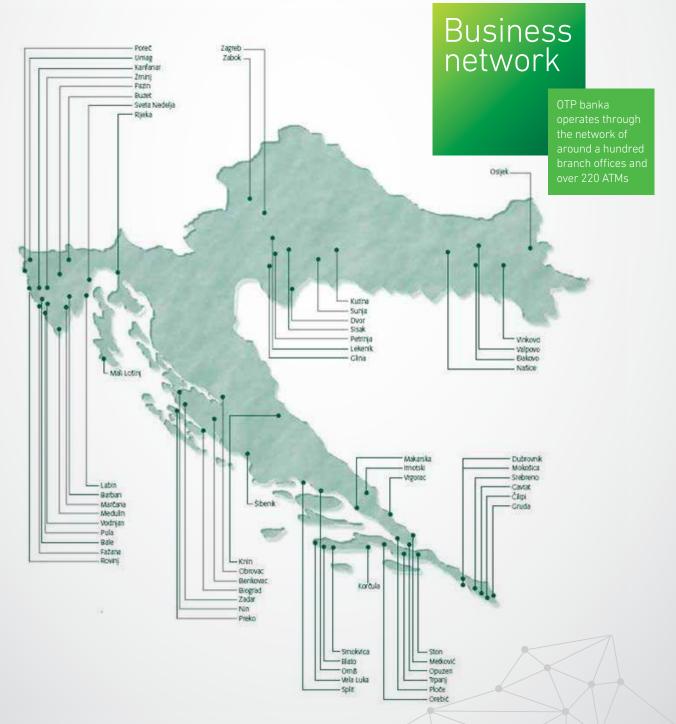


Operation in accordance with international standards of quality

OTP banka Hrvatska is the eighth largest bank on the Croatian banking market, with total assets of HRK 14 billion. The bank's headquarters are in Zadar, and business centres are located in Zagreb, Pula, Split, Sisak, Dubrovnik and Osijek. Six months after the arrival of the new majority owner, OTP Bank, Nova banka changed its name to OTP banka Hrvatska. The new bank was created in 2002 after the merger of three regional banks - Dalmatinska, Istarska and Sisačka banka and the merger of Dubrovačka banka in October 2004. This ended the process of legal and

operational integration, one of the most complex and demanding processes ever performed on the Croatian banking market, which created a stable and profitable banking institution. In March 2005, the strongest Hungarian bank, OTP Bank, becomes its owner. This banking group operates in Hungary, Bulgaria, Montenegro, Croatia, Romania, Russia, Slovakia, Serbia and Ukraine, providing high quality financial services to more than 12.5 million customers through its branches, ATM network, POS, Internet and electronic channels as well as an extensive partners network.



OTP banka 385.000 HRK 100 million profit 1.000 100 clients employees in 2012 branch offices

The bank offers a wide range of products and services for all customers: citizens, enterprises, local selfgovernment and government organizations. When making decisions about new products for customers in the corporate segment, we consider the specificities of our regions and social needs, and we adapt products in order to help development of certain economic sectors which are important in this area.

Our vision

We wish to be a bank with significant market influence. Open and responsible with attractive market approach, we will be the most desirable partner to our clients.

Our Mission

We are reliable and high-quality partner to our clients, employees and shareholders. We increase their values and help them realize their goals and ambitions. With our high-quality and competitive financial products and services and our responsible behaviour, we contribute to economy and communities in which we operate.

Our approach to products and services

Modern

We secure modern solutions for the clients which enable fast and simple operations with the bank, from the comfort of their own homes.

Specialized

We listen to the needs of the market and offer specially designed products and services to specific client groups in order to efficiently satisfy their needs for financial investments. Comprehensive

Our offer takes into consideration specific needs of different types of clients and therefore our packages contain a series of products and services made to fit specific client's needs.

Retail sector

Accounts and connected services

Cards

Loans

Loans savings products

Specialized packages

Internet and mobile banking

Small entrepreneurs and craftsmen

Accounts

Specialized packages

Specialized loans

Large companies

Accounts

Loans

Deposits Cards

Treasury

Securities

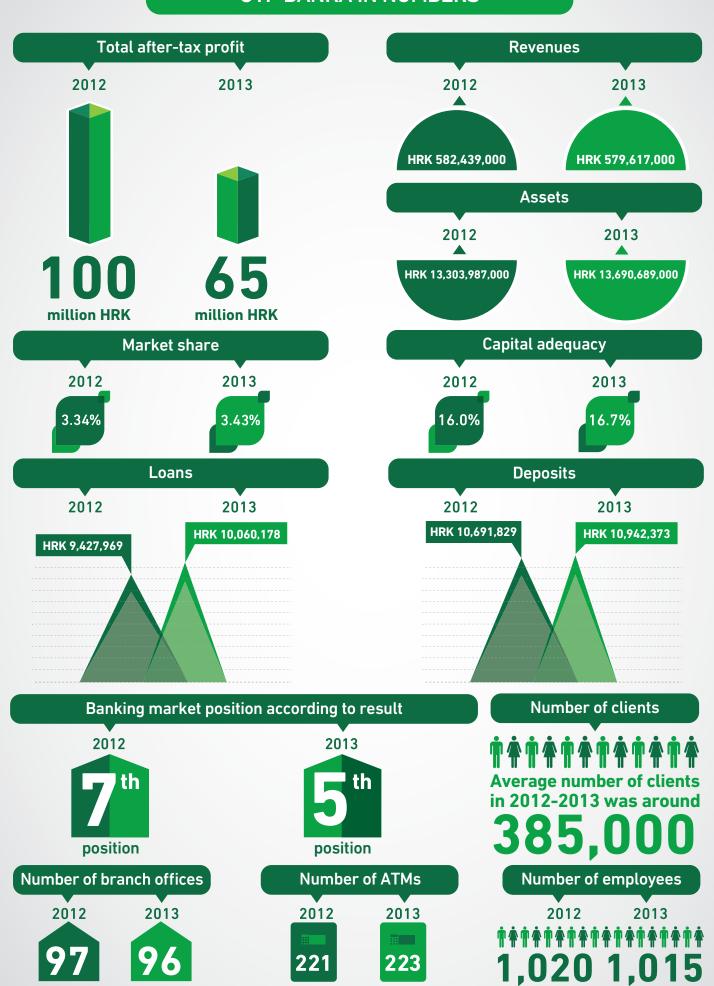
Financial instrument custody

Financial markets

We are especially proud of:

- Delivery of card PIN via SMS service, first of the kind offered in Croatia
- First contactless transaction performed in Croatia
- Retail service offer which includes Internet packages, special offers for businesses and energy efficiency financing
- Special offer for SMEs and farmers
- Participation in credit lines for entrepreneurs with the support of development banks, agencies and local government units

OTP BANKA IN NUMBERS



Introduction by the CEO

Raising standards of responsible operation

During the last two years, in 2012 and 2013, banking market had faced many challenges that had direct impact on the sustainability of the sector, and not just in Croatia. That is why today, more than ever, we need to think about sustainability as the only way of creation and implementation of business strategies. Decline in economic activity, reduced purchasing power of the population, economic crisis and recession force all businesses, especially the banks, to strengthen their understanding of social responsibility and incorporate more powerful processes that assure implementation of responsible practices.

In those two years, OTP banka tried to reflect on and plan our business practices in the context of sustainability. For the bank, first of all, it means preservation of stability and security of operations. Client trust can today be achieved only if we are able to prove that we conduct our business and dispose of their money responsibly. All banking business ventures have direct or indirect impact on our economic and social environment. The development of our products and services must therefore take account of the added value that we can offer to our clients. Considering that in this kind of environment we do not operate alone, the way we form our relationships with business partners, competitors and other businesses subjects affects not only our business reputation, but helps us achieve effective and efficient business processes and ultimately - reduce business risk. Securing operational sustainability as a priority of our bank has an effect on our relationships with regulatory and government bodies that supervise, propose and enforce regulations. That is why our priorities when it comes to responsible behavior are openness, transparency of operations, as well as availability of our employees and managers. Finally, the bank, as an important business entity in the communities in which it operates, must take account of development of these communities. In 2012 and 2013 we opened donation tenders in order to select projects, according to clearly defined criteria, for our community investments. Besides the donation program, in cooperation with our partners



- local communities - we awarded scholarships to students and pupils with poorer social status.

Unique history of the bank determined what OTP banka is today, our way of managing, thinking, and understanding responsibility and sustainability. Created little more than a decade ago from four traditional regional banks, our bank had an interesting developmental path. In each of the four regions - Northern and Southern Dalmatia, Istria and Sisak area - we always had the reputation of strong local bank which is firmly linked with its communities. When we expanded our business to Zagreb and Slavonia, our corporate culture of strong relationship with the community become a part of our new territories. In addition, by keeping traditionally strong position in these areas, in 2012 and 2013 the bank strongly turned towards the development of new products, especially Internet and mobile banking as well as contactless payments. By combining tradition and modern banking approach, we see our development responsibilities precisely in constant changes. As society around us changes, so our market changes, and so do we change. We become more flexible in business and open to dialogue, and we keep our stability with serious and conservative approach towards risk management.

During 2012 and 2013 we have undertaken many new activities, trying to adapt our corporate culture to new market developments, but also to our sense that we need to raise standards of responsible operations. We have been successful in many activities of promotion and introduction of new procedures of responsibilities, and our business results, strengthening our market shares, but also organizational climate tests and customer satisfaction prove this. However, in many aspects, we found space for improvement. Social responsibility and sustainability concepts can help us achieve our business plans, but also build long-term quality relationships with all our stakeholders, which is one of the strategic objectives.

Although this is our first stand-alone sustainability report, we have been participating for several years in the report of the OTP Group at international level and as well as in Corporate Social Responsibility Index, organized by the Croatian Chamber of Economy and the Croatian Business Council for Sustainable Development. The index methodology helps us evaluate our progress and find out in which areas we need to make progress.

I thank all of you who read our sustainability report. I believe it will provide interesting information. We have tried to write it in a simple and clear manner. Your comments and suggestions will be welcome, because to us, as always, stakeholders' opinion helps us become better.

Balázs Békeffy CEO





Along with recognizing importance of strengthening the bank's reputation and corporate culture, importance of introducing and systematizing various CSR processes in the bank was recognized, as articulated in the Strategy of Communication and Stakeholder Relations Development for 2012 and 2013. It has been recognized that processes of social responsibility should be introduced in segments where they are missing and that they need to be systematized in those areas where practices exists, but they are not regulated. The intention was to cover all key areas - working environment, market relations, relations with suppliers and business partners, relations with the local community and environmentally safe practices. Connecting responsible practices with business processes helps the bank develop responsible corporate governance, reduce risk, maintain effective cost management and build healthy and pleasant corporate culture for employees. The desired market result was strengthening the bank's reputation and stabilizing and strengthening the corporate brand.

There are several important strategic elements of sustainability and responsible business practices that are important for our bank.

Securing stability and security of operations -

OTP banka constantly invests in improvement of operations which are focused on development of market shares, securing profit for its shareholders and improvement of operations' security. In order to ensure sustainability, the bank is constantly checking to see whether it could operate in adverse market circumstances (such as changes of interest rates, macroeconomic indicators, etc.). Therefore, at least once a year stress tests are conducted in order to calculate internal capital, and if needed, even more often. Various scenarios of endurance in adverse conditions are predicted during stress tests. During this reporting period, OTP banka regularly conducted such tests and established that it has sufficient capital to withstand reasonably foreseeable adverse circumstances. Along with stress tests, plans for ensuring business continuity are regularly brought as well.

Dealing with market challenges - We have adjusted our business plans and development of products and services with the market demands and development trends. Croatian banking market faces the issue of loans pegged to the Swiss franc as well as the problem of determining interest rates. We in OTP banka are aware of the possible outcomes of the legislation change and judicial procedures. Case of loans pegged to the Swiss franc strengthened awareness of the need to understand responsible financial behavior. One of the major challenges for the next period is to invest in informing and educating citizens more about banking products and services.

Responsible marketing - The bank has very strict approach to the issue of responsibility in marketing communications in a way that in all our advertisements and informational materials we provide accurate description of products and services. All our marketing publications in the media are highlighted as promotional material,

with clearly indicated resources from which customers can get detailed information about products and services of their interest. We have invested additional efforts in improving the system of informing clients via Internet, mobile banking and SMS.

Investing in availability - When developing products, we take into account improvement of products and services availability for all our customers and offer expansion in way that specific groups of clients can choose customized products (e.g. students, pensioners). During 2012 and 2013 we have invested in electronic banking development in particular.

Responsibility in the workplace - In challenging market conditions, one of the most important adjustments for achieving better sustainability is strengthening corporate culture and organization of working environment. In 2012 and 2013 we undertook a number of activities and introduced changes that have improved the quality of the internal organizational action.

CSR DEVELOPMENT GOALS IN OTP BANKA FOR 2012 AND 2013

- Develop awareness of the importance of social responsibility among bank management and introduction of CSR processes into decision-making processes
- Create benchmark for socially responsible practices
- Introduce reporting as a tool for improvement and transparent communication with stakeholders
- Improve bank's corporate identity

IMPLEMENTED ACTIVITIES

- Production of CSR strategy
- Activation of internal committee for social responsibility
- Inclusion of CSR content in the workshops for management
- Revision of philanthropic program (introduction of donation tender)
- Detailed analysis of stakeholders and material issues
- Participation in the CSR Index
- Revision of corporate identity and inclusion of management and employees in determination of some parts of the identity

Corporate governance as the foundation for success

OTP banka Hrvatska is managed by four-member Management Board led by CEO Balázs Békeffy, while Board members are Helena Banjad, responsible for credit, market and operational risks management, Zorislav Vidović, in charge of the treasury, finance, commercial banking and group management system, and Slaven Celić, responsible for retail, marketing and corporate

communications, who became Board member in September 2012.

That mother bank has full confidence in local Management. That it nurtures talents in all its subsidiaries is shown by the fact that three out of four Board members of are long-term employees of OTP banka and its legal predecessors. President of OTP banka Supervisory Board is dr. Antal Pongrácz, while the number of members, as well as Supervisory Board membership, changed in April 2013.

DIRECTORS AND MANAGEMENT

General Assembly

Viktor Siništaj President

Supervisory Board to	April 11, 2013	
Dr. Antal Pongrácz	President	
Szabolcs Annus	Member	
Balázs Fábián	Member	
Branko Mikša	Member	
László Kecskés	Member	
Veronika Szabó	Member	
Zsolt Szabó	Member	

Supervisory Board after	r April 11, 2013	
Dr. Antal Pongrácz	President	
Szabolcs Annus	Member	
Balázs Fábián	Member	
Branko Mikša	Member	
László Kecskés	Member	
Árpád Sranko	Member	
Zsolt Szabó	Member	
Fülöp Benedek	Member	
István Vastag	Member	

Management Board	
Balázs Békeffy	President
Helena Banjad	Member
Zorislav Vidović	Member
Slaven Celić	Member

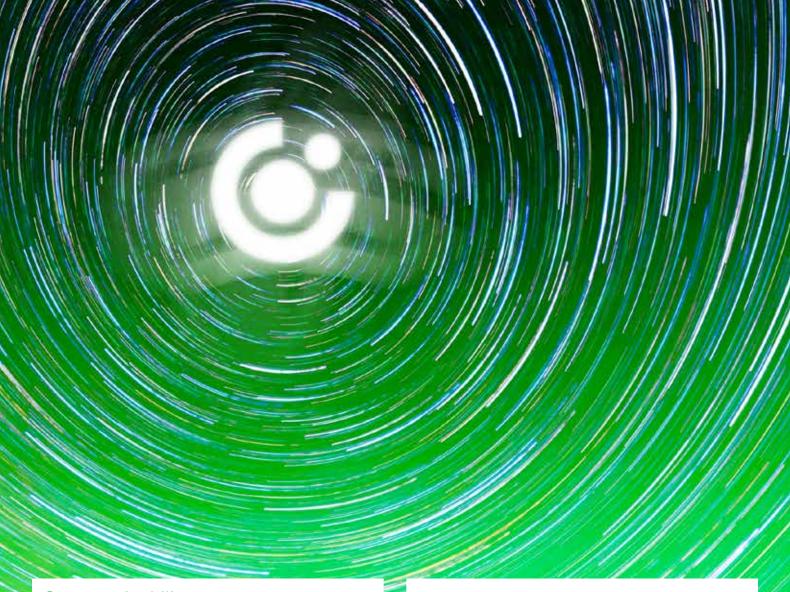
OTP banka develops its activities on the principles of corporate governance, paying particular attention to importance of ethical behavior for business subjects as a necessary precondition for development of good relations and loyal competition between business partners as well as for efficient market functioning. Our system is based on transparent, responsible and honest activity founded on clear procedures and instructions. With loans and savings management, our bank is constantly striving to raise the level of services, especially taking into account risk management, client protection and responsible crediting. In its activities, the bank follows the Regulations on the Prevention of Conflict of Interest, its own Corporate Code, while Code of Ethics is in preparation for 2014. The bank has also submitted a Statement on the prevention of money laundering, which is available on its web site. During the period covered by this report, the bank or its employees were not involved in any procedure related to corruption.

Management and directors meet regularly, and once or twice a year larger, so-called planning conferences are organized for the Board and directors. In 2012 planning conference covered strategic and financial plans and sector action plans as well as specific independent directorates for 2013, and in 2013 the topic of the planning conference was cost management. Consultative strategic meetings with broader management are organized interactively to allow equal participation in decision-making that are of particular importance for bank development. This ensures useful exchange of information from all parts of the business, while the dialogue leads to better solutions. Consultative approach ensures two-way communication and symmetry among managers and the Board, and consequently matrix approach to understanding problems and making decisions. This form of cooperation reflects application of accessibility, openness and accountability – bank's corporate values. It also decreases the possibility of different interpretations of bank's material issues in strategic planning process.

The management is committed to development of organizational culture and providing framework for development of social responsibility practice in bank, but we still need to learn a lot. It is important that all managers and employees understand the importance of social responsibility, and the fact that it does not involve spending funds and resources, but constant investment in organizational development. Many studies and research among the most successful global companies (such as the S&P 500) suggest a strong link between the genuine, long-term program sustainability, social responsibility and increase of company's value. This interconnection is so significant and positive that it cannot be denied.



Balázs Békeffy, CEO



Our sustainability story

In spring of 2012, Management Board of OTP banka decided to make changes in strategic approach of corporate identity and planning and viewing material issues related to our most important stakeholders. In May 2012 we started the process of redefining corporate banking identity, and in 2013 we continued with the process of analyzing bank's stakeholders and material issues that determine relationship between the bank and its stakeholders, as well as its sustainability in the market context.

After the Management Board and directors adopted conclusions on strengths, weaknesses, opportunities and threats (SWOT analysis) and after the development and application of detailed analysis of impacts from bank's surroundings (EPISTLE), the Management Board and directors decided on a new vision and mission of the bank in an organized dialogue.

Finally, in dialogue of the Board, directors and employees, new corporate values and new corporate

slogan were selected. Active involvement of wider management into discussion and conclusions on the essentials of corporate identity are in line with existing culture of dialogue and consultation which the bank carries out by organizing specific working meetings and planning conferences. The inclusion of a wider circle of people who have influence in shaping strategic direction from several managerial levels enabled us better insight into economic, political and social environment in which we work, into development trends of products and services and in less tangible details of building relationships with stakeholders. In addition, we decided to give the opportunity to all employees to engage in dialogue and selection of corporate values and corporate slogan. In this way, we allowed our important influential group - employees - participation in shaping corporate framework for future strategic decisions.

Strategic planning and making important business decisions is always based on values and should be aligned with the vision and mission of the bank.

Bank's stakeholders

Due to specificity of their activities, banks are extremely important subjects in society and local communities in which they operate. Impact of banking operations and business decisions exceeds importance of direct and individual business relations with clients. Trends in financing, development of new products, communication methods with clients, decisions on placements

and many other aspects of operations have many secondary impacts on bank's stakeholders. Therefore, it was extremely important for us to determine stakeholder groups on which the bank has a significant impact, as well as those who can have strong impact on bank's operations.

The following groups are particularly important for the bank in the context of framework topics that we selected as the most important for each group:

Stakeholders	Topics in 2012 and 2013	Inclusion and dialogue
Clients	Bank stability, trust, products and services quality, interest rates and fees, product development, network development	Testing impressions and attitudes of clients - syndicated research, mystery shopping, direct feedback, comments and questions to Contact centre
Employees and managers	Bank stability, good employer practice development, security of employment, working conditions, business expansion, building corporate culture	Anonymous survey - customer satisfaction, informal feedback, engaging in development of corporate identity, engaging managers in planning conferences and strategy meetings
Shareholders	Bank stability, profitability, good risk management, achieving plans, corporate governance, trust in Management Board, business expansion	Regular meetings of the Management Board and Supervisory Board, exchange of opinions, participation in strategic meetings at international group level, consulting
Regulators	Bank stability, compliance with laws and regulations, reasonable risk management	Regular reports and open communication practice
Business associations	Representation of common interests, market development, innovation, impact on development of legislation and regulation, banking security	Participation in sector working groups within Croatian Banking Association, participation in professional conferences
Interest groups	Compliance with law and regulations, implementation of corporate social responsibility especially in the field of consumer protection	Regular information on bank's operations, products and services. There was no structured dialogue with consumer protection associations.
Suppliers	Bank stability, business conditions, responsible processes, procurement process	Clear information on procurement process and operating conditions with the bank, formal and informal feedback
Business partners	Bank stability, business conditions, responsible processes, ethics	Participation in joint funding programs, formal and informal feedback
Local communities	Bank stability, understanding of local needs, responsibly significant entity in the community	Participating in joint projects and initiatives, donation tender, partnerships with donation beneficiaries, scholarship program, sponsorship activities
State administration	Bank stability, compliance with law and regulations	Open information on bank's operation



Material aspects and report boundaries

During 2013 we have created a new stakeholder analysis and have identified material issues and evaluated their relevance and impact on key stakeholders on the workshop gathering Board members and directors. Evaluations were made individually in order to allow better insight into the problems of different bank's sectors. Conclusions were brought on the plenary discussion. In this way we wanted to establish which issues will be of the highest importance for the bank in the next two years, what is the relation of these issues with our plans, whether material issues affect change of plans or provide us with a better framework for action and whether they can open opportunities for improving operations in changing market conditions (those arising from the market, as well as legal and regulatory changes).

We primarily see the term of economic viability in **security and stability** of the bank. We operate responsibly towards all our stakeholders only if we fulfill this requirement. For us it signifies systematic planning, conservative market approach, involvement of key people in development and decision-making, constant and careful assessment of external and internal risks, and willingness to adapt. We strictly adhere to our rules of corporate governance and apply prescribed systems of internal control. We issue our Corporate Governance Code in our annual financial report.

Client trust is of the utmost importance for the banks, because economic and financial viability of the bank depend on it and it may affect the wider role and bank's influence on the market. Developments over the past few years on the Croatian banking market led to collapse of confidence in banks of which we are fully aware.

Also, nowadays with developed technology and fast communications, trust is harder to achieve, and easier to lose. Therefore in all our business ventures we take care of maintaining clients' trust by encouraging openness in communication and building relationships, as well as our efforts to publish all relevant information about the bank's operations.

In the past several years, Croatian economy, especially the financial industry, saw many **changes** in legislation and sector regulation. OTP banka carefully monitors all changes, and prepares in time to adapt business operations to the new regulations and regulatory changes. We try to maintain the highest standards of regulation regarding banking industry and quality communications with regulatory and government bodies. In order to contribute to better solution development, we actively participate in sector dialogue, especially within the framework of the Croatian Banking Association, and in that context, we provide our ideas and suggestions for improving legislation, regulations and procedures in the banking sector.

Investment in the quality of products and services, innovation development and client relations is crucial for market positioning. The bank is constantly working on improving and developing products and service delivery processes by quality increase, as well as by introduction of new technologies and simplicity of procedures. However, we are aware that in area of customer relations all companies in Croatia have to invest additional efforts and introduce necessary improvements. The issue of quality and diversity of products and services for us is material, not only for competitiveness and winning a larger market share, but also due to implementation of corporate social responsibility.

Within the process of determining material issues, we have singled out some other issues that were crucial for development of bank's sustainability in 2012 and 2013, but on which sustainability targets for the next period will continue to be built. We estimated future market expansion and acquisitions as especially important, which were prepared during 2013. Acquisitions raise us a number of issues from various stakeholders, which will be topical in the years to come.

Reputation and trust in stability and strength is important to us because we are part of an international group that operates in nine countries on very different markets and in different market conditions. The fact that we are part of strong and serious group with stable operations provides confidence to many clients, especially those in the corporate sector.

Stable chain of responsible procurement is a material issue closely related to improvement of sustainability indicators in the field of responsible costs management, but also improvement of the process of developing relations with suppliers,

as well as risk management of projects whose success largely depends on the performance of our suppliers. In this area we recognized opportunities for improvement which can be found in the lists of goals for 2014/15.

OTP banka traditionally participates in social and economic development of the community, not only with its philanthropic efforts, but also with its core business by following development projects of local communities. These relations are extremely important to us and we strive to improve them every year with new projects.

ISSUE IDENTIFICATION

Material issues have been identified on joint workshop gathering Board members and directors. The identification was assisted by the use of:

Global Reporting Initiative Guidelines

UN Global Compact principles

Important issues from financial reports

Legislative and regulatory framework

Issues of public interest

Client feedback

Employee feedback

PRIORITY SETTING

Every member of the Board and director were asked to determine the importance of identified issues on the scale of 1 to 10, taking in consideration:

Importance of issue for financial stability of the bank

Demands of the legislative and regulatory framework

Importance of the issue for client relations quality
Importance of issue for employee
relations quality

MATERIAL ISSUES

Client trust in bank's stability and strength

Legislative and regulatory changes

Competition, bank brand strengthening

Quality, innovations and diversity of products and services

Credibility, morality and ethics in operations

Market expansion (acquisitions)

Trust in strength and stability of OTP group

Change and strengthening of corporate culture

Stable sustainable procurement chain

Bank's environmental influence

Participation in economic and social life of the community

Banks as business entities do not have a big direct impact on the environment, unlike the manufacturing industry for example, but as large business entity present in many communities, the bank uses facilities, technology, infrastructure, transport and communications, so it owns up to its environmental impact. This issue has an increasing

material significance for the bank, because we see opportunities to improve responsible practices in this area, in part directly by introducing responsible processes in reducing environmental impact, partly indirectly by participating in programs for financing projects aimed at reducing environmental impacts or achieving environmental improvements.

Our values: organizational DNA

OTP banka Hrvatska built its current corporate identity in cooperation of management and employees. During 2012 the dialogue process regarding the context in which the bank operates was initiated, including its development capabilities, strengths and weaknesses and market challenges. After environment analysis, the management determined special characteristics that distinguish OTP banka and set final five values in consultation with all employees through the bank's intranet.

Almost unanimously, it was decided that the most important characteristics of the bank are stability, responsibility and security, and the remaining two values were selected according to the criteria of the next most important – openness, chosen by employees, and availability, selected by the management.

Our values help us channel strategic ideas and implementation activities; based on values we create strategic partnerships, they are generator of innovation in the company; they help us in building leadership. In line with our values, we build control processes and encourage strategic view of the organization purpose.

They are, at the same time, our promise and our behavior to the outside world.

STABILITY FOR US MEANS:

stability of employment and perspective work environment; stable banking operations and prudent management with client stakes, good entrepreneurship and desirable business partner reputation.

RESPONSIBILITY FOR US MEANS:

personal and team responsibility towards the bank, colleagues, clients, owners and all other stakeholders; investments in sustainable economic and social development; environmental protection.

SECURITY FOR US MEANS:

personal security of employees, safety of clients and their stakes, owner's trust in our governance, constant source of revenue for the communities in which we operate which increases their material and social security.

OPENNESS FOR US MEANS:

development of the culture of dialogue and respecting stakeholders' opinions, personal and polite approach to clients, and participation in economic and social life of our communities.

AVAILABILITY FOR US MEANS:

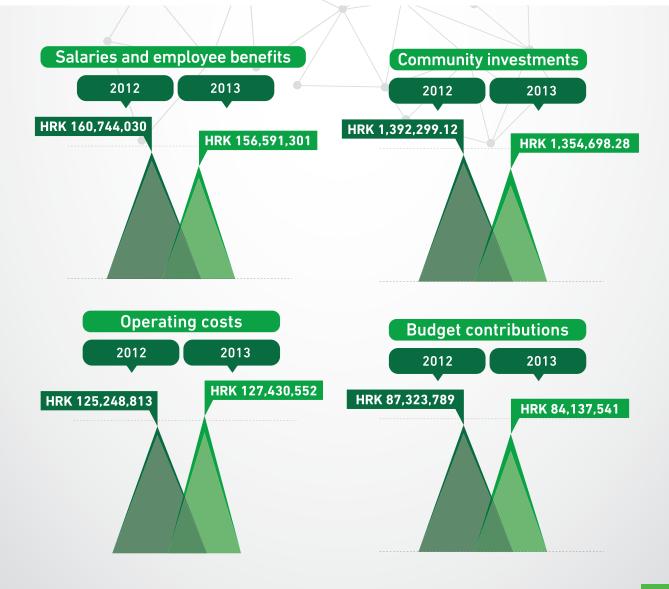
availability and flexibility of operations with clients; open door policies, simple internal communication, management availability, open communication with the owners

Trust in stability and strength

OTP banka has been operating successfully for years on the Croatian market, and during the economic crisis it retained profitability. Although this profitability - following market trends - is declining, it still lingers above the planned amount, and is significantly better than the sector average. Bank is characterized by cautious and stable management policy, which enabled it to achieve a result that allowed progression from seventh to fifth position of the banking system according to achieved results. The bank in 2013 achieved return on assets (ROaA) in the amount of 0.48 percent, return on equity (ROaE) of 4.14 percent, which is two to three times higher than achieved indicators for the system in total (ROaA 0.19%: ROaE 1.32%).

Similar to the system levels, the biggest influence on profitability reduction was that of additional provisions for credit risks (costs increased by about 38 percent), which is not significant given that decline in profitability mainly may be attributed to securing new provisions. Despite extremely negative trends in the environment (rising unemployment, GDP decline, interest margins drop), OTP banka managed to maintain operating profit in 2013 at 2012 level. The decline in income from interest was mitigated by lower financing costs and income from net interest decreased by only 2 percent, while net income from fees grew by 2 percent, and revenues from foreign currency purchase and sale increased by almost 6 percent.

OTP banka achieved market growth in different segments. In loans, this increase was 6.4 percent compared to the system growth of 0.8 percent, which resulted with increased market share up to 3.43 percent. Increase of market share was achieved in retail crediting sector, where the bank recorded 4.72 percent share. In deposits, OTP banka held its market position, continuing policy of funding primarily on the basis of received deposits with a market share higher than 5 percent.



Expertise and knowledge recognized

OTP banka experts, as well as the bank itself, have been recognized in the expert and wider public by participation in numerous professional conferences and memberships in organizations that promote development of banking market in Croatia in every way - from product and service management in the financial sector to monitoring trends in banking and finance. OTP banka is a member of the Croatian Banking Association, interest association of banks in Croatia, its employees participate in ACI Croatia, association of professionals involved in the field of financial markets, Croatia SWIFT group and the Croatian Information Technology Society. The bank's experts regularly participate in professional

meetings such as the annual scientific and technical conference Zagreb Money Market, international conferences of the Croatian Institute of Internal Auditors and numerous professional and economic gatherings such as HR Summit.

The work of the bank has been recognized in the area of its core business with the nomination for the Zlatna kuna of the Croatian Chamber of Commerce in 2013, and for the excellence in internal communication, and thus its management, confirmed by the Grand PRix of the Croatian Public Relations Association in 2013 for the project of employee engagement in the process of corporate identity change.

Banks have to pay special attention to sustainability because of their major business function, safekeeping someone else's money. In addition, it is our mission to multiply that money through good financing development projects, but also citizens' consumption. Therefore, impacts of the bank on society and economy are manifold. Especially if we view money as type of energy (one of English words for it is, after all, "currency"), which allows us constant development, production of new values or satisfaction of social and personal needs. Risk management is closely related to concepts of sustainability and banks should increasingly take care of viability of their suppliers, as well as their clients, not only their financial capacity and legal compliance, but also their behavior or possible social impacts. Banks are always expected to be leaders in accountability and with this approach we can provide just that.

Possibilities for improvement in the upcoming period

Maintaining bank stability by implementation of conservative business policy

Constant growth of key market segments of special strategic importance to the bank

Possible growth by acquisitions on the market

Responsible operations with decrease of operating costs

Development of innovations and technologically advanced solutions



Green light for... a better society

Operation of any business entity is inseparable from community in which it operates - and this is the basic principle on which OTP banka bases considerations of its existence on the Croatian market. Specific regional organization as a result of mergers of smaller regional banks to OTP banka is not an obstacle but an advantage and opportunity to nurture all the diversities and particularities of the region in which it operates. This expressed regionalism brought to the bank a spirit of strong links with communities, and thus the awareness that commercial activity is not the only possibility or responsibility of the bank.

Community investment programs that OTP banka has been nurturing for years under the joint program named "Green Light for ..." are an attempt to recognize specific needs of all communities in which it operates, as the same time keeping attention on broader societal issues and problems for which the bank considers it could positively affect. It therefore encourages continuous dialogue with stakeholders, supports various organizations and institutions in communities in which it operates, providing favorable loans in order to encourage entrepreneurship, it encourages development of education, sports, arts and healthcare, takes care of environment and respects human rights.

Chance to demonstrate excellence

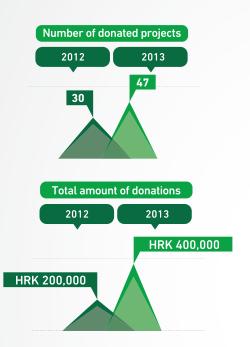
Donations of corporate entities are not new; corporate philanthropy is even older than the concept of social

responsibility. Although social responsibility seeks to adopt control mechanism that permeates the entire bank's structure, it still does not give up on the most direct way to support efforts in raising the quality of life, to promote social values and to help vulnerable population groups. Donations in the corporate world are often provided spontaneously and momentarily; the intention of OTP banka with its donation tender first launched in 2012, was to continuously choose those projects that will bring important added value for the community. By selecting the best ones we encourage them to be even better, and those who are not selected to follow someone else's example when it comes to organization and project management.

For years the bank has been supporting numerous local initiatives and projects aimed at enhancing the quality of life through the program "Green Light for ...", but since 2012, its efforts are focused on the unique donations tender. Due to its specific regional organization, the bank's regional centers were previously responsible for distribution of funds provided for donations to projects important in their local communities. In order to provide equal opportunity to present their valuable projects to all organizations in Croatia, and to ensure transparency through clear allocation process, the management of the bank has decided to organize an annual tender for donations, open for all associations, clubs and institutions with projects in several categories: youth, education and science, preservation of cultural, historical and traditional heritage and environmental protection, humanitarian projects and sports.



Donated organizations regularly report about the implementation of projects for which they received funds, although tender terms do not oblige them to do so. We are excited that they see us as a partner worthy of trust; with some of these organizations we have since created even closer ties; for example, our employees volunteer in their programs spreading the culture of social responsibility and community activities within our regional centers and in their own communities.



Besides the funds that bank allocates within its annual donation tender, directors of bank's business centers also have the ability to recognize and support those initiatives in their own local communities and regions that can benefit life quality. Every year, OTP banka traditionally allocates HRK 180,000 for drama premieres at Dubrovnik Summer Festival, and furthermore, it helps educational and healthcare organizations with funds necessary for implementation of major projects. In 2012, the bank allocated additional funds to Zadar General Hospital and Istrian healthcare centers and in 2013 donated funds to Caritas of Dubrovnik Diocese, Popovača kindergarten and to Sisak Home for the Elderly and Disabled. Except in cash, OTP banka helps organizations from local communities with gifts, most commonly used personal computers – in 2012, the bank donated 163 used PCs to organizations from Zadar, Istria, Dubrovnik-Neretva, Split-Dalmatia and Sisak County, and in 2013 it donated four computers.

In addition to implementing the program of corporate social responsibility, the manner of communication with our stakeholders is also very important. We pay great attention to sustainability and social responsibility topics in all our communications and also in our internal newsletter. We strive to maintain partnerships with donation beneficiaries and, besides allocation of resources, we try to come up with joint activities. The greatest progress in development of socially responsible practices, during the next several years can be expected in terms of development of organizational culture dialogue with stakeholders and increased care for the environment. We will seek to develop responsible practices in all these segments.



Ivana Lončar
Mašina,
Director of
Marketing
and Corporate
Communications
Directorate



Knowledge in the centre of social development

OTP banka observes community investments as an important element of its contribution to its communities, apart from the benefits arising from bank's core business. Pupils and students with poor social status are one of the most endangered groups that bank recognizes when it comes to social development. Education for successful professional and personal life should be provided for everyone who desires it, so since 2010 OTP banka has been providing scholarships to those whose financial circumstances do not allow them to fulfill this wish.

Awarding scholarships is carried out in cooperation with local self-governments as well as with the University of Zadar with which the bank has established the fund to help students of poorer socioeconomic status. At the beginning of each academic year, the bank's partners publish tenders for scholarships to students and pupils residing in their area, and OTP banka as their partner joins tenders and provides funds for scholarships for students of poorer socioeconomic status. Criteria are material and social status and overall success in education.

In academic year 2012/2013, OTP banka helped 83 students and pupils with lower incomes from Istria County, City of Zadar, City of Benkovac, Glina and

Župa Dubrovačka and Nuštar municipalities with HRK 568,600, and in academic year 2011/2012 it provided scholarships worth HRK 618,000 for 93 students and pupils of poorer economic status from Istria County, the City of Zadar, City of Sisak, City of Otok, as well as Konavle and Župa Dubrovačka municipalities.

Education is the foundation of any society's future, and OTP banka recognizes that a particularly vulnerable group are young people who have the desire for education, but lack resources. Due to low rates of higher education in the population of Croatia, we believe that the task of the whole society, and not just the educational system, is to help as many young people secure productive and quality future life.

Possibilities for improvement in the upcoming period

Further development of investments in the community via donation tender

Development of partnerships with donation beneficiaries

Continued investments in increasing opportunities for youth with insufficient funds for education

Value chain management

OTP banka regulates procurement processes and relations with suppliers with special instructions and procedures (Instruction on procurement and maintenance, Regulation of procurement of IT equipment and IT solutions and monthly reporting, Procedure for investments, procurement and sale of material assets). Department of Procurement, Maintenance and Workplace Safety is responsible for procurement of materials, services and equipment as well as equipment for office automation, telecommunication technology, bank's technology, for property which is subject to central procurement (computer hardware, UPS and telephone network, network tools and services. tools, office technology, telecommunications, technological tools and accessories, tools for banking technology, tools for banking security, cars and vans, signs and advertisements, furniture and other fixed assets, educational tools, stamps as fixed assets) and material stocks that are subject to central procurement (computer supplies, paper for special forms/shipments, bank forms including payment slips and strictly carrying forms, blank cards, rubber stamps).

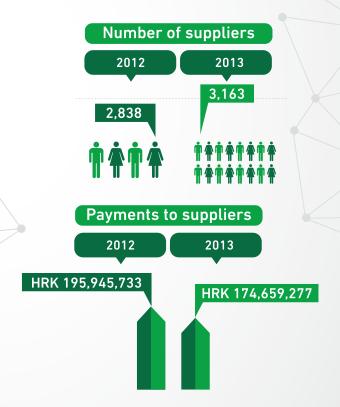
For the procurement of IT equipment, procurement team cooperates with IT Directorate in order to obtain their approval. Supply of technical equipment for branch offices is organized on the basis of standard equipment list that is accepted by the group. Supply of office materials and bank forms and their distribution are arranged with contractual suppliers, due to which warehouses are not used; they are delivered to units that ordered supply. Ordering and distribution of materials is organized once a month for each business centre.

For orders that are not covered by contracts, Department of Procurement, Maintenance and Workplace Safety sends a request for an offer to addresses of at least three suppliers, or when this is not possible, it is enough to collect two offers. For large purchases, negotiations are conducted and agreements are made in order to utilize the purchasing power of the bank, and to ensure that purchases of goods and services represent the best value for the bank. Currently there are 55

contracts with different suppliers, out of which six are with foreign suppliers/servicers, mostly from Hungary.

All contracted suppliers are evaluated on annual basis according to following parameters: ability of delivery, quality of submitted material/product/service, price, after-sales service, technical capability, past performance, business reputation, financial reputation, communication, geographical distribution and available manpower.

Procurement of equipment for branches required by the Department of Investments can be made only on the basis of approved investment costs of the project, based on the investment table. After invoice receipt, Department for Procurement, Maintenance and Workplace Safety has to enter the code of the cost centre and it has to be signed by the director of Investment and Procurement Directorate.

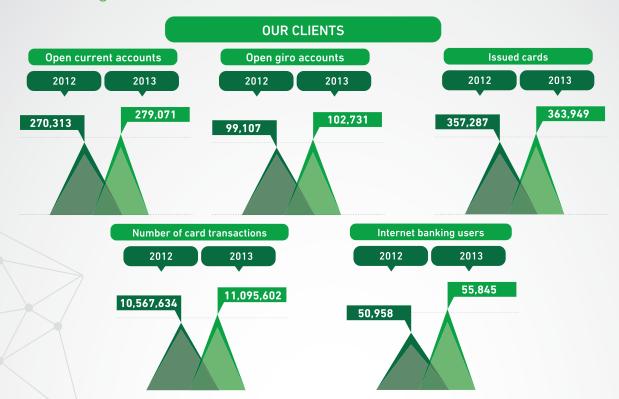


Possibilities for improvement in the upcoming period

Introduction of supplier estimate according to working conditions, impact on society and environment via special questionnaire for suppliers

Education for different segments in the bank regarding responsible management of supply chain

Modern banking



Simple and accessible banking at the fingertip's reach

Offer of modern products and services for various clients' needs is designed to provide the ability to manage personal and business finance from anywhere and at any time. This has been in the centre of attention of OTP banka offer development during the last two years. OTP banka was the first bank to enable implementation of contactless transactions in Croatia in the autumn of 2012 with its MasterCard PayPass debit card, opening door to new, growing trend in the world, contactless payment, which raises the level of safety, simplicity and speed of everyday card payments. MasterCard PayPass debit card is the new generation of cards, which, thanks to innovative technology, enables contactless payments. For payment amounts up to HRK 100, PIN or signature is not required, and during transaction the card is always in the hands of the user, so it is ideal for everyday purchases, as well as for the points of purchase where speed, security and simplicity of payment are important to the client.

We also offer MasterCard *PayPass* prepaid card which generated great interest, especially among young people because it can be issued without open account at OTP banka. Thanks to prepaid model,

the users set their own card limit, so this card is ideal for safe online shopping, travel, as well as for parents who can provide their children, pupils or students, funds in desired amount, securing their ability to learn how to handle money. Another card that allows easily Internet payment with complete cost control is Visa web prepaid card. It can also be used for goods and services payment at all retail outlets in the country and abroad, as well as for cash withdrawals at all ATMs, in all banks in the country and abroad with prominent Visa mark. Due to unique prepaid model, the possibility of contracting is also available to persons who, because of irregular income, could not obtain a classic credit card, for example students.

In the spring of 2013, OTP banka offered mobile application and variety of services and packages which expand existing services in the field of online banking. Besides this, the bank earlier offered m-token and SMS PIN delivery, which makes it the first bank on the market that enabled this for its clients. These services cover everything that a client who wants to have a "bank in their pocket" can imagine. We are constantly working on innovation and improvement of existing services in this area.

Short overview on loans and deposits

Retail deposits	12/31/2012	12/31/2013	Annual change
Northwestern Croatia	759,057	757,423	-1,634
Istria	2,514,924	2,557,197	42,273
Northern Dalmatia	2,801,924	2,876,912	74,872
Central Dalmatia	583,279	568,271	-15,008
Dubrovnik and Southern Dalmatia	2,372,797	2,444,446	71,649
Slavonia	96,128	94,739	-1,389
Total	9,128,109	9,298,872	170,763
Retail loans	12/31/2012	12/31/2013	Annual change
Northwestern Croatia	1,138,003	1,135,751	-2,252
Istria	1,014,324	1,032,860	18,563
Northern Dalmatia	1,260,546	1,269,830	9,284
Central Dalmatia	511,971	528,225	16,254
Dubrovnik and Southern Dalmatia	1,023,792	1,047,291	23,499
Slavonia	311,564	328,309	16,745
Total	5,260,200	5,342,266	82,066
Corporate deposits	12/31/2012	12/31/2013	Annual change in %
Large corporations	17,658	17,638	-0.11
Northwestern Croatia	94,324	83,830	-11.13
Istria	84,347	74,846	-11.26
Northern Dalmatia	175,717	138,748	-21.04
Central Dalmatia	66,638	64,966	-2.51
Dubrovnik and Southern Dalmatia	204,091	217,260	6.45
Primorje	29,360	36,217	23.36
Slavonia	9,322	10,962	17.59
Deposits, a vista, total	681,456	644,467	-5.43
Large corporations	2,340	40	-98.29
Northwestern Croatia	37,159	46,338	24.70
Istria	30,708	50,800	65.43
Northern Dalmatia	175,925	246,816	40.30
Central Dalmatia	70,702	57,457	-18.73
Dubrovnik and Southern Dalmatia	102,040	108,650	6.48
Primorje	2,014	7,370	265.94
Slavonia	4,150	988	-76.19
Term deposits, total	425,038	518,645	21.98
Total deposits	1,106,494	1,145,926	5.10
Corporate loans	12/31/2012	12/31/2013	Annual change in %
Large corporations	442,304	973,092	120.01
Northwestern Croatia	257,063	219,157	-14.75
Istria	241,171	238,719	-1.02
Northern Dalmatia	641,767	668,444	4.16
Central Dalmatia	356,181	205,602	-42.28
Dubrovnik and Southern Dalmatia	427,814	405,184	-5.29
Primorje	95,569	92,736	-2.96
Slavonia	153,992	137,070	-10.99
Total loans	2,645,860	2,939,998	12.39

Validates your trust

OTP banka wants to validate the trust of its clients, so we therefore put their satisfaction in the first place. The bank is trying to obtain complete and genuine client feedback through different communication channels which will afterwards be used for development of bank's products and improvement of services in its branches.

In addition to Contact centre where they can get all the necessary information related to banking operation, clients can post their comments on the bank's Facebook page, launched in spring 2013, or fill in surveys on the bank's website. According to data available also to the Croatian National Bank, OTP banka fully resolved all inquiries and complaints in 2012 and 2013; in 2012 we had 2,656 complaints, while in 2013 we resolved a total of 2,850 complaints. Twice a year the bank carries out a telephone survey of client satisfaction with addressing complaints in which clients grade theirs satisfaction on a scale from one to five. We are extremely pleased with assigned scores in observed period (2012: 4.62 and 4.68; 2013: 4.72 and 4.65), but we remain committed to improving services, as well as to diversification of our products.

Twice a year the bank conducts mystery shopping projects in the busiest offices and regularly achieves outstanding results. When it comes to the quality of service, OTP banka has a system in place that detects weak points of quality at branches which are then being removed by various tools such as workshops and trainings for sales staff. Results of mystery shopping provide data comparative with competitors.

Products and services offered by the bank on the market go through rigorous risk assessments and are tested for compliance with regulations and guidelines concerning the nature of the product and marketing communications that follow. They define general regulations, within which they specify basic concepts, analyze impact of introducing new products to current and future risk position of the bank and determine competence and authority for approval and verification of new products, as well as organizational structure of risk management for business units and bank's

departments. OTP Group risk guidelines were used in preparation of these guidelines. They are in accordance with regulations from 2009. Apart from its own guidelines, OTP banka adheres in product development to the Voluntary Code of the Croatian Banking Association as the minimal standard of ethics, professional standard and good business practice, which should be respected in advertising practice and other forms of marketing communications, with special emphasis on the protection of consumers' rights. In its marketing practice OTP banka has not violated any laws, guidelines or voluntary codes.

Contribution to environment and society

Given the clients' growing awareness of the need to achieve environmental, particularly energy efficiency, in August 2012 OTP banka offered "Sunny loans" for the first time, i.e. housing loans for energy efficient home or apartment renovation in order to improve energy efficiency, construction, home completion or improving energy, efficiency or purchasing homes with energy labels B, A and A+. In addition to housing loans, there are loans designed for improving energy efficiency through financing project cost, gasification of households, water filtration systems, loans granted for property reduction of energy consumption, purchase or installation of solar collectors for own use or for the purpose of selling electricity to Croatian Energy Market Operator (HROTE), air conditioning systems, installation of exterior doors with insulated glass, thermal facade, renovation of the roof, wind turbines and similar interventions focused on energy and environmental efficiency. The interest in "Sunny loans" grew from the beginning of the offer; in 2012 citizens were granted three loans in total amount of HRK 2.3 million, while in 2013 that number increased to 96 loans worth HRK 68.2 million.

Since 2013, "Sunny loans" are being granted for small and medium-sized enterprises, as well as for purchase and installation of solar systems for electricity and heat production based on a contract for electricity purchase, which is previously concluded with HROTE. Since autumn 2013, entrepreneurs were granted a total of HRK 2.2 million in loans of this type.

Special products that offer additional social benefit in OTP banka are primarily service packages targeted at specific groups of clients, such as packages for pensioners or students. Interest in these packages, which provide more savings with products portfolio designed specifically for client needs, has also been growing in the reporting period. In 2012, 3,941 users of student package OTP Index were registered, in 2013 this number increased to 5,148. The number of pensioners who use OTP Senior package grew from 29,733 in 2012 to 35,420 in 2013. Interest in children's savings as a special savings product slightly decreased between two monitored years when looking at the number of contracted savings, but increased in contracted value: in 2012 there were 1,785 users with the total deposit value HRK 38,109,757, while in 2013 there were 1,785 users with savings in the amount of HRK 40,892,117.

When it comes to availability of products and services of OTP banka, it constantly evolves

its network, and is particularly concerned with the availability in special care areas within its domestic regions. Thus, the bank's branch offices among other places are available in Dvor, Benkovac, Glina, Knin, Obrovac, Petrinja, Ston and Slunj.

Facilitating repayments of loans with foreign currency clause in CHF

In June 2008, the bank introduced the possibility of closing housing loans pegged to CHF with housing loans pegged to the EUR or HRK, which is offered today, along with other opportunities to facilitate loan repayment with extending repayment period, grace period and contracting deferred credit. During 2012 and 2013, 11 loans were granted, amounting to HRK 6.4 million for bridging existing housing loans pegged to CHF by new housing loans without currency clause in HRK and one loan in amount of EUR 83, 401,40 with the same purpose, without currency clause in EUR.

Modern banking emphasizes personal approach to the client. today are increasingly looking for quarantees of accessibility and operating with those who truly care about the welfare of society, economy and environment. Those who entrust us with their deposits want to know that they are well managed, and those who expect to be accompanied by the bank in their investments also want to know that the bank is responsible with everything it does. Responsibility of banks today is often scrutinized and those financial institutions that can demonstrate and openly inform on its sustainable practices in the field of client service, participation in financing community projects, investments in environmentally advanced products, are certainly preferred over those who are only interested in the price or interests. In many examples, not only in banking sector, we see that customers, users, consumers prefer those who can prove their business viability, investment in development, good relationship with employees, responsibility of developing and communicating products and services. At OTP banka we strive not to only to follow the best practices, but also to push boundaries of voluntary responsibility, which is reflected in high degree of our client loyalty.



Slaven Celić, Board member in charge of retail, marketing and corporate communications In addition to loan conversion, the bank offers possibility of repayment period prolongation. Loan is repayable in accordance with available cash flow, by reducing the annuity by extension of loan repayment period, in accordance with current credit capacity, or available amount of regular monthly income. By contracting grace period for loan repayment client can pay in accordance with available cash flow, so that during grace period he pays reduced amount of annuity corresponding to current possibility. Deferred credit is contracted for a period up to five years during which loan repayment is done according to known fixed rate. Seven grace periods with deferred credit were contracted, in the amount of HRK 5.9 million.

During the reporting period, OTP banka approved a total of 721 loans for restructuring obligations in amount of HRK 1.9 million, in various combinations (rescheduled housing loans, cash loans, credit cards, overdrafts, etc.).

Possibilities for improvement in the upcoming period

Continue investing in entrepreneurship and projects aimed at community development

Expand options in credit lines for entrepreneurship

Maintain partnership with the Croatian Bank for Reconstruction and Development and the Croatian Agency for SMEs, Innovation and Investments (HAMAG)

Following social development and encouraging entrepreneurship

During 2012 and 2013, we signed a number of contracts regarding construction financing, with special importance for community in which we operate. For example, financing of kindergarten construction in Pehlin was contracted in late 2013 with the City of Rijeka. This enabled realization of a project worth HRK 25 million, which will hire 15 teachers and provide happy childhood for 110 preschoolers.

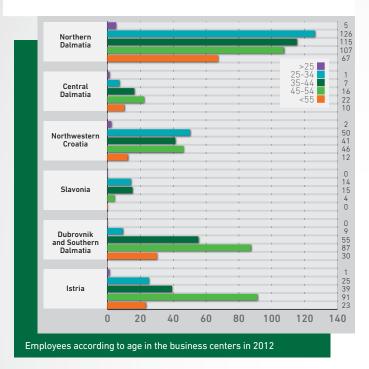
OTP banka also participates in a number of Croatian Bank for Reconstruction and Development credit lines and offers guarantee programs of the Croatian Agency for SMEs, Innovation and Investments. In cooperation with the CBRD it encourages development of various industries, tourism, SMEs, entrepreneurship among women and young people, and through financial restructuring it encourages environmental protection, energy efficiency and renewable energy.



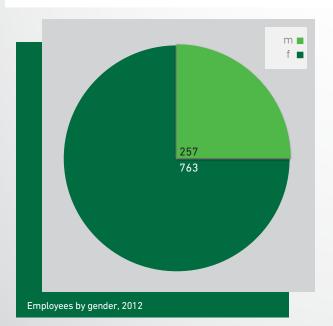
How we work

Our people

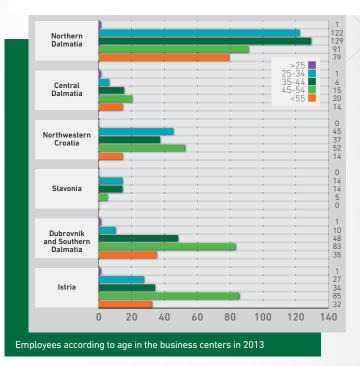
OTP banka employs nearly a thousand employees in its six regional business centers - in 2012, 973 employees were employed with permanent employment contracts and 47 employees with fixed-term contracts. All employees in this reporting period have been working full time.



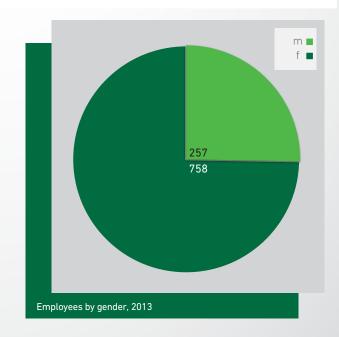
Gender structure of the bank at first glance shows that women outnumber men in a ratio greater than 2:1. In the observed period, the structure or number of employees has not changed significantly. Regarding Board and management positions in the bank, data shows that



Regions which have the greatest number of employees are domicile traditional regions of OTP banka - Northern Dalmatia, Dubrovnik and Southern Dalmatia and Istria, while the expansion of the network influenced growth of the number of employees in other regions in which it operates. Graphs show representation of employees by age in the business centers in 2012 and 2013.



proportion of women in management positions (administration, departments and independent directorates) grew in the bank - in 2012, 42 percent of women were at top management positions, and in 2013 there were 46 percent of women in management positions.



In the structure of employees prevalent population is between 45 and 54 years old in all regions except in Northern Dalmatia were headquarters of bank are situated with the majority of administrative personnel dominated by age groups 25-34 and 35-44.

The bank employs more women than men. However, women hold less than 50 percent of managerial positions in bank, but this portion shows a growing trend: in 2012, there were 42 percent and in 2013, 46 percent of women on managerial positions. Women hold about a third position of middle management positions, namely 31 percent in 2012, and 29 percent in 2013. Data on average length of service at the bank shows the quality of the bank as an employer - the average length of employment in OTP banka is 16 years.

Employee fluctuation		2012		2013
According to type	Departures	Arrivals	Departures	Arrivals
Region				
Northern Dalmatia	8	30	22	23
Central Dalmatia	2	3	1	1
Northwestern Croatia	4	4	5	2
Slavonia	0	1	1	1
Dubrovnik and Southern Dalmatia	7	7	7	4
Istria	9	7	9	9
Total	30	52	45	40

Departures					2012					2013
According to age	>25	25-34	35-44	45-54	<55	>25	25-34	35-44	45-54	<55
Region										
Northern Dalmatia	1	2			5	1	3	5	7	6
Central Dalmatia					2				1	
Northwestern Croatia		1	1	1	1	1	1	1	1	1
Slavonia									1	
Dubrovnik and Southern Dalmatia		2			5			2	2	3
Istria	1	1		1	6		3	1	2	3
Total	2	6	1	2	19	2	7	9	14	13

Arrivals					2012					2013
According to age	>25	25-34	35-44	45-54	<55	>25	25-34	35-44	45-54	<55
Region										
Northern Dalmatia	3	23	3		1	1	17	5		
Central Dalmatia	1	2					1			
Northwestern Croatia	2		1	1			1	1		
Slavonia		1						1		
Dubrovnik and Southern Dalmatia		4	2	1		1	2	1		
Istria	1	5			1		7	2		
Total	7	35	6	2	2	2	28	10	0	0

Departures		2012		2013
According to gender	m	f	m	f
Region				
Northern Dalmatia	1	7	10	12
Central Dalmatia	1	1	0	1
Northwestern Croatia	1	3	2	3
Slavonia	0	0	1	0
Dubrovnik and Southern Dalmatia	3	4	2	5
Istria	0	9	1	8
Total	6	24	16	29

Arrivals	2012		2013	
According to gender	m	f	m	f
Region				
Northern Dalmatia	17	13	12	11
Central Dalmatia	0	3	0	1
Northwestern Croatia	1	3	0	2
Slavonia	1	0	1	0
Dubrovnik and Southern Dalmatia	1	6	2	2
Istria	3	4	1	8
Total	23	29	16	24

When it comes to labor disputes, in reporting period the bank recorded four of them, two in 2012 and two in 2013. One of the four dispute was completed in favor of the bank, and three disputes are still in progress, whether at first instance or in appeal procedure.

Two trade unions operate within the bank, a subsidiary of Trade Union of Croatian Banking and Financial Workers named OTP banka Trade Union, and Trade Union of ex-Dubrovačka banka Workers. Both gathered 617 members in 2012 and 575 members in 2013. Since the two trade unions failed to agree on joint participation and representation in discussions with the Management Board, bank failed to establish process of formal consultation or collective bargaining with these groups. Trade union representatives or employees did not show

interest in the establishment of the Workers' Council, but the bank sees opportunities for improvement of relations and dialogue with the union in the forthcoming period.

Remuneration and benefits

Excellence is one of foundations of human resource development of OTP banka and therefore about 70 percent of workers participate in the remuneration system in accordance with procedures and operating profile for which they are intended. All workers are entitled to awards regardless of their terms of employment. There are no differences in income according to sex, so there are no differences in remuneration between men and women. Moreover, the bank has not formally recorded a single case of discrimination on any grounds.

Awarding system	2012	2013
	Number of employees	Number of employees
Awarding procedure for project participation	119	114
Awarding procedure for retail result	304	302
Awarding procedure for performance by annual bonus payment	263	241
Awarding procedure for performance – claim payments from physical persons	9	8
Awarding procedure for performance – NP debt payment from corporate banking	0	5
Awarding procedure for performance – NP debt payment from retail banking	8	8

System of benefits

For managers

Benefits according to performance

Life or additional pension insurance

Additional family expenses in special situations

Additional personal expenses

Housing benefits

For employees

Benefits according to performance

Additional family expenses in special situations

Additional personal expenses

Housing benefits

During 2012, OTP banka employed persons from the following groups characterized with difficult work market approach: unemployed persons, persons who recently completed their education, national or race minorities, while there were no newly employed persons from these categories in 2013.



Encouraging excellence

For more than ten years OTP banka has been awarding its most successful commercialists with annual awards for the top ten salespersons. In addition to awards, the awarded commercialists have the opportunity to celebrate their results at traditional luncheons with the CEO, and their success is been promoted within the bank in internal newsletter. Annual awards are incentive to all employees, not just sales personnel, to strive for excellence in their work.



Occupational safety and health preservation

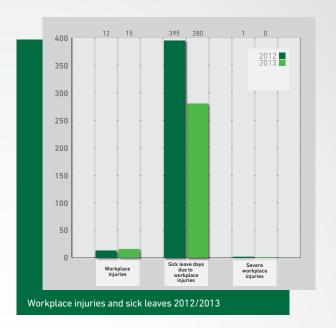
Total of 1.18 percent of employees in 2012 were injured at work, and the percentage in 2013 was 1.46 percent.

With regard to prevention of health problems and injuries at workplace, bank organizes medical check-ups, specialist health examinations and preventive examinations by an ophthalmologist for all employees and medical check-ups for drivers, technicians and workers who perform night work.

Workplace injuries and sick leaves

Regarding workplace injuries, usually it pertained to falls and fractures, injuries gained during traffic incidents, and in one case, sick leave caused by the armed robbery in the branch office.

Maternity leave was used exclusively by women during 2012 and 2013; there were no men who used the legal possibility of parental leave. Although the number of employees who have returned from maternity leave and within a year remained employed is not recorded, experience shows that the percentage of return and retention at the workplace are almost one hundred percent.



Education - investment in human capital

Human capital is one of the most important capitals that organization can have. OTP banka sees its employees as important element of success of its business, and therefore invests significant resources and efforts to enable continuing education and training. OTP banka approaches education carefully and in planned manner, taking into account the specific needs of employees, but also encouraging the development of talents through specially organized educational programs.

Educations 2012									
Number of workshops	No. of internal education hours	No. of external education hours	Total						
Top management	0	492	492						
Middle management	41.5	492	533.5						
Employees	1,312	4,563.5	5,875.5						

Educations 2013					
Number of workshops	No. of internal education hours	No. of external education hours	Total		
Top management	5	470	475		
Middle management	25	445.5	470.5		
Employees	2,223	6,840.5	9,063.5		

Plans for professional development are determined by the bank, various departments and/or business units. The bank conducts training and informing of employees regarding various areas of corporate social responsibility, through educational and information releases in internal publications and trainings conducted by the Directorate for Organization and Human Resources Management. Employees from all business segments attend professional trainings in their fields.

Professional training is provided through individual attendance of external education, and through in-house group programs of suppliers which deal with all important elements of successful banking operations, from sales and presentation skills, project management, communication with clients, to conduct in case of robbery, and all with organization and coordination activities of the Directorate for Organization and Human Resources Management. Certain organizational units implemented internal training for its sales

personnel, mainly related to new products and sales campaigns.

Data shows that average annual expenditure per employee for education amounted to HRK 1,500 in 2012, while between 51 and 90 percent of employees were included in some form of

education. The average expenditure for education in 2013 amounted to HRK 1,115, with 85 percent of employees involved in training.

In-house educational programs

Period	Education	Participants
April 2012	Sales process standardization	Retail personnel
May 2012	Talent management program	"Talents"
June 2012	Communication-manager skills for heads	Sales consultants, branch managers
November 2012	Positive working atmosphere creation	Executives
November 2012	Talent management program	"Talents"
December 2012	Winning team leadership	Executives
December 2012	Emotional intelligence	Executives
March 2013	Organizational Key Account Management	MSE managers
April 2013	Segmentation, leading and managing sales activities of MSE team members	MSE managers
June 2013	Sales pitch in 20 minutes: Why us?	Private bankers
July 2013	Prevention and behavior of employees in robbery situation	Sales consultants
September 2013	Communication with angry and difficult clients	Super-branch managers, Contact center head
September 2013	Efficient telephone communication in order to secure claim payments	Payment team, Department of Support for Operation with Financial Institutions, Directorate for Credit Administration
October 2013	Constructive conflict management	Different organizational units
October 2013	Tax system for companies	MSE personnel, Corporate Banking Sector managers, employees from Products and Sales Directorate and Financial Sector
November 2013	Advanced project management	Project participants
November/December 2013	3 Proactive, additional and cross sales	Branch managers
November 2013	Talent management program	"Talents"
December 2013	Talking to difficult people	Organizational unit heads

"Talent Management" program was launched in 2012 at the OTP group level, and is particularly aimed at training employees who were indentified in selection process as talents. This group of employees is specially educated in managerial and professional skills in areas of economics, finance and marketing, as well as managing time, priorities and objectives, delegating and situational managing, motivation and self-motivation.

Communication with employees

Internal communication is particularly important to OTP banka. Given the specific regional organization of the bank's centers, there are no annual meetings between employees and the Management Board, but there are regular meetings of managers and employees based on sector criteria. However, Management Board sessions are often held outside the bank's headquarters, in any of the regional business units. On that occasion, members of the Board meet with employees in other regions.

Direct communication with all employees is maintained daily by the bank's intranet, but also through internal mail alerts and monthly electronic newsletter Online INfo that is focused on news in the bank and news from the banking market. Internal print newsletter OTP INfo is published four times a year and in its production participate representatives of various departments gathered in editorial board, while all bank's employees are invited to participate with their stories and photographs.

Communication evaluated with the highest level of satisfaction

Every year, OTP banka conducts an employee satisfaction survey. The survey is conducted on voluntary basis, and in 2012 and 2013 more than a third of employees took part in data collection.

According to information received in January 2014, certain trends are noticeable in the internal perception, or employee satisfaction. Parallel with the same research conducted in the previous year, it is important to point out that the test results show an overall positive trend in employee attitudes.

Average appraisal of employee satisfaction records positive trend compared to the previous year, 94 percent of employees expressed their general satisfaction, while general dissatisfaction was expressed by only 6 percent of workers. Positive trend regarding employees' loyalty was also expressed, while for "Our Bank" and "Internal Communication" segments employees showed the highest level of satisfaction. In addition to these areas, employees have expressed high level of satisfaction with the Management Board, which in addition to already mentioned high level of employees' loyalty, suggests high level of trust.



Job security, amount of the basic salary, good organization of work and working conditions, relationships with colleagues, objective evaluation and rewarding performance - are working aspects that employees for the second year in a row defined as the most important. The level of the basic salary was assessed as the most important aspect in 2012, while in year after job security was rated as the most important factor in employees' satisfaction. Given the still unfavorable economic conditions in the country, high unemployment, recession and bad trends in the environment, the assumption is that this is why is precisely this segment is rated as the most important.

Possibilities for improvement in the upcoming period

Introduction of evaluation for employees and all activities connected to goal defining into bank's internal processes, for all employees

Developing project of awarding employee innovative solutions that can contribute to responsible cost management, development of products, improvement of operational processes and marketing activities

Management Board will strive to develop dialogue with all employees in the work environment

Our main goal is to ensure continued investment in human capital of our bank, because the best companies are recognized for results of their people. To accomplish this goal, we will organize various forms of education of our employees, and especially further development of recognized talents. Furthermore, we will continue to act responsibly when hiring employees, and We retain employees who have appropriate knowledge and skills and foster their creativity through application of new ideas and encourage their effectiveness, engaging them in a variety of motivational programs. We will granted them financial support, when due to illness they or a close member of their families find themselves in a very difficult financial situation employees. We will also continue to work intensively to ensure protection of health, safety and pleasant working environment. We will continue to monitor satisfaction of our employees and on basis of these findings we will develop additional tools, in order to increase the level of satisfaction regarding working environment and help employees to be successful and responsible to bank, shareholders and local community. At the same time, through variety of actions we must strive that our employees become and remain friends of the environment.



Damira Burčul,
Director of
Directorate for
Organization and
Human Resources
Management

Our environment

Although it is not considered a major polluter, OTP banka is aware that its daily operations have certain impact on the environment. Due to the nature of business - offices and branches - resources that bank significantly consumes in its daily work are electricity, gas and water, and also significant amounts of paper.

OTP banka monitors consumption of resources - electricity, gas, light distillate oil and water - and tries to implement savings measures and efficient use of natural resources. For example, existing air-conditioning systems are being replaced with technologically advanced devices which use less electricity.

Resource consumption	2012	2013
Electricity (MWh)	4,824	5,145
Gas (m³)	90,000	35,000
Light distillate oil (l)	65,066	43,130
Water (m³)	9,020	10,350

At first glance, there is significant difference in consumption of gas i.e. space heating. In 2012 the bank spent approximatelly 30,000 m³ of gas and approximately 60,000 kWh for heating, hot water (branches Caprag and Osijek). In 2013 the bank spent approximately 35,000 m³ of gas and 86,348 kWh for heating by hot water in the same branches. The reason for reduction is that two sites have changed the method of calculation of gas consumption, because two locations have been heated with hot water instead of gas in 2013. Due to these changes, energy spent is calculated in kWh (hot water heating) while it was in m³ in 2012.

Waste is not garbage

Waste disposal that will allow recycling or reuse is increasingly becoming a common way of working in many Croatian companies including OTP banka. Given the nature of the work, the most important material that is discarded on a daily basis is paper. In OTP banka paper is recycled after it is collected in appropriate containers.

However, taking into account impact on the environment, but also efficiency of client operations, OTP banka offers a range of services that are among other, aimed at reducing paper consumption. OTP direkt, service package based on web and mobile platforms, enables clients to operate with the bank without the use of paper, and it includes Internet and mobile banking, e-billing and standing orders, arranging variety of services and voucher purchase for GSM services. We also customized our ATMs to paperless operating, enabling account status reading on the screen.

When we talk about other types of waste generated in the bank, the bank transfers total hazardous and non-hazardous waste to authorized waste collectors which act in accordance with regulations.

Possibilities for improvement in the upcoming period

Introduction of Green Office concept in order to decrease quantities of used paper, strengthen recycling habits for all materials and saving of resources in bank's branches and offices.

Estimation of suppliers according to environmental criteria

OTP banka joined Hewlett Packard program "HP Planet Partners" in 2013. In cooperation with the company, the bank collects used cartridges in special boxes at all its locations, and HP picks them up and recycles.

In 2012 bank recycled 3,200 kilograms and in 2013 451 kilograms of collected toners. Decrease in the amount of collected toners happened due to the use of new types of printers that use cartridges with three to four times bigger capacity than ordinary printers. In 2012 there was no disposed bulk waste, while 2013 recorded 6,060 kilograms of bulk waste, mainly furniture and equipment (cash registers).

Report profile

Corporate social responsibility report that is in front of you is the first report of OTP banka Hrvatska according to G4 Global Reporting Initiative guidelines, covering 2012 and 2013 in accordance to 'core' reporting level.

This document represents the first step in our future reporting on corporate social responsibility through two-year cycles. A long way is in front of us, marked by goals that we have set for ourselves describing our impacts on society, economy and environment. We hope that we presented our vision of sustainable business in an interesting and accessible way. We believe that this will be an incentive for as to look at our future through the prism of relationships with our stakeholders, and that by publishing this report we obligate ourselves to secure progress of our operations that would benefit the whole community in which we operate.

In addition to goals that we set observing our operations from the inside, outside views will be of exceptional importance for their concretization. We therefore invite you to contact us with any questions and suggestions so that future editions of our report could be more comprehensive.

Any questions or comments regarding this report or its content can be sent to:

OTP banka

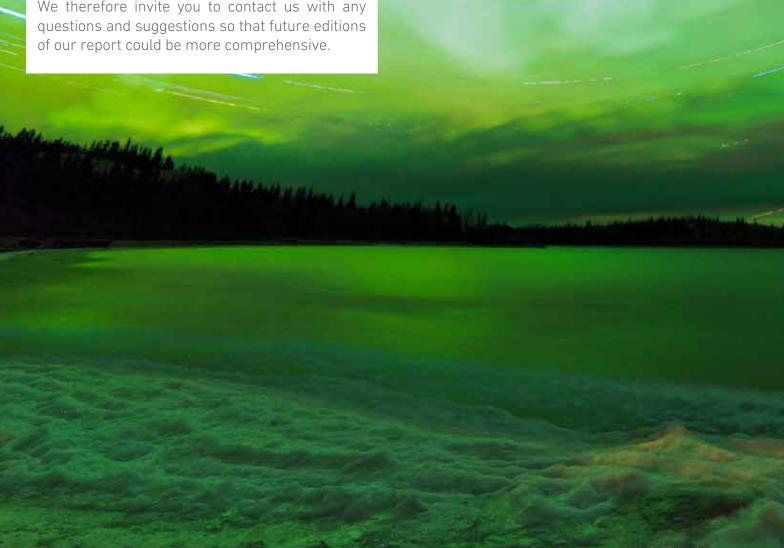
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Reporting period: 2012/2013

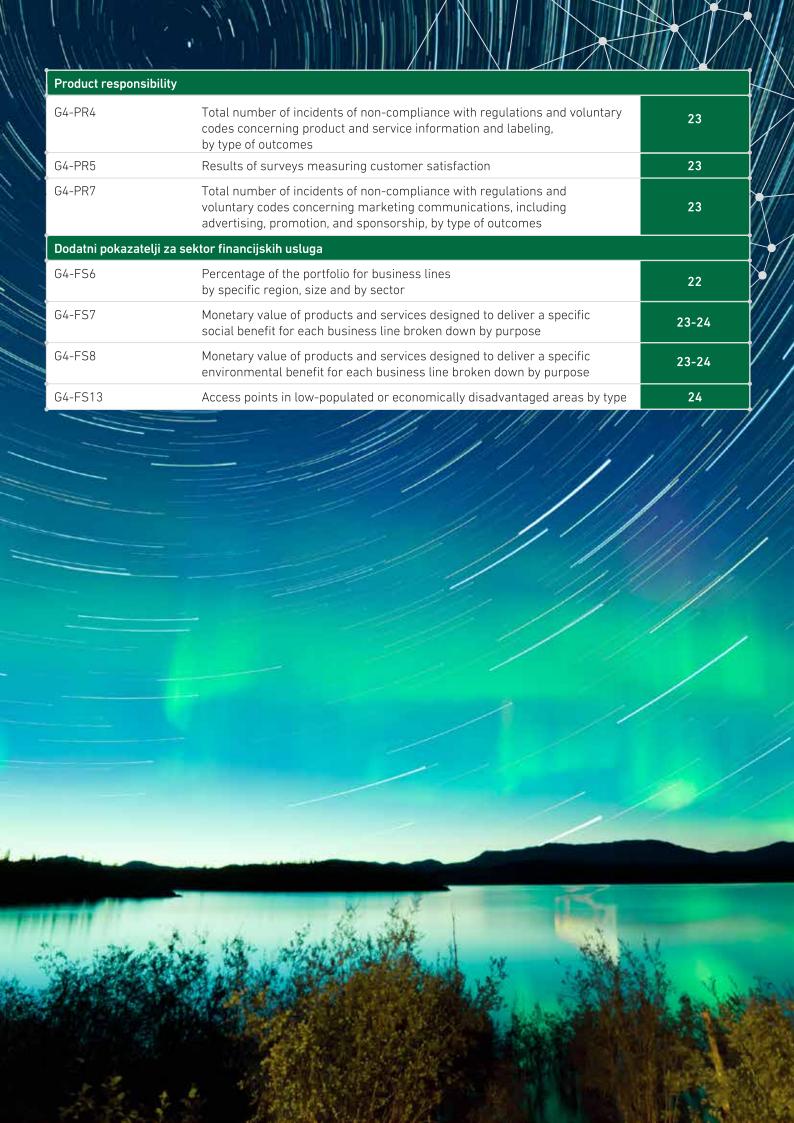
Report in accordance: core

Reporting cycle: two years



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