000 he was university lecturer, since 1994 he has been senior university lecturer. Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Ltd.), 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 Plc., 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 authored or co-authored more than 80 research papers, essays and books. He has been a member of OTP's Supervisory Board since 2011. He has been a member of the OTP Bank's Audit Committee since 2014. As of 31 December 2014 he held no ordinary OTP shares.



# Information for Shareholders

## General company data

### Date of foundation:

31 December 1990, registered by the Metropolitan Court of Budapest as Court of Registration on 28 October 1991 under company registration number 01-10-041585. The latest Bylaws may be requested from the company or may be downloaded from the Bank's website.

### Legal predecessor:

Országos Takarékpénztár, founded 1 March 1949

### Registered head office of OTP Bank Plc.:

Nádor Street 16, H-1051 Budapest  
Telephone: (+36-1) 473-5000  
Fax: (+36-1) 473-5955

### Share capital:

OTP Bank's share capital as at 31 December 2014 was HUF 28,000,001,000, consisting of 280,000,010 ordinary shares of nominal value HUF 100 each.

## Ownership structure as at 31 December 2014:

Shareholder	Ownership (%)	Voting rights (%)
Treasury shares	1.32%	0.00%
Government held owner*	5.12%	5.18%
Foreign institutions**	57.41%	58.18%
Foreign individuals	0.59%	0.59%
Domestic institutions	21.00%	21.28%
Domestic individuals	10.99%	11.14%
Other**	3.58%	3.63%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## Stock exchange listing

The ordinary shares of OTP Bank Plc. are listed on the Budapest Stock Exchange under category "Premium Equity", and the global depository receipts (GDRs) representing the ordinary shares that are traded abroad are listed on the Luxemburg Stock Exchange. (2 GDR represents 1 ordinary shares) Regulation S GDRs are traded on the London SEAQ International, and Rule 144A GDRs are traded in the PORTAL system. The custodian bank for OTP GDRs is the Bank of New York, and the safekeeping bank is OTP Bank Plc. (Stock exchange symbol for OTP Bank shares: OTP, Reuters: OTP.BU)

## Participation and voting rights at the General Meeting

**The General Meeting will be conducted with the personal presence of those entitled to participate. Shareholders may participate in the General Meeting in person or through a proxy.** OTP Bank Plc. is entitled to check the personal identity of the shareholders and their proxies on the basis of documents, prior to their admission to the General Meeting.

The authorisations relating to representation as a proxy at the General Meeting must comply with the relevant provisions of Hungarian law. The authorisation must include, clearly and expressly, a statement of authorisation

\* E.g.: Hungarian National Asset Management Inc., Social Security, Municipality, 100% state-owned companies etc.

\*\* Foreign institutions, and International Development Institutions (E.g.: EBRD, EIB, etc.).

\*\*\* Non-identified shareholders.

with respect to the proxy, a specification of the authoriser and of the proxy, and any limitations that may apply to the authorisation.

The authorisation must be issued in the form of a notarised deed or a private document of full probative force.

One representative may represent several shareholders; however, he/she must possess authorisations from every shareholder represented by him/her, either in the form of a notarised deed or a private document of full probative force. If several proxies are indicated in one authorisation, then it must be specified that, under the authorisation, each proxy may exercise his/her right of representation independently. If one shareholder is represented by several proxies, they may not vote or make statements differently from each other.

The letter of proxy may be issued as valid for one or more general meetings, or for an indefinite or definite period of time. The validity of the authorisation shall only extend to any continuation of a suspended general meeting, or to a general meeting reconvened due to a lack of quorum (see section VII – Reconvened General Meeting) if there is a specific instruction to such effect.

If a shareholder is represented at the General Meeting by its lawful representative (e.g. chief executive, managing director, mayor, etc.), the court or company court document evidencing the right of representation – in its original form, or in the form of a copy certified as authentic by a notary public, issued not more than 30 days previously – or a certificate regarding the election of the mayor, as the case may be, must be presented at the venue of the General Meeting. When providing evidence of the existence of companies (and other organisations) registered abroad, and of the right to represent the entity issuing the authorisation, it is essential that the foreign document be issued by a certified public records body or that these facts be attested by a notary public.

If the authorisation or any document submitted as evidence of the representation right was not issued in Hungary, the form of the document

must satisfy the legal regulations pertaining to the certification and/or legalisation of documents issued abroad. According to these regulations, in the absence of a bilateral international agreement to the contrary, (I) the diplomatic certification and/or legalisation of the document is needed, or (II) – if the given country is a party to the relevant international convention – the furnishing of the document with an apostille is required. Detailed information on the applicable rules are provided by the Hungarian foreign representation offices. If the document is written in a language other than English or Hungarian, then a certified Hungarian translation of the document must be presented.

**The authorisation and the related documents must be handed over by 16:00 p.m. on 14 April 2015 (Tuesday) at the very latest, at any of the designated OTP branches listed under section X below of AGM announcement, or – if the proxy, based on a foreign document, is representing more than one shareholder – at the Corporate Secretariat of OTP Bank Plc. (1051 Budapest, Nádor utca 16.).**

### **Preconditions for participation in the General Meeting and for the exercising of voting rights are that:**

- a) the result of the shareholder identification procedure confirms the shareholding as at the date of the shareholder identification procedure;
- b) the shareholder be registered in the Company's Share Register by the closure of the register as specified in section III of this announcement;
- c) the shareholding and/or the voting rights of the shareholder do not violate the legal regulations or the provisions of the Company's Bylaws, and the Company shall check this circumstance.

### **Dividend**

On 17 April 2015 OTP Bank Plc.'s General Meeting decided to pay dividend after fiscal year 2014.

Dividends will be HUF145 per share, representing 145% of the face value of each share. The actual amount of dividends to be paid to the individual shareholders will be calculated and disbursed in accordance with the Company's Bylaws, that is, the Company will distribute the dividend calculated in respect of all the shares qualifying as treasury shares among the shareholders entitled to receive dividends. Dividends will be disbursed from 15 June 2015, in accordance with the procedural order set forth in the Bylaws.

## Announcements

OTP Bank Plc. fulfils its disclosure obligations related to corporate events and prescribed in Act

CXX of 2001 on the website of the OTP Bank Plc. ([www.otpbank.hu](http://www.otpbank.hu)), on the website of the Budapest Stock Exchange ([www.bet.hu](http://www.bet.hu)), and on the website operated by the National Bank of Hungary ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)).

## Investor relations

Institutional shareholders of OTP Bank Plc. should contact the following address if they require further information:

### OTP Bank Plc. Investor Relations & DCM

Nádor Street 16, H-1051 Budapest

Telephone: (+36-1) 473-5460

Fax: (+36-1) 473-5951

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



# Statement on Corporate Governance Practice

OTP Bank Plc.'s operation fully complies with the provisions of the relevant statutory regulations, the decrees of the supervisory authorities and the regulations of the Budapest Stock Exchange (BSE). The structure and operating conditions of the Company are contained in the Bylaws, which are approved by the General Meeting.

## Management bodies

The Company's executive body is the Board of Directors. The scope of authority of the Board of Directors is defined in the effective statutory provisions, the Company's Bylaws, General Meeting resolutions, and the procedural rules of the Board of Directors. The procedural rules set out the structure of the Board of Directors, the tasks relating to the preparation, implementation and drafting of resolutions of its meetings, as well as all other issues relating to the operation of the Board of Directors.

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

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 oversight of the Company's management and business activity is performed by the Supervisory Board. The Supervisory Board establishes its own procedural rules, which are approved by the General Meeting.

Supervisory Board members are elected by the General Meeting for a term of three years. The ratio of independent (non-executive)

Supervisory Board members (4 persons) to the total number of Supervisory Board members (6 persons) is 67%.

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 rules pertaining to the election and recall of the employee-representative member of the Board of Directors are determined by the Workers' Council operating at the Company, and this members are not considered to be independent by the Company.

The Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises the right of prior approval in respect of the establishment, termination and remuneration of the managers and employees of the internal audit organisation.

In 2014 the Board of Directors met on a total of 7 occasions, and the Supervisory Board on a total of 8. In addition, resolutions were passed by means of correspondence voting, by the Board of Directors on 126 occasions and by the Supervisory Board on 8 occasions.

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

- a resolution has been passed by the Board of Directors to hold an extraordinary meeting of the Board;

- At least three Board members requests a meeting in writing by designating the reason and the purpose, and the items of the agenda, 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/Authority requires it;
- Under the law, a decision must be made about whether to convene an extraordinary General Meeting.

Meetings of the Supervisory Board are convened by the chairperson, and the meeting 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 of, and reasons for the meeting.

Minutes are taken of the meetings of the Board of Directors and the Supervisory Board, and their resolutions are documented.

The employer's rights towards the executive officers of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance for the appointment or withdrawal of appointment of deputy CEOs.

Determining the remuneration of the Board of Directors and the Supervisory Committee is in the competence of the Company's supreme body, the General Meeting. The principles and frameworks of the long-term remuneration and incentives system for employees in senior positions are also determined by the General Meeting. Accordingly – on the basis of the provisions relating to remuneration policies set forth in the Credit Institutions Act, which complies with the relevant EU directives – the Bank's Annual General Meeting of 2011, in its resolution no. 9/2011, approved for the first time the principles and rules of the remuneration policy of OTP Bank Plc. and the Bank Group, and the Board of Directors issued the internal regulations and procedures necessary for their implementation, which documents have been

amended several times in the past years by the Bank's General Meeting, Board of Directors and as a result of regulatory amendments in 2014, by the Supervisory Board of the Bank. From 2014 onwards the provisions of the Remuneration Policy of the Banking Group are approved, implemented and revised by the Supervisory Board, whereas the Board of Directors is responsible for the supervision. At the Annual General Meetings the Supervisory Board gives a briefing on the annual and medium-term objectives providing the basis for performance-based remuneration, and on their fulfilment.

The following management bodies have been established at the Company to assist the Board of Directors and Supervisory Board in their work: Audit Committee, Management Committee, Management Coordination Committee. The following additional permanent and special committees also operate within the Company for the performance of specific tasks: Asset-Liability Committee, Credit-Limit Committee; Product Development, Sales and Pricing Committee; International Product Development, Sales and Pricing Committee; Workout Committee; Group-wide Investment Committee, Group Operational Risk Management Committee, Ethics Committee, Remuneration Committee, Nomination Committee, Risk Assumption and Risk Management Committee.

## Audit

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

The internal audit system extends to all of the company's organisational units, business lines and activities, including outsourced activities. To ensure effective auditing, the system's structure is subdivided both vertically and horizontally, and built on three modular levels

of control, as well as being segmented by department. The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit organisation and management information system.

The independent internal audit organisation 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 more-over – alongside the compliance organisation – 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 by the Credit Institutions Act.

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 also takes into account the company's prevailing strategic priorities.

The internal audit system, which is applied consistently throughout the Bank Group, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the subsidiaries defined in the Credit Institutions Act as included in the scope of consolidated supervision. Uniform internal audit methods are created, continuously developed and implemented in respect of the operation and activities of the bank group members' internal audit organisations. Internal audit also liaises regularly, and cooperates, with external auditing bodies.

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

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

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.

## Compliance

In accordance with EU regulations and with the Hungarian statutory provisions an independent organisational unit (the Compliance and Security Directorate) operates at the Company, with the task of exploring and managing compliance risks. This function is supported by the appropriate regulatory documents: the compliance policy, strategy and work plan. The purpose of the compliance policy is to establish the framework of compliance activities in respect of the entire OTP Bank Group, to determine the definition, purpose of compliance and the tasks and scope of the function. Another important document of the compliance policy is the OTP Bank Group's compliance strategy.

The compliance policy is approved by the Board of Directors of OTP Bank Plc. The Compliance and Security Directorate prepares a comprehensive report each year about the Bank Group's compliance activities and position, which is approved by the Bank's Board of Directors. The OTP Bank Group's senior management is responsible for the implementation in practice of the compliance policy.

## 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 discloses information in strict compliance with the provisions of the Civil Code, Companies Act, the Capital Market Act, the Credit Institutions Act and the Investment Services Act, the Accounting Act and Ministry of Finance Decree 24/2008 (VIII. 15.), as well as the relevant regulations of the Budapest Stock Exchange. 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, credit risk, 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 2014, and found them to be satisfactory.



# Anti-money laundering measures

Money laundering is where criminals or their accomplices attempt to conceal the origins of money acquired from criminal acts by, for example, using the services of financial institutions.

In order to prevent the use of our bank for money-laundering purposes, we will do our best to ascertain the true identities of those who use our services, and OTP Bank will refuse to execute orders made by clients who fail to give evidence of their true identities in accordance with the relevant legal stipulations.

In keeping with the provisions of Act CXXXVI of 2007 on the prevention and impeding of money laundering and the financing of terrorism (hereinafter: Act on Money Laundering), OTP Bank has introduced, and applies, the following measures and rules:

- It operates an internal control and information system designed to prevent banking or financial operations that might enable, or in themselves constitute, money laundering.

- It has internal regulations, in accordance with Ministry of Finance Decree 35/2007. (XII. 29.) and the recommendations of the Hungarian Financial Supervisory Authority, that all employees of the bank must observe.
- The employees of the bank must fulfill their customer due diligence and reporting obligations.
- Compliance with the reporting obligations are not construed as a breach of bank, securities, insurance or trade secrets.
- Failure to fulfill the reporting obligation may result in prosecution under criminal law.
- OTP Bank cooperates with the criminal investigation authorities in the investigation of all circumstances suggestive of money laundering.

OTP Bank discloses the customer identification procedure applied by the bank in an Announcement posted in all rooms open for serving customers.



# With trust and responsibility for each other

## OTP Bank's social participation in 2014

The OTP Group is committed to its social and natural environment, and continues to pursue the goal of creating value for its investors and customers, as well as for society as a whole. It performs its corporate social responsibility activity in an integrated manner at every level of its organisational operation, and aims to share best practices across the group.

This year promoting financial literacy and equal opportunities continued to be at the focus of the bank's CSR activities. As in previous years, a substantial proportion of the charitable donations of companies in the group served the creation of opportunities and the conservation of cultural heritage.

### Financial education

OTP Bank wishes to set in motion a process that will bring a new approach to financial skills in education, and thus also in the minds of the Hungarian public. Promoting financial awareness and improving the financial literacy of the population represents the most important social investment for the bank, since this also has an impact on its own operation in the long-term. To this end we have already launched numerous initiatives, one of the most prominent among these being the **work of the OTP Fáy András Foundation**, which has operated for 20 years and focuses its professional efforts on educating young people in finance, economics and money management, in which the O.K. Centre fulfils a central role. In 2014 the project surpassed its achievements of previous years, not only in terms of its uniqueness and the scale of its activities, but also by virtue of its complexity (O.K. training sessions, Summer Camp, Conference, Career School) and accessibility (training courses in

Hungary and abroad). Thanks to the constantly expanding programmes and the results achieved so far, in two consecutive years OTP Bank has earned the title of "Most active bank in the field of improving financial literacy" from MasterCard's specialist judging panel.

In the past two years the **O.K. Centre** has passed on basic financial, economics and money management skills to more than 15,000 students. In 2014, in addition to the institution in Budapest, it also opened its first centre outside the capital, in Nyíregyháza. In this county seat the centre's own training team works to provide the youth of the city, the county and the region with skills that they can put to good use in real-life settings in relation to daily finances. Since October 2014 the institution's free training courses, unique in Europe, are also available to young people at its first site abroad, in Bucharest. In the Romanian O.K. project training is provided in three languages (Hungarian, Romanian and English) to ensure that both Romanian and Hungarian-speaking schools have access to the latest financial skills.

### Equal Opportunities

To ensure access to services, a high standard of customer service and provision of the appropriate information, the bank constantly monitors and improves its processes. The purpose of the developments is to ensure quick and convenient access for customers. The programme aimed at enabling people with disabilities to administer their financial affairs without difficulty has been running for more than a decade now. To gain the fullest possible understanding of needs and expectations, since 2010 our bank has consulted on a continuous

basis with the experts at the **Hand in Hand Foundation**. When physically converting our branches to ensure accessibility we not only provided access to bank branches for customers with disabilities, but also ensured the unimpeded use of in-branch facilities such as queue ticket dispensers, and counters. Owing to the Bank's **complex accessibility programme** and the continuous developments, the adapted bank branch environment, the new equipment and the special aids all improve accessibility to banking services. Some 95% of the bank's branches in Hungary, and around half at group level, are now barrier-free. Induction loops have been installed at 270 bank branches, and counter staff who have received special sign-language training are on hand to assist deaf and hard-of-hearing customers in 35 high-footfall branches. The appointment-making function, which also allows customers with disabilities to indicate their special needs, is growing in popularity, and the queue ticket dispensers in the branches offer a special option for requesting a dedicated service.

## Equal opportunity

Promoting financial literacy and creating opportunities lie at the heart of the bank's corporate social responsibility activities. The bank is one of the largest donors in Hungary (HUF 1.2 billion per annum), but as well as providing financial support it is launching a growing number of projects that are implemented and continue to evolve through the engagement of civil-sector or industry partners and dialogue with stakeholders.

### OTP Voluntary Programme (2010–)

It is important for OTP Bank to further strengthen the culture of corporate social responsibility within the company, and for as many employees as possible to be active participants and initiators of a growing number of valuable programmes. The staff volunteering programme has run for 5 years now, with 30–40 programmes implemented every year with the involvement of hundreds of employees. Since 2010 the bank has continuously provided

opportunities to apply for funding, thus supporting the selected good causes with financial assistance.

### Model School Programme (2011–)

For OTP Bank and the Fáy András Foundation the Model School Programme represents a close professional partnership. In addition to the training in financial, economics and money-management skills, it provides the Budai Secondary School with access to the programmes of the Foundation, and to elements of its CSR activity, as well as other forms of support. These include the various donation programmes, opportunities to participate in events, student camps and other educational and free-time programmes, and the chance to gain a deeper insight into volunteering and environmental awareness.

### EMMI Home Making (2012–)

The purpose of the Home Making Assistance scheme run jointly by OTP Bank and the Ministry for Human Resources is to raise society's awareness of parents who are raising another person's child as their own. Every year 12 socially disadvantaged foster families and adoptive families won housing assistance under the scheme, which had a HUF 20 million budget, and by the end of 2014 we had successfully assisted 36 families in need with their home making efforts.

### The bank's own Humanitás Foundation

essentially seeks to provide a point where the needy can break free of their disadvantaged social situation. In its open support system it gives priority to granting long-term assistance linked to a specific purpose, while maintaining its role as a provider of assistance in crisis situations. Besides this it takes on a role in the implementation of education and training programmes, and also supports independent programmes showcasing best practices, and community development schemes.

OTP Bank gives stakeholders a comprehensive overview of its own corporate social responsibility guidelines, objectives and initiatives via its website at [www.otpbank.hu/csr](http://www.otpbank.hu/csr).