



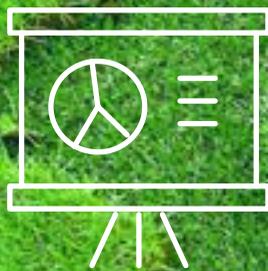
Ethical
business behaviour
and security



OTP Group



Citizenship



Developing financial
literacy

Responsible
employer

Environmental
protection

Innovative
banking
solutions

Expert
financial
care



Focus on
clients



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On the relevant chapter pages and in the table of contents, the following icons mark the subjects that may be of particular interest to certain stakeholder groups:



Investors



Retail



Employees



Customers

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Symbols

Subjects concerning particular stakeholder groups are marked in the information bar. Other references embedded in the text are also highlighted.



You may find more detailed information in the relevant pages of our sustainability report.



You may find more detailed information about the subject on our website.



You will find a table or diagram on the subject in the Annex chapter.



This subject forms part of the Digital Transformation Scheme.



Our Awards



Subjects relevant to particular countries are marked by country codes shown within flag icons.

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Chairman's Welcome

Besides financial profits, the corporate social responsibility of a company is increasingly important to that company.



We are working towards creating a corporate group that continues to rely on stable foundations and operate in sustainable ways but which is also able to respond to changes in the market environment and to renew and reform itself.



Read about our strategic objectives at the end of individual chapters in the Report.

A handwritten signature in black ink, likely belonging to the Chairman of the Board.

Dear Reader,

This is the eleventh time that OTP Bank is issuing its Sustainability Report. Compared to the preceding period, 2016 was a quiet year: the macroeconomic environment was favourable and predictable in the countries of the Central and Eastern European region. In Hungary, positive developments, especially the government's housing support measures, returned banks' loan portfolios to growth for the first time since 2008. Economic conditions also improved in Russia and Ukraine, which enabled our subsidiary banks there to turn their operations around earlier than expected. We closed the year with outstanding profits, and OTP Group has rejoined the ranks of the most profitable and stable banks in Europe.

External factors now allow us to invest more energy in renewal and reform. Our customers expect innovative solutions enabling them to achieve their financial hopes and needs and also to access our services in fast, secure and convenient ways.

Digital technologies now offer almost unlimited capabilities for achieving these goals. OTP Group champions the spread of innovative technologies. Constant development characterises all areas of our operations, and we made several products available online during the year. For instance, you no longer need to visit a branch to apply for a personal loan or to request changes to your bank account. Increasingly, everyday transactions are conducted via digital platforms and the advisory role of branches is coming to the fore. At the same time, OTP Bank takes into consideration the needs and demands of customers who would prefer to continue banking in the traditional ways. This duality lies at the heart of our development efforts. We know and serve our clients' needs.

Renewal and reform could never be successful without changes in organisational culture. Development to improve services, new acquisitions, and the presence of young staff embracing change are all factors contributing to this process. We are investigating the fundamentals of how our organisation operates and we seek to strengthen cooperation, openness and flexibility. We are implementing a comprehensive organisational culture schemes at the parent bank and several subsidiary banks as well. The first results of these developmental efforts are already tangible and form part of our day-to-day activities.

The central objective of our citizenship efforts is to develop a broad financial culture. The achievements of our OK Educational Centre are outstanding across the whole region; 23,000 students attended our courses in 2016. The Centre has earned awards for its methodology from a number of international professional organisations. I believe it is important for this ever-expanding scheme to reach an increasing number of students and pupils within and beyond our borders, helping them prepare for an independent and financially responsible life.

In the forthcoming period, we will continue to seek to meet our customers' expectations, find answers to today's challenges and operate in compliance with the legislative framework. In 2017 and 2018, the European Union will enact legislation demanding significant efforts in preparation for this effort by the Group.

We are working towards creating a corporate group that continues to rely on stable foundations and operate in sustainable ways but which is able to respond to changes in the market environment and to renew and reform itself. I am confident that the positive trends we are witnessing today and the predictability of the macroeconomic environment will support us in our efforts to achieve our objectives in the future as well. I trust that the ongoing changes at all our companies will make our Group even more competitive and solid, and create tangible results for our customers and employees alike.

Sincerely,
Dr. Sándor Csányi
 Chairman and CEO

Our key goals

To implement digitalisation and the Digital Transformation Scheme (2018)

- Develop online product application processes
- Overhaul digital platforms and improve client experiences in everyday banking through mobile payments/transfers
- Develop digital non-banking services associated with finances, especially through eBIZ and Simple
- Gradually reduce the use of paper by switching to electronic processes

Implement comprehensive Organisational Renewal Programmes (2018)

- Devise bank talent programme
- Renew and reform performance management
- Renew and reform volunteering scheme

Compliance with new EU regulatory standards governing credit institutions (2018)

Expand the range of schemes offered by the OK Educational Centre (2017)

- OK Educational Centre to train 20,000 students in Hungary in 2017; increase attendance at centres abroad
- Design the OK Educational Centre building in Romania



Innovative banking solutions

250,000 Simple users

300% increase in SmartBank use, DSK Bank and OTP Bank Ukraine

HUF 350 million cashback credited in the OTP Cashback Scheme



Focus on clients

Refurbishment of 112 branches (8%) across the Group

we served customers 15 million times at OTP Bank branches

average waiting time 6 minutes at branches in Hungary

83% of ATMs accept deposits in Ukraine

99% of branches are wheelchair accessible in Hungary



Expert financial care

80,000 housing savings contracts = 80,000 homes renovated/purchased

44% share in Family Housing Allowance applications

Savings advice to 74,000 customers at OTP Bank

HUF 437 billion in loans contracted annually under the Funding for Growth Scheme up to the end of 2016: a 20% increase in just one year

18% market share in agricultural loans in Hungary



Citizenship

HUF 2.4 billion donated by the Group



Ethical business behaviour and security

Discounts to customers totaling HUF 17.7 billion in OTP Bank Romania's currency loan conversion scheme

97% rate of participation in the currency loan conversion scheme at OTP banka Hrvatska

0.0072%: the incidence rate of fraud with own-issued bank cards at OTP Bank, an order of magnitude lower than the European average disclosed by MasterCard (0.0518%)



Responsible employer

762,000 hours of training across the entire OTP Group

HUF 1 billion spent on training across the Group: an increase of 44%

1.3 per thousand staff, rate of accidents at the workplace across the Group

420,000 participants at OTP Group International Sports Days, with 6 subsidiary banks taking part



Developing financial literacy

23,400 students attending financial education courses at OK Educational Centres

HUF 900 million spent on financial education across the Group



Environmental protection

83% of statements are electronic for retail bank accounts in Bulgaria, 45% in Hungary

12% less paper used across the Group

Prevented carbon emissions of 350 persons across the Group through video conferencing



Our awards

OTP Group members received an outstanding number of awards in 2016, often in connection with our social responsibility priorities.

Bank of the Year (Hungary), Socially Responsible Bank of the Year, Most Attractive Bank of the Year (Hungary)

OTP Bank achieved first place in these categories in MasterCard's competition. The main award of this competition, the 'Bank of the Year' prize is the highest accolade to a commercial bank offering retail services in Hungary.

The best banks of emerging markets globally

The editors of Global Finance Magazine, sectoral analysts, corporate executives and banking experts have chosen OTP Bank once again as the best bank of the region.

European Excellence Awards (Berlin), Eventiada Awards (Moscow), Prizma Creative PR Award, Hungarian Public Relations Association, Imre Sándor PR Award for 2016

The award was granted in recognition of a campaign by OTP Voluntary Pension Fund entitled 'You cannot work forever! - Pension Museum', which encourages and raises awareness of self-sufficiency.

The most attractive banking brand

A survey by Saatchi-Saatchi - Brandworks and the Pragmatica marketing research agency found DSK Bank as the most attractive in the banking category.

Best Bank in Bulgaria

DSK Bank received this award from Euromoney Awards for Excellence for the third time in a row.

Bank with the largest proportion of online transactions

OTP Bank Romania received this award at the 8th Online Banking Gala organised by Finmedia.

Best use of technology

The OTPdirekt online chat function earned this award at the Contact Centres Competition in Romania.

Most Trustworthy Bank

OTP Bank Ukraine is one of the top 5 most trustworthy banks according to Dragon Capital and Novoe Vremya.

Best family services, Best private banking services

Euromoney's private banking and wealth management survey put OTP Bank Ukraine in the second place in the former and first place in the latter category.

Best employer

In the annual ranking by specialist magazine BUSINESS, OTP Bank Ukraine was the sole bank in the top 10 finalists in the 'Dream team. Global ambitions.' category.

Chamber of Commerce award

OTP banka Srbija received the award for its sense of duty to customers, its product and service development in line with market demand, and its constantly expanding network.



Notably, our banking professionals and executives also received a large number of awards during the year; we report on these and other awards we have received in connection with financial products and marketing operations in detail on our website at <https://www.otpbank.hu/portal/hu/Rolunk/Dijak>.

The purpose of this Report is to present our endeavours and achievements from the perspective of responsible operations and sustainability alike, or from an even broader economic, social and environmental point of view.



I. About the Report



This year is the 11th time that OTP Group is publishing its annual sustainability report. This Report has been drafted in accordance with the GRI Standard: specifically, the Core version¹, certified by Deloitte Kft. Although the report concerns the year 2016, we present most of the data to cover a 5-year horizon in order to capture and inform about key trends.

We considered the following criteria in choosing what to include in this report:

1. information that will be of interest to the stakeholders;
2. Aspects deemed material by the management of OTP Bank;
3. Information necessary for compliance with the GRI Standard.

We review our stakeholders' requirements on a regular basis. Besides the last survey specifically aimed at sustainability reporting in 2013, we review key areas of our sustainability performance every year. We ran several surveys in 2016 to investigate internal communications and our employees' views on the services provided; we also analysed our volunteering practices and requirements. We conducted general surveys among our existing and potential customers concerning, for example, the characteristics of financial decision-making, the authenticity of our branch employees' communications, and concerning wheelchair access. We also analysed savings habits and carried out our traditional Self-Sufficiency Index survey. We continuously shape and improve our reporting practices in the light of formal and informal feedback as well as international benchmarks.



¹ GRI (Global Reporting Initiative) is the most widely recognised and used sustainability reporting framework internationally.

Structure and material topics

Reflecting the priorities of our corporate responsibility strategy, our Sustainability Report is designed to break down and give more focus in terms of social responsibility as enforced in the provision of banking services, our core activity, and is therefore arranged around a total of 8 key topics and chapters.

We present our impacts on sustainability, progressing from our core activity to the supporting activities:

- innovative banking solutions,
- focus on clients,
- expert financial care,
- ethical business behaviour and security,
- responsible employer,
- developing financial literacy,
- citizenship,
- environmental protection.

Based on feedback from stakeholders and the decision of our management, OTP Bank Plc prioritises the following areas of sustainability.

- Socioeconomic compliance²
- Anti-corruption
- Economic performance
- Preventing anti-competitive behaviour
- Marketing and labelling³
- Customer privacy
- Market presence
- Non-discrimination
- Public policy
- Indirect economic impacts
- Training and education
- Labour/management relations
- Occupational health and safety
- Security practices
- Product portfolio (sector-specific)
- Employment
- Local communities
- Diversity and equal opportunity⁴
- Environmental compliance
- Emissions
- Energy⁵

Reporting scope - which organisations are included in the information disclosed:

- OTP Group,
- Security practices: interpretation extended to supplier chain as well,
- Public policy and indirect economic impact: only OTP Bank (OTP Hungary) and the subsidiaries with significant weight within their countries.

Data

We present the data as applicable to the following entities:

- OTP Group as a whole and, separately, the parent company (OTP Bank),
- Separately, all countries where we have operations and GRI is a requirement,
- financial data are disclosed with reference to OTP Core (the virtual entity comprising OTP Bank, OTP Jelzálogbank, OTP Lakástakarék and OTP Faktoring) instead of OTP Bank, in line with our financial reports.

Whenever presenting non-data information and practices, we also specify the companies they refer to. While we have expanded the description of the practices of our subsidiaries in this year's report, the parent company remains somewhat overrepresented compared to the subsidiaries; after all, the Hungarian environment is of particular strategic importance, and a number of developments are first launched by the parent bank and are then rolled out to subsidiaries only afterwards.

In addition to this report, we maintain a dedicated microsite to offer a comprehensive view of our corporate social responsibility activities.



www.otpfenntarthatosag.hu

Whereas this Report provides concise information on general principles and focuses specifically on the events of 2016, our microsite offers a more detailed depiction of our responsible operations in general and of their impact, as well as of our basic principles and practices. We also disclose information (primarily technical information) in the GRI index as well. As in previous years, we have compiled from the report a brochure called 'With Trust and Responsibility for Each Other', which customers can pick up at our branches. Additionally, customers can access information about the company's sustainability activities from info-screens at our Hungarian branches and on the OTP Browser.

² A new, consolidated category within the GRI Standards, previously Product responsibility compliance and Compliance.

³ A new, consolidated category within the GRI Standards, previously: Product and service labelling and Marketing communications.

⁴ Now merged with Equal remuneration for women and men.

⁵ The subject of Labour complaint handling mechanisms has been discontinued as a standalone category.



Sustainable Development Goals

Some 17 Sustainable Development Goals serve as the foundation for the United Nations' sustainable development scheme up to the year 2030 and provide a framework of universal goals, sub-goals and indicators. In the areas indicated, OTP Group contributes to achieving the following aims mostly through its core operations.



7.1 Our citizenship schemes



3.1 Retail
3.5 Large corporate projects with social and/or environmental benefits

6. Developing financial literacy



5.5 Health, working environment

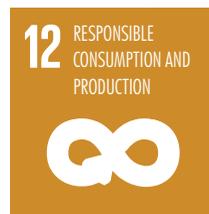
7. Citizenship



3.5 Large corporate projects with social and/or environmental benefits



6. Developing financial literacy



3.1 Retail



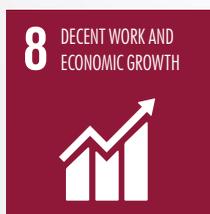
5.1 Employment

7. Citizenship



3.5 Large corporate projects with social and/or environmental benefits

8. Environmental protection



II. OTP Group

5.1 Employment



3. Expert care

6. Developing financial literacy

7. Citizenship



1. Innovative banking solutions

As a listed company boasting the highest share trading volume on the Budapest Stock Exchange, we prioritise transparency and the goal of increasing shareholder value.

II. **OTP Group**

Stability | Profitability | Growth



OTP Group is a prominent player in the banking and capital markets in Hungary and the CEE region. We achieved this position in an environment of intensifying competition. Our customers increasingly demand a varied offering of high quality services, and we invest in various forms of development to meet this need. The Group's diversity in terms of business and our levels of development and culture represent a continuous challenge for the Bank's management and employees alike.

In 2016, OTP Group served over 13 million customers across nine countries. We are the leading credit institution in the retail segment in Hungary, Montenegro and Bulgaria. We wish to become the most productive retail-focused banking group in Central and Eastern Europe.

Our strategic goal is to increase our market share in the countries where we are present. In recent years, we have implemented a series of acquisitions in order to achieve optimal size.

Our activities

OTP Group engages in the provision of universal financial services. As its flagship unit, OTP Bank Hungary offers a wide range of state-of-the-art financial services in Hungary and, through the network of Hungarian group members, it also provides comprehensive solutions for all financial needs such as investment funds, housing and other specific savings options, and also auto financing. Our foreign subsidiary banks maintain various service portfolios, always aiming to leverage development potentials and also respond to market conditions.

In addition to retail, our Group also intends to be the primary bank for corporate customers. Serving small and medium size businesses is a priority for us; the parent bank and most subsidiary banks offer special financial products to agricultural companies.



Our vision for the future

Our vision for the future hinges on three strong pillars and the associated business policy objectives:

Stability

Stable business model across economic cycles

High level of profitability
Capitalisation levels safely complying with current and future regulatory expectations
Sufficient liquidity reserves to absorb unexpected external shocks

Profitability

Value-adding innovation

Taking advantage of opportunities inherent in digitalisation. Raising the standard of quality of value propositions⁶

Maintaining efficiency

Regular investment in business process development (digitalisation), Economies of scale in all countries

Growth

Organic

Sustainable growth, focusing on high-profitability markets and products

Non-organic (acquisitions)

Identifying acquisition opportunities primarily in countries where our operating size is below the optimum level

⁶ Value/solution achievable through a product or service

Group governance

OTP Group employs a matrix governance method across its group governance. OTP Group governance is two-tiered: shareholder (corporate law) governance is separate from professional (operational) governance. The governing bodies and our own management teams play key roles, as the parent bank does not intervene directly in the activities of the subsidiaries and intends to keep on doing so given the cultural differences and local idiosyncrasies. In 2016 we revised our group governance regulation following a process responsibility approach, making this simpler and more transparent but also much clearer in its definitions of the participants, roles and responsibilities for each activity.

We developed our Codes of Best Practice for each business area in 2016, in which we cover all of the Group's operations. We carried out a comprehensive review of practices employed across the organisation; we then identified best practices as well as areas in need of improvement at individual group member companies.

 Each year, OTP Bank publishes its Responsible Corporate Governance Report in compliance with the recommendations of the Budapest Stock Exchange (BÉT). https://www.otpbank.hu/static/portal/sw/file/160415_FTJ_2015_e.pdf.

 The description of the company's diversity policy applicable to the administrative, executive and supervisory bodies of the business, was added to its Annual Report in 2016. https://www.otpbank.hu/portal/hu/IR_Eves_jelentes.

CEERIUS

OTP Bank has been included in the Responsible Investment Universe index (CEERIUS) of the Vienna Stock Exchange since 2009. Companies included in CEERIUS must satisfy sustainability evaluation criteria.

Key events in 2016

In 2016, the Banking Group retained its stable financial position and excellent liquidity, and took further major steps to improve the efficiency of operations at the Group level:

- It achieved a consolidated Common Equity Tier 1 ratio of 13.5%, which was exclusive of the audited profits for 2016 minus the dividend payments stated. With that figure included, the CET1 ratio would be 15.8%, an outstandingly high rate even by international comparison.
- In 2016, the Group generated adjusted after-tax profits of HUF 201 billion, which represents an increase of 67% over the basis period. The higher profits were attributable predominantly to the significant turnaround in the performance of the Russian and Ukrainian economies and thus of our subsidiary banks there. Annual accounting profits amounted to HUF 202.5 billion, the third highest figure in the history of OTP Group.

The proportion of locals and women in the senior management of the Group

31 December 2016

Company	Board of Directors		Management*	
	Proportion of locals (%)	Proportion of women (%)	Proportion of locals (%)	Proportion of women (%)
OTP Bank	100	0	100	0
CKB	14	0	50	17
DSK Bank	100	80	100	67
OTP Bank Ukraine	83	33	80	40
OTP Bank Romania	40	20	20	20
OTP Bank Russia	11	11	71	0
OTP banka Hrvatska	75	25	80	20
OTP Banka Slovensko	75	25	75	25
OTP banka Srbija	33	0	40	0

* Management: Hungary: identified as the chairman of an enterprise elected by the management body in its managerial function and employed by the enterprise; the most senior officer appointed to manage the enterprise and employed by the enterprise, as well as all deputies of such an officer; Outside Hungary: identified as the most senior officer appointed to manage the enterprise, who is employed by the enterprise, as well as all deputies of that officer and the division heads, and Locally: a citizen of the relevant country.

- Loan portfolios saw favourable quality changes, the increase in loans more than 90 days overdue (DPD90+), adjusted for exchange rates and exclusive of disposals/write-offs, amounted to HUF 82 billion (38% less than in 2015).⁷ Also, write-offs and disposals reduced the DPD 90+ loan portfolio considerably: the consolidated DPD90+ ratio has now fallen to 14.7%⁸.
- In November 2016 we successfully completed the takeover of AXA Bank’s Hungarian portfolio; this transaction increased the Bank’s share of the mortgage market by nearly 3 percentage points.

Our impact on sustainability

The responsibility of a company is essentially determined by its core activities: what products and services it provides and in what ways.

We ascribe fundamental importance to:

- providing pioneering, innovative services,
- serving our customers’ genuine interests and needs (including the management of risks),
- complying with the principles of ethical business behaviour, legal requirements and international standards.

HR

- In December 2016 we announced our acquisition of Splitska Banka, Soci t  Generale’s subsidiary bank in Croatia. The conclusion of this transaction in 2017 will make OTP’s Croatian operation the 4th largest player in the local market.



For more information, visit: <https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/strategia>.

⁷ The ratio shows the amount of capital a bank has available for the coverage of its risks without having to rely on external resources such as government assistance and deposits. An adequate level of CET1 capital is essential for the supervisory licensing and maintenance of regular banking operations.

⁸ The rate was 17.0% at the end of 2015.



Today, OTP Bank is present
in nine countries across the region

100+ subsidiaries
of OTP Bank

1300 bank branches
across the region

4,000 OTP ATMs
globally



13 million clients
trust us with their custom



OTP Group

Number of branches	1,316
Number of employees ¹	35,950
Total assets	HUF 11,308 bn
Market capitalisation	HUF 2,352 bn
Taxes paid	HUF 169
Employee training costs	HUF 1,030 m
Donations	HUF 2,418 m
Percentage of wheelchair accessible branches	60%
Per-capita of staff energy consumption	18 GJ
Per-capita of staff CO ₂ emission	1.22 tons
Total annual paper use	4,079 tons

HU OTP Core² (Hungary)

Number of branches	380
Number of employees	8,563
Total assets	HUF 7,247 bn
Market share ³	28.5%

BG DSK Group (Bulgaria)

Number of branches	372
Number of employees	3,713
Total assets	HUF 1,853 bn
Market share	26.1%

HR OTP banka Hrvatska (Croatia)

Number of branches	103
Number of employees	1,149
Total assets	HUF 649 bn
Market share	6.5%

ME KKB (Montenegro)

Number of branches	29
Number of employees	441
Total assets	HUF 198 bn
Market share	16.0%

RU OTP Bank Russia

Number of branches	134
Number of employees	14,996
Total assets	HUF 268 bn
Market share ³	n.a.

RO OTP Bank Romania (Romania)

Number of branches	101
Number of employees	1,198
Total assets	HUF 588 bn
Market share	4.1%

RS OTP banka Srbija (Serbia)

Number of branches	51
Number of employees	601
Total assets	HUF 123 bn
Market share	1.6%

SK OTP Banka Slovensko (Slovakia)

Number of branches	61
Number of employees	657
Total assets	HUF 454 bn
Market share	2.5%

UA OTP Bank Ukraine

Number of branches	85
Number of employees	3,498
Total assets	HUF 307 bn
Market share	10.8%

.....

Data (audited, IFRS) as of 31/12/2016 or for 2016. The map features the acquisition date next to each Bank's name.

.....

¹ with full-time and part-time staff combined in each case

² OTP Core is the business entity measuring the core activities of OTP Group in Hungary, comprised of OTP Bank, OTP Jelzálogbank, OTP Lakástakarék and OTP Faktoring. No other Hungarian subsidiary is included.

³ Loans to households: aggregate data of OTP Bank, Merkantil Bank, OTP Lakástakarék and OTP Jelzálogbank in the credit institution system

⁴ In each case, market share refers to the share of retail loans

Our full impact on sustainability

Stability

Our Group is a key participant in several markets within the CEE region and through its operations and results, it plays an important role in stabilising these countries' economies and financial systems and in retaining and improving the local standard of living.

Lending

Using the funds of our depositors, our lending can enable purchases, consumption and investments⁹. The Group's net loan/deposit ratio is 66%. Therefore, we have an impact not only on our customers but, indirectly, also on economic growth, the population's living standard and the utilisation of natural resources. Our thorough and careful credit approval system enables prudent lending to (i) protect the funds of our depositors and (ii) prevent over-indebtedness.



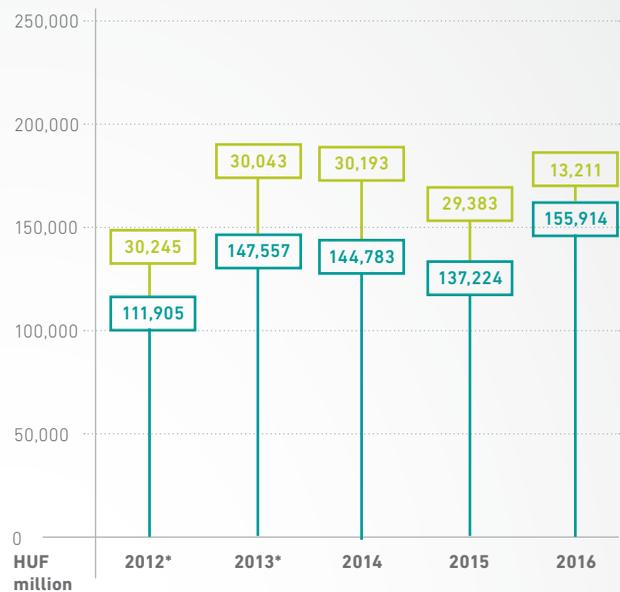
The extent of the associated impact is explained under our various products: lending, housing loans, FGS, large projects with environmental and social benefits.

Tax payment

OTP Group is a major taxpayer; through our tax payments, we make a meaningful contribution to the provision of community services and the management of social inequalities, thus ultimately to socio-economic stability. In 2016, 77% of our total taxes were paid by OTP Core.

OTP Group

Tax liability



● All other taxes (payroll contributions, taxes on profit or loss, corporate tax)

● Special tax on financial organisations (after taxes)

* Previous years' data were adjusted retroactively due to a methodology review. Credit institutions' contributions have been included in the taxes on profit or loss; going forward, the special tax on financial organisations is disclosed as a figure after taxes, and its amount for 2013 includes the single contribution incurred due to non-payment of the financial transaction tax.

In the relevant period the members of the Group have taken only negligible amounts in subsidies from governments/the EU¹⁰.

State subsidies, tax allowances (HUF million)

2012		2013		2014		2015		2016	
Organisation	Amount	Organisation	Amount	Organisation	Amount	Organisation	Amount	Organisation	Amount
OTP Hungaro-Projekt	50	OTP Travel	10	OTP Bank	5	OTP Bank	15		
		OTP banka Hrvatska	11	OTP banka Hrvatska	17	OTP banka Hrvatska	20	OTP banka Hrvatska	34

In 2016 OTP banka Hrvatska received a tax allowance for education and training as well as European Union subsidies for its micro-Lending scheme and the installation of solar panels.

⁹ In our Annual Report, deposits and loans are disclosed by segment (retail, micro and small enterprises, medium and large enterprises, local governments).

¹⁰ This year, we do not include in this heading any of the corporate tax allowances accessed by the Hungarian Bank Group for its donations to spectator team sports or filmmaking.

As revenues declined and almost all items under distributed economic value increased (with more paid out to all stakeholder groups), retained economic value decreased in 2016 compared to the previous year at both OTP Core and OTP Group. (This does not contradict the fact that OTP Group's accounting profits were higher in 2016 than in previous years.)

Economic value generated and distributed - payments from the perspectives of the stakeholders, 2016			OTP Core	OTP Group
(based on consolidated, audited IFRS profit and loss statement, in millions of HUF)				
I.	Direct economic value generated	= 1	354,698	736,315
1.	Net sales	Interest revenue + non-interest type revenue (net fees) (adjusted)	354,698	736,315
II.	Distributed economic value	= 2+3+4+5+6	355,144	545,761
2.	Operating costs	Operating costs minus Personnel expenditures minus Depreciation	94,216	165,545
3.	Employees' salaries and benefits	Personnel expenditures minus Contributions on wages	74,113	154,438
4.	Payments to capital providers	Dividends	53,200	53,200
5.	Taxes paid	Total tax liability	131,369	170,160
6.	Community investments	Donations	2,246	2,418
III.	Retained earnings	= 1-(2+3+4+5+6)	-466	190,554

*Net of the negative effect of the transaction tax payable.

Access to financial services

We provide access to our financial services for the economically and socially disadvantaged, and for persons living with disabilities as well. Our Group has the most extensive networks in Hungary, Bulgaria and Montenegro, and our presence is also the most prominent in disadvantaged regions. Our account package with all basic functions is available without an account management fee. We continue to work on improving our accessible customer service.

 For further information, please refer to the Customer service chapter of our Sustainability Report.

Employment

Due to our size, we have an important impact on employment both directly and indirectly through the supplier chain. In 2016, OTP Bank employed 336 persons in 52 disadvantaged Hungarian districts in need of development.¹¹

 For further information, please refer to the Employment chapter of our Sustainability Report.

Developing financial literacy

OTP Group is committed to the development of financial literacy. The free finance and economics courses of the OK Educational Centre and the OTP Fáy András Foundation reach most primary and secondary school students in Hungary and Slovakia, and help thousands of students expand their knowledge in Romania.

 For further information, please refer to the Developing financial literacy chapter of our Sustainability Report.

Environment

The direct use of resources for our operations impacts the environment, and it is our aim to mitigate such impacts.

 For further information, please refer to the Environmental protection chapter of our Sustainability Report.

¹¹ The country has 54 districts in need of development, where 15% of the population lives.

The objective of the Digital Transformation Programme (DTP) is nothing less than the thorough digital transformation of our banking operations.



II. 1. Innovative banking solutions

Online product applications | OTP Cashback Scheme | Wider online and mobile functionality



In spite of intense competition in the market, the multifaceted nature, novelty and extensive availability of the solutions introduced by OTP Bank make them unique within Hungary and often within the countries of our subsidiary banks as well. Electronic channels are irresistibly gaining ground: our Group is working on satisfying in full all related needs and on incentivising their use, as we are convinced that they represent tangible advantages for our customers.

Digital transformation is a priority at all members of OTP Group. OTP Bank's Digital Transformation Scheme serves as the framework for all our development efforts aimed at making use of electronic solutions to improve the customer experience and enhance our banking operations. We implement developments at group level, taking country specifics into consideration and often relying on the experiences and synergies from solutions implemented in Hungary. Our subsidiary banks, however, also launch and carry out the initial implementation of several developments. As part of its digital development effort, OTP Group works with academic and EU workshops (e.g. EIT Digital).

2015

Our commitments and results

Implement Digital Transformation Scheme (2017):

- Consolidate in a comprehensive structure and communicate the OTP Cashback Scheme and the cashback offers
- online product application processes
- CsekkRendező: paying bills online
- digital signature pads in branches
- develop comprehensive financial planner, serving as a replacement for the wealth planning system
- perform a full upgrade of mobile applications (bank and wallet)

Implementation is progressing as planned. What is already in place: OTP Cashback Scheme, online product applications, CsekkRendező.

E-loan development in Romania

Implementation completed.

Launch mobile banking application at CKB Bank

Launch expected in mid-2017.

2017

Customer experience

convenient, flexible, fast

wide range of services at a fair price

customised, simple, user-friendly

Bank operations

cost-effective, automated, paper-free

quick adaptation

transparency, better compliance with regulations

Innovative banking solutions

Focus on clients

Expert financial care

Ethical business behaviour and security

Responsible employer

Developing financial literacy

Citizenship

Environmental protection

1.1. Banking services

The Group made many of its products available online in 2016. In a significant breakthrough, visits to branches have been rendered completely unnecessary in some instances or are needed only if requested by the customer.

Online account opening for businesses

RO

HU

• Available to OTP Bank's micro and small business customers and the small and medium-size business customers of OTP Bank Romania¹²;

- The electronic platform offers simpler and faster services in Hungary: a process that would take 35-40 minutes in a branch is reduced to 10-12 minutes, and the use of existing databases reduces the data requirement from 70-80 to 15-25 pieces of information.

Individual retail account

- After answering a few questions to identify their cash management habits, OTP Bank customers can select from our various personalised offers or compile their account packages from different modules;
- an account selection calculator also helps with the decision;
- this service has been available since December 2016 and we have opened tens of thousands of new account packages already in the initial period.

Online personal loan applications

- such fully online personal loan application and contracting processes are unparalleled in Hungary¹³;
- available for over half a million customers;

Permeability

We have envisioned a process in which permeability across different service channels is provided (omnichannel): for instance, customers may submit applications to the contact centre, then carry on with the process at the branch, and even if they are missing some of the necessary documents, they can simply file these with us via OTPdirekt, where they can also sign the contract; the disbursement may then start automatically.

Our customers have responded positively to this proposition: they value the simplicity of the process, and consider the fast and smooth system to be a great advantage.

Online SME loan applications

OTP Bank Romania introduced this product as the first online loan product in the country. The product is available to existing customers and is subject to an amount limit.

Money Magnet (Pénzmágnés)

This service introduced by OTP Bank Romania enables customers to transfer funds from their debit cards issued by any Romanian bank to their bank accounts with OTP, promptly and free of charge. We are seeing double-digit monthly growth in the number of customers.

Funds transfers to persons without a bank account

DSK Bank's product allows its customers to transfer funds to persons who do not have a contract with any bank.

DSK MoneyGram

Application enabling the sending and receiving of money globally.

mPOS

Sold by our partner, Vodafone, mobile POS was introduced as a new card handling solution in late 2015. It provides small businesses with card acquiring functionality at an attractive price and thus improves the appetite for card handling. There was a significant increase in the number of firms using the solution in 2016; many mail order and taxi companies and insurers now use it.



¹² If the relationship is new, the customer needs to sign the contract in person.

¹³ Customers receiving their salaries in their OTP accounts need not visit us in person to apply.



96% of all payments are via electronic channels (OTP Bank)

466 personal loans disbursed online by the end of 2016

Nearly half of all card purchase transactions are now contactless in Hungary

1.9 million OTPdirekt internet banking agreements at OTP Bank; 62% of customers use internet banking at least every 3 months

927,000 internet banking agreements at DSK Bank; 27% of customers use internet banking at least every 3 months

Three-fold increase in SmartBank usage in Ukraine, in terms of both active clients and the number of transactions

Almost 300% growth in using DSK's SmartBank (193,000 transactions in 2016)

Tens of thousands of customised account packages in Hungary

Innovative banking solutions

Focus on clients

Expert financial care

Ethical business behaviour and security

Responsible employer

Developing financial literacy

Citizenship

Environmental protection

1.2. Non-banking value propositions

Our development efforts go beyond conventional banking services and offer a variety of convenient solutions for managing one's finances and purchases.

Simple

This mobile application serves consumer needs in a speedy manner and offers constantly expanding functionality. In 2016, further shopping options were added (e.g. 'mobile waiter', booking cinema, theatre and concert tickets, paying for parking and motorway tolls or calling a taxi).

Serving our customers' needs to the maximum

The largest number of requests from customers concerned including Cinema City via our cinema ticketing function. This apparently simple request represented a major challenge. In fact, we are the first company in the world to have been granted permission to offer Cinema City tickets outside their own network. The users of Simple can thus access their cinema tickets in a much simpler, faster and more convenient way.

We have introduced functionality to use cafeteria cards to pay for a number of services and introduced instant cash top-ups to OTP Health Fund cards, which requires only a few button-presses and considerably simplifies its use at pharmacies. We introduced off-line operations and created a FAQ page as well. Simple has become a loved brand: 95% of our users would recommend or have recommended it to their friends.

OTP Cashback Scheme

Our customers receive cashback automatically on their purchases at our partners when they use their bank cards. It is a key factor for the success of the scheme and the attractiveness of the cashback offers that the main partners should, similarly to OTP Bank, have extensive networks and a large customer base. We inform our customers of cashback and discount offers from our partners and the bank alike.

HR

OTPetica

Unique in the Croatian market, this service rewards the use of banking products with points, which can be converted to prizes at OTP banka Hrvatska's partners (e.g. cafes, pharmacies). The pilot of the scheme was implemented in 2016 and a roll-out is planned for 2017.

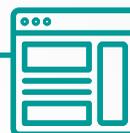
Csekkrendező

This service allows OTP Bank's customers to pay their bills with a single click. The most important and most popular functionality of CsekkRendező is the warnings it sends whenever a new bill is received or a payment deadline is reached.

High-tech offices

Mindful of young customers committed to state-of-the-art technologies, DSK Bank has started developing high-tech offices and expanding the available functions.

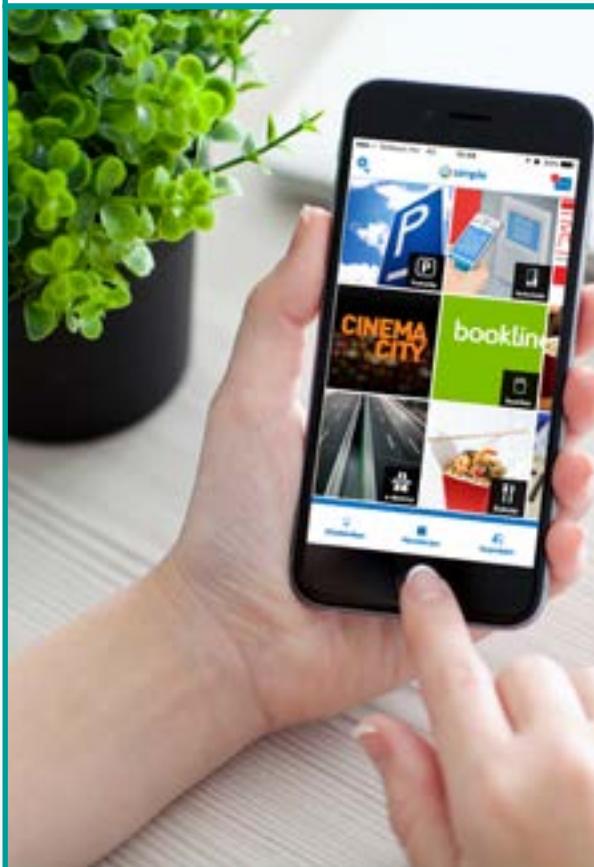
BG



250,000 users in the Simple app

HUF 171 million via Simple, credited from OTP Health Fund balances

HUF 350 million cashback credited, to 230,000 registered users in the OTP Cashback Scheme



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1.3. The bank's internal operations

All members of our Group seek to take advantage of IT opportunities. Several development projects focus on the improvement of back and front office processes at the bank and streamlining them in all areas ranging from risk management through controlling to product development. Streamlining often reduces processes' through-put times and the amount of paper needed for printing. A few key development projects:

- Private Portfolio Application: the application is available on tablets in all 52 private banking units of OTP Bank, enabling advisors to serve customers digitally, with added graphics elements and even at more remote locations.
- MSE CRM screen: enables micro and small business customised sales support.

Strategic goals

Digitalisation and the Digital Transformation Scheme completed. (2017)

- eBIZ: a product enabling efficient solutions for our small and medium-size business clients for their financial duties
- Nation-wide roll-out of Digital Signature Pad
- Overhaul of SmartBank and SmartBroker
- Overhaul of wealth planning

Standardise online customer services, boost chat-based services in Hungary. (2017)

Develop new internet banking system in Montenegro. (2017)

Introduce innovative loyalty scheme in Croatia. (2017)

Introduce online loan products for existing customers at OTP Bank Russia. (2017)

UA

Digital Signature Pad

OTP Bank Ukraine was one of the first to introduce an electronic signature option for a large range of transactions, for both legal entities and natural persons.

In late 2016, selected branches of OTP Bank started to trial electronic signatures and the Digital Signature Pad, which enables verification. Biometric signature verification is also available to improve security. Our plan is to roll out signature pads nationally in 2017. The subsidiary banks have also started work on introducing digital signatures.

Our role is to offer a range of products and services which match the needs of our existing and future customers.



II. 2. Focus on clients

Remote expert model | Education points | ATMs with cash deposit



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We are convinced of the need to shift from the position of a transaction executor bank to the role of a financial advisor and partner. Several surveys have identified rising demand for advisory services.

Proactive attitudes and expertise are safeguards for the complexity of our service and product offering, the convenience our customers expect and experience when they transact with us, and the speed with which we respond to their needs. Beyond understanding and serving our customers' needs, we are also working towards anticipating them.

Bringing the bank closer to people

Our aim is to share more and more information about our bank with our customers, which is why our advertising showcases our branch employees, the very people that our clients consider to be our most authentic representatives. In 45 seconds, we can get a glimpse of our colleagues' own environments and their life beyond the bank, as we watch them in everyday situations.

In our branches, our priority is to identify needs and goals as thoroughly as possible and to provide customised services, while our online platforms are intended for convenient, simple and transparent use. The high standard of services is efficiently underpinned by information technology, whether in terms of measuring service features or the financial solution recommended.



For our basic principles and overall goals relating to customer focus, please see our website (<https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek>).

2015

Our commitments and results

New communication framework concept at OTP Bank to enable customers to learn more about our Bank and our employees.

Implemented

Rolling out the remote expert system within two years (2018).

The system was in operation in 20 branches as of the end of 2016 and its nation-wide roll-out is expected in 2017.

Making relations with branch employees more personal in transactions for housing loans and other products.

Implemented for housing loans: direct liaising is now supported by personal mobile phones and photo business cards. With other products, the pilot project will be rolled out in 2017.

Introduction of electronic signatures at branches for the purpose of paperless in-branch services (requiring the customer to sign on an electronic pad rather than paper).

Implemented in 8 branches under a pilot project by the end of 2016 (see: Chapter 1.3).

Install carbon monoxide detectors at additional branches (about 50 locations)

Completed: we installed detectors at an additional 52 branches.

Open a cashless branch in Montenegro only for elderly and disabled employees.

The decision to implement this project will be made during 2017.

Introduce new lending practices in Slovakia for faster and better services.

In progress; the goal is to make the products available online.

Set up OTP Education Points at 30 branches

Implemented.

Upgrading and streamlining the online savings advisory platform, and adding user-friendly functions (2017).

Implementation is progressing on schedule.



2018

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protection



2.1. Enhancing in-branch services

Even as electronic channels gain ground, personal transacting at our branches continues to form an organic part of our operations. Branch services are key when complex financial decisions require the identification of needs and opportunities and when they rely on the professional expertise and advisory support of our branch employees.

Our extended branch networks offer highly convenient personal transacting in several countries, while, for instance, in Hungary some customers choose liaising through our branches rather than online, out of personal preference. The installation and equipment of our branches and the back office support we provide to our branch employees all contribute to the high standard of quality of our services.

We operate a regular scheme of branch refurbishment and renovated 112 branches (8%) across the Group during the last year. The changing role of branches demands an increase in the number of seated counters and advisor counters: by gradually decreasing the number of standing counters, the proportion of seated counters reached 49% and that of advisor counters 21% in 2016 (the relevant figures were 43% and 16% in 2013).

Our total refurbishments exceeded the usual annual figure due to the conversion of the former Millennium Bank branches in Romania.

UA

Easy to deal with

OTP Bank Ukraine formulated a new vision for the future on the basis of its survey of service quality. This vision focuses on simplifying the life of our clients and providing them with special services in all areas. A complex scheme supports our efforts towards achieving this vision, incorporating training schemes, management incentive systems with new added components and novel methods of acquiring and retaining customers.

Waiting times

High customer numbers make waiting times a crucial issue in Hungary. We constantly monitor waiting times and our aim is to sustain the results achieved in recent years: in 2016, we served our customers on 15 million personal occasions, and called 82% of them to the counter within 10 minutes. The average waiting time was 6 minutes and the average service time amounted to 8.5 minutes, so that our customers spent, on average, less than 15 minutes in our branches.

RO

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RS

More pleasurable waiting

Free WiFi access¹³ and kids' corners¹⁴ at several branches across the Group contribute to making the waiting time more pleasant for customers. In 2016, three branches in Serbia introduced a kids' corner, while all Hungarian branches and most branches in Romania now provide WiFi. We installed water coolers in 103 branches in Hungary and plan to test the introduction of phone charging stations in 2017.

A customer-friendly search function linked to our electronic announcements and customer regulations was introduced during the year on the OTP Browser (a touch screen device available for customers to use at OTP Bank branches).

Booking appointments

OTP Bank customers booked appointments in similar numbers as a year before. Customers take advantage of this function primarily when they wish to meet an advisor, and feedback shows that customers arriving for an appointment are more satisfied with such services received. In 2017 we lay special emphasis on boosting appointment bookings, which help our customers as well as our employees to plan their time ahead. Appointments are available at our Ukrainian and Croatian subsidiaries as well, while other subsidiary banks in the Group have plans to introduce this functionality.



15 million instances of serving individual customers at our Hungarian branches in the course of one year:

an average waiting time of 6 minutes

serving 250,000 customers arriving for pre-booked appointments

Customer service

Our branch service enhancement projects focus on expanding our customers' knowledge and the opportunities for accessing our services, and also on improved professionalism in our services.

Education

OTPdirekt training

In 2016 we installed OTPdirekt education points at several high-footfall branches: 30 OTP Bank branches and 25 branches at OTP Bank Ukraine, enabling our customers to learn about OTPdirekt internet banking in a computer environment that matches their home experience. Our customers responded very positively to our initiative, as 95% of the respondents to the questionnaire rated the quality of the information excellent and 97% said they would try OTPdirekt at home too. These results encourage us to continue with this form of informative education.

CKB Kiosk

CKB also launched a project to improve its customers' IT knowledge. The CKB Kiosk informs customers about debit cards, standing orders, e-banking and the SMS service. The project has proven successful, and a nation-wide roll-out is planned for 2017.

e-Corner

In 4 branches, OTP banka Srbija tested e-Corner, which showcases the features of e-banking and promotes its use.

OTP Bank has revised its 'Securities Product Guide' information brochure, and, in view of the changes in tax regulations, it has started its review of its education brochure 'Smart Finances', which explains our self-sufficiency products.

¹⁴ Available in Hungary, Bulgaria, Serbia, Romania and Ukraine.

¹⁵ At 221 (57%) branches in Hungary, 9 (2%) in Bulgaria, 35 (35%) in Romania, 34 (56%) in Slovakia, 6 (6%) in Croatia, and 4 (14%) in Montenegro.

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New service solutions

- Remote expert customer service system: OTP Bank completed the testing of this system in 2016, and the positive findings has now encouraged us to make it available in 124 branches over the course of 2017. This innovative customer service system supporting small-staff branches was available at 20 locations in 2016. In a dedicated meeting room, customers are served via video link by a call centre employee with expertise regarding the customer's specific requests (such as securities, wealth planning or mortgage loan processing). The introduction of the remote expert system makes our high-level consulting services available to sub-region residents as well.

Flexible customer service

For the convenience of our customers, OTP Bank has improved the flexibility of switching service channels to a new branch, corporate mobile banking and Commercial Banking Centres. In the past, we segmented our clientele based on revenue, but now we do so on the basis of their financial and product usage needs. As a result, customers need not switch away from their local branch as long as their product needs remain unchanged, regardless of whether the size of their company has grown in the meantime. This is especially important in the provinces, as the Commercial Banking Centres are available only in county seats.

Personal customer service in mortgage lending

In order to increase the personal element of our services, OTP Bank gave 250 mortgage lending advisors personal mobile phones, photo business cards, desktop nameplates bearing their personal motto as well as a photo referral sheet, which satisfied customers can pass on to their friends. As the related feedback has been positive, we plan to extend this solution in the micro and small enterprise as well as the premium business lines.

- We boosted the number of mobile bankers in retail as well as corporate, making the mobile banker channel available to a larger customer base in 2016. Overall, 6300 new clients accessed the service during the year.

- In Ukraine, most ATMs (83%) accept cash deposits to the user's own account; in Hungary, we installed 38 such ATMs in 2016. ATMs with a cash deposit functionality accept deposits outside branch opening hours, and the cash is credited to the account immediately. The service is free for retail customers, while corporate customers would pay half of the usual fee payable in the branch. Following positive initial feedback, we plan to increase the number of such ATMs to 200 in 2017.

- OTP Bank Ukraine installed self-service screens in its branches, where customers can access internet banking.

- CKB now offers its customers two free cash withdrawals per month at its ATMs. The bank also has plans to install ATMs with a cash deposit function.

- In 2015 OTP joined the national campaign for the effective prevention of carbon monoxide poisoning launched by the National Directorate General for Disaster Management. In 2016 we installed carbon monoxide detectors in 52 additional branches; every gas appliance with an open flame in our network is now equipped with a detector.

Disadvantaged regions

In several countries OTP Group branches are more accessible than competitor banks by the residents of disadvantaged regions. In some countries, this is due to our extended networks (OTP Group owns the largest branch networks in Hungary, Bulgaria and Montenegro), while elsewhere, this is the result of a clustering of our branches to more disadvantaged regions (in Romania, Slovakia, Serbia and Croatia).



30 OTPdirekt education points at OTP Bank branches



83% of ATMs accept deposits in Ukraine

UA

HU

ME

Access points in disadvantaged regions ¹⁶	Branch	ATM
OTP Bank – Hungary		
Number of access points (% – as a percentage of the total)	70 (18%)	181
Number of new access points (as a % of new)	0 (- ¹⁷)	7 (27%)
Number of terminated access points (as a % of terminated)	1 (10%)	2 (8%)
CKB – Montenegro		
Number of access points (% – as a percentage of the total)	1 (3%)	5 (6%)
Number of new access points (as a % of new)	0 (-)	0 (-)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
OTP Bank Romania		
Number of access points (% – as a percentage of the total)	21 (21%)	10 (7%)
Number of new access points (as a % of new)	0 (- ¹⁶)	0 (-)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
OTP banka Hrvatska – Croatia		
Number of access points (% – as a percentage of the total)	24 (23%)	46 (18%)
Number of new access points (as a % of new)	0 (-)	4 (40%)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
OTP Banka Slovensko – Slovakia		
Number of access points (% – as a percentage of the total)	52 (85%)	118 (83%)
Number of new access points (as a % of new)	1 (100%)	5 (100%)
Number of terminated access points (as a % of terminated)	0 (-)	4 (100%)
OTP banka Srbija – Serbia		
Number of access points (% – as a percentage of the total)	26 ¹⁸ (51%)	n.a. (-)
Number of new access points (as a % of new)	0 (-)	0 (-)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
OTP Bank Russia		
Number of access points (% – as a percentage of the total)	7 (5%)	7 (3%)
Number of new access points (as a % of new)	0 (-)	0 (-)
Number of terminated access points (as a % of terminated)	0 (-)	0(-)
OTP Bank Ukraine		
Number of access points (% – as a percentage of the total)	1 (1%)	12 (10%)
Number of new access points (as a % of new)	1 (100%)	11 (100%)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
DSK Bank – Bulgaria		
	n.a.	n.a.

¹⁶ Sub-regions and districts defined as such under the laws of each country, determined according to social and demographic indicators, and indicators related to housing and living conditions, the local economy and labour market, infrastructure and the environment.

¹⁷ None, not applicable

¹⁸ The change compared to the previous year was due to the modification of disadvantaged region categorisation rather than the installation of new access points.



Customer Focus Award

Each year OTP Bank announces a contest to recognise the best performances in branches. In 2016, the Customer Focus Award was given to our Csorna branch, which also achieved outstanding results for OTPdirekt education.

Accessible customer service

Our aim is to provide services to persons with disabilities at the same standard of quality as to the rest of our customers, and in a manner tailored to their special needs.

In 2016 we continued to align our development efforts with this strategic objective. In line with legislative requirements, OTP Bank developed a complex accessibility strategy and regulation regarding how to treat customers with special needs and how to inform specific customers. Our complex accessibility effort, launched in 2013, continued as follows:

- With the exception of one branch, all the branches in our network are now wheelchair accessible¹⁸.
- We laid down tactile guide strips at 13 additional branches, making the total number of branches at which these are available 133(35%). We plan to introduce them in another 14 branches in 2017.
- More than 50% of our ATMs have good accessibility, and every machine has Braille characters or a marked middle key. A text read-out feature will be available at all ATMs before the end of 2017.
- While developing our website, we introduced an accessible information page as well as a downloadable list of accessible branches and ATMs arranged by disability category. We plan to introduce additional accessibility functions in 2017.
- We continued the focussed sensitivity training of our branch employees and produced a branch training document on providing equal opportunities in access.

Accessibility at Merkantil Bank

Merkantil Bank drafted special written material to aid our communication with deaf and hearing-impaired customers and installed induction loop amplifier devices. They also affixed separate doorbells at branch entrances for the convenience of disabled customers.

Accessibility across the Group involves providing wheelchair access: all branches are accessible in Montenegro and Romania, and in the vast majority in Croatia, Ukraine and Slovakia. The percentage of wheelchair accessible branches across the Group is 60%.



OTP Bank now has **99% of branches physically accessible**

2.2. Electronic channels development

In the development of electronic channels, we focus on customer-friendly usability and the continuous expansion of available functions. Expanding our clients' financial knowledge is a key objective in these channels too.

Contact Centre

As in our branches, serving our customers quickly is a priority objective for our contact centres as well: We aim to answer 75% of calls to OTP Bank phone-lines within 20 seconds and minimise the proportion of unanswered calls. Our results have improved on both indicators yet remain a little below the expected level. The integration of AXA Bank has of course resulted in increased call volumes.

OTP Bank Russia has introduced a functionality for purchasing insurance products by phone.

RU

Internet and mobile banking enhancements

Every few years, all members of our Group overhaul their internet banking platforms to keep pace with changing requirements.

¹⁹ Accessibility is not feasible at this branch due to the characteristics of its building and environment (there is a significant height difference between the street and the branch floor level, which are connected by stairs, and listed buildings regulations also applies). Our Ukrainian subsidiary bank has overhauled its internet and mobile banking platform, making significant additions to the functionalities provided (e.g. account opening, utilities bill payment).

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OTP Bank's services have developed in multiple ways. The Digital Transformation Scheme has helped expand the range of services available and introduce functions enabling the simpler handling of banking transactions:

- bank cards and housing savings contracts as well as E-car lottery deposits can now be applied for online,
- we have introduced an easy-to-manage document inquiry platform,
- internet banking log-on has been streamlined by allowing users to set up an identifier of their choosing.

In 2016 we revised our www.hazforum.hu website; the magazine now presents only condominium sector subjects. We pay special attention to keeping the website as well as the associated Facebook account up-to-date, publishing new content to these three and five times a week, respectively.



<http://www.hazforum.hu>

www.vallalkozokforuma.hu is the name of our revamped site for entrepreneurs. Besides financing, the website now offers current information on the subjects of management, administration, marketing and funding applications as well. We also rely on third-party experts who produce more in-depth professional materials for us.



<http://www.vallalkozokforuma.hu>

Our www.otpagrar.hu website focuses on informing agricultural clients and discusses our products as well as funding opportunities, current news and changes in the law. With the help of KITE Zrt., the website offers online calculators which help agricultural professionals in their financial/economic planning.



<http://www.otpagrar.hu>

OTP Alapkezelő sends its clients monthly newsletters informing them of the features and performance of key products and of the market mood and opportunities.

Members of the OTP Voluntary Pension Fund are sent newsletters with information about market events and risks relevant to their chosen portfolios.

UA

Our Ukrainian subsidiary bank has overhauled its internet and mobile banking platform, making significant additions to the functionalities provided (e.g. account opening, utilities bill payment).

Successful chat feature

OTP Bank Romania introduced a chat function alongside internet banking; on average, 900 chats a month are conducted with customers. Feedback suggests that customers were satisfied with the proposed solution in 88% of cases and with the employee in 92% of cases.

RO

OTP Bank Ukraine introduced an automated chat feature via its mobile app for certain subjects and produced promotional material to improve the financial skills of customers.

UA

OTP Banka Slovensko has launched its mobile bank and introduced new payment options.

SK

OTP banka Hrvatska introduced the OTP m-business application, offering a new banking platform for its corporate clients. The bank plans to overhaul its retail mobile bank and internet bank in 2017.

HR

DSK Bank encouraged the use of DSK Smart and internet banking. Utilities bills paid via Smart Bank (which was free during the campaign period) increased in volume by 4.5 times over last year.

BG



75/20: OTP Bank's contact centre answers the calls of 75% of our clients within 20 seconds

181,000 visitors to our www.vallalkozokforuma.hu website

450%: Increase over one year in the number of utilities bills paid via DSK's Smart Bank

Innovative banking solutions

Focus on clients

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Ethical business behaviour and security

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Environmental protection

2.3. Actions taken to improve objective information provision

We seek to supply our clients with information that is objective and comprehensive but also clear and succinct. Our communications satisfy the legal requirements and changes; indeed, they often go beyond them.

- 'OTPdirekt kisokos' Guide

We have set up a platform on OTP Bank's internet banking site where clients can find information about the key functions of the service. We provided multiple-choice questions and quizzes to help customers learn about the site and how to use it.

OTP Bank launched an in-house project in order to ensure that all communication materials addressed to clients are easy to understand, clearly structured as well as properly informative. Our subsidiary banks simplified product documentation and contracts in a number of instances.

csokkerdoiv.hu

We created a website offering advance information about the Family Housing Allowance (CSOK), explaining eligibility and other important criteria, and introduced the option to book appointments at branches.

- In 2016, minor functions were added to OTP Bank's savings advisor tool to enable a more precise identification of the client's objectives: more goals were added for selection and the pension planning section offers a graphic representation of the depletion of assets after retirement, thus supporting the financial awareness of our clients. The comprehensive and innovative overhaul of the tool will take place in 2017, following years of preparatory work.
- In the field of investment services, the requirements of MiFID (the Markets in Financial Instruments Directive) already set out strict rules on product development and product recommendations; these and the area of retail money market products will be tightened further in early 2018. To meet the relevant requirements, we added the target groups of investment products to OTP Bank's announcements in 2016. We are planning a workshop to formulate standardised investor protection procedures for when we issue to the subsidiary banks in 2017.



- Since 2016, our customers have been able to inquire on the balance of their securities investments with our bank on the National Bank website, in accordance with the relevant legislation. We follow the revised form and content requirements in our certificates issued for regulated capital market operations, with auxiliary charges added and showing all securities accounts on a single slip.

Our Ukrainian subsidiary bank helped customers by simplifying the prices of its banking services.

UA

- OTP Faktoring sent draft agreements with cover letters to certain client segments in order to improve cooperation between the parties.
- In response to questions received, OTP Pénztárszolgáltató added further information to the replacement card section in the FAQ chapter of its website.

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2.4. Assisting branch employees in their work and enhancing background processes

In order to provide quality and fast customer services, our employees are well trained and background processes and systems are developed on a continuous basis. The following developments took place in 2016:

Mortgage lending

Complex mortgage lending developments launched previously were carried over into 2016, and focused on the life situation of clients, customer-oriented information provision and efficient customer service. We also improved the practical aspects of professional training courses and materials. Besides training new hires, we provided refresher courses for existing colleagues. We set up a mortgage specialist team within the branch sales support organisation. We put major emphasis on professional communications, so that all our colleagues now have up-to-date knowledge: regional roadshows and video messages inform our colleagues, and professional events are held with our best performer employees attending.

In 2014, OTP Bank implemented the first phase of the business intelligence system relating to our e-mail customer service and call centre. This system enables the automated processing of certain types of e-mails without human intervention, allowing our employees to respond more quickly to the customer requests that require a substantive answer. The integration of the models into business processes continued in 2016, most importantly resulting in shortened processing times, which will become more prominent in subsequent phases of the development.

Speed

Speed is an increasingly important criterion in banking services, especially in lending. This aim is clearly served by online credit applications; several members of the Group (e.g. OTP banka Srbija, DSK Bank) reviewed and accelerated their credit application processes by, among other things, cutting the number of documents required and by arranging the acceptance of electronic copies.

RS
BG

25,000 Family Housing Allowance questionnaires completed

2.5. Improvements to our complaint management system

At OTP Bank, complaint management is also a priority, a centrally managed and strictly controlled process. Our complaint handling is fully compliant with the law, and follows the same principles across the Group.

OTP Bank sets a shorter timeframe for investigating a complaint than is required by law and it regularly measures the satisfaction of its clients via its complaint handling procedures. In order to enhance their complaint handling, the parent bank formulates recommendations for our subsidiary banks and requests information on the complaints they receive and the actions they take.

Other complaint handling process enhancements continued in 2016:

- the Croatian subsidiary bank implemented developments to improve response times and the monitoring of information concerning letters sent out; HR
- CKB introduced new procedures for complaints relating specifically to bank card use; ME
- the Serbian subsidiary bank introduced an IT solution enabling the separation of different complaints, also simplifying the handling of certain complaint types; RS
- OTP Faktoring held training courses at all its offices about the categorisation of complaints; the improved communication across business areas is a tangible result of this effort.



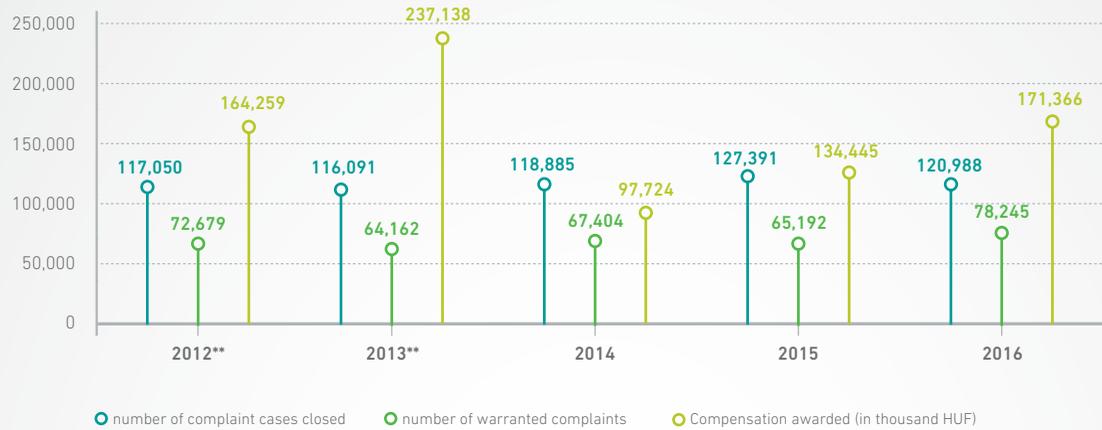
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OTP Bank

Customer complaints



* OTP Bank, OTP Jelzálogbank, OTP OTP Lakástakarék

** Reporting methodology was modified at the end of 2013. Data for 2014 is reported under the new methodology, and data for 2012 and 2013 have been adjusted to reflect the new methodology.

The number of warranted complaints made to OTP Bank and the compensation thus provided was higher than in prior years. The reason for this increase may be found in the frequency of complaints regarding bank card use by customers and card acquirers alike, and the higher volume of requests for correction. In disputed cases our bank decides mostly for the benefit of the customer.



Customer complaints	OTP Bank*					OTP Group				
	2012	2013**	2014	2015	2016	2012	2013**	2014	2015	2016
Compensation paid (HUF million)	310	237	98	134	171	419	368	249	224	268
Amount of compensation per warranted complaint (HUF)	4,300	3,700	1,450	2,060	2,190	5,400	5,000	2,100	2,200	2,200

* Also includes data for OTP Lakástakarék and OTP Jelzálogbank.

** Reporting methodology was modified at the end of 2013. As of 2014, data is reported under the new methodology, and data for 2013 have been adjusted to reflect the new methodology.

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2.6. Measuring customer satisfaction

TRI*M

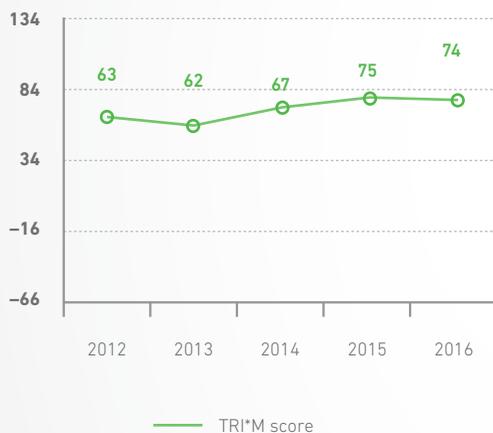
To measure the satisfaction of retail customers, OTP Bank uses the TRI*M methodology introduced in 2011.

 For more details about this methodology, see the website <https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/sajat-igenyekre-szabott-szolgaltatasok>.

OTP Bank's client retention power fell to some extent in early 2016 (similarly to its competitors); but subsequently, in the second half of the year, it returned to the level of the previous year-end and was practically on par with its competitors (74 points²⁰). Compared to its competitors, our bank performs best for affluent clientele.

OTP Bank

TRI*M score



SQM

We continued to assess Service Quality Management (SQM) at branches²¹. Our customers' satisfaction was highest when it came to helpfulness (96.5%) and expertise (88%) at our branches. The lowest values were measured for waiting times (81%) and administration time (82%) (please find further information on waiting and service times in chapter 2.1.).

OTP Bank Romania runs satisfaction surveys for three groups of retail customers: borrowers, OTP Mentor²² and employee account package with OTPdirekt. In 2016 we also added the former Millennium Bank clients to the survey. Our customers prized most highly the professionalism of the employees of the subsidiary bank and their efforts to improve customer satisfaction; they highlighted the bank's prompt availability and the clear and transparent communication. Their opinion of their conversations with our branch employees was even better than before. There was a minor decrease in the proportion of those who believed that their needs were identified correctly (although the rate remained above 90%). 63% of customers were very satisfied and 30% were satisfied with their surveyed interactions with OTP Bank Romania.

OTP banka Hrvatska carried out satisfaction surveys concerning its products and campaigns in 2016 and achieved very high figures (90-95%).

OTP banka Srbija focused its surveys on products and certain services (e-banking, complaint handling), achieving satisfaction rates in excess of 90% in all the product categories surveyed.

Strategic goals

Compliance with Directive 2015/2366 of the European Parliament and of the Council on payment services in the internal market (PSD2) (2018)

Maintain waiting times at no higher than the current levels in OTP Bank (ongoing)

Answer 75% of calls to the contact centre within 20 seconds (2017)

Increase the number and percentage of appointment bookings in Hungary (2017), and introduce this option at some of our subsidiary banks

Increase the number of ATMs with a cash deposit feature (2017)

Use simple and clear language on OTP Bank's online platforms (2017)

²⁰ The TRI*M score can range between -66 (minus) and 134 points.

²¹ The Service Quality Management (SQM) system is used to assess the satisfaction of retail customers transacting business through OTP Bank's various channels in terms of experience and the administrative procedure, and as such it is responsible for the generation of the service quality index. The assessment involves every branch on a quarterly or semi-annual basis. The SQM system assesses subjective experiences and opinions: in respect of waiting times, for instance, rather than expressing the amount of time actually spent waiting, it indicates how short or long the waiting appeared to the customer, and what their level of satisfaction was.

²² OTP Bank Romania's financial advisory scheme.

Whenever designing a product or service, we always follow the principles of ethical business behaviour and the law.



II. 3. Expert financial care

CSOK | Energy efficiency incentivisation loans (UA) | Wealth planning | 1000+ Apartments (ME)



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OTP Group aims to service all customer segments. We pay particular attention to services provided to young people, the promotion of self-sufficiency, raising social awareness, and taking into account the unique characteristics of the business segment.

Through its products and services, the Group helps individuals, communities and businesses achieve their savings and borrowing objectives, thus, among other things, it has the means to encourage sustainable financial management and sustainable consumption. OTP Group also aims to provide banking products and services that directly serve the development of local communities and economies. This chapter explains our new or innovative products with social or environmental benefits.



products introduced in the past are described on our website at <https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/szakerto-penzugyi-gondoskodas>.

2015

Our commitments and results

Refinance the Green Technic solar plant in Romania (project finance)

Implemented.

Rolling out the remote expert system within two years (2018).

Implemented.

Active but prudent participation in the recovery of the housing markets in Hungary and Serbia

Implemented in Hungary via intensified lending.

Not implemented in Serbia due to low demand.

Participate in the 1000+ Apartments project in Montenegro to help young people purchase their first homes

Implemented, outstandingly successful scheme in Montenegro.

Agricultural project at DSK Bank and OTP Banka Slovensko to facilitate business development

Implementation has started.

Double SAPS product development (Green Card) for subsidiaries in EU Member States

Implemented.

Savings accounts for children in Slovakia

Implemented; available to the age group below 18 years.

Launch new special insurance products (e.g. designed for Juniors) in Russia

Implemented.

2016

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3.1. Retail

Basic account

In compliance with European Union requirements, several members of the Group (OTP Bank, OTP Banka Slovensko) have introduced, or have plans to introduce, preferential-rate basic accounts making all the core services available to disadvantaged and low-income retail customers.

Young people

Most members of our Group offer preferential-rate accounts for children and young people, and provide differentiated services to different age groups. In 2016 three subsidiary banks revised their products:



- OTP Bank has a key focus on young people with its new modular retail account and continues to offer accounts free of charge to customers under the age of 24.

SK

- Our subsidiary in Slovakia created a savings account with higher rates of interest for those below 18 years of age. 357 accounts were opened and HUF 167 million was paid into deposits during the year.

BG

- DSK Bank also revised its account packages for young people.

Availability and upgrade of real property

Home purchasing enjoys the support of a number of government schemes, to which the members of OTP Group also contribute actively.

Housing loans

Mortgage lending in Hungary has grown significantly in the wake of the revision of home purchase support schemes. In 2016 nearly 140,000 mortgages were disbursed across the country, representing an increase of 30% on the previous year²³. Our customers signed 19,000 new home loan agreements with OTP Core, and we had a total of 212,000 mortgage contracts in effect as of the end of the year.

OTP Bank was the first to offer customers the revised Family Housing Allowance (CSOK) and interest-subsidised loans. In 2016 every other CSOK application was processed by our bank (10,500 applications in total), and our share in the market of interest-subsidised loans stood at nearly 75%. Our customers tended to purchase used homes, benefitting from preferential-rate mortgages due to a shortage of new properties on the market.

OTP Core, 2016

Housing loans, by loan purpose

80%
purchase of used home

9%
construction

4%
purchase of new home

3%
renovation

2%
loan replacement

1%
extension

1%
modernisation

ADLAK is a Group product designed to enable access to various employer's grants for the repayment of housing loans. In 2016, we implemented several development projects with the goal of improving convenience of use: we set up a portal where employees can view information about their own loan agreements and upload the necessary documents and certificates. Our customers signed 570 new contracts with us in 2016. The entire service will be paperless from 2017 onward.

We have overhauled our housing loan products: in order to serve the interests of our clients, we made the system of interest discounts simpler and more transparent, and introduced products with varying terms but with fixed repayments until the end of the term.

²³ This was preceded by excellent growth in 2015, as well.

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ME 1000+ Apartments

CKB took part in the 1000+ Apartments project; so far, 674 families have acquired new homes via this government project, seen as one of the most successful ever in Montenegro. A key objective of the next phase is to resolve the housing problems of pensioners, newlyweds, persons living with disabilities, and Northern Montenegro residents. Over 600 vouchers have been distributed among the population; in 2016, CKB disbursed 39 loans under the scheme, with a total amount of HUF 531 million, at preferential rates of interest.

HR The Croatian subsidiary bank continued to make available its 'Sunshine loans.' These reward any property designed to be energy efficient (with an energy rating of A+, A or B as stated in the plans) with a lower interest rate. The bank is also planning to develop a new car loan product to help finance hybrid and electric cars.

UA In partnership with EBRD (the European Bank of Reconstruction and Development), our Ukrainian subsidiary bank offers loans incentivising the purchase of energy-efficient products, with a subsidy amounting to a maximum of 20% of the purchase price, worth HUF 940,000 per person. The scheme was set up with the support of the Eastern Europe Energy Efficiency and Environmental Partnership (E5P), the European Union and the Swedish International Development Cooperation Agency (Sida); OTP Bank Ukraine joined the scheme later. The scheme has a total budget of HUF 23.5 billion, which allows us to approach the matter of energy efficiency in a structural way, ranging from energy audits through consultation up to the modernisation of energy supply systems. The customers are given recommendations about how to improve their energy efficiency.



212,000 housing loan contracts in force at 2016 year-end in OTP Core

19,000 new housing loan contracts in 2016 through OTP Core; the majority (80%) of which were requested for the purchase of used properties

HUF 34 billion in grants under CSOK, 44% market share

We did not add new responsible investment funds in 2016; there was a minor decrease in the assets managed by the OTP Climate Change 130/30 Fund.

OTP Core, 2016**Climate Change 130/30 Fund, assets managed****Self-sufficiency, wealth planning, advisory services**

Support for financial self-sufficiency and the encouragement of savings are essential for us. Savings choices are impacted significantly by the prevailing interest rates, which tended to be very low in the countries of our region in 2016. Still, retail deposits and securities savings again grew considerably in Hungary, by HUF 953 billion, of which 46% came from OTP Bank's customers. Retail deposit volumes also grew in Bulgaria, Romania and Serbia. For retail investors, security continues to be a key criterion when selecting products.

The products of the OTP Health and Mutual Fund and the OTP Voluntary Pension Fund encourage self-sufficiency, helping customers cover their healthcare and preventive health spending and securing financial certainties for their retirement years, while also enjoying significant tax discounts. The membership count of OTP Egészségpénztár and OTP Önkéntes Nyugdíjpénztár put both Funds at the top of their markets.

Our campaign **You cannot work forever!** – is a Pension Museum, which raises awareness of, and encourages, self-sufficiency, and it has received several PR awards.



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Wealth planning

In 2016, OTP Bank continued to offer its wealth planning services to help customers manage their savings in a concerted manner matched to their goals and opportunities. In 2016 we provided personalised advice to 74,000 customers. From its launch up to 2016, a total of nearly 340,000 customers used this wealth planning service, and the total assets of customers who used the service at least once amounted to more than HUF 1,900 billion, and in 2016, savings products amounting to HUF 502 billion²⁴ were recommended to customers.

Ever since they were first introduced, there has been unflagging interest in Long-Term Savings (TBSZ) accounts, which encourage long-term investments; as of the end of 2016, we were managing nearly 80,000 long-term savings accounts. It is an important achievement that the majority of customers extended their matured accounts and continued to add to their savings. Another long-term savings option, the Pension Pre-Savings Account (NYESZ) has been less popular; even so, we oversee 45,000 pension pre-savings accounts.

Pension savings accounts number nearly 3,000. The Savings Account portfolio has similar features as the pension savings accounts and amounts to over HUF 190 billion in total, with accounts numbering 260,000.

UA

In 2016, OTP Bank Ukraine made the OTP Pension private pension fund available in all its branches. This is managed by AMC 'OTP Capital', a member of OTP Group. As of the end of 2016 the fund had 28,600 members and total assets of HUF 762 million.

RU

In 2016, OTP Bank Russia introduced savings accounts as a new product; its customers deposited a total equivalent to HUF 12.3 billion by the end of the year.

RU

Insurance products providing assistance with unforeseen problems are available from most members of OTP Group, and their use has been increasing steadily. In 2016, OTP Bank Russia created a unit-linked life insurance product, which was purchased by over 3000 customers.

Housing savings fund

OTP Group countries Hungary and Slovakia both have government-subsidised housing savings arrangements. Due to market size considerations, however, our Group offers a housing savings fund product only in Hungary.

This way of saving has become increasingly popular, as new contract volume grew by 20% in 2016 on the previous year²⁵.

In 2016 savings were taken out on nearly 80,000 contracts, and spent on home purchasing, construction, extension or renovation.

In 2016 we introduced our housing savings fund bridging loan to offer customers an advance on the contract amount of their housing savings product for the period until the expiry of their savings.



Savings advice to 74,000 customers
of OTP Bank

385,000 long-term savings accounts
at OTP Bank

80,000 housing savings contracts where
savings were used

20% growth in the number of new housing
savings contracts

220,000 voluntary pension fund members

241,000 health and mutual pension fund
members

²⁴ This equals one and a half times the annual budget of the city of Budapest for 2016.

²⁵ A steep increase (40% over the previous year) was measured in 2015 too.

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3.2. Condominiums

The Warmth of the Home

OTP Bank continues to hold a significant share of the market in the condominium segment. Introduced in 2015, we gave priority to providing access to, as well as professional and financial support for, the 'Warmth of Home' Scheme. The Scheme financed the energy efficiency investments of condominium groups with 5 to 60 units (principally flats), providing grants of up to 50%. The total funding budget was HUF 10 billion, of which HUF 4.4 billion was channeled via OTP Bank to 195 condominiums. The investments, worth a total of around HUF 9 billion, were implemented in 2016, and tended to involve the replacement of doors and windows, the modernisation of heating systems and insulation. To finance their own contributions, OTP Bank offered loans (OTP Bank's Thermo/Style loans are specifically designed to help finance refurbishment and upgrade projects for condominiums and housing associations), while encouraging the combination of the loans with building society savings contracts in order to leverage additional state subsidies.

OTP Condominium grant

In 2016 we announced our grant scheme for the 8th time, and interest was once again up, with a total of 864,000 applications submitted. The most frequent aims included the installation of security surveillance systems, digital intercom systems, bicycle storage or new safety doors, as well as the renovation of internal common areas. Against a budget of HUF 10 million, we granted awards to 9 applicants in 3 categories (DIY, community building and security) and one audience award winner. Apart from providing financial support, the key aim of the grant scheme is to raise awareness in residential communities to the fact that it is possible to make their environments more pleasant, and improve the comfort and safety of residences.



35,400 condominium customers

HUF 9 billion energy efficiency savings in The Warmth of Home Scheme

180,000 visitors to the condominium industry website hazforum.hu

3.3. Micro, small and medium-size business customers

OTP Group is increasingly focused on serving the financial needs of small and medium-size businesses. An important achievement of this most recent period is the greater convenience and simplicity by which our customers can access our products.

2016 was a successful year for us: OTP Core reported an 11% increase in performing (DPD0-90) micro and small business loans, while the Serbian, Romanian and Slovakian subsidiary banks registered increases in their small and medium-size loan portfolios by 58%, 11% and 9%, respectively.

Access to our products was simplified considerably in 2016:

- OTP Bank customers responded positively to the opportunity to open micro and small business accounts online.
- We considerably simplified and accelerated the process of accessing our standard products for small and medium-size businesses, and a much larger proportion of our customers used these products than was the case in the past.
- Our subsidiary bank in Romania was the first in the country to make online credit applications possible for its existing customers, subject to a certain amount limit.
- OTP Bank Romania expanded the range of discounts it offers on SME account packages. Also, it introduced a new service in cooperation with Shoptisie, which enables any legal entity to set up a web shop and, in the near future, a website without the need for software programming.
- Our subsidiary in Serbia introduced standard products for micro, small and medium-size business customers. It has cut the credit application process considerably: having filled in the application forms available at branches and regional centres, customers may be offered a loan the same day.



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Funding for Growth Scheme

As an active participant in the Funding for Growth Scheme (FGS) launched by Magyar Nemzeti Bank, OTP Bank contributes to the success of the scheme and provides customers with access to funds at preferential rates. In Phase III, HUF 700 billion was available under the Scheme, which the banking system mediated to companies wishing to finance new investment projects. By the end of 2016, the bank had contracted HUF 74 billion under Phase III of the FGS, achieving a 15.7% market share. The bank made use of nearly 100% of the funds that had been made available to it.

European Union funding

EU funds and grant schemes are particularly important due to the investments, job creation and market presence of micro, small and medium-size businesses. Linked to the grants available under the Economic Development and Innovation Operational Programme (GINOP) announced in 2015, OTP Bank plays a major role with its OTP2020 product in terms of the financing of applicants' own contributions and in pre-financing expenses. 3876 OTP Bank customers received such funding.

Funding application consultants OTP Hungaro-Projekt Kft. filed 140 EU funding applications on behalf of its customers in 2016, of which 13 were decided by the end of the year, four of them positively.

SK

Our subsidiary bank in Slovakia introduced JEREMIE loans for its SME customers; among other things, this product focuses on lending to sensitive or less traditional groups (e.g. minorities and female entrepreneurs).

OTP Banka Slovensko entered into an agreement with EBRD concerning support to capital investments to improve energy efficiency and reduce carbon emissions. Our bank devised a dedicated loan product for this purpose; the product is available to our corporate customers.



HUF 74 billion worth of loans were contracted in Phase III of the Funding for Growth Scheme

3.4. Agricultural customers

OTP Group served a total of over 70,000 agricultural customers. In the past five years, OTP Bank doubled its loan portfolio, and its market share now exceeds 18%.

Land to Farmers!

During 2016 the Land to Farmers! scheme played a prominent role within the new lending activities of OTP Bank. Under the scheme, we granted loans of around HUF 30 billion in total for the purchasing of cultivated land currently owned by the Hungarian State²⁶.

Beyond borders but still within the bank

In order to take better advantage of cross-border funding applications and other financing opportunities, we worked with our subsidiary banks in Croatia, Serbia, Slovakia and Ukraine to develop closer cooperation between our larger branches on both sides of these borders. This means that our customers can now receive services that are covered by the same bank regardless of which side of the border they are on. We have compiled an information brochure about this service for our clients.

HR
RO
RS
SK
UA

Double SAPS

The pre-financing of land-based subsidies is the leading agricultural product of our banks operating in EU Member States. Relying on experience from Hungary, we introduced the two-year pre-financing of direct EU subsidies in four countries (Bulgaria, Romania, Slovakia and Croatia) in 2016. A single application and credit approval process is now sufficient for the granting of financing, and administration costs have been halved. Our service is unique in several of these countries.

BG
HR
SK

In 2016, we granted pre-financing for land-based subsidies for 90,000 hectares of cultivated land in Hungary. Nationwide, approximately 4,980 hectares of land are reported as eligible for subsidy; however, the proportion of pre-financing is much lower.

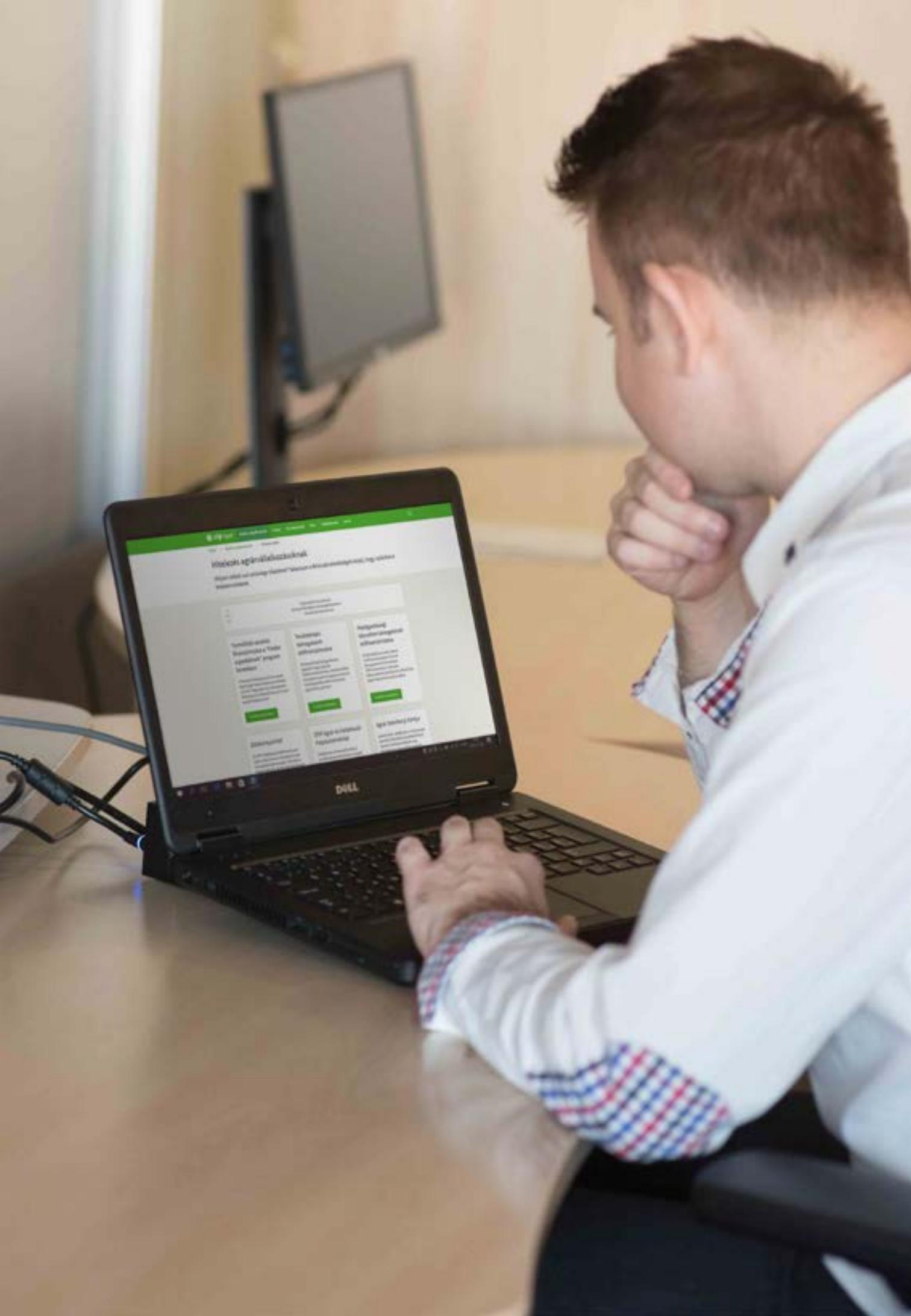
In 2016 OTP Consulting Romania provided consultancy services to new customers on 70 occasions; this covers investments by agricultural companies, agricultural and rural development, the protection of cultural heritage and urban development.

RO

OTP banka Srbija developed fast lending to micro agricultural customers. The customer rating system has enabled us to assess our customers and to calculate a safe loan amount quickly, and we can disburse the loan within a day or two to these sole producers operating in the agricultural sector.

RS

²⁶ FGS funding sources were also available for purchasing cultivated land.



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90,000 cultivated land plots:
pre-financing for land-based subsidies



HUF 30 billion lent for cultivated land
purchases



SK

BG

OTP banka Slovensko successfully implemented its previously devised agricultural business line development plan; DSK Bank will finalise its business development plan in 2017.

RU

We have started developing our Russian subsidiary's agricultural business line; according to our plans, the bank will be able to attract medium-size food industry firms and large agricultural customers in 2017.

3.5. Large corporate projects with social and/or environmental benefits

As in previous years, several projects with environmental and social benefits were implemented by OTP Bank and its subsidiaries in 2016.

Municipalities' EU projects

With the help of the National Association of Local Governments, we devised a special procedure for municipal winners of EU funding applications, offering municipalities customised indicative offers for projects that cannot be charged to the relevant project. We continue to seek partnership agreements with many county and city municipalities in order to enable them to implement their EU projects without losing time whilst also enjoying the requisite financial security.

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Company	Number and purpose of new projects in 2016		Total number of projects and loans outstanding, 31/12/2016
DSK Bank	1	sewage network and treatment	64 projects, HUF 25.1 billion
	2	energy efficiency, renewables	
	2	waste management	
	1	education	
	3	healthcare	
OTP Bank Romania	1	municipal infrastructure development	128 projects, HUF 16.5 billion
	3	protection of the natural environment	
	42	energy savings	
	5	renewable energy use	
	17	waste management	
CKB Bank	1	education	113 projects, HUF 4.8 billion
	5	healthcare	
	14	water and waste management	
	19	healthcare and social work	
	22	education	
	43	government administration and military	



Strategic goals

With the help of the EU and the Environmental and Energy Efficiency fund, to create a dedicated product for hybrid and electric car rental as well as energy efficiency investments related to housing loans, at OTP banka Hrvatska (2017)

Identify sectoral and product focal points in the micro, small and medium-size segments (2017)

Develop EBIZ (finance-related electronic, non-banking) services (2017)

Develop credit rating system facilitation lending to small producer customers (2017)

Introduce fast agricultural lending at OTP banka Srbija and CKB (2017)

Innovative offers for the agricultural sector in Romania (2017)

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protection

OTP Group is a leader in terms of compliance with statutory requirements and standards and fair and ethical operations. We are convinced that the practice of ethical operations makes a significant contribution to the Bank's competitiveness, relationships and recognition both in Hungary and internationally.



For our basic principles and comprehensive objectives relating to compliance and security see our website at <https://www.otpfenntarthatosag.hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag>.

2015

Our commitments and results

Transitioning the entire Group to the use of the AMA approach (2017)

The process has stalled due to expected regulatory changes.

In the case of property loans, to manage the customers affected by way of a major increase in repayments by designing appropriate communications and instruments

Implemented; we carried out campaigns regarding loans combined with housing loan contracts when their grace periods are approaching their end.

In respect of customers facing repayment difficulties, apply procedures whereby cooperation improves and fewer cases require legal proceedings to be initiated

Debtor protection schemes are promoted more intensively at the bank and across the Group as well. In addition, we implemented certain one-off and pilot schemes (e.g. loans combined with housing savings contracts, and customised case administration for customers approaching us).

Develop OTP Bank's new Compliance and Security Policy and Compliance and Security Strategy

The Policy and the Strategy have been developed.

Develop OTP Group's Risk Strategy for 2017–2019, including the design of a transparent and measurable risk appetite framework for all major classes of risk

Implemented; methodological fine-tuning is still underway in certain areas.

Issue standardised guidelines for subsidiary banks on investor protection procedures

The completion of the guidelines is now carried over into 2017.

Introduce consistent risk management activities across the Bank Group (2017)

Implementation is progressing on schedule.

Develop a new Operational Risk Management Policy

Implemented.

Revise the methodology and activities of IT security risk analysis according to the report on the MNB review conducted in 2015 (2016)

The methodology has been revised, its approval and introduction is expected in 2017.

Implement VISA 2016 requirements – redesign the cryptographic tools of the card system (2016)

We have complied with the requirements.

Contribute to the design of ATM protection against software attacks (2016)

We have started installing security software on our ATMs in Hungary; implementation will be completed in 2017.

Select, test and pilot a system to protect mobile devices (MDM) Implemented; the internal network and correspondence have been separated from the platform providing external connections.

In Croatia, raise customers' awareness of internet security and responsible consumer decisions

Implemented on the website and the Facebook page alike.

2017

4.1. Debtor protection

Debtor protection opportunities

In 2016, our debtor protection schemes remained available to customers facing payment difficulties. In addition to assistance schemes offered by the state, we continued to provide the option of schemes developed by the Group²⁷.

No fundamental changes occurred in the debtor protection schemes or in the use of debtor protection instruments in Hungary; for a vast majority of cases, customers apply for reduced instalments with most loan types, while in the case of overdraft facilities, the most popular solution is a credit line reduction agreement. We introduced annuity repayment solutions for our credit card products.

We personally contacted customers to suggest products to them with expiring grace periods, informing them that their repayments were about to rise and detailing what repayment reduction options they had at their disposal. The campaign was successful, our customers responded positively to the initiative, and we managed to keep most of the transactions within our performing portfolio.

Two subsidiary banks implemented retail currency loan conversion schemes in 2016. OTP Bank Romania launched its own scheme to convert CHF-denominated loans in late 2015, and implemented the scheme in full during 2016. Of the over 10,000 loans matching the eligibility criteria, nearly 7,000 were converted, for a total amount of HUF 83.4 billion (73% of the portfolio). Upon conversion, the bank granted discounts totaling HUF 17.7 billion to the customers taking part in the conversion exercise.

OTP banka Hrvatska participated in a conversion scheme in compliance with legal requirements; within this scheme, they converted CHF-denominated loans to EUR-based ones. The deadline for implementation was the end of 2015, but contract modifications carried over into 2016. 97% of eligible customers took advantage of the opportunity so that around 1800 loans representing a total of HUF 24.9 billion were converted.

We modified the collection process of defaulting loans to benefit our customers. OTP Bank Russia and OTP Bank Ukraine both send reminders to customers with minor overdue repayments, informing them of the approaching payment deadline and the details of their debt.

In Hungary, in order to ensure long-term housing for heavily indebted and vulnerable families, our cooperation with the National Asset Management Agency continued into 2016. In 2016, OTP Faktoring Zrt. submitted 3,080 cases to the National Asset Management Programme. There were two evictions.

At Group level, the ratio of participants in debtor protection for each product was as follows²⁸:

Ratio of transactions included in the Debtor Protection Programme (as a percentage of the performing portfolio) 31 December 2016	HU	RU	UA	BG	RO	HR	SK	RS	ME
Home and mortgage loans	1.0%	27.6%	58.1%	3.7%	1.1%	0.3%	0.6%	1.8%	0.2%
Consumer credit	1.8%	0.1%	1.0%	2.6%	0.2%	3.0%	0.1%	0.6%	0.2%
Auto loan		0.0%	0.1%			0.0%	0.0%		

²⁷ Possible options: term extension, (partial) suspension of repayment or the combination of the two, refinancing loan, credit line reduction contract, instalment plan, amendment of the credit facility

²⁸ Blank fields indicate that the product is not covered by debtor protection or no information is available on the ratio.

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Portfolio quality

At Bank Group level, quality levels of credit portfolios stabilised considerably in 2016 too, with the increase in the exchange rate adjusted volume of DPD90+ loans reduced to HUF 82 billion (net of the effect of write-downs and sales). The exchange rate adjusted to consolidate change in performing loans was +6%²⁹. Write-downs and sales, including partial write-downs arranged since 2014, all reduced the rate of DPD90+ loans significantly, to 14.7%.



Our investors are regularly informed about delinquent loans in sufficient detail; for more information, visit the website at https://www.otpbank.hu/static/portal/sw/file/2016_4Q_sajtotajekoztato_final.pdf

4.2. Compliance and adherence to laws and regulations³⁰

OTP Group considers it a fundamental principle to adhere to the law, international standards and ethical requirements, which are therefore stated as rules in the highest-level regulatory documents of the Group.

Policy and strategy

In 2016 the new Compliance and Security Policy of OTP Bank and the Group was completed, reflecting recent changes on the market and in the expectations and requirements of the regulator. The Policy consolidates compliance and security standards, which are aligned with the recommendations of international industry bodies and the recommendation of Magyar Nemzeti Bank.

The Compliance and Security Strategy sets out medium-term goals and the actions required in order to achieve them over a 5-to-6-year horizon. In accordance with MNB's recommendations, the bank's Board of Directors approved the compliance and security requirements. The Compliance and Security Directorate is responsible for organising the related activities and for providing professional oversight. The Compliance and Security Policy and Strategy serve as guidance for all Hungarian and foreign subsidiaries of the OTP Group: their regulatory documents are drafted with reference to the Policy and Strategy, and deviations are allowed only when necessary due to local specifics.

Both the Policy and the Strategy emphasise the need to abide by market compliance requirements, observing, and ensuring the observance of, conflict-of-interest rules, exhibiting ethical behaviour, offering consumer protection, delivering the duties imposed on the bank by international conventions, and protecting the safety, wealth and valuables of the customers, the bank and its shareholders and employees.

Compliance risks

In 2016 the Group continued to satisfy the requirements applicable to compliance risk management. We identified the highest risks in the fields of data protection and accounting. The bank's efforts to achieve its objectives are not threatened by a likelihood of risk events occurring, nevertheless, we have developed a sophisticated system of controls to deal with the risk environment.

Internal cooperation, information flow

In a forward-looking approach, both our legal and compliance areas and staff continued to provide regular opinions on internal bank policies in 2016, and they made efficient and proactive contributions to the appropriate design of new banking products, product provision and services and of the developments required for digital transformation.

In 2016 OTP Bank introduced its centralised electronic tracking of lawsuits and the functionality for liaising electronically with the courts.



Legal seminars

We regularly invite third-party experts to take part at legal seminars on current topics; different departments of the bank tend to delegate 30-40 people to these seminars. We are planning a competition law training course for volunteer participants in 2017.

²⁹ 3% if excluding the AXA portfolio taken over.

³⁰ Compliance with legislative requirements, international norms and standards of ethical business conduct.

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Code of Ethics and whistleblowing

In 2016 every subsidiary bank of OTP Group adopted OTP Bank's Code of Ethics and Conflict-of-Interest Regulation, both reviewed in 2015, in which they also took into consideration key local specifics. In addition to our employees and governing body members, our agents must also comply with the requirements stated in the Code of Ethics and attend a course on the Code.

The Code will enter into force and courses will be held in 2017 at DSK Bank, CKB and OTP banka Srbija. In an attachment to their contracts, OTP Bank's business partners must declare that they are familiar with, and accept, the Code of Ethics.

During the year, there were a total of 24 instances of reports from within the group to the ethics whistleblowing line. We investigated 20 of these reports; the remaining 4 were found to be complaints rather than reports on a matter of ethics. These reports were made due to violations of rules of conduct, discrimination and conflict-of-interest requirements.

12 investigations found no ethical breach, the investigation became groundless in one case when the relevant employee's contract had been terminated by joint consent of the parties in the meantime, whereas in 3 instances, ethical breaches were found and the appropriate measures were taken.

In 2016, OTP Bank issued a circular to employees to draw their attention to the rules on 'business' gifts; we also held training courses on the subject, with branch network and head office managers attending. Our efforts were aimed at ingraining proper behaviour in relation to gifts and supporting the observance of these rules in practice. Our bank does not encourage the accepting of gifts, but considers as acceptable any reasonable gift that may be considered standard business practice and have a value below the limit defined in the Code.

Proceedings by authorities and other legal procedures

Significant fines were imposed in the following cases: Magyar Nemzeti Bank (MNB) carried out a comprehensive inspection of OTP Bank and some of its Hungarian subsidiaries regarding risk management and the regulation and compliance of activities. The inspection formulated requirements in several areas (e.g. customer rating, ratio of repayments to income, internal regulations) and imposed a fine of HUF 47 million in total. In addition, the regulator carried out a targeted audit of payment services and ordered the bank to take certain actions and to pay a related fine. Regarding marketing communications, the regulator imposed on OTP Bank a HUF 2 million fine due to a breach of the rules on the commercial communication of the Annual Percentage Rate (APR).

Proceedings by authorities and other legal procedures closed during 2016	OTP Bank*						
	Number of closed proceedings	Amount of fines paid (HUF million)	Number of proceedings closed with fines	Number of proceedings closed with non-financial sanctions	Number of proceedings closed in the framework of a conflict resolution procedure	Number of proceedings closed with acquittal	Number of proceedings converted into court procedures
violation of competition rules	0	0	0	0	0	0	0
violation of consumer protection rules	38	4	7	0	0	31	0
violation of rules on equal opportunities	1	0	0	0	0	1	0
supervisory procedures	3	57.2	3	0	0	0	0
violation of taxation rules	4	1	4	0	0	0	0
violation of environmental protection rules	0	0	0	0	0	0	0
other procedures that may result in the imposition of fines**	483	0.4	3	14	54	412	0
Total	529	61.6	14	14	54	444	0

* Also includes data for OTP Lakástakarék and OTP Jelzálogbank.

** Including cases heard by the Financial Arbitration Board.

For 2015 data, see page 61 of the 2015 Sustainability Report.

For 2014 data, see page 83 of the 2014 Corporate Social Responsibility Report.

For 2013 data, see page 65 of the 2013 Corporate Social Responsibility Report.

For 2012 data, see page 76 of the 2012 Corporate Social Responsibility Report.

Proceedings by authorities and other legal procedures closed during 2016	OTP Group*						
	Number of closed proceedings	Amount of fines paid (HUF million)	Number of procedures closed with fines	Number of procedures closed with non-financial sanctions	Number of procedures closed in the framework of a conflict resolution procedure	Number of procedures closed with acquittal	Number of procedures converted into court procedures
violation of competition rules	5	0.4	2	1	1	0	1
violation of consumer protection rules	168	8.2	84	14	10	49	11
violation of rules on equal opportunities	1	0	0	0	0	1	0
supervisory procedures	94	73	72	20	0	1	1
violation of taxation rules	15	0.5	10	0	2	2	1
violation of environmental protection rules	1	0.8	1	0	0	0	0
other procedures that may result in the imposition of fines**	538	89	56	14	54	412	2
Total	822	571	225	49	67	465	16

For 2015 data, see page 61 of the 2015 Sustainability Report.

For 2014 data, see page 84 of the 2014 Corporate Social Responsibility Report.

For 2013 data, see page 66 of the 2013 Corporate Social Responsibility Report.

For 2012 data, see page 76 of the 2012 Corporate Social Responsibility Report.

At OTP Faktoring, the regulator carried out a comprehensive audit of its complaint handling activities and it imposed a fine upon the conclusion of the audit. MNB also carried out a consumer protection targeted audit at the company; in its findings it compared the department to other audited institutions and stated that OTP Faktoring operates outstanding collection processes and practices, exhibits readiness to cooperate and relies on excellent IT support.

Relating to the acquisition of AXA Bank, the procedures at both the Hungarian Competition Authority and Magyar Nemzeti Bank ran smoothly and OTP Bank received the necessary permits from both.

For the handling of disputes concerning contracts between consumers and financial service providers, the Financial Arbitration Board (FAB) operates as an efficient alternative forum for out-of-court dispute settlements in Hungary. The cooperation between the Board and our Group has remained stable, and in the majority of FAB-proceedings, customers accepted the agreement offered by us. In 2016, a total of 483 other proceedings (including those before the FAB) were closed, and only 3 involved the imposition of fines in the total amount of HUF 374 million, while 14 cases were closed with non-financial sanctions.

Public policy participation

OTP Bank participates in the formulation of public policy through the Banking Association, as an active member. There is a dialogue of partnership across the organisations whenever Ministries launch work on new legislation or when the industry is consulted.

- At its annual meeting, the Banking Association issued a public statement of position; also present at the meeting were the Minister for National Economy and the deputy governors of Magyar Nemzeti Bank.



This statement of position is available on the website www.bankszovetseg.hu/hirek-aktualitasok/a-magyar-bankszovetseg-2016-aprilis-8-i-testuleti-ulesenek-kozlemenye-3840+&cd=1&hl=hu&ct=clnk&gl=hu.

The position paper concerns constructive cooperation with the government, the need for predictability, the intention to participate actively in the financing of new home constructions, the matter of lending to the SME clientele, and the uniform regulation of the European banking community and the consequences of the same.

- In 2016 we provided substantive support in relation to the amendment of the Civil Code.
- OTP Bank's legal director received an award from the Banking Association for his role in devising credit institution compliance for settlement cases and private bankruptcy.

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4.3. Development of risk management systems

The Group's risk management principles are uniform throughout; in 2016 we strove to apply modern, innovative methods that support risk management decisions and the objectivity of guidelines.

Developments

We have now adopted an updated medium-term Risk Management Strategy, which outlines the framework for the risk management requirements underpinning the stability of operations and a delivery of our long-term profitability objectives. Among other things, it focuses on introducing a uniform framework of analysis and modelling, accelerating the reduction of the weight of non-performing loans and returning customers in arrears to a course of normal repayments. The regulations aligned with the strategy have also been updated.

We started working on our risk appraisal framework in late 2015 and have now completed it, as applicable to operational and reputational risks, while the detailed models for market and lending risks are currently being elaborated. The framework compares the extent of risk to the expected losses and the costs of risk management, which helps the bank decide on the amount of risk it is willing to undertake.

To satisfy the relevant legal requirements, we carried out the risk analysis of certain positions across the Group and added the jobs deemed as high-risk to our remuneration policy.

As required by MNB, OTP Group subsidiary banks are working on transitioning to the Advanced³¹ Measurement Approach in calculating the capital requirement for operational risk³². No new subsidiary was involved in this process in 2016 because the regulation is expected to change and our subsidiaries would like to devise their systems to match the new requirements.

Risks

The most important operational risks for the Group continue to be IT risks, business continuity problems and system errors; there were several examples of the latter at the subsidiary banks in Russia and Ukraine over the past year. We believe there is a significant risk of cyber-attack. Labour fluctuation is also an intensifying risk; we need to retain the commitment of our employees in key positions, and we are seeking to find solutions within our comprehensive organisational culture enhancement project.

Christmas phishing

The shopping weeks before Christmas are often taken advantage of by phishing attempts: for several years now, phishing attacks aimed at accessing customers' personal details have peaked in this period. Criminals make enticing offers in the name of OTP Bank, stipulating the need for users to enter personal information as a condition for these.

Customers have become much more aware recently: for instance, the first customer reports of phishing attempts in recent years tended to arrive practically simultaneously with the first warnings from our own systems. Once such an attempt has been detected, we are able to put out detailed warnings and information to the media and through our own communication channels.

In 2016, current events forced us to continue to consider again the risks represented by terrorism and migration. We have found that the areas most exposed to such risks have, under the circumstances, adjusted well to the threat.

IT support plays an important role in risk management as well. During the year, we created a comprehensive, standardised credit risk assessment system with the main objective of evaluating our risk management processes and identifying the main development directions.

In 2016 we started work on identifying the risks inherent in the models we use in a number of banking operations (credit scoring model, CRM model, etc.); our aim for 2017 is to build on this effort and analyse and evaluate the controls associated with these models. In order to expand our risk modelling toolkit, we have initiated cooperation with academic organisations and several new models have already been implemented.

We have reviewed our key risk indicators and introduced new indicators reflecting the current challenges in human resource management as well as information technology.

³¹ AMA methodology: Advanced Measurement Approach

³² At group level, operational risk capital requirement provides coverage for both expected and unexpected losses.

4.4. Enhancement of the security of banking systems

The provision of banking services is inseparable from security. It is a major challenge to strike the balance between secure and user-friendly operations, whether in our internal operations or our relationships with customers. We must provide security but also allow customers easy access to our services anywhere and at any time.

Attempted crime

Although violent crime against the Group (e.g. bank robbery, ATM robbery, burglary) have practically ceased, attempts do occur from time to time. For instance, in 2016 our ATMs in Croatia were subject to break-ins with IT support, and similar crime is likely to be attempted in other countries of the region.

Among intellectual forms of crime, credit fraud and card fraud continue to be prominent. In terms of information security, the most topical challenges across the Group are attacks to access personal data, targeted, specific attacks aimed not at causing damage but at financial gain (APT), extortionist virus attempts and the vulnerability of mobile devices. Attacks tend to have the largest volumes in Russia and Ukraine.

Prevention and protection

The Bank is adequately protected against illicit acts of the intellectual crime category, and also provides adequate protection to its customers, as clearly confirmed by statistical data.

For the purposes of prevention, we focus on the solutions we apply (technical, regulatory and practical) as well as how we raise awareness. Our awareness schemes are geared towards employees and customers alike. In spite of growing awareness, there are recurring cases of stolen bank cards being used after their PIN codes were found stored alongside the cards. There is also gamer fraud, occurring when our clients use their cards to transfer money to unknown phone accounts in the hope of winning a prize.

In addition to our usual forums for informing customers, OTP banka Hrvatska took part in the financial culture enhancement scheme organised by the Croatian Banking Association in 2016. The bank compiled informational documents setting out the security features of internet banking and shared these on its website and Facebook page.

HR

Key development projects in 2016:

- Support for specific projects of the Digital Transformation Scheme has been and remains a priority task.
- We have introduced a mobile device management system, in which our employees can use mobile devices safely for work and may also use the phones conveniently for private use, even for internet browsing.
- We implemented encryption development required by the card company VISA.



Over the past year, OTP Bank delivered a total of 386 courses on bank security to branch employees in relation to their jobs, aimed at encouraging the good management of the security risks at hand, and at raising awareness of security, reaching each and every employee. The courses also covered specific compliance issues (conflicts of interest, ethical standards, reporting of proprietary transactions) and expanding knowledge on the prevention of money laundering (recognition and reporting of suspicious transactions). The subsidiary banks deliver courses in a similar way, under the parent bank's supervision.

In 2017 we also plan to improve the security awareness of our employees by means other than training courses.

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The incidence rate of **fraud involving bank cards issued by the Bank is currently 0.0072%** for OTP Bank, a magnitude lower than the European average published by MasterCard (0.0518%).

The fraud to turnover ratio for the bank card business of each foreign subsidiary bank **ranges between 0.0036% and 0.106%**. At almost all our subsidiary banks (except CKB), the ratios are also a degree better than the European and world average.

The protection of data assets

Complying with relevant MNB recommendations, the bank's Compliance and Security Policy and Strategy identifies as a priority the duty to protect sensitive customer data and also the bank in accordance with the applicable legal and regulatory requirements, especially as banks' information systems are defined in Hungarian law as falling under the scope of the Act on Critical Infrastructure. We continually develop and maintain processes and systems to protect our data assets. To ensure data management integrity and data security and to prevent data leakage, the Bank applies cutting-edge information technology and security solutions. The GDPR and PSD2 directives also formulate significant requirements concerning data management and access; preparing for compliance and the related security aspects will be important tasks in the forthcoming period.



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Abuse of personal information	OTP Bank			OTP Group		
	2014	2015	2016	2014	2015	2016
complaints from external parties, confirmed as justified by our organisation	0	0	1	25,659*	18,131*****	1
complaints received from regulatory authorities	0	0	5	1,686**	1,567*****	12
customer data leaked (number of customers concerned)	0	0	0	0	0	0
customer data stolen (number of customers concerned)	0	0	0	32,000***	0	0
customer data lost by the organisation (number of customers concerned)	0	0	0	31,364****	0	0

The table shows only the last three years because we did not report these data before 2014.

* Complaints concerning OTP Bank Russia made as a result of stricter legal requirements on personal data.

** 97% of complaints concerned OTP Bank Russia, and were made as a result of stricter legal requirements on personal data.

*** Data theft concerning JSC OTP Bank. An IT error allowed a bank employee to steal the data before termination of their employment. The illegal use of the data was successfully prevented, and appropriate legal action was taken by the bank against the employee.

The IT systems were upgraded to provide safeguards against similar problems.

**** Customer data stored in Donetsk and Lugansk counties, concerning which the competent Ukrainian ombudsman found that the data had been lost due to force majeure, as a result of which no sanctions could be imposed on the Bank and no compensation was mandatory.

***** 99% are complaints associated with OTP Bank Russia.

Strategic goals

Strengthen the professional cooperation between OTP Bank and Hungarian subsidiaries (2017)

Comply with the requirements of the General Data Protection Regulation (GDPR) (2018)

Standardise the frameworks and methodologies of our risk management models across the Group (2017)

Bank security development plan for subsidiary banks based on the Code of Best Practice (2017)

Increase employees' security awareness (2017)



Organisational renewal and reinforcing a culture of cooperation has now become a strategic objective for several members of OTP Group.

II. 5. Responsible Employer

Organisational renewal scheme | New group governance regulation | Mass Sports Fund



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Organisational integration as a follow-up to acquisitions and the changing value systems and workplace expectations of the employees all necessitate the improvement of the culture of the organisation, defining and consistently representing our values. We believe it is important to employ methods enabling faster and more effective responses to the challenges of our changing world.



For our basic principles and comprehensive objectives relating to employees see our website at <https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato>.

2015

Our commitments and results

Annually we seek opinions on and then publish OTP Bank's new Health and Safety Policy

The coming into force of the Policy carried over into 2017 but has already taken place at the time of writing this Report.

Preparations for the roll-out of an integrated digital HR management system at OTP Bank, accompanied by the renewal of HR processes

Implemented.

Renew the organisational culture:

- adopt a broader and proactive recruitment strategy and toolkit
- develop leadership by strengthening recognition and engagement in management style (e.g. launch a women managers' club)

The scheme is progressing according to plan.

Design OTP Bank's mentoring system

Implemented; for selection, preparation and recognition alike.

Upgrade OTP Bank's image as an employer (2017)

Implementation has started with some of the tools from the recruitment toolkit and is progressing on schedule.

Resume the Manager Academy (leadership training) in Romania

Implemented.

Survey organisational culture at OTP banka Hrvatska

Implemented.

Roll out the system of 'Best Practice Codes' to support access to best practices at Group level (2017)

The scheme is progressing on plan.

Create an interactive communication platform at OTP Bank through the design of OTP Magazine 2.0

Implemented.

Renew the occupational health system

Implemented.



Renewal of organisational culture

Survey

In 2015 OTP Bank identified its strengths, the areas in need of development and its objectives by relying on its comprehensive review of the organisational culture under the Organisational Renewal Programme. The survey shows that, of the several thousand companies assessed internationally, OTP Bank's organisational health is ranked in the top 25%, with an overall score of 73³³.

The Bank has particularly stable governance and control processes in place, and is characterised by well organised, disciplined and compliant operations.



2017

³³ On a scale of 0 to 100

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Strengths

Strong market and customer orientation

Stable organisation

Operational and financial efficiency

High professional standards

Elements to improve

Providing career opportunities

Open atmosphere

Embracing ideas

Motivation and personal commitment

Employees also expressed their firm approval of workplace ways as well as innovation and learning.

The organisational values that employees miss most are clustered around People. Areas to be improved on include talent management, and the fostering of creativity and entrepreneurship. Our employees would like to see more openness and encouragement for their initiatives and innovation through inclusion and knowledge sharing.

The redesign of organisational operations affects both customer relations and internal operations.

This scheme

The bank has identified its core values, which form a compass showing the right corporate direction:

- trust and recognition
- inspiring management
- customer focus
- cooperation
- transparency and fairness
- performance and self-confidence
- renewal

Developing a flexible organisation and organisational processes adaptable to change; these are critical for organisational renewal.

Organisational renewal scheme

The key areas of organisational development



Career management

Performance management

Leadership development

Innovation and knowledge management

We present the elements of the related schemes completed in 2016 in the next chapters.

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Also in 2015, OTP Bank Romania carried out a comprehensive organisational culture survey, which included former Millennium Bank employees as well. The results revealed the differences between the cultures of the two organisations, and we have therefore formulated the objectives of better cooperation, more efficient communication and also covering a culture in which the organisation is able to learn.

We have reviewed our values and devised a new slogan: 'We are a new generation of experts. We are building the future of banking together.'

The values of OTP Bank Romania overlap with the parent bank's values to a large extent:

- trust,
- customer focus,
- innovation,
- excellence,
- people,
- fairness.

HR

OTP banka Hrvatska has also surveyed the current and the desirable features and values of its organisational culture. This analysis shows that employees as well as managers would prefer a more open and more flexible organisational culture. We seek to support this with communication development projects and our Eureka! scheme aimed at pooling innovative ideas. In 2017 the bank's greatest task will be its integration with Splitska banka.

5.1. Employment

Headcount

In 2016, our employee headcount of full-timers as well as part-timers working more than 60 hours per month at OTP Group stood at almost 36,000³⁴.

The Group's total headcount did not change significantly compared to the previous year. At OTP Bank, reorganisation at head office and terminating the bank's own delivery operation resulted in some group layoffs; most of these employment contracts were terminated by joint consent and equitable solutions were often found on a case-by-case basis. The total headcount increased, however, as we added to our payroll several former AXA Bank employees and some of our new employees took up empty positions or those of leaving employees. The acquisition of Splitska banka of Croatia will have an impact on the employee headcount in 2017.

Employee headcount (as of 31 December)	OTP Group										
	2012	2013	2014		2015			2016			
	Total	Total	Total	Men	Women	Total	Men	Women	Total	Men	Women
Full time employees	37,147	36,792	36,427	7,804	28,623	34,118	7,265	26,853	34,453	7,483	26,970
Part time employees over 60 hours a month	1,261	1,265	1,549	265	1,284	1,579	250	1,329	1,356	158	1,198
Statistical headcount, total	38,408	38,057	37,976	8,069	29,907	35,697	7,515	28,182	35,809	7,641	28,168
Part time employees below 60 hours a month	14,296	5,332	128	16	112	138	17	121	141	26	115
Employees, total	52,704	43,389	38,104	8,085	30,019	35,835	7,532	28,303	35,950	7,667	28,283
Proportion of women	79%	78%	79%	-	-	79%	-	-	79%	-	-
Proportion of men	21%	22%	21%	-	-	21%	-	-	21%	-	-
Proportion of those employed under fixed term contracts	3%	37%*	8%**	8%	8%	9%	8%	10%	7%	5%	7%

* The high figure is primarily due to the fact that more than 73% of OTP Bank Russia's workforce (most of them agents) are employed under fixed-term contracts.

** 97% of OTP Bank Russia's employees are now employed under contracts for an indefinite term. Fixed-term contracts apply to a relatively high number of employees at OTP Banka Slovensko (24%).

³⁴ Some of our employees, approximately 6,957 people in 2016, work as contracted agents in Ukraine and Russia.

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employerDeveloping
financial literacy

Citizenship

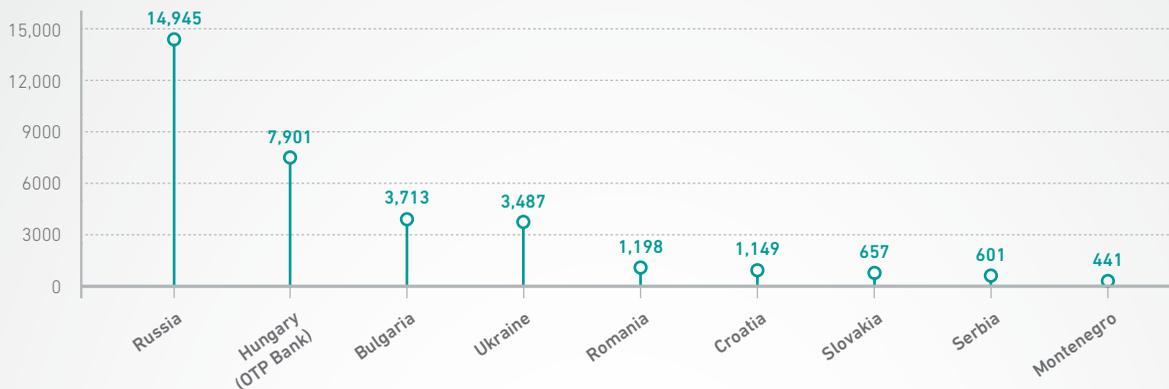
Environmental
protection

OTP Group

31 December 2016

Number of employees per country

Statistical headcount



Employee headcount (as of 31 December)	OTP Bank										
	2012	2013	2014		2015			2016			
	Total	Total	Total	Men	Women	Total	Men	Women	Total	Men	Women
Full time employees	7,084	7,332	6,806	1,955	4,851	6,707	1,961	4,746	6,981	2,091	4,890
Part time employees over 60 hours a month	948	765	1,165	167	998	1,141	166	975	920	76	844
Statistical headcount, total	8,032	8,097	7,971	2,122	5,849	7,848	2,127	5,721	7,901	2,167	5,734
Part time employees below 60 hours a month	38	36	44	2	42	62	2	60	70	3	67
Employees, total	8,070	8,133	8,015	2,124	5,891	7,910	2,129	5,781	7,971	2,170	5,801
Proportion of women	74%	74%	73%	-	-	73%	-	-	73%	-	-
Proportion of men	26%	26%	27%	-	-	27%	-	-	27%	-	-
Proportion of those employed under fixed term contracts	9%	9%	8%	8%	8%	9%	9%	8%	8%	8%	8%

At the end of 2016 OTP Bank had 6,037 agents.

Advocacy

In terms of the minimum period of notice concerning changes to the organisation's operations with a high impact on employees, the banks of OTP Group follow varying practices in compliance with local requirements. The minimum period of notice is greatest (at 60 days) for OTP Bank Romania and OTP Bank Ukraine; it is 15 days for OTP Bank, 8 days for OTP banka Hrvatska and OTP banka Srbija, while no such period is set for the rest of the subsidiary banks. A minimum period of notice is set out only in OTP Bank Romania's collective bargaining agreement.



In 2016, no significant changes occurred in the advocacy and representation of OTP Group employees' interests; most employees are covered by a collective bargaining agreement <https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato>.

Labour complaints

During the year a total of 19 labour proceedings concerning a staff member of the OTP Group closed (all involved OTP bank Srbija). The labour lawsuits and the investigations by the labour regulator tended to focus on cancellations of work contracts and also overtime. The number of labour lawsuits and the fines imposed both decreased significantly compared to 2015.

- In 6 cases, the proceedings reached agreement without any payment obligations imposed.
- Fines were imposed in 11 cases and amounted to the equivalent of HUF 2.7 million in total.

The labour regulator completed 2 proceedings, and the company was acquitted in both.

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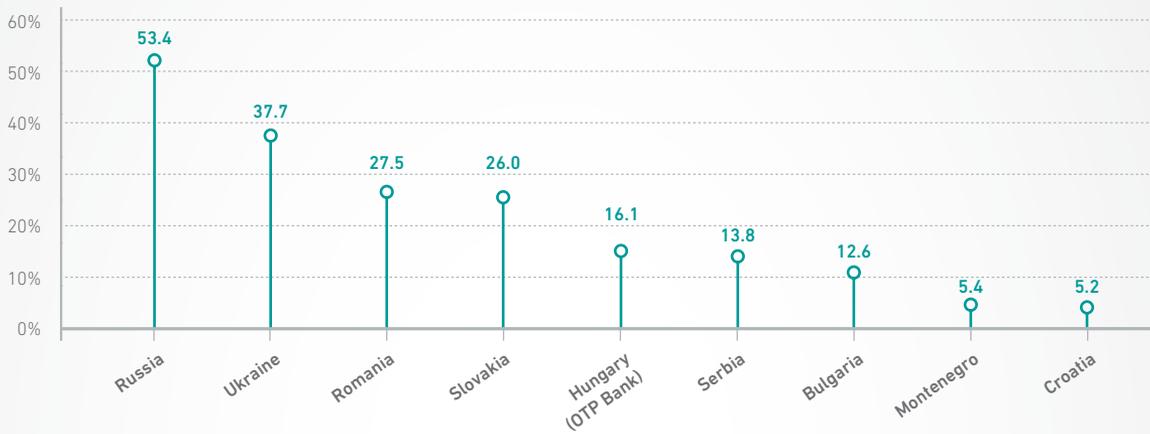
Environmental protection

Overtime

Overtime volumes in 2016 were comparable to the previous year; overtime tends to be concentrated in the branch network, on retail account management and in investment positions, whereas it tends to be lower in currency account management and commercial banking.

OTP Group

Exiting employees in 2016 by country as compared to the closing headcount



Note: The leaving employees ratio includes termination of employment both by employee and employer, as well as retirement.

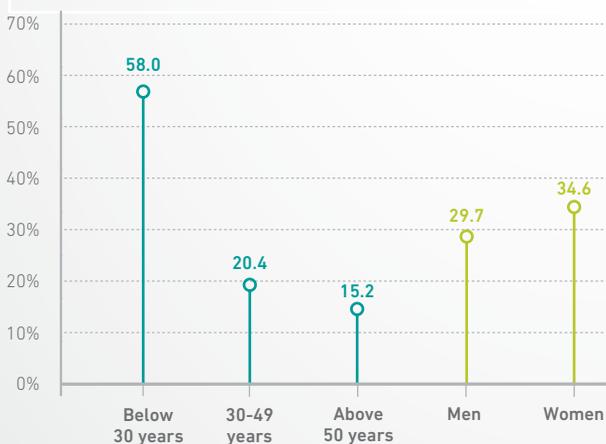
RU
UA

As a result of the improving socio-political environment, fluctuation fell steeply at our subsidiary banks in Russia and Ukraine.

OTP Group

31 December 2016

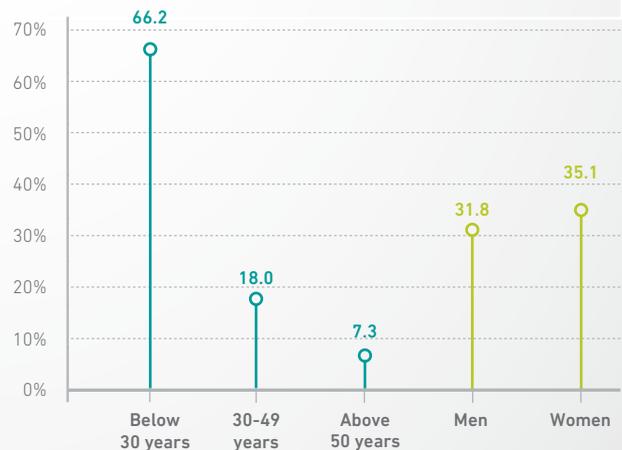
Exiting employees by gender and age, as a proportion of the total headcount in the given category



Note: interpretation of the figures, e.g. the below 30 age bracket recorded a 58% fluctuation.

OTP Group

Gender distribution of new hires during 2016, as a proportion of the final headcount of the particular category

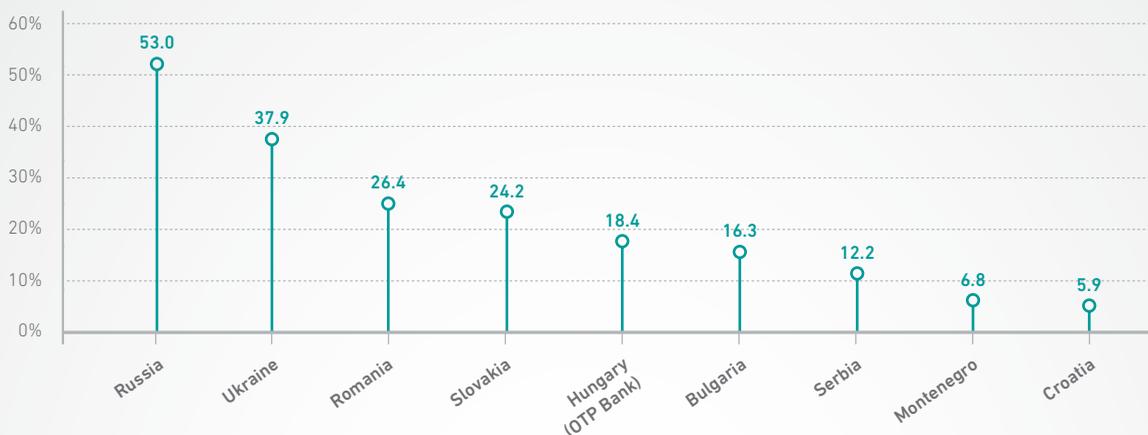


Note: Interpretation of the figures: the ratio of new hires in the below 30 age bracket was 66.2%.

OTP Group

31 December 2016

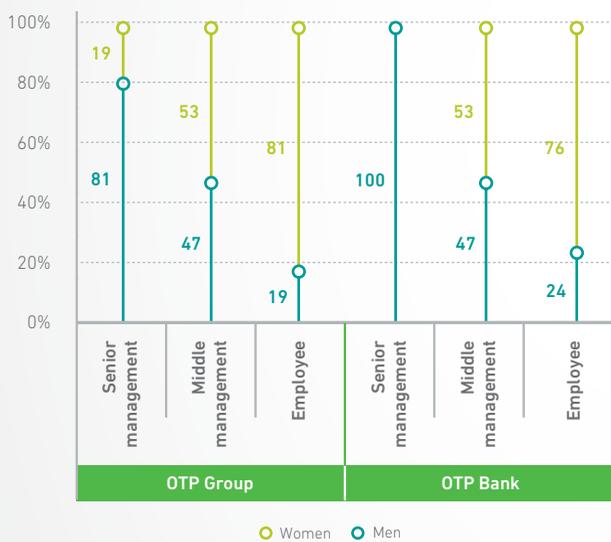
New hires during 2016 as a percentage of the closing headcount, by country



OTP Bank, OTP Group

31 December 2016

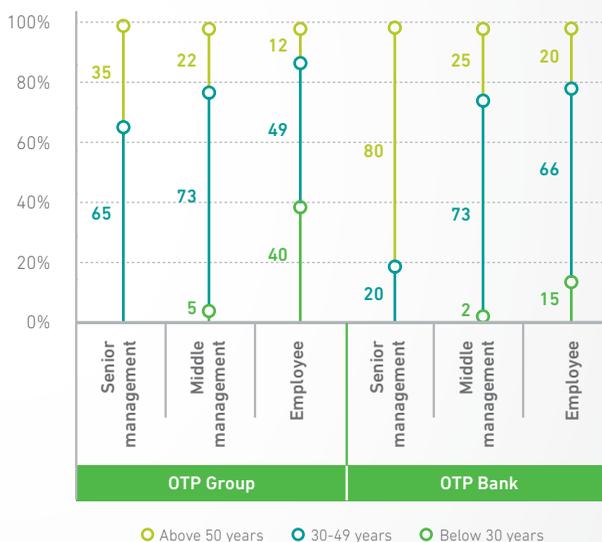
Employee categories by gender



OTP Bank, OTP Group

31 December 2016

Employee categories by age



In 2016, OTP Group had 315 disabled employees.

Recruitment

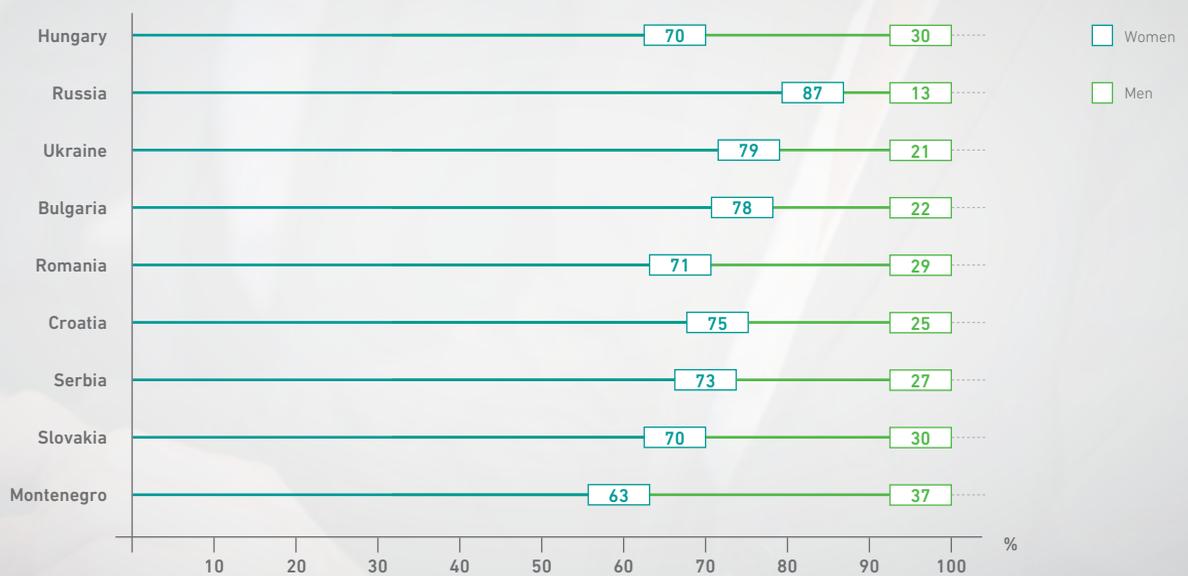
In connection with its organisational culture scheme, OTP Bank has introduced a number of innovative solutions for greater productivity in hiring staff. In order to achieve an active online presence, the OTP Careers page has been changed in terms of content and image and now offers anyone interested an insight into the bank's corporate social (CR) responsibility activities as well. Our careers page carries separate offers for recent graduates and apprenticeship applicants.

Following a successful pilot, OTP Bank and OTP Bank Romania carried out the full implementation of our presence as employers on social media. OTP Bank conducts varied communications on LinkedIn, the largest professional social network.

OTP Bank introduced a modern integrated IT solution for our recruitment selection process, which allows applicants completing the streamlined application to monitor the subsequent selection steps. A competency measurement tool, available to complete online, significantly reduces the selection process and offers managers more support in their selection decisions.



Employees by gender and region



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In 2016, OTP Group had 315 disabled employees.

Universities

In 2016 the Group welcomed a total of 764 apprentices. Group members apply different arrangements in their cooperation with institutions and for taking on trainees.

Strengthening our relationships with universities does not only facilitate knowledge sharing, but is also an efficient means of finding new staff. OTP Bank therefore takes part in research projects, competitions and lectures alike (e.g. it cooperates with ELTE (Eötvös Loránd University) and BME (Budapest Technical and Economic Science University) in IT, and has sponsored the Professional Week held by the Heller Farkas College of Corvinus University of Budapest. In cooperation with Budapest Metropolitan University, we initially started dual training with the participation of two students. This requires a great degree of commitment on the bank's part too, as we need to regularly plan and manage these students' work for four years; nevertheless, it is our hope that the very nature of this close cooperation ensures that while the scheme offers the students an extremely useful experience, it also ingrains in them a strong commitment to our bank. The OTP Business division is planning to invite students to submit ideas for innovative solutions in the categories of corporate social responsibility and Fintech.

RO

In order to boost its brand as employer, OTP Bank Romania established partnerships with new universities (Bucharest University, Suceava University, Spiru Haret University) in 2016 and has thereby considerably boosted the number of student apprenticeships.

5.2. Training and education

In order to ensure a high standard of quality in our customer-oriented services and the efficient operation of the organisation, we attach particular importance to the training delivered to our colleagues covering professional expertise and in general knowledge about the bank's operations. In addition, almost all members of OTP Group agree with the special emphasis we put on manager development and skills development in 2016.

The significant expansion in training can also be shown through the related costs, as OTP Group member firms spent over HUF 1 billion on training in 2016, 44% more than a year before. OTP Bank implemented a number of organisational renewal schemes to strengthen the role of inspiring managers:

- We produced a Management Brandbook, which was distributed to 800 managers.
- Based on the results of our 360° manager survey, we held training courses for head office middle managers with 3 focal points and we developed an e-learning course to improve time management; this is available at any time and supports our colleagues in their day-to-day tasks.



Delegating management

Personal commitment and inspiration

Assertive communication

Time management

- For strategic managers, we employed an award-winning interactive simulation-based manager development tool based on Mihály Csíkszentmihályi's flow theory (Fligby), which enabled participants to practice management decision-making in a risk-free environment. Around 60 managers took part in the simulation exercise.

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- In 2016, we assessed the results of the skills development training courses for network managers, which have been going on for years. The courses improved individual competencies significantly (5-10%).

RO

• OTP Bank Romania introduced its Management Academy for the managers of the bank and its subsidiaries. The first completed training course of the Academy focused on understanding the value and importance of learning via learning from experience.

- In addition, managers took part in communication workshops and received the Green Book about Efficient Communications.
- We also organised on-the-job training for branch staff.

RU

OTP Bank Russia organised a Week of Improvement. During this 5-day project, we delivered a variety of training courses on management skills (e.g. inclusion, feedback, coaching, and management communication typology) as well as professional competences (service quality, sales, presentation skills, need identification etc.).

UA

In-house training courses are also important in Ukraine. 25% of all employees attended a two-day course about improving personal competencies (I think, I can...). Within the project entitled 52 Weeks of Management, managers took part in online courses every two weeks. The course was mandatory for 230 managers and voluntary for 137 managers. OTP Bank Ukraine also invited certain talented employees to take part in the 5G+ Initiative, where participants learnt the principles of the Lean and 6 Sigma methodologies.



HUF 1 billion
spent on employee training



762,000 hours of training
annually, 21 hours/person



41 courses, 575 participants,
91% satisfaction with OTP Bank's middle-manager training courses

DSK Bank continued its training courses in personal as well as behavioural competencies, organising courses on, among other things, communication skills and teamwork, stress management, coaching, and management skills.

BG

The middle management of OTP banka Hrvatska and OTP Bank Slovensko underwent 360° assessment. Adjusted to the results of the review, these employees attended a variety of courses, primarily in motivational management, the improvement of cooperation and the management of stressful situations.

HR
SK

CKB Bank also ran several training courses to develop personal competencies and soft skills in 2016.

ME

From knowledge, we build Experience

In 2016 we reviewed the mentoring system used at OTP Bank since 2010 to help new branch employees settle in and acquire professional knowledge. In order to improve its efficiency, we modified the mentor selection process and enhanced aspects of pre-training. We nearly trebled the financial rewards for mentors and decided to introduce an ethical recognition in 2017.

Annual training per employee (hours, 2016)

	OTP Bank						OTP Group					
	Internal		External		Total		Internal		External		Total	
Top manager	46		180		226		63		177		240	
Middle manager	63		21		84		38		20		57	
Employee	48		8		56		16		2		18	
Average	Men	Wo-men	Men	Wo-men	Men	Wo-men	Men	Wo-men	Men	Wo-men	Men	Wo-men
	51	50	17	7	68	57	23	16	9	3	32	19

In 2016, employees received an average of 21 hours of training per person across the OTP Group, and 60 hours at OTP Bank.

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5.3. Remuneration and recognition of employees, career opportunities

Benefits

In 2016, no major changes occurred in OTP Bank's remuneration and incentive system, as a result of which the composition of earnings also remained largely the same. Members of OTP Group provide benefits to their employees in line with each subsidiary's significance within the financial market of the particular country. OTP Bank Ukraine increased salaries to a considerable extent into 2016.

Most members of OTP Group provide the same benefits to full-time, part-time and temporary employees, and employee categories are only differentiated by the Russian and Ukrainian subsidiary banks.

Rewards

In 2016, members of OTP Group continued to reward colleagues and teams exhibiting professional excellence, especially in terms of business results. The group members handed out thousands of rewards across the Group.



Responsible for Each Other Award

Replacing our previous For the Community Award, we introduced the Responsible for Each Other Award in 2016. This award recognises teams that prioritise community building as well as social responsibility, and/or were created in order to help local communities and the immediate environment. In 2016 the Responsible for Each Other Award went to our Paks branch in the South Transdanubian Region (Hungary).

Several new or returning employees joined the Paks team, others were transferred in from another branch, making good cooperation and bonding a key task for the team. The employees of that branch also set themselves the goal of doing something together for their environment, for the town and its environs. They implemented numerous initiatives during the year, and as they helped those in need, they also gained shared experiences. Among other things, the colleagues installed a therapy room for autistic persons, laid down a tactile trail³⁵ in a kindergarten courtyard, and attended village day cooking events and financial education schemes at several schools and local media outlets.

OTP Bank

31 December 2016

Relationship between the salaries of men and women, by position category

○ Women ○ Men

Top managers

100%

98.1%

Middle managers

100%

98.1%

Employees

100%

96.4%

Average

100%

96.6%



80-85% of managers voluntarily used the revised performance evaluation method

Career paths

In 2016, as part of our organisational renewal and reform, we trialed a career map for our legal department and introduced new career levels, which provide greater independence and decision-making powers and recognise the higher levels of professional expertise rather than representing just managerial roles. The new career levels focus more on transparent career paths and ways to progress at the workplace, and there are transparent principles and requirements for achieving them. As the feedback has been positive, we will start to include other departments in our work on defining the career levels and associated requirements in 2017.

Enhancements to our manager evaluation started with the 360° evaluation of our managers, as a result of which both OTP Bank and OTP banka Hrvatska made a proposal in 2016 for managers to conduct regular one-on-one personal evaluations of their employees and to provide them with the necessary methodological support. 80-85% of managers voluntarily joined this scheme, to become mandatory for all managers from 2017 onwards. These evaluations also allow employees to voice their opinions.

HR

³⁵ A trail created from a variety of materials and having varied surfaces, which improves sensory and motor skills.

5.4. Involvement of Employees

The updating of our organisational culture applies to internal communications as well. We implemented a number of innovative and interactive forms of communication in 2016.

OTP Bank's most effective event in 2016 was organised on the subject of Digital Transformation and was attended by around 8000 people. At the event, the Chairman & CEO presented the bank's results and strategy, including, and thus essentially launching, the Organisational Culture Programme.

In order to reduce the power gap between employees and managers and to strengthen the relationships between managers and to communicate our corporate values, we have set up new management and employee forums:

• Brown Bag

OTP Bank employees were given the opportunity on three occasions last year to watch professional online presentations during their lunch hours; third-party lecturers were invited to speak about interesting industry trends. The presentations were available on our internal online communication platform and these also offered interactivity in the form of questions. 150 to 200 employees viewed each presentation live, and these presentations are now available as e-learning, to be watched at any time.

- **Business Café:** The aim here is to introduce the senior managers to the employees. They can view the event online, and ask the invited manager questions with the help of a facilitator, in a café atmosphere. In 2016 we held two such events, and 50 employees per event were able to sign up.
- **Samovar:** A series of events involving our management, with reputable experts discussing certain interesting subjects. Two such events were held in the past year, and around 40 managers took part in each.

Besides these new forums, we revised our online OTP Magazine, changing its visuals, developing its community features and making it more user-friendly and simpler. Comments are enabled for all content. Video content has been given greater prominence in our internal communications than before: we published video interviews and plan to install large-screen television sets in the communal areas of our office buildings in 2017, to display news, information and short films aimed specifically at our employees.

A central objective of OTP Bank Romania's organisational culture scheme is improved efficiency in communications. The bank's chief executive officer invited the head office and regional managers of the bank as well as the executives of the subsidiaries to the official launch event of the scheme. As a result, senior management launched the scheme with around 100 managers present and they personally expressed their gratitude to everyone attending. The managers responded so positively to this that they then launched similar schemes for their own teams. At the launch event, the bank's vision, mission and values were formulated in greater detail with the help of the managers.

With cooperation in mind, the bank placed special emphasis on team building: 75% of Group employees took part in training courses in 2016.

We enhanced our internal communication channels based on feedback from our employees: We added new sections to our intranet and the OTP Magazine, our emails are now friendlier and shorter, and we ran a campaign to promote personal interaction instead of communication by email. We restarted the CEO Blog, in which our chief executive writes a new mini-report every two weeks; our in-house communication survey shows that 88% of employees read the blog. In order to improve the atmosphere at the workplace and a work/life balance we organised hobby workshops, fruit days and in-house exhibitions.

Our Communications team also appears to be effective: For example, our survey shows that 95% of respondents find that the internal communication team gives proper answers to their questions or requests all or most of the time, and 98% turn to the internal communications team for information about the bank's activities.

OTP Bank Ukraine held a large-scale event to promote its new vision for the future (see the Focus on clients chapter), with around 2500 employees present. The event focused on the new strategy and organisational values.

OTP banka Hrvatska maintained its diverse communication channels and continued in 2016 with its award-winning scheme called Eureka!, in which employees could share their ideas concerning certain predefined topics. In 2016 we invited staff to suggest ideas for developing our CSR activities and rewarded (and started) three ideas. The bank was the only member of the Group to re-run a satisfaction surveys this year.

DSK Bank carried out attitude checks among its employees regarding important developments and management decisions.

RO

UA

HR

BG

5.5. Health, working environment

Health benefits

We continue to promote a healthy lifestyle among our employees, often providing them with services that surpass the statutory requirements. In 2016, OTP Bank and its Hungarian subsidiaries took out private health insurance for all their employees; this also involved medical tests, health checks and access to specialist medical care.

Accidents

The number and severity of accidents is low at both Group and Bank level. At OTP Bank, the number of accidents at work was³⁶ 3.7 per 1000 in 2016, which is good compared to the national statistical average (at 4.4-5 accidents at work per 1000 employees).

For OTP Group as a whole, the indicator is even lower, at 1.3/thousand.

Most of our workplace accidents occurred while commuting to work, travelling for work or making an awkward movement (while sitting or standing up).

No fatality occurred due to an accident at any of our premises in 2016 either.



Even by international comparison,
**our accident at work rate
is very low, at 1.3**

Sick leave, accidents (2016)	Hungary		Bulgaria*		Montenegro		Croatia	
	Men	Women	Men	Women	Men	Women	Men	Women
Sick leave (workdays)	5,321	37,921	4,006	26,638	n.a	n.a		5,374
Absenteeism rate	0.83%	5.80%	2.08%	13.87%	n.a	n.a		2.02%
Number of accidents	12	18	0	6	0	0		6
Accident rate	0.002%	0.003%	0	0.003%	0	0		0.002%
Number of workdays lost through accidents at work	295	223	0	319	0	0		166
Ratio of days lost	0.053%	0.040%	0	0.166%	0	0		0.062%

* Including long periods of absence owing to ill health (e.g. child care) and unpaid holidays.

No fatal accident at work occurred at OTP Group companies.

No occupational diseases occurred at OTP Group companies.

Sick leave, accidents (2016)	Romania		Slovakia		Serbia		Russia		Ukraine	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Sick leave (workdays)	8,359	18,735	314	1,948	606	15,412	0	1,191	204	916
Absenteeism rate	10.48%	11.05%	1.69%	1.38%	1.50%	13.96%	0	2.56%	0.12%	0.53%
Number of accidents	0	1	0	0	0	1	0	3	n.a.	n.a.
Accident rate	0	0.001%	0	0	0	0.001%	0	0.001%	n.a.	n.a.
Number of workdays lost through accidents at work	0	30	0	0	0	53	0	63	n.a.	n.a.
Ratio of days lost	0	0.018%	0	0	0	0.048%	0	0.014	n.a.	n.a.

Accidents - non-employees, OTP Group (2016)	Supervised employees		External workers	
	Men	Women	Men	Women
Number of accidents	0	11	0	0
Number of days lost through accidents at work	0	112	0	0

In 2016, the accidents were associated with OTP Bank and OTP Faktoring, while at foreign subsidiaries, DSK Bank, OTP Bank Romania, OTP Banka Slovensko, OTP banka Hrvatska, OTP Bank Russia and JSC OTP Bank did not report data. The accident statistics are recorded using methods prescribed by law. When calculating the rates, the number of days absent or the number of accidents was involved in the calculation.

³⁶ The number of accidents at work per 1,000 employees

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Sports

Several subsidiaries of OTP Group organise informal leisure activities for their employees and sometimes for families as well. Most frequently, these events are athletic in nature, at Christmas or New Year. In 2016 we held our International Sports Days again, with the participation of OTP Bank's regional and head office teams, as well as 5 foreign subsidiary banks. 420 people took part.

OTP Bank participated in the broader inter-bank sports days as well, where 65 employees competed against 16 other banks. Our colleagues won the overall champion's cup for the third year in a row.

The regions had the opportunity to organise their regional sports day and/or sporting events in 2016 as well; a total of nearly 1000 employees took part.

We invited our employees to apply for funding for their initiatives, based on which we sponsored 45 group events in which a total of nearly two thousand people took part. We find that this form of sponsorship is increasingly popular and beneficial and it also offers good chances for further team building.

Strategic goals

Continue organisational renewal scheme

- Devise bank talent scheme (2017)
- Renew and reform performance management (2017)
- Expand career paths (2017)
- Renew and reform recruitment (2017)

Splitska banka / OTP banka Hrvatska integration (2018)

Complete OTP banka Romania's organisational culture scheme (2017)

Rationalise group governance toolkit (medium term)

OTP Group organisational development (medium term)

OTP banka Hrvatska also took part in the sports days of Croatian banks, where our employees achieved top results, especially in ball games.

HR



2000 persons, i.e. 25% of our employees took part in their own self-run sporting events sponsored by the bank

Financial institutions play a prominent role in financial education for society, and OTP Bank, which has been synonymous with stability and reliability for 67 years, has an especially important role to play.



II. 6. Developing financial literacy

OK Educational Centre Nyíregyháza | Sulibank Experience Portal | Summer camps



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We are responsible for training future generations, and for raising awareness of the fact that saving can be started at any time and is worthwhile even with smaller amounts.



For details about our permanent schemes and practices related to the development of financial literacy, visit our website at <https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese>.

2015

Our commitments and results

Research measuring the effectiveness of the OK Educational Centre

The survey was carried out jointly with ELTE University (Budapest).

We aimed to further increase the impact and recognition of the OK Educational Centre (continuous)

Almost all participants in public education are familiar with the Centre. The foundation's projects are mentioned in the account statement letters and on ATM slips.

Increase utilisation during the summer period by supporting camps and foundations

Economics camp participation has increased and we have also created a new camp called Sulibank Experience Week.

Deliver educational content about career management to the Economy camps

Implemented.

Exhibit at BETT Show, one of the world's leading education technology events

Implemented, we exhibited at the event.

Provide special and tailored economics training to business partners

Implemented as customer events, with hundreds of participants.

Educate children and students in Montenegro in responsibility and financial awareness through the 'CKB Is My Bank' project

A few standalone projects in financial education were implemented.

2017

The OTP Self-sufficiency Index

Published annually, the OTP Self-sufficiency Index reflects the condition and progress of Hungarian society in the field of self-sufficiency. It was for the tenth time that we published the index in 2016. We have registered a slowly improving trend starting from a low base, with the index steadily rising for the past four years to reach a score of 38 in 2016 on a scale of 100³⁷.

Growth is not across the board, however: we see a worrying development in that social gaps are widening, as wealthier, better-educated middle-aged groups register an increase in their self-sufficiency indicators, while poorer, less educated groups are showing a decline.

The respondents are divided in their opinions on welfare benefits. Never before have so many expected the state to care for them in their old age, which is associated with the fact that nearly three quarters of respondents consider their financial future to be unpredictable. 70% of the respondents expect that their state pensions will not be sufficient. There is increasing demand for private health services.

The proportion of persons with bank deposits or money market investments and having self-sufficiency plans has increased significantly since last year. The most popular savings objectives continue to be savings for unexpected situations, property and travel, but more and more customers save up for the costs of future health treatments.

A third of all respondents keep their money in their homes in spite of the security risks; this is connected with the current low interest rates. In a positive development, dialogue on self-sufficiency intensified to a certain degree last year, and this is mentioned increasingly both in the media and in personal interactions.

³⁷ The score was 37 in 2015.

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OTP Fáy András Foundation

The OTP Fáy András Foundation, which has over two decades of professional experience, plays a crucial role in enhancing the financial literacy of students. The Foundation operates the OK Educational Centre, which offers career events (Karriersuli, Karrieriskola) and courses on finance and economics for secondary and primary school students (Sulibank). Awareness, and the reputation of our financial education events is on the rise. Following our attendance at the BETT Show educational fair in London, we have received invitations from several countries and are in talks regarding cooperation (e.g. Denmark, Australia).

Sulibank Experience Portal

Introduced in 2016, our online Experience Portal offers entertaining and educational content for primary school students. Added to a large number of interesting articles and games are weekly quizzes designed for different age groups, where participants can collect points and exchange them for gifts (e.g. cinema tickets, entrance tickets to adventure parks). Our Experience Portal earned the international Comenius Edu-Media Award and the Special Award for Innovation from the eLearning Forum.

Methodology

The OK Educational Centre provides tuition-free courses to tens of thousands of students each year, using our own innovative and advanced educational techniques and methodologies. Additionally, the Centre is also a scientific institution with its own research base, which continuously seeks the best solutions for the financial education of young people.

Given the high interest and success with which this initiative was met, over the past years we have significantly extended the topics covered, the target audience, and the training venues. The region has no other financial education scheme comparable in significance to the OK Educational Centre.

RO
SK

We work closely with our sister foundations in Romania and Slovakia, and OTP Group trainers from those two countries regularly attend our professional courses and deliver courses with the professional supervision of the OTP Fáy András Foundation. From 2016 onwards, the career modules have been made available at the training courses of the Romanian Right to Learn Foundation as well. We nurture good partnerships with the Association of Hungarian Educators of North Bácska in Serbia, whose teachers and students also attend our events. In addition, we receive numerous individual requests for participation at our courses from teams across the border; these courses are provided mostly at our training centre in Nyíregyháza.

Impact

In the 2015/16 school year, there were 645,000 primary school pupils in Hungary³⁸ and 451,000 secondary school students; so 1.8% of all students attended courses run by the OK Educational Centre. There are several primary and secondary schools, and even whole towns and villages in this country that plan ahead and make sure that all their students attend our courses geared for the specific school years.



Highlights of 2016:

each year, 20,000 students take part in some form of financial awareness training, including 5,000 primary and 15,000 secondary school students

14,000 students at the OK Educational Centre in Budapest and at Train the Trainer courses

6,000 students in Nyíregyháza

10,000 students attended our educational events and one-off courses (nearly 100 events)

4,000 registered on our Sulibank Experience Portal

Camps: 330 students, in 10 cycles

1,400 students attended courses in Romania

2 'travelling' trainers in Transylvania

2,000 students trained in Slovakia

2 other 'travelling' trainers



³⁸ Not including pupils in the first year of primary school, as they are not a target group for OK courses.

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Results

In 2016 we carried out academic research jointly with ELTE University to review the OK course methodology. The most important lesson from the 1500 questionnaires completed is that the students experience progress during learning, which makes these courses especially effective.

An important achievement of the year 2016 has been the opening of the educational centre in Nyíregyháza, which is equipped with state-of-the-art equipment and provides an inspiring environment. We were able to launch career training events at this centre in 2016, and started delivering the recently developed EU course materials as well.

The four-semester post-graduate course at ELTE University, sponsored by the OTP Fáy András Foundation, saw its third group graduating in 2016. This scheme is unique within Hungary: it is the only course which has tutors who have non-financial/economic degrees but who did go through further education in economics and methodology.

We also continued the activities of the OK Teachers' Club, which primarily sponsors the Sulibank scheme and the Erasmus+ scheme (cross-border availability of courses). In 2016 the Nyíregyháza educational centre joined Budapest in holding these events.

The Fáy Success Camp was again implemented with support from Magyar Nemzeti Bank in 2016. For the first time this year, primary school groups took part in the camp, and the children learnt not only about certain financial-economic issues but about career ideas and some European Union knowledge as well. Most of the 250 students participating were high academic performers from disadvantaged or deprived backgrounds and from various parts of the country.

We also organised the Sulibank Experience Week scheme, which offered day camps for primary school pupils in 4 cycles in Budapest. The two participants of our Model School scheme helped each other as they participated in the Foundation's schemes and pilot projects. We aim to expand this initiative further in 2017.

Programmes implemented through cooperation

In 2016, OTP Bank continued to actively support educational institutions and schemes with the aim of developing financial culture.

We helped the following:

- we sponsored the National Case Study Competition run by the Budapest Corvinus University for the 18th time,
- the Professional Week of the Heller Farkas College of Budapest Corvinus University,
- the CEU lecture series focusing on data science; we made it possible for them to invite foreign lecturers, who had shared their recent research findings,
- we sponsored the publication (1000 copies) of a textbook by Tamás Bánfi entitled The Revolution and War of Independence of Money,
- we also sponsored the publication of the technical book Credit Collateral Law published by HVG ORAC Publishers.

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Further schemes aimed at developing financial literacy at Group level

Beyond the work of our OTP Fáy Foundation, we participate in joint efforts within Hungary and across the Group and also have independent initiatives to help extend the financial knowledge of young people and the adult population.



HU OK Project

We operate the OK Educational Centre and encouraged participation in the MoneyWeek scheme, which involved 62 of our volunteers taking part in lessons in schools. We shared knowledge with three different age groups, following predefined exercises and frameworks but relying on their pre-existing experience, in life-like scenarios³⁹. We reprinted the BanKing card game, originally developed jointly with MNB⁴⁰, in response to the great success of the initial run. We held economics training courses for OTP Business customers; there were hundreds of attendees.

SK OTP Ready Foundation

A sister foundation for the OTP Fáy András Foundation, the OTP Ready Foundation operates a network of local trainers and delivers financial, economic and career training, focusing on secondary school students.

RO Right to Learn Foundation

The Right to Learn Foundation operates the OK Educational Centre as a sister foundation to the OTP Fáy András Foundation.

BG Finance dictionary

Linked to the previously developed finance dictionary, the Bank announced games on Facebook in 2016 as well; these were designed to provide a better understanding of financial concepts and provided incentives to invite the greatest possible number of players. Users can also edit the dictionary.

HR MoneyWeek Scheme

Our subsidiary bank also took part in the MoneyWeek scheme in Croatia, and our bank security expert there delivered a presentation to SME customers. On World Savings Day, nearly all of the Bank's branches welcomed child visitors and reminded them of the importance of savings and responsible money management. The Bank also participated in various initiatives of the Croatian Banking Association.

ME University lecture

The bank delivered a lecture to students at the Economics Department regarding banking practices, organisation and structure, including corporate social responsibility activities. Primary school pupils in Podgorica visited our branch, where we introduced them to basic banking processes, the role of money and how ATMs work.

³⁹ OTP Bank and the OTP Fáy András Foundation also took part in writing the learning materials.

⁴⁰ This card game teaches children basic financial terms and the fundamentals of financial management in a playful way.

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Strategic goals

Increase the number of trainers teaching career management (2017)

Set up the building of the OK Educational Centre in Romania (2017)

Expand the model school network (2017)

We work with a focus on values; naturally, we also represent and embody our values in our donations.

II. 7. Citizenship

Humanity Social Foundation | Engagement of stakeholders | OTP Bank Bozsik Scheme



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We also support various schemes and initiatives we can be proud of, making a real difference for local communities and society at large. OTP Bank is one of the largest charitable donors in Hungary, donating billions of Forints annually; the size of this amount, the expertise of our collaborating partners and our long-term commitment are the safeguards for achieving a genuine impact through our donations.

Our efforts are focused primarily on

- developing financial literacy and raising awareness (given its primary importance, these endeavours are presented in a separate chapter);
- creating equal opportunities: helping the disadvantaged and those in need;
- sponsoring culture and the arts: creating and preserving values; and
- sports.



For more details about the basic principles of our corporate social responsibility and the schemes we are sponsoring, please visit our website at <https://www.otpfenntarthatosag.hu/hu/kozosszerepvallalas>.

2015

Our commitments and results

Support opportunities for individual volunteering

The restructuring of the volunteering scheme was postponed to 2017.

Upgrade OTP Bank's sustainability site

Implemented: www.otpfenntarthatosag.hu

For 2016, an Olympic year, promote sports and, through sports, a mindset of health and inclusivity

Implemented.



2017

7.1. Our citizenship schemes

Members of OTP Group implement their sponsorship activities independently of one another, meeting the local needs and keeping within their own budgets. As part of these endeavours they cooperate with local NGOs, ensuring an effective and efficient utilisation of resources.

OTP Bank attaches particular importance to the CSR schemes it implements via its foundations, which all meet the standards expected by our company in terms of professionalism and result-orientation. The OTP Fáy András Foundation is responsible for financial and economic education, while the Humanity Social Foundation is active in the field of social issues.

Committed to long-term cooperation, OTP Group also saw many of its collaborations continue into 2016 (e.g. International Children's Safety Service, Hand in Hand Foundation, OTP Bank Bozsik Foundation, SOS Children's Village in Bulgaria, sporting events in Croatia).



For more details about these schemes, visit our website at www.otpfenntarthatosag.hu or the websites of the subsidiaries.

In 2016 we spent HUF 2.4 billion on donations, thus mirroring the outstandingly high levels of 2015. In 2016, the largest amount we donated was to support the operations of the OK Centre (see chapter 6 on Developing Financial Literacy). 68% of all donations are by the parent company. While the majority of our donations across the Group were financial contributions, we often provided support in kind, such as donating computers and enabling volunteer initiatives.

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OTP Bank has a tradition of donating some of its outdated but operational equipment to charity; in 2016, we donated more than 2.5 times as many computers (205) than in the previous year. Some of our sponsorship is also for good causes: In 2016 OTP Group devoted HUF 1.2 billion to socially aware sponsorship, of which 66% was donated by OTP Bank. Most of our sponsorship is to sports activities (50%) and to the arts and culture (37%).



HUF 2.4 billion in donations



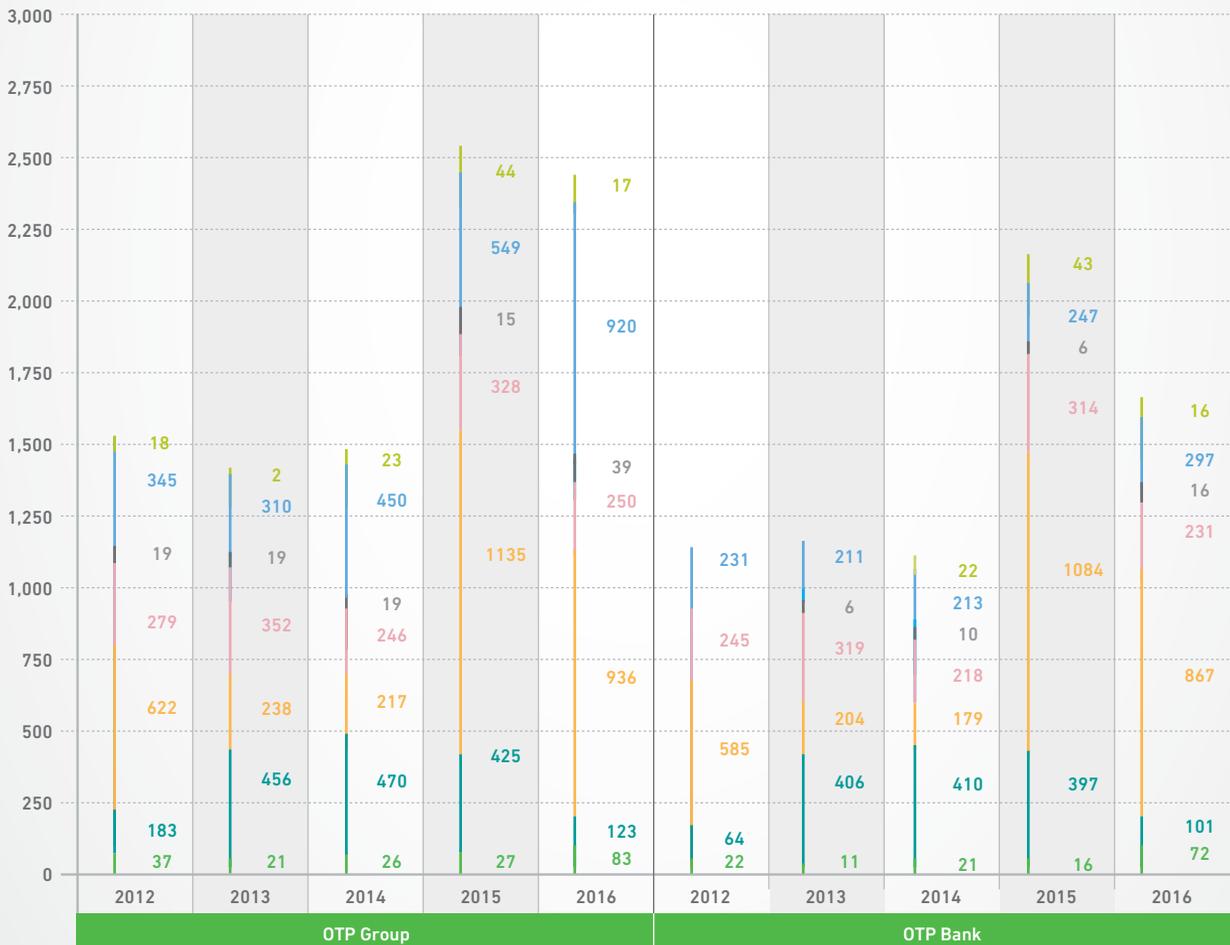
205 computers delivered to those in need

OTP Bank and OTP Group

2012–2016

Donations

HUF million



- healthcare
- education
- local communities
- environmental protection
- culture
- social
- sports

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Humanity Social Foundation⁴¹

Besides its core objective of providing welfare support, the Foundation takes part in implementing training and education schemes aimed at creating opportunities inherent in education, and it supports schemes for improving social sensitivity and social responsibility and improving awareness of the future and the environment. For the benefit of efficient and transparent operations, the Foundation grants subsidies through an open application process. OTP Bank involves the Foundation in an increasing number of its donations.

In 2016, the Foundation continued its previously launched schemes and grant schemes, which continue to be in great demand among people in need. Some schemes implemented:

Scholarship scheme to finance the university studies of talented young people from disadvantaged backgrounds: 41 persons.

Funding to support the purchase of medicines and medical aids and the medical treatment of socially disadvantaged persons: 18 persons.

Housing support for fostering and adoptive families, who tend to use the donations for heating modernisation, building insulation and the replacement of doors and windows: 3 families.

- Diagnostic ultrasound equipment for the Péterfy Sándor Street Hospital and Clinic (Budapest); the equipment can be used to examine 25,000 patients a year.
- Christmas donations: 23 persons were given financial help, donation packages were sent to 80 families in need, and Santa Claus celebrations held for 600 children in need; jointly with the OTP Fáy András Foundation.
- We supported the formulation of the professional scheme of pedagogical services and sponsoring the early intervention conference entitled 'Team around the Child' (135 participants); also, we organised (with the OTP Fáy András Foundation) a teachers' professional day, where 90 professionals attended.
- We sent many outdated OTP Bank computers to 14 different institutions via the Foundation's application schemes (to schools, foundations, residential homes, associations), helping many disadvantaged families and individuals in this way too.

45+ Corporate Scheme

This scheme focuses on small business development especially for seniors and managers used to operating within large corporations and organisations, offering a solution to the career crisis and career changes of the 45+ generation. Out of dozens of re-starters, six participated in the workshop sponsored by OTP Business, where business plans were drawn up based on two idea maps.



www.45plusz.hu

⁴¹ OTP Bank exercises founder's rights over the Foundation.

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Value creation, preservation of traditions

Initiatives aimed at value creation and the preservation and transmission of traditions remained prominent within OTP Bank's sponsorship activities:

- In Hungary, the Prima Primiissima Award is the highest and best known of all accolades awarded by entities other than State bodies. Its mission is to reward social role models in 10 categories covering people whose achievements, humanity and values can serve as an example for all of us. OTP Bank has been managing and funding the Awards since 2013.
- In 2016 we were once again the title sponsor of the OTP Bank Street Music Festival in Veszprém. OTP Bank donated the prizes handed out to the winners by the professional panel and the audience.
- It is now a tradition for us to sponsor the National Táncház Festival and Fair, and we provided the Táncház Award and Medals for the 5th time. The Táncház Festival, a folk festival with excellent ratings, is a great celebration of táncház ('casual folk dance event') culture, which is included in UNESCO's list of Best Practices and is considered a 'Hungaricum'. The event was also attended by the OK Educational Centre, welcoming visitors with playful exercises, among other things. Over 3000 visitors and hundreds of contributors attended the event.
- We sponsored the 'Fölszállott a Páva' talent competition and the 'Gyerekpáva' scheme. In the final, the winners of each category and the special prize winners received HUF 1 million each, donated by OTP Bank.
- In 2016 we again sponsored over 100 local heritage events, such as the Matyó Festival Week, the Tihany Open Air Theatre, the 'Off with your Shoes' Rural Rambling Family Festival, the International Folklore Festival, the Vidor Festival, the Border Castle Festival in Gyula and some summer events of provincial theatres etc.



4 years,
134 Prima Primiissima award winners



5 years, **1500 applicants to the 'Fölszállott a Páva' talent competition**



Investment in the future: talent development and role models

Currently OTP Bank is the company most committed to the future of Hungarian football. In the 2016/17 school year, more youngsters than ever are playing football all over this country in the OTP Bank Bozsik Programme. Bozsik Cups were run in as many as 230 regions, with 102,300 young people from 2950 institutions taking part; this was the first time that the hundred thousand mark was exceeded in the institutional part of the scheme. 30% of participants were of kindergarten age and a quarter of them were girls.

A football competition of secondary school students, the Fair Play Cup is also more popular than ever: 8211 players from 448 institutions took part in it this year. In this age group, over a third of the participants are girls. The 2017 objective of the scheme is to involve even more young people.

As a diamond sponsor of the [Hungarian Olympic Committee](#), OTP Bank granted HUF 130 million over the course of the year to support the Hungarian Olympic set-up and help Hungarian athletes prepare for the Olympics. OTP's 'Riaria' app also helped athletes in their preparations as it allows fans to send messages of support directly to the Olympians. The application won awards in several categories of both the Prizma and Golden Blade awards.



To read about OTP Bank's additional donation and sponsorship activities, visit <https://www.otpfenntarthatosag.hu/hu/kozossegi-szerepvallalas>.

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7.2. Volunteering

We welcome and support the volunteering activities and initiatives of our employees. The vast majority of our employees are committed to good causes, it is easy to involve them in initiatives and, often, they are the ones proposing ways of helping others. Predominantly, they help disadvantaged children and people living with disabilities, but there are numerous initiatives across the Group in the areas of financial education, environmental protection and healthcare as well.

- OTP Bank's Volunteer Scheme continued in 2016, and financial help was provided to 35 schemes during the year. Teams from all over the country again volunteered to help in a variety of ways.
- In 2016, we carried out an online survey about volunteering. Its results show that our employees prefer to support small local organisations and while most volunteer in social projects, they would be happy to help in other areas too. Also taking into account the findings from the questionnaire, we have postponed the revision of our volunteering scheme to 2017.

RO

- OTP Bank Romania set up a volunteer initiative called OTP Community in order to expand the range of volunteering initiatives and the number of employees taking part in them.

HR

- OTP banka Hrvatska joined the 'Croatia volunteers' nation-wide scheme, in which 38 colleagues volunteered to help 10 organisations, primarily in humanitarian aid.

RO

ME

- In 2016, OTP Bank again organised several blood donation events in several locations; 862 persons donated blood 1,612 times, the figures are similar to previous years, and a large number of OTP Bank Romania and CKB employees also continued to serve as blood donors.

In 2016, CKB was recognised for the second time by the Montenegro Transfusion Institute for its contributions to blood donation.

- Nearly 160 employees of three OTP Bank organisational units devoted team building time to volunteering. They took part mostly in refurbishing and decorating child care and educational institutions.
- Our employees also participated in a number of initiatives to collect various donations. OTP Bank employees donated children's books with personal inscriptions as part of the Christmas for All event organised by the International Children's Safety Service and its sponsoring partners, including the bank. Around 900 books were collected for this.

UA

- OTP Bank Ukraine organised the collection of money and other gifts for the school of visually impaired children in Kyiv.

BG

- DSK Bank has been recycling PET items for years; it has designated locations for depositing them.

ME

- CKB's employees continued their tradition of raising money to help the Childcare Hospital in Podgorica to purchase equipment. They also took part in a regular nation-wide environmental promotion event, which involved planting trees and installing street furniture in public parks. In the town of Pljevlja, they cleaned up the viewing platform and created a rest facility.

Strategic goals

Set up OTP Bank's online donation platform (2018)

Rethink and improve the Prima Primissima Awards (2017)

Create Photo Museum (2019)

Organise events encouraging financial awareness on the occasion of the World Savings Day (2017)

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7.3. Citizenship at subsidiary banks

BG SOS Children's Village gold sponsor

- As a gold sponsor, the bank has a tradition of supporting the SOS Children's Village. The charitable donations we received at DSK Bank's ATMs amounted to HUF 160 million in 2016.
- The bank liaises with several children's chess clubs and sponsored two national chess championships in 2016.
- As is a tradition now, we sponsored the Christmas in Bulgaria charitable initiative, which supports hospitals and people in need.
- We joined the 'Easter for All' initiative of the Red Cross of Bulgaria and gave elderly people financial help and food vouchers.
- We also supported the One Dream initiative, which helps with the education of children living in care homes.
- The bank also sponsors culture, through the assistance it provides to the Sofia Theatre and the competition for the best contemporary Bulgarian play.



Further information:
<https://dskbank.bg/>



HR Sponsoring education

- The collective name of the sponsorship schemes is: 'Green light for...' - with a variety of target areas represented. We sponsored 52 projects to the tune of HUF 16.6 million in 2016.
- Education is one of the key areas of sponsorship for the bank. Each year, we grant scholarships to several students: in 2016, we helped 84 students with a total of nearly HUF 21 million, and donated an equivalent amount to the Dr. Ivan Novak association, founded in the town of Čakovec, which helps students prepare for educational competitions.
- We also helped the Zadar centre of the Croatia Mountain Rescue Service purchase a new vehicle.
- Our employees again took part, as a group, in the Wings for Life World Run humanitarian event, which was held simultaneously in 35 cities of the world.



Further information:
www.otpbanka.hr

ME Interactive donations campaign

- The bank has not changed the focal points of its donations and continues to support healthcare, education, culture, local communities and sports. In 2016 we organised an interactive donation campaign for our partners and customers.
- In 2016, the Bank continued its sponsorship of the Exhibition of Young Inventors, which was attended by many government representatives, teachers and students.
- We sponsored a number of music festivals, e.g. a Jazz Festival, Accordion Festival, Theatre Festival and SeaDance.
- The bank used various funds earmarked for Christmas gifts to finance, among other things, the purchasing of medical equipment for the Pulmonology Hospital and also computers for primary schools.
- We hold regular exhibitions in one of our branches in Podgorica where we display paintings and photographs by the students of the Faculty of Fine Arts.



Further information:
www.ckb.me

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RO Educational model

- We are working on adapting the OK Educational Centre's financial education model to use at the Bucharest Centre via the Right to Learn Foundation.



For details see Chapter 6 on Developing financial literacy.

- We continued to sponsor the Handball Club in Székelyudvarhely.
- We also sponsored the Szekler Museum of Ciuc and an exhibition of Tivadar Csontváry's paintings.
- We sponsored the nation-wide consumer protection competition 'Choose! It is your Right!' aimed at primary school students.
- We also provided support to Babeş-Bolyai University in Cluj-Napoca.



Further information: www.otpbank.ro

RU Museum support

- The bank became a founding member of the foundation sponsoring the state-owned Museum Vrubel and its board of trustees. This is the most famous museum in the Siberian region.



Further information: www.ckb.me



SK OTP Ready Foundation

- The bank's sponsorship focusses on running the OTP Ready Foundation, which is a sister foundation to the OK Educational Centre (for further details, see chapter 6).



Further information: www.otpbank.sk

RS EXIT music festival main sponsor

- We supported the purchase of New Year's gifts for the children of families in need.
- We have been the main sponsor and exclusive financial service provider of the EXIT music festival for years. The festival, which started as a student movement that stood for freedom and peace in Serbia and the Balkans, has an important social mission. In 2016 OTP banka Srbija introduced its co-branded card, the EXIT Magic Card. The card offers discounts at 400 outlets across the country. The OTP Karaoke Stage handed out prizes to the best performers.
- We also issued two co-branded cards together with the two largest football clubs in Serbia.
- We donated money to hospitals in the town of Nis to develop healthcare services.



Further information: www.otpbanka.rs

UA Donations to orphanages

- The bank continued to support the Blagomai Charity Fund which operates orphanages near Kyiv; we gave the Fund 10 computers we no longer used.



Further information: www.otpbank.com.ua

OTP Group is working on reducing its environmental impact.



II. 8. Environmental protection

Solar panels in Zadar | Paperless processes | Bicycle storage



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We are still concentrating our efforts on cutting the use of paper, rationalising our travel plans and saving energy. The increasingly important digitalisation trend is an efficient enabler of these efforts.



To read our basic principles concerning environmental protection and the fundamentals of our practice, visit our website at <https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem>.

The indirect impact of our activities and also our opportunities are primarily linked to our role as a responsible service provider and employer. For years, our actions and activities have been determined by a desire to keep our operating costs under control, so that we implement only target-specific investments.

2015

Our commitments and results

We carried out a detailed assessment of the possibilities for separate waste collection, taking into account the characteristics of the buildings.

We investigated the potential for extending selective waste collection. However, we rejected the idea, as the volume we generate is small, emptying charges would be too high; also, there is insufficient space for installing additional containers and it would be impossible or difficult to make sure that the selective waste is clean.

Reviewing supplier ratings and assessments against CSR criteria, and assessment against the revised criteria of at least the top 10 suppliers

We are still designing the criteria; we will incorporate them into the system of assessment when we overhaul our supplier rating and evaluation system.

Reduce paper use in internal processes (ongoing)

Implementation in progress.

Reduce paper use at OTP Bank, introduce electronic contracting for bank cards, car lottery deposits, foreign exchange accounts, savings accounts, securities accounts, account plan switching and new account opening.

The developments have been implemented.

Install solar panels at two additional locations in Croatia
The solar panels have been installed in Zadar and work is ongoing in Pula.

2017

Energy

We are continuously modernising our systems, and have been installing energy-saving, modern building engineering solutions and energy-saving lighting as part of our construction investments and branch refurbishments (112 branches in 2016).

Examples from 2016:

Solar panels in Croatia

The installation of solar panel systems continued in Croatia; the latest investment project was implemented at the Zadar head office building with a grant from the Environmental Protection and Energy Efficiency Fund. The investment project at the site in Pula is to be completed in 2017. The bank is the first major organisation in Croatia to use energy that is self-generated.

HR

DSK Bank replaced installed LED light sources with more efficient solutions in its branches.

BG

OTP Bank Ukraine replaced its external lighting with LED solutions. Computers hibernate automatically after a certain period of inactivity.

UA

The Slovakian subsidiary bank entered into an agreement with a new energy supplier which produces energy from renewable sources.

SK

In Serbia, heat exchangers were installed in the air conditioning systems of refurbished branches to save energy.

RS

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OTP Group's energy consumption was⁴² 620,000 GJ in 2016, 34% less than in the previous year. This decrease is due largely to more precise reporting, as OTP Bank Russia was able to contribute comprehensive data for the first time⁴³. At the other members of OTP Group, energy usage changed due to changes in volumes and activity scopes as well as in weather conditions. The amount of energy generated in 2016 from solar energy and heat pumps stood at 1,960 and 3,307 GJ, respectively.

Energy consumption (GJ)	OTP Bank				
	2012	2013	2014	2015	2016
Direct energy consumption total	120,831	136,770	90,093	97,204	94,697
Gas energy	84,080	82,255	60,184	65,058	63,436
Vehicle fuel	34,801	40,445	27,959	30,205	29,312
Other	-	-	-	-	-
Solar energy (renewable)	1,950	1,950	1,950	1,950	1,950
Heat pump (renewable)	-	-	-	-	-
Indirect energy consumption total	172,915	164,488	153,245	155,540	152,159
Electricity	145,004	138,373	128,639	128,822	126,590
District heating	27,911	26,115	24,606	26,718	25,569
Grand total energy consumption	293,746	301,259	243,338	252,744	246,857
Total per-capita energy consumption	36.65	37.62	30.39	31.81	31.55

Energy consumption data are derived from meter readings, and in the case of vehicle fuel they are calculated from average consumption data; the measured consumption quantities are converted to energy at local average calorific values.

Energy consumption (GJ)	OTP Group				
	2012	2013	2014	2015	2016
Direct energy consumption total	275,193	250,185	267,312	327,162	196,175
Gas energy	146,089	143,265	176,833	181,930	96,773
Vehicle fuel	115,164	97,842	84,310	138,859	93,062
Other	8,124	3,487	1,209	586	1,074
Solar energy (renewable)	1,950	1,950	1,950	1,956	1,960
Heat pump (renewable)	3,867	3,641	3,010	3,831	3,307
Indirect energy consumption total	457,464	447,722	618,257	617,215	423,614
Electricity	387,934	386,020	545,502	542,943	343,953
District heating	69,530	61,701	72,755	74,272	79,661
Total energy consumption	732,657	697,906	885,570	944,376	619,790
Total per-capita energy consumption	20.72	18.89	23.38	26.86	17.62

* The data for 2014 and 2015 are significantly influenced by OTP Bank Russia's absent data, as a result of which its consumption is estimated in proportion to its headcount.

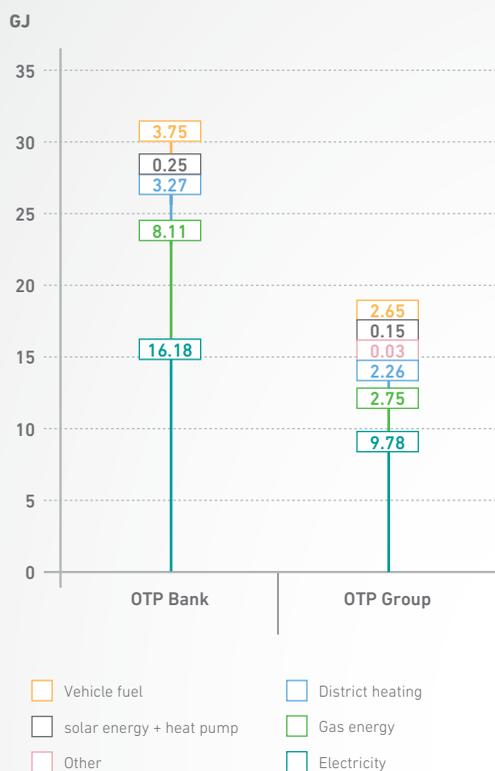
Energy consumption data are derived from meter readings, and in the case of vehicle fuel they are calculated from average consumption data; the measured consumption quantities are converted to energy at local average calorific values.

⁴² Direct and indirect energy use combined.

⁴³ In prior years, we estimated the energy consumption of OTP Bank Russia as an average of the other group members; however, the Russian subsidiary bank's per-capita consumption is much lower than that.

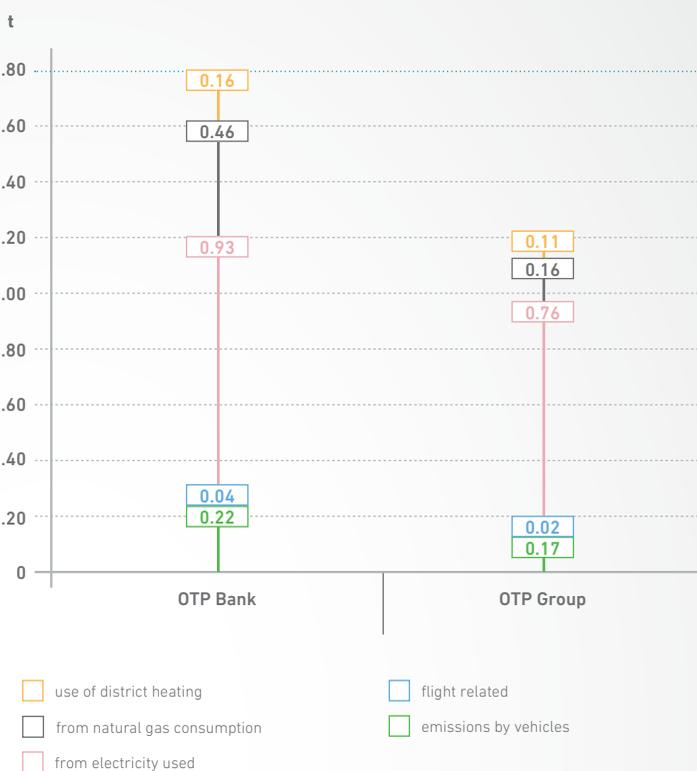
OTP Bank and OTP Group 2016

Per-capita energy consumption



OTP Bank and OTP Group 2016

Per-capita CO₂ emission



OTP Group total CO ₂ emissions (t)	OTP Bank					OTP Group				
	2012	2013	2014	2015	2016	2012	2013	2014*	2015*	2016
Direct										
emissions by vehicles	2,049	2,297	1,959	1,827	1,731	7,635	6,260	5,774	8,640	5,897
flight related	601	359	304	257	344	1,852	823	524	585	727
from natural gas consumption	4,091	4,591	3,359	3,631	3,541	7,107	7,997	9,870	10,155	5402
Indirect										
from electricity**	4,431	4,228	3,931	3,936	7,265	11,854	11,795	16,668	16,590	26,856
use of district heating	1,410	1,319	1,243	1,349	1,244	3,511	3,116	3,674	3,750	3,955
Total	16,498	16,504	14,247	14,457	14,125	50,944	48,199	59,605	62,843	42,838
Per capita	2.06	2.06	1.78	1.82	1.81	1.44	1.30	1.57	1.79	1.22

This table contains the key identified items of carbon-dioxide emission; other emissions of gases with greenhouse effect are negligible. With the exception of flights, the items shown were calculated from energy consumption on the basis of the applicable statutory regulations, industry estimates and official emission data.

* The data is significantly influenced by OTP Bank Russia's absent data, as a result of which its consumption is estimated in proportion to its headcount.

** The electricity-related emissions factors were adjusted for country-specific data in 2016. In order to achieve genuine comparability among carbon emission figures, we adjusted the factors retrospectively as well.

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Developing financial literacy

Citizenship

Environmental protection

Paper

Introducing electronic processes and thus reducing paper use is an important objective across the Group. We want to reduce the amount of paper used in customer services and also paper use in our internal workflows.

As of today, the law does not permit us to replace paper with electronic documentation in all cases and at all our group members.

OTP Bank has reduced the amount of paper handed out to customers:

- Personal identification via an electronic channel is sufficient for requests for offers of housing savings contracts, contracting a bank card, an E-car lottery deposit or a personal loan; this will be enabled for a number of other products as well from 2017 onward.
- The online document inquiry platform is available for free inquiries about contracts, statements and other documents in our internet banking service, and this makes it unnecessary to offer these on paper.
- The introduction of our signature pads has made it possible for customers to sign forms and contracts electronically in some branches; this will be rolled out further in 2017.

UA

Drastic fall in paper use

The option of signing electronically and the discontinuation of the obligation to issue invoices for certain transactions as well as the decrease in contract lengths has resulted in a decline, by approximately 50%, in paper use in Ukraine.

RO

RU

RS

The simplification of contracts and documents, the standardisation of documents requested and the elimination of duplicates has been achieved in relation to a number of processes and products in Romania, Russia and Serbia. In Romania, employees in the branch network made recommendations about which internal documents should be digitalised and in what format.

HR

RO

We introduced e-committees in Croatia and Romania: This means that committee documentation is forwarded via electronic channels. The same two subsidiary banks upgraded their office equipment, e.g. by procuring central multifunctional printers and scanners.

E-statements

For years now, all members of OTP Group have made electronic account statements available wherever enabled by legislation⁴¹. We continuously encourage our customers to cancel their paper-based statements.

- In the case of retail bank accounts, 45% of customers have already opted out of paper-based account statements in Hungary (2015: 41%). As at the end of 2016, about 28% of non-retail customers received only e-statements.

At DSK Bank, customers receive electronic statements by default; paper bank account statements are available for a fee, as a result of which 83% of customers received electronic statements in 2016.

BG

The proportion of electronic statements did not change significantly in Romania in 2016; they amounted to 8% of all statements.

RO

In Slovakia, the revised retail account packages offer only electronic account statements.

SK

As a combined effect of these processes, aggregated paper use decreased by 10% (98 tons) at OTP Bank and by 12% (554 tons) across OTP Group compared to the previous year. Recycled paper amounted to 12% of all paper used across the Group.



16,720 mature trees saved
by using recycled paper and reducing paper consumption

⁴⁶ The functionality has just become available in Croatia, so that the bank is planning to start sending electronic account statements and notifications by e-mail in 2017.



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Travel

The provision of banking services entails extensive staff travel and transport. When purchasing cars, we specifically seek out low-consumption models, and our cars are kept in service as long as it is economical and safe.

BG

DSK Bank replaced its entire vehicle fleet in 2016, purchasing a total of 80 new cars; it also automated the registration/logging of all staff travel. Our Slovakian subsidiary bank plans to replace its vehicle fleet in 2017. Our Serbian subsidiary arranged regular commuter solutions between Kula and Novi Sad for its employees (a similar arrangement used to operate between Belgrade and Novi Sad, but this was discontinued due to a drop in the number of employees involved).

OTP Group also continues to exploit the possibilities of **video conferencing**. In 2016, a total of 10,000⁴⁵ video conference calls were made by our employees, for a total duration of 8,700 hours (nearly a whole year). These video conference calls reduced travel-caused carbon emissions by 2,700 tons.



We averted the annual carbon emissions of 344 persons through video conferencing



one year – the total duration of our video conferencing

Waste management

OTP Group replaces IT equipment regularly and handles scrapped equipment in compliance with the applicable environmental regulations. OTP Bank continued its practice of enabling the re-use of equipment (gifting 1,000 PCs and monitors in 2016); besides this, several Group members have been giving used IT equipment to charity for years.



See chapter 7.1 on Citizenship for further details on this subject

RS

SK

UA

The number of our bicycle storage facilities increased significantly during the year; we installed bike racks at head office buildings in Serbia, Slovakia and Ukraine⁴⁶.

Of our subsidiary banks, CKB Bank, OTP banka Srbija, OTP Bank Romania and DSK Bank recycle their electronic waste.

As for recycling, the separate collection of PET bottles, paper waste and used toners has been partly implemented by several members of OTP Group. Other Green initiatives in 2016:

- the Serbian subsidiaries also introduced the selective collection of paper and ink cartridges;

- paper collection containers were installed in the head office buildings in Ukraine.

Quantity of selectively collected waste	OTP Bank					OTP Group				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Selectively collected waste paper (t)	348	298	342	303	292	631	681	1,442	1,046	1,303
Selectively collected PET bottles (kg)	9,598	6,287	5,203	10,302	9,966	9,957	7,354	6,264	12,023	12,526
Selectively collected hazardous waste (kg)	489	196	2,894	3,603	12,440	19,749	1,789	8,272	37,029*	21,927

* The aggregate amount increased due to certain electronic waste at several subsidiaries.

⁴⁵ Group-level estimate based on OTP Bank's accurate data.

⁴⁶ Bicycle storage is now available at all head office buildings and numerous branches in Hungary and Romania, and at the head office buildings in Russia.

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employerDeveloping
financial literacy

Citizenship

Environmental
protection

Responsible procurement

Our procurement activities are primarily related to providing the conditions for and selling of our services. Our procurement principles and expectations for suppliers remained essentially unchanged; see our website for more information.

Typical data on the materials used by OTP Group and its procurements	OTP Bank					OTP Group				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Number of branches	397	397	395	386	380	1,443	1,434	1,524	1,328	1,316
Branches refurbished during the year – proportion to total	3%	6%	4%	4%	4%	4%	5%	5%	4%	7%
Number of computers	9,000				11,000*	n/a				
Replacement period	4 years on average									
Number of ATMs	1,956	2,017	1,976	1,895	1,937	3,940	3,939	3,924	3,857	3,904
Number of POS terminals	49,385	51,683	52,336	55,288	59,988	66,644	69,427	69,552	76,567	6,648
Weight of ink cartridges and toners used (kg)	3,128	11,051	6,403	6,625	6,648	32,987**	43,987	32,282**	32,482**	37,233**
Amount of office paper (t)	963	1,006	1,015	928	838	3,382**	3,422*	3,701	3,089	2,983
Amount of paper used for document sorting and packaging (t)	24	26	46	45	39	223***	67***	111***	139***	107
Amount of indirectly used paper (t)****	580	233	63	46	44	2,256***	598***	1,274***	1,448***	989

* Also including laptops since 2016

** Estimate: pro-rated on the basis of actual data.

*** the data on the amount of paper used by OTP Group are somewhat less reliable

**** E.g. marketing publications, letters posted by sub-contractors.

Strategic goals

To install solar panels at our Croatian subsidiary bank's building in Pula (2017)

Further reduction of the amount of paper used (ongoing)





III. Annexes



Portfolio components by sector

Small and medium enterprises Group members' assets by sector, on-balance sheet exposure to own customers, %, 31/12/2016	Hungary*	Bulgaria	Russia	Ukraine	Croatia	Romania	Slovakia	Serbia	Montenegro
Agriculture, forestry, fishing	13%	22%	2%	7%	18%	9%	9%	3%	4%
Mining, quarrying	0%	0%	0%	0%	0%	1%	0%	0%	0%
Light industry	9%	18%	1%	10%	14%	17%	20%	13%	11%
Electricity, gas, steam and air conditioning	0%	1%	0%	0%	0%	6%	4%	0%	0%
Water supply; sewage, waste management and remediation activities	1%	1%	0%	0%	0%	1%	3%	0%	0%
Construction industry	9%	7%	1%	11%	6%	10%	7%	4%	6%
Wholesale and retail trade; repair of motor vehicles and motorcycles	22%	28%	50%	4.6%	25%	34%	18%	34%	4.2%
Transportation and storage	9%	5%	18%	0%	7%	4%	2%	12%	10%
Accommodation and catering	1%	8%	0%	9%	12%	4%	1%	2%	6%
Information, communication	1%	1%	0%	6%	2%	2%	2%	0%	3%
Financial and insurance activities	2%	0%	0%	0%	0%	1%	0%	0%	0%
Real estate activities	7%	1%	0%	4%	1%	5%	24%	27%	4%
Professional, scientific and technical activities	3%	3%	9%	6%	5%	4%	5%	3%	7%
Administrative and support service activities	3%	2%	19%	1%	4%	2%	3%	0%	3%
Public administration and defense; compulsory social security	1%	0%	0%	0%	0%	0%	0%	0%	0%
Training	0%	0%	0%	0%	0%	0%	0%	0%	0%
Human health and social work activities	1%	1%	0%	0%	1%	0%	1%	0%	1%
Arts, entertainment and recreation	0%	0%	0%	0%	1%	1%	1%	1%	0%
Other services	16%	1%	0%	1%	3%	0%	1%	0%	1%
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	0%	0%	0%	0%	0%	0%	0%	0%	0%
Extraterritorial organizations and bodies	2%	0%	0%	0%	0%	0%	0%	0%	0%
Total (HUF billion)	316	79	0.4	2	20	87	108	12	10

* OTP Bank and Merkantil Bank

Medium and Large enterprises Group members' assets by sector, on-balance sheet exposure to own customers, %, 31/12/2016	Hungary*	Bulgaria	Russia	Ukraine	Croatia	Romania	Slovakia	Serbia	Montenegro
Agriculture, forestry, fishing	5%	3%	0%	4%	10%	6%	2%	7%	2%
Mining, quarrying	0%	1%	4%	4%	1%	0%	0%	0%	1%
Light industry	6%	28%	8%	32%	16%	26%	8%	36%	17%
Electricity, gas, steam and air conditioning	2%	3%	0%	0%	0%	9%	12%	1%	0%
Water supply, sewage, waste management and remediation activities	0%	2%	0%	0%	2%	1%	0%	0%	0%
Construction industry	7%	7%	11%	1%	10%	13%	3%	7%	14%
Wholesale and retail trade; repair of motor vehicles and motorcycles	12%	26%	44%	36%	21%	25%	14%	33%	41%
Transportation and storage	4%	1%	0%	1%	3%	3%	1%	10%	2%
Accommodation and catering	1%	4%	0%	0%	15%	1%	1%	1%	15%
Information, communication	1%	0%	1%	0%	1%	1%	3%	1%	1%
Financial and insurance activities	34%	1%	3%	1%	2%	3%	2%	0%	3%
Real estate activities	7%	17%	28%	20%	5%	7%	16%	3%	3%
Professional, scientific and technical activities	2%	2%	0%	0%	4%	3%	12%	1%	1%
Administrative and support service activities	2%	1%	0%	1%	6%	1%	8%	0%	0%
Public administration and defense; compulsory social security	0%	0%	0%	0%	0%	0%	0%	0%	0%
Training	0%	0%	0%	0%	1%	0%	0%	0%	0%
Human health and social work activities	0%	2%	1%	0%	3%	0%	0%	0%	0%
Arts, entertainment and recreation	0%	1%	0%	0%	1%	0%	9%	0%	0%
Other services	6%	0%	0%	0%	0%	0%	0%	0%	0%
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	0%	0%	0%	0%	0%	0%	0%	0%	0%
Extraterritorial organizations and bodies	9%	0%	0%	0%	0%	0%	9%	0%	0%
Total (HUF billion)	1 182	323	31	169	136	139	49	58	39

Industrial classification is according to the UN (ISIC) classification. Company sizing complied with the relevant legal categorisation.

* OTP Bank and Merkantil Bank

Proportion of employees on indefinite and fixed-term contracts, by region, 31/12/2016

	Indefinite term	Fixed term
Hungary	92.6%	7.4%
Russia	92.6%	7.4%
Ukraine	100%	0%
Bulgaria	93.9%	6.1%
Romania	95.5%	4.5%
Croatia	95.3%	4.7%
Serbia	93.0%	7.0%
Slovakia	76.3%	23.7%
Montenegro	89.3%	10.7%
Total	93.3%	6.7%

Schemes for skills management and lifelong learning in 2016	OTP Bank	OTP Group
In-house training courses	Available	Typically available
External training or financial assistance to training	Available	Typically available
Leave of absence for studying, with job guaranteed to return to	Available	Typically available
Planning before pension for those about to retire	Available	Typically not available
Continued training for those who intend to keep on working after retirement	Not available	Typically not available
Severance pay	Available	Typically available
If the organisation provides severance pay, does it take into account the employee's age	Yes	Typically not
If the organisation provides severance pay, does it take into account the number of the employee's years of service	Yes	Typically not
Jobseeker assistance for employees made redundant	Not available	Typically not available
Assistance during the transition to life without employment	Available	Typically not available

Weighted average by employee headcount.

Typically not available/Typically not: available at less than 50% of the members of the Group.

Partly available: available at 51-70% of the members of the Group.

Typically available: available at 71-99% of the members of the Group.

Serious illness-related support, 2016	Employees		Employees' family members		Members of local community	
	OTP Bank	OTP Group	OTP Bank	OTP Group	OTP Bank	OTP Group
Education/training on how to prevent/treat a given illness	Not available	Typically not available	Not available	Not available	Available	Typically not available
Consultancy concerning illnesses	Available	Typically not available	Not available	Not available	Available	Typically not available
Activities aimed at preventing illnesses or the spreading of illnesses	Available	Részben Available	Not available	Typically not available	Available	Typically not available
Treatment	Available	Typically not available	Not available	Typically not available	Available	Typically not available

Weighted average by employee headcount.

Typically not available: available at less than 50% of the members of the Group.

Partly available: available at 51-70% of the members of the Group.

Typically available: available at 71-99% of the members of the Group.

At several members of OTP Group, there are employees who are often exposed to a considerable risk of stress in the course of their work.

Benefits (2016)	Hungary		Bulgaria		Montenegro		Croatia	
	Full time employees	Part time employees, on fixed-term contracts	Full time employees	Part time employees, on fixed-term contracts	Full time employees	Part time employees, on fixed-term contracts ⁴⁴	Full time employees	Part time employees, on fixed-term contracts
Life insurance	Available	Available	Not available	Not available	Not available	–	Not available	Not available
Health	Available	Available	Not available	Not available	Available	–	Available	Available
Disability/sickness cover	Not available	Not available	Not available	Not available	Available	–	Available	Available
Parental leave	Available	Available	Available	Available	Available	–	Available	Available
Retirement benefit	Not available	Not available	Not available	Not available	Available	–	Not available	Not available
Shares	Available	Available	Not available	Not available	Not available	–	Not available	Not available
Extra day of leave	Available	Available	Available	Available	Not available	–	Not available	Not available
Anniversary bonus	Available	Available	Not available	Not available	Not available	–	Available	Available
Material assistance for special (family) events	Not available	Not available	Available	Available	Available	–	Available	Available
Christmas bonus	Not available	Not available	Not available	Not available	Not available	–	Available	Available
Sports contribution	Not available**	Not available**	Not available	Not available	Not available	–	Available	Available
Holiday contribution	Not available	Not available	Available	Available	Not available	–	Available	Available
Other	Available	Available	Not available	Not available	Not available	–	Not available	Not available

* There are no such employees at the bank.

** OTP Bank provides sports grants to groups of employees upon approval of applications.

Benefits (2016)	Romania		Slovakia		Serbia		Russia			Ukraine nem vált		
	Full time employees	Part time employees, on fixed-term contracts	Full time employees	Part time employees, on fixed-term contracts	Full time employees	Part time employees, on fixed-term contracts*	Full time employees	Part time employees, on fixed-term contracts	Full time, part time employees	Part time employees, on fixed-term contracts	Full time, part time employees	Fixed-term employees
	Life insurance	Available	Available	Not available	Not available	Available	Available	Available	Available	Not available	Not available	Not available
Health	Available	Available	Available	Available	Not available	Not available	Available	Available	Available	Not available	Not available	Not available
Disability/sickness cover	Not available	Not available	Available	Available	Not available	Not available	Not available	Not available	Available	Not available	Not available	Not available
Parental leave	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Not available
Retirement benefit	Available	Available	Not available	Not available	Available	Available	Available	Not available	Not available	Not available	Not available	Not available
Shares	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available
Extra day of leave	Igen	Igen	Available	Available	Not available	Not available	Not available	Not available	Available	Available	Not available	Not available
Anniversary bonus	Available	Available	Available	Available	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available
Material assistance for special (family) events	Available	Available	Not available	Not available	Available	Available	Available	Not available	Not available	Not available	Available	Not available
Christmas bonus	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available
Sports contribution	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Available	Not available
Holiday contribution	Not available	Not available	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available	Available	Not available
Other	Available	Available	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available

* There are no such employees at the bank.



IV. GRI Index



Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
Organisational profile			
102-1	Name of the organisation	back cover, website	https://www.otpbank.hu/portal/en/EthicalDeclaration
102-2	Activities, brands, products and services	Page 15, website	Subsidiary websites available from: https://www.otpbank.hu/portal/en/AboutUs/OTPGGroup
102-3	Location of the organisation's head-quarters	Pages 18-19, website	https://www.otpbank.hu/portal/en/EthicalDeclaration
102-4	Operating locations	Pages 18-19	14 countries, of which our Company has significant operations in 9 countries
102-5	Nature of ownership and legal form	Annual Report	https://www.otpbank.hu/portal/en/IR/Reports/Annual page 13
102-6	Markets served	pp. 18-19, pp. 97-98, Annual Report pp. 42-49	The Annual Report provides more detailed information: https://www.otpbank.hu/portal/en/IR/Reports/Annual
102-7	Scale of the reporting organisation	Pages 18-19 P. 21, Annual Report	The Annual Report provides more detailed information: https://www.otpbank.hu/portal/en/IR/Reports/Annual pp. 5 and 19. We employ market share as the measure of product and service quantities.
102-8	Information about employees and other workers	p. 63, p. 99	
102-9	Description of the organisation's supply chain	microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
102-10	Significant changes to the organisation or its supply chain	pp. 16-17, Annual Report	For changes in capitalisation and ownership structure, refer to the Annual Report. https://www.otpbank.hu/portal/en/IR/Reports/Annual page 5 and 13. No major change took place in the supply chain.
102-11	The principle of prudence or prudential approach	p. 56, microsite	https://www.otpfenntarthatosag.hu/hu/feleloszolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
102-12	Third-party initiatives	p. 101	The Hungarian Banking Association's Code of Conduct: a recommendation for financial institutions regarding behaviour with customers and partners, extends to OTP Bank, Merkantil Bank, OTP Lakástakarék as well as OTP Jelzálogbank. This recommendation represents ethical banking services, thereby facilitating conformity to social norms. https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf The Hungarian Advertising Code of Ethics was designed to serve as a collection of professional and ethical norms for entities engaged in advertising in the territory of Hungary, and to enable professional self-regulation as recognised by Parliament in the preamble to the Act on Essential Conditions of and Certain Limitations to Business Advertising and to the Act on the Prohibition of Unfair Commercial Practices against Consumers. OTP Bank is a signatory to the Code as revised in 2015. http://mrsz.hu/cmsfiles/08/c1/Magyar_Reklametikai_Kodex_2015.pdf
102-13	Memberships of Associations	microsite	https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/erintettek-es-kapcsolattartas
Strategy			
102-14	Declaration by the highest-level decision-maker	Pages 6-7	

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
102-16	Values, principles, standards and behavioural norms	p. 54, pp. 62-63., microsite	<p>Code of Ethics: The guidelines and requirements set out in the Code of Ethics prescribe obligations for the Bank's senior officers and the members of its Supervisory Board. In order to protect the Bank's values, the Code lays down clear and unambiguous guidelines and requirements on ethical business operations for both the Bank and those doing business with the Bank. The Bank operates a system enabling anybody to file reports in person, by telephone or e-mail concerning violations of the Code, and it spares no effort in protecting the employees who report infringements within the Bank from discrimination and unfair treatment, prohibiting retaliatory measures or the application of negative consequences against anybody who reports, in good faith, actual or suspected breaches of the values and principles represented by and laid down in the Code of Ethics. The Bank attaches particular importance to making sure that employees familiarise themselves with, and develop an awareness of, our ethical standards, therefore it conducts e-learning schemes for each employee, along with regular checks and monitoring of compliance with those standards. The Code of Ethics was adopted and approved by OTP Bank Plc's Board of Directors. The Code is available on our website. https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</p>
Governance			
102-18	The organisation's management structure	p. 16, pp. 104-105	<p>https://www.otpbank.hu/static/portal/sw/file/160415_FTJ_2015_e.pdf Board of Directors, Supervisory Board, senior operational management, Responsible Corporate Governance Report 12/04/2017 https://www.otpbank.hu/static/portal/sw/file/OTP_Alapszabaly_20170412.pdf The operation of OTP Bank is assisted by standing committees functioning as the Bank's bodies in charge of preparing and making decisions as well as conducting consultations. Setting up standing committees is within the remit of the Board of Directors.</p> <p>Management Committee: the Bank's supreme managing body, the forum directly assisting the work of the Chairman & CEO. It has decision making powers concerning issues assigned to its scope of competence by the Organisational and Operational Rules, it issues preliminary position statements and it prepares inputs for decisions on many of the issues submitted to the General Assembly, the Board of Directors or the Supervisory Board, along with a coordinating role in the Bank's executive management. The Committee plays a strategic role.</p> <p>Asset-Liability Committee: OTP Bank Plc's management body for the highest-level issues concerning asset and liability management.</p> <p>Product Development, Sales and Pricing Committee: a committee procedurally responsible for dealing with the products and services of the Bank and those of its Hungarian subsidiaries sold through OTP Bank's sales channels, their normative pricing, their sale through the various other sales channels available, and major campaigns.</p> <p>International Product Development, Sales and Pricing Committee: the management forum for addressing issues concerning the Bank's products and services sold by its foreign subsidiary banks and their pricing and sale, as well as any differences in opinion arising between the Bank's foreign subsidiary banks and OTP Bank's business units.</p> <p>Work-out Committee: regarding the enforcement of claims of doubtful recovery, it exercises the right of decision-making where such claims are included in the Bank's portfolio, and the right of consent where such claims are included in the portfolios of specific Group members.</p>

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
102-18	The organisation's management structure	p. 16, pp. 104-105	<p>Credit and Limit Committee: the scope of its powers essentially includes the regulatory and methodological tasks of the Bank and the Group concerning lending and credit risk management, decisions on credit risk exposure to customers, and in the case of Group members exposed to credit risk, the exercise of the rights of decision-making and consent in respect of the duties involved.</p> <p>IT and Operations Committee: provides guidance for the Group's IT and non-IT investment strategy for the benefit of the prudent and safe operations of the Group. It has independent decision-making rights in the matters designated to it by the Organisational and Operational Rules and provides input for decisions by other bodies of the bank. It serves as the management forum for handling disagreements in IT and non-IT investment matters.</p> <p>Group Operational Risk Management Committee: monitors changes in operational risks, operational risk management and business continuity planning, and ensures that the risk management solutions and reporting lines required by law work appropriately.</p>
Stakeholder commitment			
102-40	List of stakeholders	microsite	https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/erintettek-es-kapcsolattartas
102-41	Collective agreements	p. 64, p. 106 microsite	OTP Group provides for its employees' interest advocacy, their right to assemble and to formulate their collective agreement in accordance with the applicable laws and regulations. At member companies of the Group where a collective agreement is in place, it applies to all employees of the given company. 48% of OTP Group's employees are subject to a collective agreement. https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
102-42	Identifying and selecting stakeholders	microsite	https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-Managementje/erintettek-es-kapcsolattartas
102-43	Stakeholder engagement methods		
102-44	Key subjects and questions raised		
Reporting practice			
102-45	List of entities covered by the Annual Report	website	<p>The report contains information on the key members of OTP Group, including OTP Bank, all of the foreign subsidiaries and the following subsidiaries in Hungary: OTP Mortgage Bank, OTP Building Society, OTP Factoring, Merkantil Group, OTP Private Pension Fund, OTP National Health Fund, OTP Fund Service Provider, OTP Real Estate Lease, OTP Real Estate Fund Management, OTP Fund Management, OTP Hungaro-Project, OTP Facility Management, Monicomp.</p> <p>The data of other subsidiaries, with annual revenues below HUF 1 billion, are not included in the report. This Report covers the companies whose operations are releAvailablet to social responsibility.</p> <p>The range of companies consolidated in the Annual Report does not fully coincide with the range of companies covered in the Sustainability Report.</p> <p>The entities included in the organisation's consolidated financial statements are listed in the Annual Report (Note 33). https://www.otpbank.hu/portal/en/IR/Reports/Annual</p>
102-46	The process of defining the content of the Report content and the application of the reporting principles	pp. 11-12	
102-47	List of material subjects	p. 12	

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
102-48	Information republished	p. 20, p. 91	Information may be republished due to changes in data collection methodology or if corrections are needed for previously disclosed erroneous information; this is noted at the releAvailablet place within the text.
102-49	Changes to reporting	p. 106	No major changes took place compared to the previous year.
102-50	Reporting period	p. 11	
102-51	Date of most recent report	microsite	Our most recent Corporate Social Responsibility Report was issued for 2015. https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_Csoport_Fenntarthatosagi_jelentes_2015.pdf
102-52	Reporting cycle	p. 11	
102-53	Contact for questions about this Report	back cover	csr@otpbank.hu
102-54	Declaration of compliance with GRI Standard	p. 11	
102-55	GRI content index	pp. 103-112	
102-56	External assurance	p. 111	Assurance on the report was provided by Deloitte Könyvvizsgáló és Tanácsadó Kft. The assurance provider is independent of OTP Group. As part of assurance, an interview is conducted with the Deputy CEO.
201 Economic performance			
103-1	An explanation and the limits of the material subject	p. 12, pp. 20-21, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag
103-2	Managerial approach and its constituent parts	p. 15, pp. 20-21	
103-3	Evaluation of the managerial approach	p. 14, pp. 16-17, website, microsite	https://www.otpbank.hu/static/portal/sw/file/16041_5_eves_jelentes_069.pdf https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/penzugyi-stabilitas
201-1	Direct economic value generated and distributed	p. 21, website	https://www.otpbank.hu/static/portal/sw/file/1_7041_2_eves_jelentes_040.pdf
201-4	Financial assistance received from government	p. 20, website	https://www.otpbank.hu/portal/en/IR/Reports/Annual p. 51
202 Market presence			
103-1	An explanation and the limits of the material subject	p. 12, p. 16, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2	Managerial approach and its constituent parts	p. 16, p. 107	
103-3	Evaluation of the managerial approach	p. 16	
202-2	Proportion of senior management hired from the local community at significant locations of operation	p. 16, p. 107	OTP Group has no comprehensive policy for giving preference to local residents in respect of employees and senior management.
203 Indirect economic impacts			
103-1	An explanation and the limits of the material subject	p. 12, pp. 20-21	
103-2	Managerial approach and its constituent parts	pp. 20-21, p. 107 microsite	OTP Group does not employ a generic approach or objectives regarding indirect economic impacts but treats individual impacts on the basis of a strategic approach (e.g. lending, employment, financial education). In terms of indirect economic impacts as well, we always act in accordance with the principle of ethical business behaviour. https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas
103-3	Evaluation of the managerial approach	pp. 20-21, pp. 42-44, p. 46, p. 49, p. 76	
203-2	Significant indirect economic impacts, including the extent of impacts	pp. 20-21, pp. 42-44, p. 46, p. 49, p. 76	

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
205 Anti-corruption			
103-1	An explanation and the limits of the material subject	p. 12, p. 51, pp. 53-54, microsite , website	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf
103-2	Managerial approach and its constituent parts	pp. 53-54	
103-3	Evaluation of the managerial approach	pp. 54-55	
205-2	Communication and training on anti-corruption policies and procedures	p. 54, microsite	Training related to the Code of Ethics also incorporates the subject of anti-corruption. https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas
206 Preventing anti-competitive behaviour			
103-1	An explanation and the limits of the material subject	p. 12, p. 51, pp. 53-54, microsite , website	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf
103-2	The managerial approach and its constituent parts	p. 51, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas
103-3	Evaluation of the managerial approach	p. 55	
206-1	Number and outcomes of legal proceedings relating to anti-competitive conduct or breaching of anti-trust or anti-monopoly regulations	p. 55	
302 Energy			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-3	Evaluation of the managerial approach	pp. 89-90, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
302-1	Energy consumption within the organisation	pp. 90-91	
305 Emissions			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-3	Evaluation of the managerial approach	pp. 89-90, p. 94, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
305-1	Direct GHG emissions (Scope 1)	p. 91	
305-2	Indirect GHG emissions (Scope 2)	p. 91	
307 Environmental compliance			
103-1	An explanation and the limits of the material subject	p. 12, p. 51	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas
103-2	The managerial approach and its constituent parts	p. 53, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas/etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
103-3	Evaluation of the managerial approach	p. 55, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalattas-etikus-uzleti-magatar-tas-es-biztonsag/etikus-es-atlathato-uzleti-magatar-tas https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
307-1	Non-compliance with environmental laws and regulations	p. 55	
401 Employment			
103-1	An explanation and the limits of the material subject	p. 12, p. 21, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3	Evaluation of the managerial approach	p. 64, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
401-1	Total number and rates of new employee hires and exiting employees by age group, gender and region	pp. 65-66	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	pp. 100-101	
402 Labour/management relations			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2	The managerial approach and its constituent parts	p. 64, p. 106 microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3	Evaluation of the managerial approach	p. 64, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
402-1	Minimum notice periods regarding significant operational changes	p. 64	
403 Occupational health and safety			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3	Evaluation of the managerial approach	p. 72, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
403-2	Types of injury and rates of injury, occupational diseases, lost days and absences, and total number of work-related fatalities, by region and by gender	p. 72	
403-3	Workers with high incidence or high risk of medical incident related to their occupation	p. 99	
404 Training and education			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3	Evaluation of the managerial approach	pp. 68-69, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
404-1	Average hours of training per year per employee by gender, and by employee category	p. 69	
404-2	Schemes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	pp. 68-69, p. 99	

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
405 Diversity and equal opportunity			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2	The managerial approach and its constituent parts	microsite , website	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas https://www.otpbank.hu/portal/en/IR/Reports/Annual https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf
103-3	Evaluation of the managerial approach	p. 54, p. 66	
405-1	Diversity of governing bodies and employees	p. 16, p. 66, website	https://www.otpbank.hu/portal/en/IR/CorporateGovernance Data on ethnic backgrounds are not listed owing to statutory regulations.
405-2	Relationship between the basic salaries of men and women	p. 70	We have standardised information only from the parent bank; we can commit to providing such information about the subsidiary banks in our annual report for 2018.
406 Non-discrimination			
103-1	An explanation and the limits of the material subject	p. 12, p. 54, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-2	The managerial approach and its constituent parts	p. 54, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-3	Evaluation of the managerial approach	p. 55	
406-1	Total number of incidents of discrimination and corrective actions taken	p. 55	
410 Security practices			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
103-3	Evaluation of the managerial approach	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
410-1	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	p. 109, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles 100%, third-party security personnel also receive training.
413 Local communities			
103-1	An explanation and the limits of the material subject	p. 12, p. 32, p. 81,	
103-2	The managerial approach and its constituent parts	p. 32, p. 81	
103-3	Evaluation of the managerial approach	pp. 32-33 pp. 81-82	
FS13	Access points in low-populated or economically disadvantaged areas by type	p. 33, website	https://www.otpbank.hu/portal/en/BranchATMSearch Details of the branch networks of foreign subsidiary banks are available on their websites.

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
415 Public policy			
103-1	An explanation and the limits of the material subject	p. 12, p. 55	
103-2	The managerial approach and its constituent parts	p. 55, website	https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf
103-3	Evaluation of the managerial approach	p. 55	
415-1	Total amount of cash and in-kind contributions provided for political parties, politicians and related institutions	p. 109	OTP Group does not sponsor such persons or organisations.
417 Product and service labelling			
103-1	An explanation and the limits of the material subject	p. 12, p. 36, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese
103-2	The managerial approach and its constituent parts	p. 34, p. 36, p. 39, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese
103-3	Evaluation of the managerial approach	p. 39, pp. 54-55, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese
417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	p. 55	
417-3	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	p. 54, p. 110	There were no breaches of the voluntarily accepted standards.
Customer privacy			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazat-kezeles
103-2	The managerial approach and its constituent parts	p. 58, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
103-3	Evaluation of the managerial approach	p. 59, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
418-1	Number of justified complaints about misuse of customers' personal data or loss of data	p. 59	
419 Socioeconomic compliance			
103-1	An explanation and the limits of the material subject	p. 12, p. 51, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-2	The managerial approach and its constituent parts	p. 53, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-3	Evaluation of the managerial approach	pp. 54-55, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
419-1	Non-compliance with laws and regulations in the field of society and economics	pp. 54-55	This includes consumer protection and FAB cases, the latter being covered by other procedures.

Indicator number	Indicator description	Where is it to be found	Comments / Reasons for omission
Product portfolio (sector-specific)			
103-1	An explanation and the limits of the material subject	p. 12, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-3	Evaluation of the managerial approach	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	pp. 97-98	

INDEPENDENT ASSURANCE REPORT

To the management of OTP Bank Nyrt.

This report has been prepared in accordance with the terms of our contract dated 3 July 2017 in order to accomplish the independent external party examination of OTP Bank Nyrt.'s Sustainability Report 2016 document (hereinafter "Report") presenting the non-financial performance and sustainable operation of OTP Bank Nyrt.

The responsibility of OTP Bank Nyrt's management

OTP Bank Nyrt. is responsible for the preparation of the Report in accordance with the Global Reporting Initiative (GRI) Standards as described in the guideline to the Report.

This responsibility includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates which are reasonable in the given circumstances.

The scope of the examination, its criteria and its limitations

The aim of this limited assurance engagement is to express a conclusion whether the selected information and data of the Report prepared for the year ended 31 December 2016 are prepared by the Management of OTP Bank Nyrt. in line with the GRI criteria.

The limitations of our examination

The scope of our examination included solely the sustainable performance indicators stated in the Report. During our examination we have not fully examined all the sustainable data and information stated in the Report. Our examination included solely the compliance of the data reporting procedure with GRI principles and the sample-based testing of the data sources. Our examination of numerical data included in the Report was limited to the sustainability indicators

- 401-1 – New employee hires and employee turnover
- 404-1 – Average hours of training per year per employee
- 418-1 – Substantiated complaints concerning breaches of customer privacy and losses of customer data
- 419-1 – Non-compliance with laws and regulations in the social and economic area
- FS13 – Access points in low-populated or economically disadvantaged area by type

together with the testing of the data sources. The examination of the other numerical data presented in the Report has not been performed.

We have not examined previous years' data and trends relating to performance indicators presented in the Report.

Our report has been prepared solely for the purpose described in the first section of this report.

Our responsibility

Our responsibility is to report on the selected data and information included in the Report of 2016.

We prepared our report solely for the purpose of disclosing it in the documents of OTP Bank Nyrt., and we do not accept any responsibility for any third party usage of the documents published as a result of this examination (for example the final examination report).

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000").

This standard requires that we comply with the ethical requirements as well as plan and perform the assurance engagement to obtain limited assurance whether the selected information and data included in the Report of 2016 have been prepared, in all material respects, in accordance with the GRI criteria.

Summary of the work performed

The verification process, the examination and evaluation of the Report have been prepared according to the Financial Services Sector Supplement of GRI Standards guideline.

Procedures performed:

1. The verification of the reporting process:
 - Examination of the organization's operational processes;
 - Examination of regulations of the reporting process;
 - Examination of the data gathering and maintaining practice;
 - Examination of the reporting practice;
 - Examination of documentation practices and regulations.
2. The verification of GRI application level:
 - Examination of the completeness and appropriate application of indicators used in the Report.
 - Examination of the definition level application of GRI indicators stated in the Report.
 - The evaluation of the Report's compliance with GRI principles.
3. Limited examination of the appropriateness of five selected indicators on data level.
4. Preparation of the final examination report: professional evaluation and elaboration of recommendations.
We have summarized the possible development areas connected to the reporting process in the final examination report prepared for the management of OTP Bank Nyrt. These statements do not have influence on our conclusions on the Report stated in this independent assurance report.
5. To confirm and to complete the statements above, we have accomplished the following interviews at the selected departments connected to the verification of the Report of 2016: Communications and Public Affairs Department, Wages and Labour Department, Human Resources and Staff Development Department, Retail Performance Management and Branch Network Development Department - Information Security Directorate, Legal Directorate. The examination of the management's commitment was performed through interviews with the management.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that would cause us to believe that the selected information and data of the Report have not been prepared, in all material respects, in accordance with Core option of GRI Standards criteria, and the Report would not comply with the GRI.

Budapest, 5 July 2017.

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Gabor Gion

Partner

Deloitte Auditing and Consulting Ltd.

Dózsa György út 84/C, Budapest, H-1068, Hungary



Our registered office:

OTP Bank Plc., 1051 Budapest, Nádor u. 16.

We look forward to your feedback.

To improve the Bank's performance in sustainability,
it is very important for us to know your opinion.

Please share it with us at csr@otpbank.hu.

