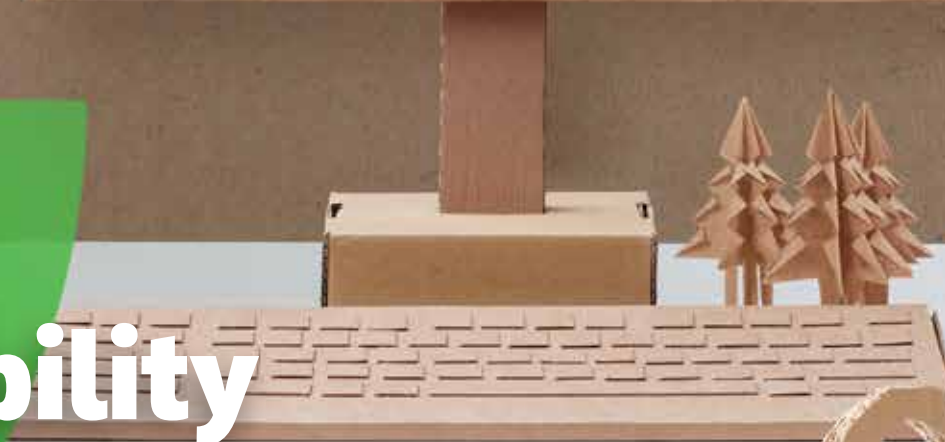










Sustainability Report

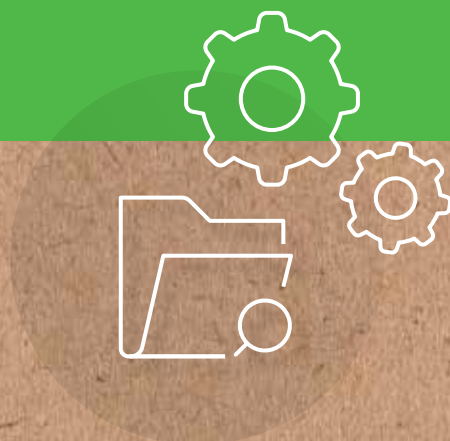


2018

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The following icons are used to indicate additional information and help you navigate through the various topics.

-  More information on another page of this Sustainability Report
-  More information about the subject on our website
-  Activities to provide equal opportunities and accessibility for persons living with disabilities
-  Awards
-  Tables and charts in the Annex
-  Country codes



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Focus on clients

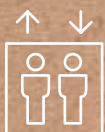
2 cashless bank branches opened at OTP Bank

3 intelligent robots at DSK Bank branches

600 deposit ATMs group-wide



99% the percentage of wheelchair accessible branches at OTP Bank



73% the percentage of wheelchair accessible across the group

1.3 million customers registered for Digital Signature Pad at OTP Bank

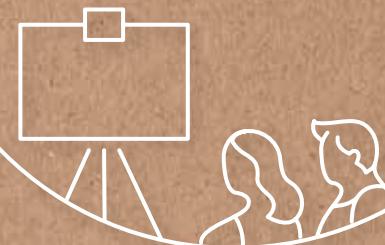
84% of customers called to the counter within 10 minutes in OTP Bank

Developing financial literacy

HUF 800 million spent on financial education across the Group

over **324,000** views of Knowledge Bank videos

25,000 students attending financial education courses at OK Educational Centres



Expert financial care

Pre-financing of **300,000** hectares of cultivated land in EU member states where we have subsidiary banks

HUF 18.4 billion in contracts via MFB Points

220,000 housing loan contracts in force in Hungary

Credit agreements for the creation of **27.5 MW** solar plant capacities across the group



Ethical business behaviour and security

3,500
on-site security
training courses
across the group

Proportion of loans over
90 days overdue fell to
6.3%
at group level

Environmental protection

25%
fall
in OTP Bank's paper
use in one year

292
trees planted at our subsidiary in Slovakia

900
trees saved through reduced paper use
across the group



Responsible employer

650
employees and partners
using the Agile method
in their work
at OTP Bank

1.6 million
views of
#mittanultamma
videos

HUF 1.5 billion
spent on training
at group level



Citizenship

HUF 2.8 billion
donated
by the Group

HUF 163 billion
paid in taxes

2,300
beneficiaries
in the organised
volunteering
programmes
at OTP Bank





Our awards

Bank of the Year

Accessible Innovation of the Year

Most Innovative Bank of the Year

OTP Bank achieved first place in three categories in MasterCard's competition in 2018. The 'Bank of the Year' award is the highest accolade to a commercial bank offering retail services in Hungary. The 'Accessible Banking Innovation of the Year' award was granted for the first time in 2018.

Best Bank

Eurconomy chose OTP Bank as 'Best Bank' in the Central and Eastern European region and in Hungary.

Most Attractive Workplace 2018

OTP Bank received the 'Most Attractive Workplace' award in the financial service provider category at the Business Hungary competition organised by PwC Hungary and the Confederation of Hungarian Employers and Industrialists (MGYOSZ). The bank is the most popular among young workers.

Ambassador for Financial Literacy

For its exemplary participation in the MoneyWeek initiative, OTP Bank was given this accolade by the Magyar Nemzeti Bank. ➡ 2.3

SABRE Awards

The 'Work can't wait' campaign of the OTP Health Fund was shortlisted in the top five financial service submissions. ➡ 2.1

Eventiada IPRA Golden World Award 1st place

The Pension Mentoring Programme of the OTP Pension Fund received this prestigious award. ➡ 2.1



European Excellence Awards – Gold

International Business Awards – Gold

Sándor Imre PR Prize

Prizma Creative PR Prize – Silver and Bronze

The 'Work can't wait' campaign of the OTP Health Fund won the awards. ➡ 2.1

Fund Manager of the Year

OTP Alapkezelő was named 'Fund Manager of the Year' at the Classics Gala of financial news portal Privátbankár.hu, with Csaba Szalma, the manager of the OTP Supra Fund winning the award for 'Portfolio Manager of the Year 2018'. In addition, OTP Alapkezelő's funds achieved first place in four other categories, including a 'Best Global Equities Fund 2018' for the OTP Climate Change 130/30 Fund Series A, which features stocks of companies in green industries. ➡ 3.1,

App of the Year Special Award

The Simple by OTP app received an award from the Hungarian Marketing Association. ➡ 1.1

Most Popular Workplace

DSK Bank was found to be the most popular bank in a survey of university students by ToTheTop Agency.

Best Website Award

DSK Bank won Progress Sitefinity's award, for which the award-ees were selected by a public vote.

Bank of the Year, Most Efficient Bank

DSK Bank won two categories at the competition organised by the Bank of the Year Association.

Best CSR Initiative in the education category

OTP Bank Romania was given this award at the EduFin Gala, recognising its activities in developing the financial literacy of the population.

Ranked 15th among the top 100 Most Reliable Banks in Russia

Compared to 2017, OTP Bank Russia advanced 2 places in the rankings published by Forbes magazine.

Best Contact Centre

OTP Bank Russia won three prizes at Cristal Headset, a competition of the best contact centres.

For further details on our other awards and the prizes won by our professionals and management, visit our website



Chairman's Welcome

Dear Reader,

2018 has been the most successful year in the history of OTP Group. Its record high profits were underpinned by a favourable macroeconomic environment, primarily the performance of the Hungarian economy. Our results provide a solid foundation for continued acquisitions; we announced the acquisition of three banks during the year. We are planning for further expansion in the next few months. In order to achieve economies of scale, we wish to strengthen our positions in certain markets and are also open to entering new countries.

Its evident benefits notwithstanding, expansion requires considerable efforts from OTP Bank, both within the parent bank and at the newly joined subsidiary banks. The integration of new subsidiary banks is fraught with countless challenges in terms of understanding the operations and organisational cultures of the new group members and aligning them with existing systems and practices.

Major organisational change is taking place in other respects as well: preparations to **transition to the Agile methodology has already begun** in 2018. OTP Bank is the first credit institution that will change the organisational structures and many internal processes of entire directorates to meet Agile requirements; nearly 700 employees in the retail and IT departments will be affected. This transition will allow us to present our innovations within shorter timeframes, serving our customers even more efficiently, at an even higher standard of quality.

OTP Bank wishes to be an engine of progress in terms of social sensitivity as well. In addition to providing equal opportunities in our services to customers living with disabilities, we believe it is important that we raise social awareness of our fellow humans who are faced with

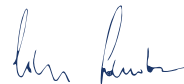
such difficulties and that we promote their acceptance and inclusion. Our sensitisation advertising campaign offered practical guidance on practical ways of helping people who live with disabilities.

Of all the activities we perform with an objective of sustainability, we ascribe special importance to our actions aimed at raising financial awareness and widely disseminating everyday financial knowledge. I am proud of the fact that, **with the institution opened in Trnava, OK Educational Centres are now operating in three countries.** Each year, nearly 25 thousand people enjoy our free interactive training, which is recognised for its high standard of quality. Alongside students, we are also making a conscious effort to reach adults; my colleagues are working on the knowledge delivery methods that can target them efficiently. In order to empower as many people as possible to make responsible financial decisions, we also participate in national and international initiatives in addition to our own programmes. Speaking of financial knowledge, I must mention our knowledge bank video series in which clear examples illustrate how particular banking products and services work. The videos are popular; as of 2018, there have been 324 thousand views of the various episodes.

Our 13th Sustainability Report describes our other initiatives and practices and the results achieved regarding responsible operations. Please share with us your views and comments by e-mailing us at csr@otpbank.hu.

Sincerely yours,

Dr. Sándor Csányi, Chairman & CEO



It is important that we recognise and appreciate the intellectual assets and good practices that the new group members had previously accumulated, so that we can achieve even more success together.

I wish to take this opportunity to once more thank my colleagues for the hard work they do for the benefit of OTP Group.





**OTP Group's 2017 Sustainability Report won
Deloitte's GreenFrog Award.**

Our Sustainability Report presents the endeavours, achievements and impacts of OTP Group from the perspective of responsible operations – or, in a wider sense, of the economy, society and the environment.

GRI 102-50, 102-52, 102-54, 102-56

This Report has been drafted in accordance with the GRI Standard, specifically the Core version¹. Although the report concerns the year 2018, we present much of the data over a 5-year horizon in order to capture the trends and facilitate comparison. We publish our sustainability report annually. Certification of the Report by an independent third party was provided by Deloitte Kft.

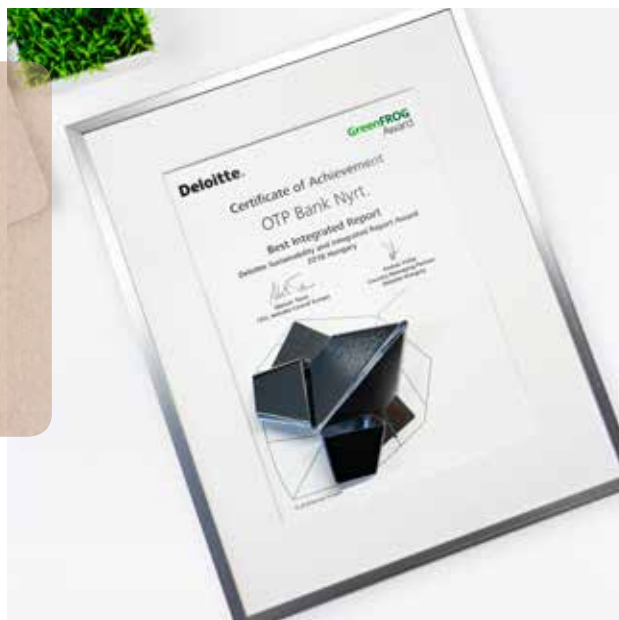
GreenFROG Award

OTP Group's Sustainability Report for 2017 won Green Frog Award, which was announced by Deloitte for the 18th time. The prize recognises outstanding non-financial reports, and the winners are selected by an independent panel of judges.

GRI 102-46, 102-47

Criteria followed when selecting content for the report:

1. information that may be of interest to stakeholders;
2. aspects deemed material by the management of OTP Bank;
3. information necessary for compliance with the GRI Standard, compliance with the principles on content.



GRI 102-43, 102-44, 102-46, 103-1

In 2014 we conducted a managerial assessment as per the criteria of the materiality principle concerning the GRI Standards and the definition of additional key topics, which we revised during our reporting for 2018 based on the results of extensive stakeholder research. The inclusion of sustainability experts in stakeholder research, the regular benchmarking analyses and the monitoring of development trends in the sector all serve the purpose of understanding and incorporating the sustainability context and our impacts.

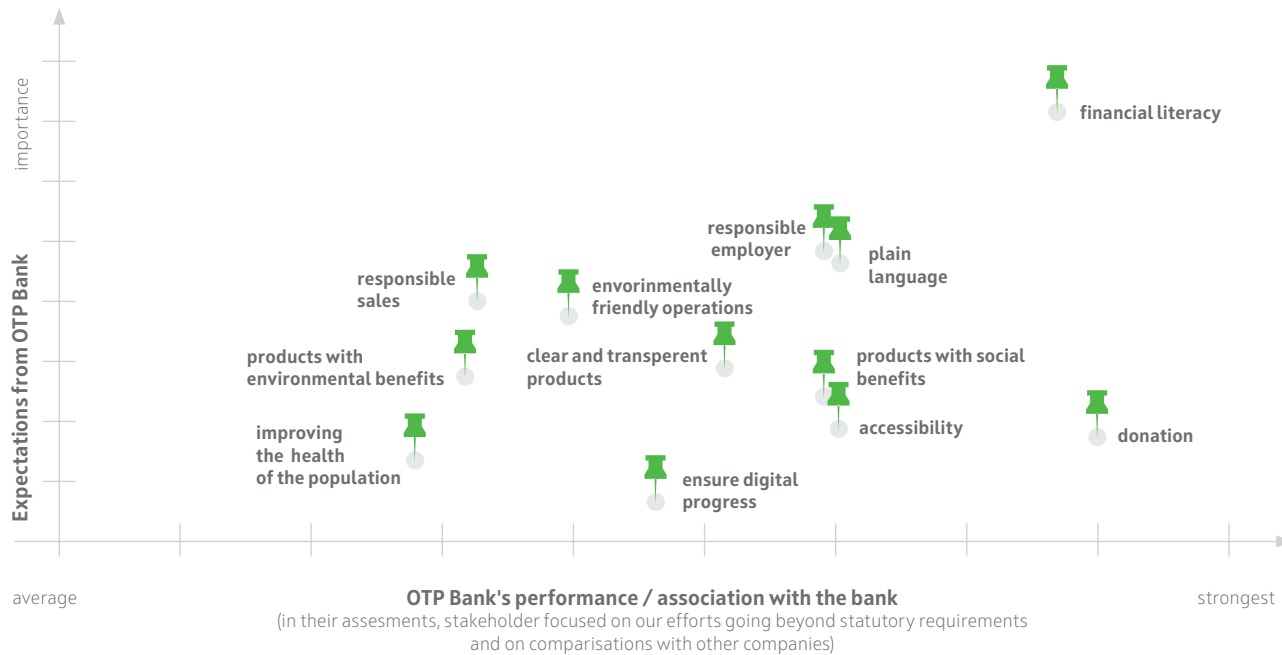
In 2018 we carried out research involving a wide range of stakeholders to measure their expectations regarding sustainability and reporting, as well as our current performance. The research was conducted primarily to lay the foundations for our sustainability strategy², but we have also used its results in revising the key topics.

The following surveys were conducted:

- qualitative research with in-depth interviews, nearly 60 external and internal stakeholders;
- a quantitative and representative survey of households, 1000 persons;
- a quantitative survey of employees, 450 persons.

¹ The GRI (Global Reporting Initiative) is the most widely recognised and used sustainability reporting framework internationally.
² Our strategy is currently called a corporate social responsibility strategy; its reforming also involves modifying its name.

Combined result of stakeholder opinions



Our stakeholder research confirmed our key topics, which we therefore did not change; however, we slightly modified the structure of the report, placing greater emphasis on certain topics. Presenting the ways in which our social responsibility infuses our core operation of providing a service is a priority for us; separate chapters describe the additional areas that are important to our stakeholders and in terms of our impacts.

OTP Bank Plc prioritises the following out of the sustainability topics in the GRI Standard:

- Socioeconomic compliance
- Anti-corruption
- Economic performance
- Preventing anti-competitive behaviour
- Marketing and labelling
- 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 opportunity
- Environmental compliance
- Airborne emissions
- Energy

The report is limited to OTP Group except in the following cases:

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

Data

We present the data as applicable to the following entities:

- predominantly

OTP Group	OTP Bank
the entire OTP Group	the parent company

- where presentation by country is required by the GRI:

Hungary	OTP Bank and the subsidiaries in Hungary
Bulgaria	DSK Bank
Croatia	OTP banka Hrvatska (together with Splitska banka)
Romania	OTP Bank Romania
Russia	OTP Bank Russia
Ukraine	OTP Bank Ukraine
Montenegro	CKB Bank
Serbia	OTP banka Srbija (together with Vojvodjanska banka)
Slovakia	OTP Banka Slovensko



- financial data

OTP Group	OTP Core
the entire OTP Group	OTP Group is the business entity measuring the core activities of OTP Group in Hungary, comprised of: OTP Bank Nyrt., OTP Jelzálogbank Zrt., OTP Lakástakarék Zrt., OTP Faktoring Zrt., OTP Pénzügyi Pont Kft., and entities performing group financing activities; since 2017 OTP Kártyagyártó Kft., OTP Ingatlanlízíng Zrt., OTP Ingatlanüzemeltető Kft. and MONICOMP Zrt.

When presenting non-quantifiable information and practices, we always specify the companies they refer to. Although special emphasis is placed on describing the practices of the subsidiaries, the parent company is represented slightly more prominently in the report: firstly, the Hungarian environment is of particular strategic importance and, secondly, a number of developments are first launched by the parent bank and are only rolled out to the subsidiaries later.

This report focuses on our activities in the year 2018, but our website contains more detail regarding general information on, and the impacts and principles of, our responsible operations. We also disclose information (primarily technical information) in the GRI index as well.

 www.otpfenntarthatosag.hu

A comprehensive insight into OTP Bank Plc's operations is also facilitated by our annual and quarterly financial reports, which are available on our website. The Annual Report incorporates the non-financial statement in compliance with statutory requirements.

 [Annual Report](#)

A brochure entitled 'With trust and responsibility for each other' is available in our branches and customers can also learn about the company's sustainability activities from the display screens in our branches in Hungary and in the OTP Browser.



OTP Group

OTP Group is a major financial service provider within the of the Central and Eastern European region.

Stability | Profitability | Growth | Innovation

GRI 201 DMA

OTP Group is a prominent financial services group in Hungary and the CEE region. As of the end of 2018, our Banking Group served nearly 18.5 million customers across nine countries. As a credit institution, we are of decisive importance in both Hungary and Montenegro, and in the retail segment in Bulgaria. Our objective is to become the most successful universal banking group in Central and Eastern Europe. We ascribe high priority to transparency and to increasing shareholder value.

Our activities

GRI 102-2, GRI 102-6

OTP Group engages in the provision of universal financial services. The banking group's flagship entity is OTP Bank, which offers a wide range of financial services in Hungary. Through the Hungarian group members, we provide solutions for all financial needs such as, for instance, investment funds, housing loans, specific savings options and auto financing. Our foreign subsidiary banks maintain different service portfolios, always aiming to leverage development potentials and responding to market conditions.

In addition to retail, our Group also intends to be the primary bank for corporate customers. Serving agricultural companies and small and medium-size businesses is a priority for us.



CECE SRI EUR index

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



MSCI ESG indices

OTP Bank is also included in a number of MSCI's³ ESG (environmental, social and governance) indexes. Companies are added to the indexes based on assessments against ESG criteria. Our bank is a member of the EM ESG Leaders, EM ESG Enhanced Focus, EM Low Carbon Lead exQRT exMT RT 10/50, EM IMI ESG Screened, Socially Responsible Index on MSCI ACWI and ACWI ESG Universal 5% Issuer Cap indexes.

Group and corporate governance

GRI 102-18

OTP Group employs a matrix governance practice: in its two-tier governance, shareholder (corporate law) governance is separate from professional (operational) governance. Its governing bodies and local management teams play key roles and the parent bank does not intervene directly in the activities of the subsidiaries; it has no intention to do so given the cultural differences and local idiosyncrasies. At the same time, we are intensifying our efforts to standardise our operations as our banking group continues its expansion, and we define the shared expectations and good practices by lines of business.

Each year, OTP Bank publishes its Responsible Corporate Governance Report in compliance with the recommendations of the Budapest Stock Exchange (BÉT). The Budapest Stock Exchange reviewed and changed its Responsible Corporate Governance Recommendations in 2018. OTP Bank applies all the new recommendations



GRI 202 DMA, 405 DMA

When OTP Bank delegates members to its management bodies or the Board of Directors appoints members of executive management, they consider professional qualifications and experience, high-level human and management competencies, a varied educational background, wide-ranging business experience and professional reliability as essential factors; OTP Bank is also strongly committed to taking measures to ensure diversity, therein continually improving the participation of women. Diversity policy.



³ An independent company with a leading role in its segment, offering investor decision support solutions such as indices and analysis tools.

GRI 102-3, 102-4, 102-6, 201 DMA

100+

subsidiaries of OTP Bank

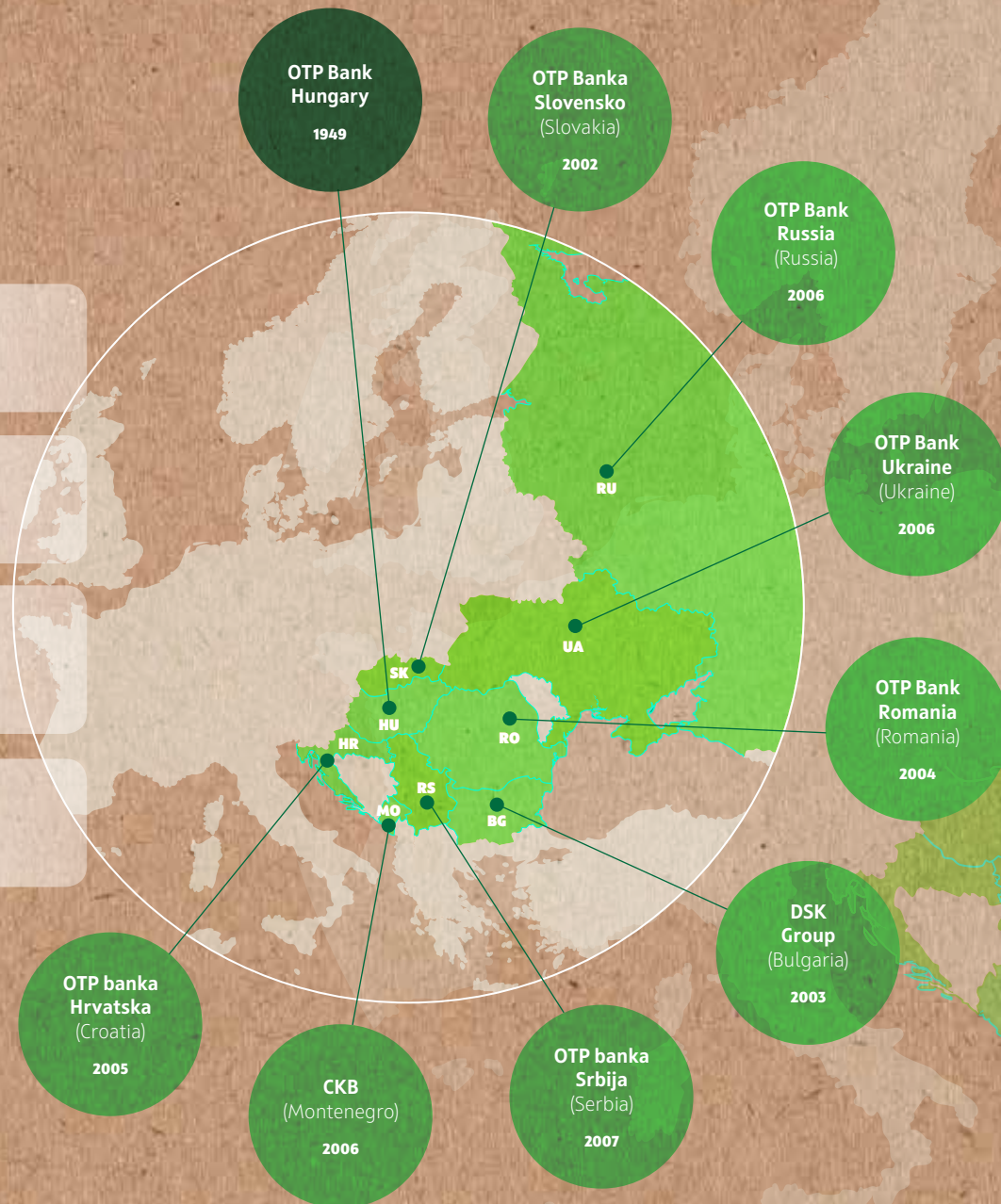
4000

OTP ATMs globally

OTP Bank presents
in 9 countries
across the region

1400

branches across the region



OTP Group

Number of branches	1,423
Number of employees ¹	35,252
Balance sheet total	HUF 14,590 bn
Market capitalisation	HUF 3,161 bn
Taxes paid	HUF 163 bn
Employee training costs	HUF 1,441 mn
Donations	HUF 2,836 mn
Percentage of wheelchair accessible branches	73%
Energy consumption per employee	20.0 GJ
CO ₂ emission per employee	1.74 tons
Total paper use	2,582 tons

Data (audited, IFRS) as of 31/12/2018 or for 2018. The map features the first acquisition date next to each Bank's name.

¹ always the total number of active full-time and part-time employees

² OTP Core is the business entity measuring the core activities of OTP Group in Hungary, comprised of OTP Bank, OTP Jelzálogbank, OTP Lakástakaré, OTP Faktoring, OTP Pénzügyi Pont, OTP Kártyagyártó, OTP Ingatlanlizing, OTP Ingatlanüzemeltető and Monicomp, as well as the legal entities providing group financing. No other Hungarian subsidiary is included.

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

⁴ market share always refers to that of retail loans

OTP Core² (Hungary)

Number of branches	374
Number of employees	9,851
Balance sheet total	HUF 8,563 bn
Market share ³	29.8%

OTP Banka Slovensko (Slovakia)

Number of branches	62
Number of employees	686
Balance sheet total	HUF 454 bn
Market share ⁴	2.0%

OTP banka Hrvatska (Croatia) (with Splitska)

Number of branches	144
Number of employees	2546
Balance sheet total	HUF 1,837 bn
Market share	12.9%

OTP banka Srbija (Serbia) (with Vojvodjanska)

Number of branches	154
Number of employees	2,028
Balance sheet total	HUF 590 bn
Market share	6.9%

DSK Group (Bulgaria)

Number of branches	345
Number of employees	3,862
Balance sheet total	HUF 2,381 bn
Market share	24.2%

OTP Bank Romania (Romania)

Number of branches	95
Number of employees	1,364
Balance sheet total	HUF 772 bn
Market share	3.3%

CKB (Montenegro)

Number of branches	28
Number of employees	452
Balance sheet total	HUF 225 bn
Market share	14.2%

OTP Bank Russia (Russia)

Number of branches	134
Number of employees	10 386
Balance sheet total	HUF 708 bn
Market share	0.5%

OTP Bank Ukraine (Ukraine)

Number of branches	87
Number of employees	3,580
Balance sheet total	HUF 391 bn
Market share	4.7%

GRI 202-2

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

31/12/2018

Company	Board of Directors		Management *	
	Proportion of locals ⁴ (%)	Proportion of women (%)	Proportion of locals (%)	Proportion of women (%)
OTP Bank	100	0	100	0
CKB	29	0	33	16
DSK Bank	100	67	100	67
OTP Bank Ukraine	33	83	80	40
OTP Bank Romania	60	20	40	20
OTP Bank Russia	11	11	85	0
OTP banka Hrvatska	100	29	83	17
OTP Banka Slovensko	25	0	50	25
OTP banka Srbija	33	8	75	0

* Management: Hungary: the chairman of an enterprise elected by the management body in its managerial function and employed by the legal entity, or the chief officer appointed to manage the enterprise and employed by the enterprise, as well as all deputies of such officer; Outside Hungary: the most senior officer appointed to manage the legal entity, who is employed by the legal entity, as well as all deputies of that officer and the division heads



Economic results and information

- In 2018 the macroeconomic environment remained supportive in the Central and Eastern European region. Of all the markets of OTP Group, Hungary achieved the most dynamic economic growth.

 [Annual Report](#)

- In 2018 OTP Group's annual adjusted profit after taxes amounted to HUF 325 billion, the highest ever in the history of the banking group. Good economic performance has boosted economic activities further and reduced risk costs; in addition, the results of Splitska banka

of Croatia and Vojvodjanska banka of Serbia are now fully consolidated too.

GRI 102-10

- In recent times OTP Bank has become the most active consolidators in the Central and Eastern European and the South-East European regions. We announced the acquisition of Soci t  G n rale Expressbank of Bulgaria, Soci t  G n rale Albania and Soci t  G n rale Serbia in the second half of the year; these transactions will be completed in 2019.



- The banking group's Common Equity Tier 1⁵ ratio remained high in 2018. It stood at 16.5% at the end of the year. The European stress testing of banks put OTP Bank's CET1 ratio at 12.4% in a stressed scenario, which represents a decrease by 2.5 percentage points compared to the end of 2017. In terms of the degree of change, our bank ranked 9th out of the 48 banks tested.

- The quality of our loan portfolio improved substantially again, as the consolidated DPD 90+ ratio (the proportion of loans more than 90 days overdue) fell to 6.3% (-2.9 percentage points YoY). We supply our investors with regular, detailed information about delinquent loans.

 [2018 results](#)

⁴ Az adott ország  llampolg ra.

⁵ CET1: The ratio shows the amount of capital a bank has 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. The required minimum level is 4.5%.

GRI 201-1

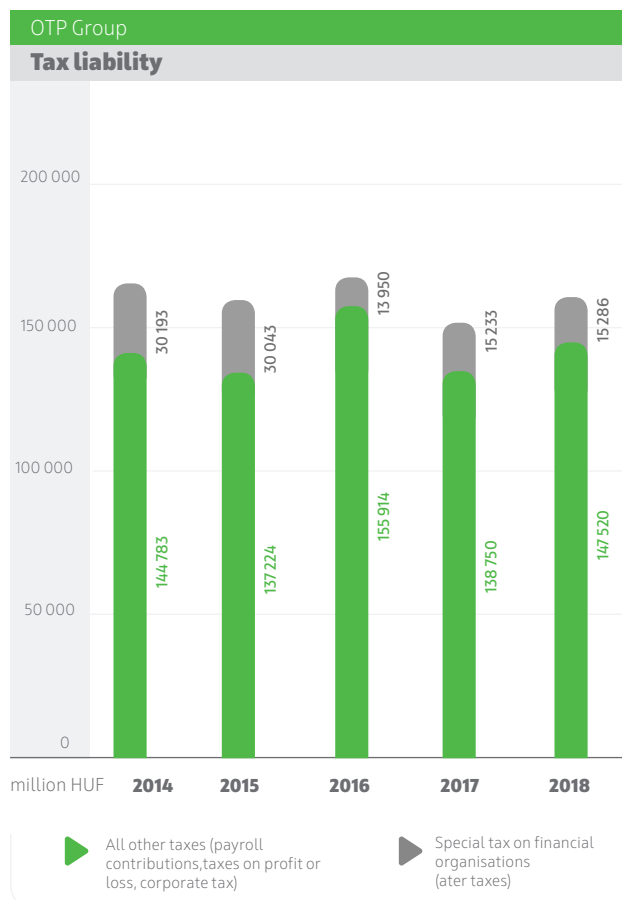
Economic value generated⁶

OTP Core	OTP Group
HUF 379 billion	HUF 882 billion

Distributed economic value⁷

	OTP Core	OTP Group
Employees ⁸	HUF 97 billion	HUF 210 billion
Suppliers ⁹	HUF 70 billion	HUF 151 billion
Shareholders ¹⁰	HUF 61 billion	HUF 61 billion
Taxes ¹¹	HUF 113 billion	HUF 163 billion
Local communities ¹²	HUF 2.6 billion	HUF 2.8 billion

**HUF 163 billion
paid in taxes in 2018**



GRI 201-4

- In 2018 banking group members were eligible for tax allowances for their subsidies to team spectator sports and the performing arts¹³.

⁶ Based on the consolidated audited IFRS profit and loss statement, Interest revenue + non-interest type revenue (with net fees, adjusted, excluding the negative impact of the transaction levy payable)

⁷ The difference between Economic value generated and the Distributed economic value is Retained earnings: OTP Core: HUF 24 billion, OTP Group: HUF 266 billion

⁸ Personnel expenditures - Contributions on wages

⁹ Operating costs - Personnel expenditures - Depreciation - Taxes on gross profits - Fees paid to supervisory authorities

¹⁰ Dividends

¹¹ Total tax liability (for details see Annex)

¹² Donations

¹³ The tax allowance sums are to be spent on sponsoring spectator team sports and the performing arts.

Our responsibility

The responsibility of a company is determined primarily by its core activities: what products and services it provides and how it does so.

We ascribe fundamental importance to:

providing pioneering, innovative services,

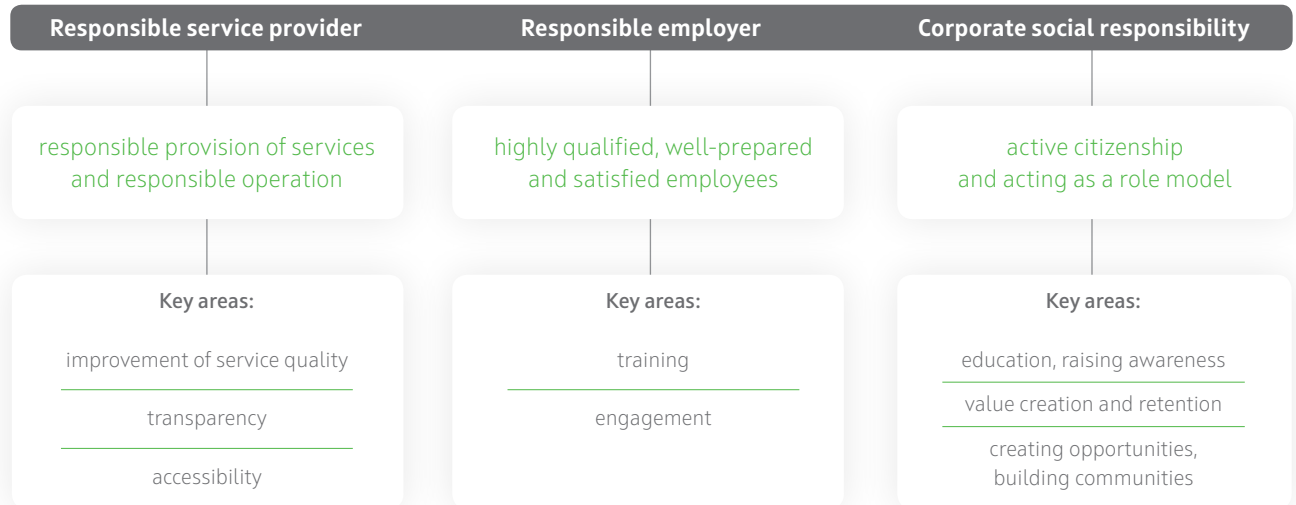
serving our customers' real interests and needs (including the management of risks),

complying with the principles of ethical business behaviour, legal requirements and international standards.



Corporate Social Responsibility Strategy

Our CSR Strategy sets out the three key priorities of corporate social responsibility.
The revision of our strategy has carried over into 2019 due to our extensive efforts in laying its foundations.



 Corporate Social Responsibility Strategy

Our impacts on sustainability

GRI 103-1, 203 DMA, 203-2

As regards our impacts on sustainability and our role, we present the Sustainable Development Goals (SDG)¹⁴ whose achievement we contribute to.

201 DMA

STABILITY

Impact

The members of our banking group are key participants in several markets within the CEE region and through their operations and results have a significant impact on the respective countries' economies and financial systems, as well as in improving standards of living.

Playing an active role

OTP Group considers stability as one of the most important values and it does its utmost to achieve it. Its solid background is demonstrated by its traditionally high CET 1 and liquidity ratios.



201 DMA

LENDING

Impact

Using the funds of our depositors, our lending can enable purchases, consumption and investments.¹⁵ 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.

Playing an active role

Our thorough and careful credit approval system enables prudent lending to protect the funds of our depositors and prevent over-indebtedness. The extent of the associated impact is explained under our products:



lending

housing loans

FGS

large projects with environmental and social benefits

The Group's net loan/deposit ratio was 72% at the end of 2018.



¹⁴ The 17 Sustainable Development Goals serve as the foundation for the United Nations' sustainable development programme up to the year 2030 and provide a framework of universal goals, targets and indicators.
¹⁵ In our Annual Report, deposits and loans are disclosed by segment (retail, micro and small enterprises, medium and large enterprises, local governments).

201 DMA

TAX PAYMENT

Impact

Through the taxes we pay, we make a meaningful contribution to the provision of community services and the management of social inequalities, thus ultimately to socioeconomic stability.

Playing an active role

OTP Group was a major taxpayer in 2018 too, with OTP Core paying nearly 70% of our total taxes.



ACCESS TO FINANCIAL SERVICES

Impact

There are certain conditions to accessing and using financial services; this is necessary for the stability of our Bank and in the interest of our customers. Nevertheless, equal opportunities and social solidarity demand that banking services should be accessible and provide the basic functions even to the disadvantaged.

Playing an active role

We enable the economically and socially disadvantaged to also access basic financial services and we strive to provide equal opportunities in our services for persons living with disabilities. Our Group has the most extensive networks in Hungary, Bulgaria and Montenegro, so that our presence is also the most prominent in the disadvantaged regions there. Our basic account packages and Junior account packages for those below 24 years of age are available without an account management fee. We continue to work on improving accessibility in customer service.

➞ customer service
accessibility



DEVELOPING FINANCIAL LITERACY



Impact

Customers need to understand products and services well in order to be able to use them well. A lack of sufficient financial knowledge may prevent this type of understanding.

Playing an active role

OTP Group is committed to the development of financial literacy. We produced a number of training videos over the past year and revised our calculators to help our customers better understand financial services and how they work. In Hungary the OK Educational Centre and the OTP Fáy András Foundation provide free finance and economics courses, which reach the highest number of primary and secondary school students; they also help thousands of students expand their knowledge in Slovakia and Romania.

➞ financial literacy



GRI 202 DMA

EMPLOYMENT

Impact

OTP Group is a major employer both in Hungary and across the region, both directly and through its supplier chain.

Playing an active role

OTP Group is committed to responsible employment, providing its employees with equitable income that is proportionate to their performance and sufficient to finance a decent living standard, and ensuring equal opportunities and a work-life balance. OTP Bank employed 337 persons in 52 disadvantaged districts in Hungary¹⁶ in 2018.

⇒ employment



ENVIRONMENT

Impact

The resource demand of our operations impacts the environment. The investment projects and operations implemented with our financing also have an impact on the use of natural resources.

Playing an active role

Our objective is to reduce the environmental impact of our operations. In our lending, we expect utmost compliance with legislation and offer a number of schemes that prioritise the environmentally friendly use of energy.

⇒ households and residential communities
large projects with environmental and social benefits
environmental protection



CITIZENSHIP

Impact

OTP Group is an organic part of society, of its local communities.

Playing an active role

In line with our values, we play an active role in the progress of local communities and in supporting those faced with difficulties. OTP Bank is one of the most generous charitable donors in Hungary.

⇒ citizenship



¹⁶ The country has 54 districts in need of development, where 15% of the population lives. (Government Decree No. 290/2014. (XI. 26.) on the categorisation of beneficiary districts)



01

Focus on clients

Through our commitment to continual development, we aim to play the role of innovation leader in the region.

Renewed website | Innovations branch | Video bank | Accessibility developments

Commitment

Support households and organisations in the management of their money in a simply accessible, secure and responsible way

Approach

We provide our customers with convenient and accessible banking options that suit their individual needs and offer our services at the highest standard of quality, which includes the provision of clear information as well as recommending products with the financial interests of our customers in mind.

Task

- Expand the range of innovative options
- Advisory attitude in serving customers
- Accessibility
- Extensive availability online and in person
- Clear information and awareness-raising
- Responsible marketing and sales

GRI 417 DMA

New technologies create ever newer opportunities, which we leverage in our internal operations as well as in the services offered directly to our customers.

To read about our additional principles and overall objectives, visit the webpage.



Focus on clients

2017 Our commitments

2018 Our results

● Implemented
 ● Implementation in progress
 ● Not implemented

Enhancing the culture of innovation

OTP LAB has completed a number of programmes successfully: we have opened our innovative branch, ran idea competitions and set up cooperation arrangements.

Digital product offerings and the enhancement of online channel capabilities

We have made video banking available so that accounts can now be opened online and more loans are now available upon online application.

Setting up cashless branches at OTP Bank

We have opened two cashless branches in Hungary.

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

We continued enhancing our website and changed the most frequently visited content.

Introducing the CKB Go online and mobile services

The implementation has been completed.

Introduce online lending products for existing customers at OTP Bank Russia

This project has carried over into 2019.

Roll out the remote expert system

We have suspended the implementation of this plan and are working on enhancements to the system (e.g. digital signature feasibility, ability to schedule calls).

Make the relationship with branch employees more personal in transactions for housing loans and other products

Successfully implemented.

Maintain branch waiting times at the current levels in OTP Bank (ongoing)

Goal reached: 84% of our customers are now getting served within 10 minutes.

Take 75% of calls to the contact centre within 20 seconds

We use a composite indicator weighted for calls taken within 20, 60 or 90 seconds; we failed to reach our 75% target defined on that basis.

1.1. Customer service

Remote access channels

Across the group, we have expanded the range of transaction types available in our electronic channels so that our customers can access our key services at any time, anywhere.

WEBSITE

Work on upgrading the OTP Bank website continued and we completed the revision of the most frequently visited retail content pages by the end of 2018. Our main objectives with this update are:

- provide a high level of customer experience, with up-to-date features;
- transparency: simple structure, plain language, dedicated expert involved;
- full accessibility;
- customer education: our customers can expand their knowledge and understand finances and banking services better.

Feedback is positive, the average time spent on our pages has increased significantly, along with the ratio of visitors requesting a callback.

➡ financial literacy

We follow the principle of providing interested customers comprehensive information on the particular topic, referring to (and providing direct links to) the relevant rules concerning the subject, any external information materials, consumer protection options and, in lending, the principles of ethical lending etc.

The customers of our Russian subsidiary now have the option to access real-time branch workload information on the bank's website, alongside with the footprint predicted for the other days of the week. The website also now includes a questions and answers section to explain frequently raised issues.



ONLINE ACCOUNT OPENING, VIDEO BANK

With the introduction of electronic identification via video banking, retail and corporate customers can open accounts online, without visiting a bank branch. We have started work on establishing the conditions for opening securities accounts electronically.

OTP Bank Ukraine has also introduced electronic identification; it is one of the first in that country to do so.



ONLINE PERSONAL LOAN

OTP Bank has made an online personal loan application feature available to all its internet banking user customers¹⁷. Currently 20% of applications are received online, but we expect the rate to rise further. This feature was introduced by DSK Bank and OTP Banka Slovensko in 2018.



CHAT

OTP Bank offers a chat feature on several pages of its website and also in its internet banking; customers contacted us via chat more than 220,000 times in 2018. We have made identified servicing more widely available.

OTP Bank Ukraine has also introduced the online chat feature via the most common messaging applications.



INTERNET BANKING, MOBILE BANKING

OTP Bank's offline application called Simple continues to be very popular in Hungary. The app had around 650,000 users as of the end of the year; of its functions, the mobile wallet introduced in 2017 was the most highly popular. Since 2018, users have been able to buy train tickets as well in Simple, so that the number of services available has now reached 14.



¹⁷

Due to statutory requirements, this new feature is not yet available to new customers.

Several members of OTP Group have enhanced and updated their mobile banking applications.

DSK Bank introduced online contracting for internet banking agreements. It has also expanded and simplified its mobile banking and internet banking functions.



Our subsidiary bank in Montenegro has revised its internet bank and created CKB GO, which is both a mobile banking and an internet bank application. The platform offers a number of services that are new to the market, e.g. personal financial manager, account sharing, the management of financial goals and desires. CKB GO provides accessible services. 10% signed up for this new service in 2018, which exceeded expectations.



OTP Bank Ukraine created Evolute by OTP, its mobile banking app for business customers, in which sole traders can open their accounts online too. New internet banking and mobile banking functions were also introduced. In part due to these enhancements, more than half of all customers were users of our app at the end of the year.



OTP banka Hrvatska has overhauled its retail internet banking and developed a new mobile banking app from scratch.



Our subsidiary bank in Russia has introduced insurance against bank card fraud, available with loan repayments via internet banking. The insurance covers all cards of the customer, not just their OTP card.



OTP Banka Slovensko has also expanded the internet banking functions provided to retail and corporate customers.



OTP LAB

Several initiatives at OTP Bank's innovation lab reached a milestone in 2018.

- Our first startup programme has ended with us signing long-term cooperation agreements with two of the eight participants. Family Finances will support the development of our junior app, while Scanye will develop an invoice digitalisation function for eBIZ. We have launched our second startup scheme, providing three months of mentoring to the businesses selected from among the applicants.



OTP Startup

- Over the past two years, we have run two competitions of ideas in three rounds, on five topics. Our employees applied with ideas concerning mobile banking functions, family banking, data mining, start screen layouts for branch employees and the topic 'bank branch of the future'. Dedicated mentors helped develop the top three ideas in all topics, and the owners of these winning ideas had the opportunity to take part in implementing them.
- Our innovations branch has opened its doors; you can read more about it in the next section on [In-branch services](#)
- In order to enhance our culture of innovation, we have started the development of an ideas portal of our own and launched the pilot of our innovation ambassador programme. The objective of this initiative is to involve colleagues across the branch network in the early development stages and in supporting the roll-out of the completed development.

We are proud to report that OTP LAB's office reached the finals of the Office of the Year 2018 competition. The panel of judges commended us for the open layout of the office and the flexible, transformable spaces that encourage creative work. The design of the office captures innovation as part of continuity and tradition.



CONTACT CENTRE

OTP Bank's new video contact centre serves customers by offering them the option of contacting our colleagues by video call. In addition, we completely reformed our organisation dealing with the incoming calls. We laid greater emphasis on an advisory attitude and revised quality control in order to increase customer satisfaction. Due to technical reasons, we were unable to meet our 7% target for lost calls and our composite response-time target¹⁸ of 75%. Lost calls represented 11%, whereas the response time figure stood at 71%.

Our subsidiary bank in Ukraine has introduced voice recognition technology (IVR); its robot called Lesya understands the questions asked by customers and can give answers independently in the most frequently arising matters. Besides phone calls, Lesya can also answer queries by chat. At a conference organised by the Ukrainian Contact Center Association, Lesya was named as one of the 'Best customer service practices'.



THE BANK OF THE FUTURE

Our subsidiary bank in Bulgaria launched a project under the title 'The bank of the future', implementing a number of initiatives aimed at raising the standard of quality in customer service. We set up a dedicated information line for queries about credit products, automated a number of processes and made flexible changes to the terms and conditions of some of our products (e.g. adjusting them to the needs of Bulgarians working abroad).



EDUCATION

We have overhauled the OTPdirekt Points installed at the 30 branches of OTP Bank with the highest volumes. At these educational points, our colleagues helped customers learn about internet banking as well as our smartphone apps (SmartBank, SmartBróker, Simple). We plan to introduce OTPdirekt Points in another 70 branches in 2019.

DSK Bank set up 40 financial centres where its employees present the bank's products and services with the help of tablet devices and explain how to use internet and mobile banking. We plan to distribute an additional 138 tablets to other branches in the network.



OTP Bank Romania has implemented a five-step education campaign to encourage the use of debit cards instead of cash. Following the campaign, over 13% of the debit cards previously used only for cash withdrawal were started to be used by customers for payments as well.



60% of our customers use mobile banking actively, following an increase by 60% in 2018



60% growth in the number of OTP Direct contracts at DSK Bank

650,000 users in the Simple app

85% increase in the number of internet banking and mobile banking users at OTP Bank Russia



92% of transfers are via electronic channels at OTP Banka Slovensko

¹⁸ We allocate priorities to calls and define different call response time targets for different call types. We calculate the percentage figure after weighting for calls taken within 20, 60 or 90 seconds.

In-branch services

Our customers' preferences and the dynamic progress in information technology have triggered fundamental changes in the role of bank branches. We are working on designing the bank branches of the future in order to meet the new expectations and leverage the opportunities. Cash transactions can be executed more efficiently in digital channels but branch services will remain key for complex financial decisions, which necessitate the professional expertise and advisory support of our branch employees.

We serve customers in nine countries, at approximately 1400 branches. Our branch networks are truly extensive in some of these countries, making personal transacting very convenient. In 2018, the total number of our branches decreased by 70; Croatia and Bulgaria were affected the most. These branches were closed for reasons of business rationalisation; in Croatia, the integration of Splitska banka necessitated rationalisation. We operate a regular programme of branch refurbishment; in 2018, we completed conversion work in 40 branches (3%) across the group.

Besides providing practical and convenient access to our services, our branch network plays an important role in transmitting the values held by OTP Bank, and it is in this spirit that the parent bank is working on developing an entirely new branch infrastructure. Firstly, we are prioritising advisory services and are creating dedicated, separate zones that offer the necessary sense of comfort and, secondly, we are setting up self-service stations at the branches to expand the range of transactions our customers can carry out on their own.

Idea competition for students

In order to help us chart our vision for the bank branch of the 21st century, we invited the architecture students of Széchenyi István University in Győr to a competition of ideas. 'Bank branches will undergo a transformation in the near future, and we were curious to find out what the young generation of architects thought about these changes. At first sight, the designs appeared rather bold, but I grew to like a quite a few of them during the judging process, in part because they reflected the foreseeable trends: the advisory character, the greater focus on people, the presence of digital, intelligent devices in the customer area.'

József Németh,

OTP Bank's director for the North Transdanubia region



CASHLESS BRANCH

The new conceptual design is already reflected in the first fully cashless and paperless advisory bank branch opened in Győr. Cashlessness has allowed the space to be much more open and friendly, and the interior is characterised by impressive colours and sophisticated lines. The premises are equipped with sound barrier panels to facilitate undisturbed communications.

Innovations branch

In late 2018, we opened our innovations branch at the Árkád shopping mall in Budapest. The aim of this branch is to provide a venue for trial runs and further enhancements of our branch network developments and to serve as a dedicated point for gathering ideas from our customers. The branch layout is innovative in this branch as well: we are testing what furnishings are most suited to an advisory environment and provide the latest technologies (e.g. 2-in-1 notebooks, tablets). Instead of a row of counters, visitors will find movable furniture and flexible spaces. Tablets are used to inform our customers of our developments and also serve as substitutes for paper brochures and call numbers. The branch is cashless and therefore an ATM that also accepts deposits is available to customers instead of a cash desk.

The branch is of course fully accessible and open to all our existing and new customers.

Our innovations branch was a finalist in the Communal Space of the Year category in the Office of the Year 2018 competition. 🏆

WAITING TIME AND EXPERIENCE

High customer turnover makes waiting times a crucial issue in Hungary. In 2018 we laid special emphasis on achieving our waiting time target and succeeded in our efforts. We called 84% of our customers to a counter within 10 minutes of their arrival and started to serve them.

DSK Bank of Bulgaria enhanced its queue management system and, similarly to its parent bank, it now has dedicated employees welcoming and helping customers as they arrive at the branch.



A pleasant environment and time spent productively while waiting also contribute to customer satisfaction. In 2018 we continued to install water fountains in Hungary, where 60% of our branches now have them. The installation of corded and cordless phone chargers has proven a success, so that we installed them at all advisor desks during 2018; this meant a total of 163 branches and around 800 desks. We are considering whether to roll out phone charging to our subsidiaries abroad. Free WiFi access¹⁹ and kids' corners²⁰ at several branches across the Group contribute to making the waiting time more pleasant for customers.

BOOKING APPOINTMENTS

We consider it important to boost appointment bookings for the in-branch administration process, as they help both our customers and our employees in planning ahead in the banking process. Although the number of customers arriving for a booked appointment has slightly declined at OTP Bank, their proportion has in fact increased, as the number of customers visiting our branches has contracted overall.

At the three subsidiary banks that introduced the appointment booking feature in 2017 (OTP Bank Russia, CKB, DSK Bank)²¹, the number of users has remained low. For this reason, we have suspended its availability in Russia.



CUSTOMER SERVICE EMPLOYEES

We have introduced enhancements to the work of the employees who welcome and guide customers. We have added to their responsibilities certain educational tasks (for example concerning the use of deposit ATMs), and their assistance role has also become more proactive, for which we provided training support. In 2018, customers were welcomed by customer service employees in 31 branches; before increasing their number, we plan to widen the role further.

PEPPER

Following positive past experience, DSK Bank has installed a third Pepper robot in its bank branches, this time at the Varna University of Public Service. The robot meets and greets the customers and also has a screen for providing information on banking products and services. Little people accompanying our customers have taken to Pepper mainly because of the entertainment it provides: it can tell stories, dance and declaim ceremonial good wishes appropriate to the occasion. There are plans to enhance the robot so it can learn Bulgarian and be able to walk.



CUSTOMER IRRITATION POINTS

In 2017 we ran a comprehensive survey at OTP Bank to discover when and where a customer's satisfaction with our bank may be damaged. We identified 186 irritation points where customers may be inconvenienced in some way as they transact their finances. Since 2018 we have measured the occurrence of all of the ten most important irritation events and our branch employees serve the effected customers with special attention afterwards and also apologise on behalf of our bank. Our objective is to enhance further the treatment of the customers concerned.

3 robots at DSK Bank



SERVING BUSINESS CUSTOMERS

In 2018 OTP Bank conducted a comprehensive survey of opportunities for enhancements to how we serve micro and small business customers. One important enhancement is to provide premium services through dedicated branch employees to a part of our customer base in order to improve our customer focus. In 2019 we will test this new service model in a pilot involving a few branches.

SIGNATURE PAD

As of the end of 2018, OTP Bank²² had nearly 1.3 million retail customers with electronically registered signatures. The 165 most frequently printed documents are now signed digitally, and there are over 6 million electronically signed documents available to our customers via OTPdirekt, our internet banking service. The signature pad has helped us save nearly 21 million pages, i.e. 105 tons of paper. Our plans are to roll out digital signatures to business customers in 2019.

Our subsidiary bank in Croatia also introduced electronic signatures in 2018; it is available in all processes except lending.



¹⁹ Available in Hungary, Bulgaria, Serbia, Romania and Ukraine.
²⁰ At 221 (57%) branches in Hungary, 9 (2%) in Bulgaria, 35 (35%) in Romania, 34 (56%) in Slovakia, 6 (6%) in Croatia, 4 (14%) in Montenegro and 3 (2%) in Serbia.
²¹ The feature was already available at our Ukrainian and Croatian subsidiaries.
²² In Ukraine digital signatures have been available since 2016.



800 desks
with
phone chargers

REMOTE EXPERT CUSTOMER SERVICE SYSTEM

In a remote customer service arrangement, our customer is in a dedicated meeting room, being served by a contact centre employee via a video call, which means that citizens in small regions across the country can receive high-quality advisory services from our professional and highly-experienced employees. In 2018 we provided remote advisory services in 2500 cases; this figure is similar to that of the previous year. An important achievement of the year 2018 is that we managed to significantly reduce the number of lost calls, when the customer is unable speak to a specialist at the time of calling. In order to increase the proportion of successful calls, we promoted the booking of appointments and we are also working on creating a system that provides real-time information on when specialists are busy. Remote customer service was made temporarily available in securities transacting. Here, our customers need to use the e-signature pad too, so we will investigate the possibility of reintroducing the arrangement after the implementation of the pads.

2 million
cash deposits
at ATMs
in Hungary



**2,500 remote expert
consultations**

DEPOSIT ATM²³

The number and use of deposit ATMs continued to grow across OTP Group. In Hungary, their number rose to 210. 42% of cash deposits were made at ATMs, which reduced branch workloads, the overtime for branch employees as well as waiting times. The number of such ATMs rose to 99 in Bulgaria and 7 in Slovakia, and we installed the first 54 such ATMs in Romania, 50 in Serbia and 4 in Montenegro. In Croatia, we suspended the availability of deposit ATMs temporarily due to the integration process but plan to relaunch them in 2019; we also plan to expand the network in Slovakia.

MORE ATTRACTIVE TERMS FOR ATM USE

Our subsidiary bank in Romania signed an agreement with an independent operator of an extensive ATM network to make cash withdrawal free of charge at these cash machines as well.

Our subsidiary bank in Ukraine has entered into a partnership with yet another bank, so that OTP Bank customers can now withdraw cash, up to a certain limit, at nearly 3000 ATMs of the State Savings Bank of Ukraine.

**600 deposit ATMs
group-wide**



²³

In Ukraine, the majority of ATMs have had the functionality to accept deposits since 2016; in Russia, there are 84 such cash machines.

Access points in disadvantaged regions ²⁴	Branch	ATM
OTP Bank - Hungary		
Number of access points (% - as a percentage of the total)	70 (19%)	174 (9%)
Number of new access points (as a % of all new ones)	1 (33%)	4 (6.2%)
Number of terminated access points (as a % of terminated)	1 (50%)	7 (12%)
CKB - Montenegro		
Number of access points (% - as a percentage of the total)	1 (4%)	5 (5%)
Number of new access points (as a % of all new ones)	0 (- ²⁵)	0 (-)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
OTP Bank Romania - Romania		
Number of access points (% - as a percentage of the total)	30 (32%)	11 (8%)
Number of new access points (as a % of all new ones)	0 (-)	1 (33%)
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)	27 (19%)	50 (10%)
Number of new access points (as a % of all new ones)	0 (-)	5 (100%)
Number of terminated access points (as a % of terminated)	13 (27%)	0 (-)
OTP Banka Slovensko - Slovakia		
Number of access points (% - as a percentage of the total)	52 (84%)	127 (84%)
Number of new access points (as a % of all new ones)	0 (-)	6 (86%)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
OTP banka Srbija - Serbia		
Number of access points (% - as a percentage of the total)	26 (17%)	56 (23%)
Number of new access points (as a % of all new ones)	0 (-)	2 (100%)
Number of terminated access points (as a % of terminated)	0 (-)	2 (25%)
OTP Bank Russia - Russia		
Number of access points (% - as a percentage of the total)	12 (9%)	13 (7%)
Number of new access points (as a % of all new ones)	0 (-)	1 (100%)
Number of terminated access points (as a % of terminated)	0 (-)	0(-)
OTP Bank Ukraine - Ukraine		
Number of access points (% - as a percentage of the total)	1 (1%)	12 (9%)
Number of new access points (as a % of all new ones)	0 (-)	0 (-)
Number of terminated access points (as a % of terminated)	2 (100%)	0 (-)
DSK Bank - Bulgaria		
n.a. - there are no disadvantaged regions defined		

GRI 413 DMA, FS13

DISADVANTAGED REGIONS

In several countries the populations of disadvantaged regions can access OTP Group branches more easily than those of its competitor banks. 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 having our branches clustered in regions with a higher degree of disadvantage (in Romania, Slovakia, Serbia and Croatia).



²⁴

Subregions 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.

²⁵

None, not applicable

1.2. Accessible customer service

Our objective remains unchanged: to provide equal access for persons living with disability through services adapted to their special needs.

In 2018 several OTP Group banks completed significant development projects aimed at accessibility. OTP Bank worked with a number of specialist organisations in implementing these projects under its accessibility strategy. The projects were implemented in cooperation with organisations such as the Hungarian Association of the Deaf and Hard of Hearing, the Information Technology Foundation for the Visually Impaired, the Speech Technology and Smart Interaction Laboratory of the Budapest University of Technology and the KézenFogva ('Hand in Hand') Foundation.

To help blind and visually impaired customers:

- As ATMs are replaced, over 250 cash machines are now equipped with text to speech functionality and automatically switch to speaking mode once the headphones are plugged in. In addition to the on-screen information, the software will help customers use the device, manage the platform and find the keyboard and the cash slot. The continued roll-out of this feature is in progress as more ATMs are being replaced.
- We have installed a tactile push button so our visually impaired customers can signal their arrival. A tactile strip helps locate the push button and navigation is assisted with Braille.
- Tactile guide strips are available in 41% of our branches.
- Text-to-speech software is provided on our revamped website to access its content.

For our hard of hearing customers:

- There are 44 branches nationwide where our customers can benefit from the use of the KONTAKT Interpreting Service. This allows a sign language interpreter to assist with administration tasks through live video chat. The findings are positive: the service was used 1300 times in 2018, and the customers concerned declared it very useful. We plan to introduce it to another 120 branches in 2019.
- Two branch employees from each of our larger branches in Budapest and at county seats have now attended sign language training to learn basic sign language as well as specific banking phrases.
- When developing our website, we add transcriptions to all new video content.

Our customers with reduced mobility can benefit from the fact that:

- with the exception of a single branch, all the branches in our network are now wheelchair accessible²⁶,
- our website supports one-handed use.

Our development efforts were recognised by the MasterCard panel when it granted us the 'Accessible Banking Innovation of the Year' award. 🏆

**KONTAKT Interpreting Service
was used 1300 times
by customers**

Attitude shaping at branches

Our branch on Nagy Lajos király út in Budapest implemented a year-long programme in cooperation with the Dr. Török Béla Unified Specialist Education Methodology Institute. On ten occasions, groups of 8 to 10 hard of hearing students were offered an insight into how the bank operates. Over the course of an hour before the branch opened, our employees showed them the workings of the branch (e.g. students were given the chance to try the banknote counter and the banknote tester devices) and see the equipment available to customers with special service needs (e.g. induction loop amplifier, video sign language interpreter, communication guide, text-to-speech software).



Besides educating these students, our objectives included strengthening the relations with the hard of hearing, both among the population of the local Zugló district and among our employees. As a further positive outcome of this programme, our employees are now much more confident when helping our hard of hearing customers.

²⁶

Accessibility is not feasible at this branch due to the listed building regulations and the characteristics of the building and its environment (there is a significant height difference between the street and the branch floor level, which are connected by stairs).

At DSK Bank of Bulgaria, the majority (69%) of branches were made accessible to persons with reduced mobility in 2018; similarly to its parent bank, the subsidiary also launched a five-branch pilot of sign language interpreting in cooperation with the Listen to This Foundation.



In Russia too, work to provide accessibility continued: we added tactile flooring at branch entrances and tactile buttons to the branch queue management machine to help customers. 73% of branches are accessible for persons with reduced mobility.



Our Montenegrin subsidiary bank's CKB GO internet and mobile platform is accessible, facilitating the provision of better services to customers living with disabilities. It demonstrated the success of our efforts to provide accessibility that one of the first games associated with the launch of CKB GO was won by a blind young person.



In 2018 OTP Bank ran a sensitisation campaign nationally and among its employees to raise awareness of the importance of equal opportunities.

⇒ internal communication
corporate social responsibility

**99% of OTP Bank
branches and
73% of branches
across the group are
wheelchair-accessible**



1.3. Actions taken to improve objective information provision

GRI 417 DMA

We aim to supply our clients with information that is objective and comprehensive but also clear and succinct; we are therefore constantly enhancing our practices.

PLAIN LANGUAGE

OTP Bank's internal manual 'Tone of Voice' provides a comprehensive framework for plain and clear communications, explaining what makes the information delivered appropriate and clear. Since 2018, we have been producing our texts in line with these new criteria with the help of a plain language expert; as a result, our texts are shorter, clearer and easier to understand. We have changed our customer letters and website texts. We will test the letters throughout 2019 and incorporate our findings in the new templates.

INFORMATION ABOUT OUR SERVICES

In order to satisfy the statutory requirements regarding information about investment products:

- We developed an online cost calculator for investment products, which summarises all the expected, estimated costs of a product.
- For our retail customers, the Key Information Documents (KID's) state all the key information about packaged investment products and insurance-based investment products. KID's are available on our website and, in printout form, across our branch networks.
- We have revised our information materials.
- Since early 2019 we have been sending our customers an ex-post cost statement that shows the total costs of savings products/services.



We have comprehensively enhanced the communications of the parent bank and OTP Faktoring with customers who are in arrears. A central objective of these changes was to make our cooperation more customer-focused and flexible. At OTP Bank:

- We reinforced an advisory attitude during telephone calls and placed greater emphasis on understanding the unique problems of each customer. Our employees were given advance training to help them develop these skills.
- We have revised the demand letters to enable more personalised solutions and improve clarity.
- Revamping the arrears management section of the bank's website was an important move: on this informative page, our customers can find information about the possible solutions simply, in just a few steps, and they can access all the key information and the most frequently asked questions.
- For debtors with permanent payment difficulty, we can offer the bank's debtor protection and repayment assistance facilities in a dedicated process.

Our employees at OTP Faktoring also take great care to examine customers' financial options and then offer them solutions that match

their actual capacities. In 2018 we produced information materials in clear language to explain the claim management process and how to settle debts. We renewed our website with a special focus on providing information; among other features, there is now a video repository and a glossary helping our customers.

Our Serbian subsidiary has revised its information materials on loans as well as its loan calculator, in both the retail and the corporate segments. This modification was in line with the expectations of the central bank to explain to customers the risks of borrowing in a foreign currency and of variable-rate loans.



Our subsidiary bank in Bulgaria produced product information materials about its lending products; these documents provide useful assistance to customer service employees in expanding their knowledge and doing their work. The bank also offers loan calculators and expected cost calculators in its so-called high-tech branches and on its corporate website.



1.4. Improvements to complaint management

In order to improve the satisfaction of our customers, we continually improve our complaint management practices too. Our complaint management follows the same principles across the group.

We adapt our complaint management practices to any changes in statutory requirements. At OTP Bank, the complaint investigation period continues to be shorter than what is required. Across the branch network and in call centre banking, we introduced process-driven complaint management to facilitate the immediate resolution of complaints.

We analysed the complaint management processes across the group and our subsidiaries formulated action plans for achieving the standardised targets. In order to enhance our practices, we have improved our training courses and several of our subsidiary banks have produced specialist supporting materials to prevent errors.

Our subsidiary bank in Russia achieved outstanding results: thanks to the developments it introduced, the number of complaints fell significantly and it dealt with 85% of complaints within five workdays. In addition to process-driven complaint management, we have overhauled our training courses, created a knowledge repository and increased the number of employees dealing with complaint management. In addition, we focus on eliminating the causes triggering the complaints.



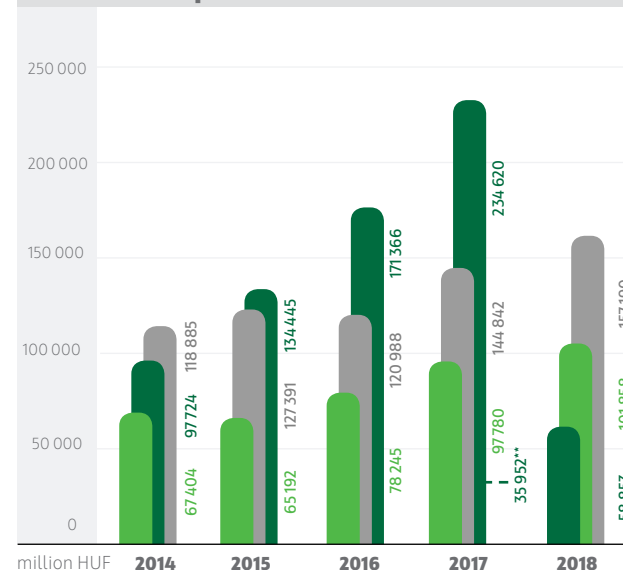
OTP Bank Slovakia continued to work on modifying conditions and processes (e.g. in account management, loans and electronic banking) in order to prevent complaints.



GRI 102-48

OTP Bank*

Customer complaints



million HUF

number of complaint cases

number of warranted complaints

Compensation awarded (in thousand HUF)

* OTP Bank, OTP Mortgage Bank and OTP Building Society

** For 2018, damages and compensation paid does not include transaction amounts refunded, even though this was listed in previous years. For purposes of comparison, we have added this figure for 2017.

TYPICAL COMPLAINTS

At OTP Bank, the largest number of product complaints still concerned mortgage loans and retail bank accounts. Of the complaints regarding bank cards, most concerned online fraud and cash withdrawals or deposits at ATMs. The number of complaints about card transactions was high at other members of the group too. In order to reduce fraud, the parent bank and several subsidiary banks introduced an online security code feature (for details see Section 4.3).

➡ Enhancement of the security of banking systems



At OTP Bank Romania, justified complaints increased because the bank had failed to notify debtors in arrears 15 days in advance of submitting their data to the negative list of the Central Credit Information System (CCIS). Although this was general practice in the entire sector, our subsidiary bank opted to change the procedure.



1.5. Measuring customer satisfaction

GRI 102-43, 102-44

In an effort to intensify our customer focus, it is now general practice across our banking group to ask for feedback. We test all our new online and offline platforms and many other innovations with customers and often with our employees (e.g. tests of branch furniture, ATMs).

In addition to testing specific developments, we also conduct general customer satisfaction surveys.

TRI*M

To measure the satisfaction of retail customers, OTP Bank uses the TRI*M methodology introduced in 2011 (for more details about the methodology, see our website).

 TRI*M methodology

In the second half of 2018, OTP Bank's client retention power stood at 76²⁷ points, which is the highest at any time over the past seven years, as a result of rising for two years in a row. Its value is aligned with the average of banks in Central Europe but is still slightly below the average of that of competitors in Hungary. Client retention power rose throughout the sector in 2018. Out of the seven main areas of service, our bank achieved the highest customer satisfaction in the most important one, namely the ATM network and internet banking.

Customer complaints	Compensation paid (HUF million)	Amount of compensation per warranted complaint (HUF)
OTP Bank*		
2014	98	1,450
2015	134	2,060
2016	171	2,190
2017	235	2,400
2018	59	600
OTP Group		
2014	249	2,100
2015	224	2,200
2016	268	2,200
2017	339	3,000
2018**	170	1,100

* Also includes data for OTP Lakástakarék and OTP Jelzálogbank.

** Reimbursed transaction amounts are excluded from the compensation total in 2018; in 2017, the amount net of reimbursed transactions was HUF 36 million.



SQM

In 2018 we started to measure the quality of our customer services in the branches (Service Quality Management, SQM) using a different methodology²⁸, contacting customers online instead of calling them by telephone as before. While quality remained unchanged, the switch in methodology meant that we measured a lower value and a more precise result with greater variances. Service quality is 83%, with helpfulness (88%) and expertise (86%) once again given the highest scores. The satisfaction of our customers was the lowest in the waiting time (77%) and processing time (79%) categories.

IMAGE SURVEYS

Different social structures and financial cultures generate different service needs in the various countries. In order to identify these, we started region-wide satisfaction and image surveys in 2018.

OTP Bank Russia surveys the satisfaction of its customers per sales channel as well as globally. Respondents were most satisfied with the POS (point-of-sale) channel and cross-selling, although satisfaction exceeded 80% in all areas.



Our subsidiary bank in Ukraine measures satisfaction by transaction type. Customers gave it an outstanding assessment of above 93%.



OUR STRATEGIC GOALS

Set up cashless bank branch in Slovakia

Introduce a loan application feature in the mobile app in Hungary

Make electronic signatures available to businesses and introduce the digital signature pad in Croatia

Develop internet banking in Serbia

Develop the contact centre in Croatia

Improve personal service provision in the retail and micro- and small business segments at the parent bank



02

Developing financial literacy

We are convinced that raising financial literacy is a key precondition for growth within the region.

New OK Educational Centre | Knowledge Bank videos | Pension mentoring

Commitment

The population should have the knowledge required for an informed and responsible management of money.

Approach

We consider the financial education of young people a priority and also help educate the adult population with initiatives that go beyond our customer base.

Task

- Free, unique financial and money management training in several countries of the region, through the OK Educational Centres
- Cooperation with other organisations in developing financial literacy
- Videos presenting banking products and context
- Marketing campaigns promoting responsible finances

GRI 203, 413 DMA

There is diversity in all spheres of life in the countries where OTP Group operates, and therefore the management of finances also shows diversity in terms of attitudes and customs. However, the financial knowledge and awareness of the population is in need of development everywhere.

For details on our permanent programmes and practices related to the development of financial literacy, visit our website.



Developing financial literacy

2017 Our commitments

2018 Our results

● Implemented ● Implementation in progress ● Not implemented

Increase the impact and recognition of the OK Educational Centre further (continuous)

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

Set up an OK Educational Centre in Trnava in Slovakia

The Centre was set up.

Implement digital solutions for transmitting financial knowledge as a result of the Digital Idea Competition

The Competition was completed.

Financial Ninja Academy – a collection of playful tasks for use in schools

We designed the training course.

Produce short television programmes to improve the financial awareness of the adult population

We produced the programmes, which aired on TV2 and its nationally broadcast channels with the title 'Bank Percek' ('Minutes of Banking').

OTP Self-provision Index Live for today or provide for the future?

The OTP Self-provision Index, which we published for the twelfth time in 2018, measures the condition and progress of Hungarian society in the field of self-provision. To facilitate comparability, the survey methodology was the same: we examined financial (e.g. financial planning, different types of savings held) and non-financial components (e.g. approach to environmental protection, preventive health). This year the one-off questions concerned the correlation between family and self-provision.

Following its decrease last year, the self-provision index fell again and stood at 35 points on a scale of 100. The trends are very similar to those measured last year.

More highly educated segments of society achieve a higher self-provision indicator compared to those with lower educational levels, although the index fell more steeply in the more highly educated segments this year. In 2018 the changes in the index were



relatively unrelated to the amount of assets held, so the index of wealthier groups of society remained higher. It is a positive finding that parents recognise the importance of financial awareness and try to share their knowledge with their children.

The proportion of persons with money market savings decreased, there was a noticeable increase only in fixed deposits, and an increasing number of people (41%) keep their savings at home.

In 2018 there was another rise in respondents who believe that it is advisable to use private healthcare services in addition to the state provided services. As for pensions, the overall picture is similar to that of last year: there was a further increase in the proportion of persons expecting the state to provide for a decent old age, while they do not expect other income even though they do not think consider the amount of the state pension sufficient. Nearly two thirds of the respondents consider their financial futures unpredictable and nearly half are unable to save money. The assessment of predictability has improved significantly compared to last year.

The results from the Self-provision Index were presented by Deputy CEO Antal Kovács at the Self-provision Conference organised by the periodical Világgazdaság. 🍷

2.1. Improving financial knowledge regarding banking services

In the past two years we produced videos and planners providing general financial knowledge on a variety of topics. Most of them are available to the entire population, although they are posted mostly on our own platforms.

GRI 417 DMA

KNOWLEDGE BANK

In 2017 we launched our video series Knowledge Bank, in 2018 we added 22 new videos to the initial three episodes. We produced the videos as animations, presenting the key features of a topic in 2 or 3 minutes, together with practical examples and advice. The videos cover loans, credit cards, housing loans, savings and liaising with banks. By the end of 2018, our short videos were viewed 324,000 times; the films explaining savings were the most popular. We will continue to produce videos in 2019; our plan is to produce two short films on savings.



DSK Bank shows educational materials on the digital displays of its branches.



CREDIT CARD CAMPAIGN

Product knowledge tends to be incomplete mostly as regards credit cards²⁹. Our bank made a commitment to the Hungarian Competition Authority to carry out a television and online educational campaign about the use of credit cards. In the television campaign, we showed two videos for four weeks and displayed a link to the educational website www.hitelkartyainfo.hu. The short films are available on YouTube as well, and we also advertised them online.

INVESTING IN THE FUTURE

OTP Bank's personal loan campaign placed education in the focus, both adult education and the teaching of children. Our objective was to present a means to help with loan repayment and thus to shape popular attitudes.



Pension Mentoring Programme

The unconventional campaigns of the OTP Pension Fund have been highlighting the importance of self-provision since 2016. 'Our earlier campaigns had focused on finances, whereas our new communications target the emotions, showing what we can lose out on if our old age is not financially secure. The results of the Self-provision Index inspired us in this change of approach. Our objective was to reduce the average age of newly joining pension fund members; after the campaign, the average age at joining decreased from 40 years to 38.

Our 2018 campaign focused on the Pension Mentoring Programme, presenting four mentors who can serve as genuine role models for the young people of today by virtue of their decisions, their lives in retirement, their passion. Four young people joined the mentors, taking part in their "dream retirement" for a month and also to learn the finer details of a desired craft or profession. Besides the short videos presenting the programme, we dedicated the communications of an entire period of six months to addressing this generation. We are proud to say that we were the first on the market to successfully address people in their twenties.'

Krisztina Horpácsi, head of Department for Customer Relations and Services at OTP Pension Fund

The Pension Mentoring Programme earned the title Best Marketing Communications Campaign of the Year at the Eventiada IPRA Golden World Award, which is the biggest PR contest in Eastern Europe.

WORK CAN'T WAIT

The OTP Health Fund also ran an unconventional campaign. Its series of advertising spots entitled 'Work can't wait' promoted self-provision by focusing on the challenge of reconciling the long and unpredictable waiting times at state healthcare institutions with work pressures. We set up the first ever VR waiting room in Hungary, where people can enjoy virtual travelling while they wait. The campaign won two Prizma awards 🏆 in 2018, was shortlisted for the SABRE Awards, won the Gold Stevie Award at the International Business Awards and was also awarded at the European Excellence Awards.

FINANCIAL PLANNER

OTP Bank's website offers a complex Financial Planner, where interested persons may enter a few basic data and their financial goals to receive a demonstration of their financial situation throughout their lives and subdivided into different time periods. Navigation similar to that found on tablets and smartphones allows the calculation of alternatives. We display the advantages of the recommended portfolio in an easy-to-understand format. Our customers can receive personalised product offers when they log in to internet banking. The Financial Planner is available on a standard platform for our customers and branch employees, who can therefore provide useful assistance to any customers who visit the branch.



DSK Bank has also developed preliminary cost calculators, which help customers better understand products and the related costs and make better decisions.



The CKB GO internet and mobile banking app includes a personal financial manager and a desires and goals planner.



BETTER INFORMED CUSTOMERS

Our survey of the Hungarian market shows that our customers' financial knowledge of housing loans is growing and that searching for information online is becoming increasingly important in the early stages of borrowing. More than half of our customers request advance offers from several banks before they submit their credit applications and select their financing bank. Independent banking comparison sites also play a role in raising awareness: while the survey suggests that their importance is not yet decisive, it is clearly on the increase.



2.2. OTP Fáy András Foundation

GRI 417 DMA

The OTP Fáy András Foundation plays a crucial role in enhancing the financial literacy of students. We continually expand our activities to make sure that financial and money management knowledge reaches as many people as possible. The Foundation received the Kármán Tódor Award from the Ministry of Human Resources for its support to Hungarian education (public and higher education). It is also recognised by Hungarian and overseas professionals as an international innovator.

The Foundation operates the OK Educational Centre, which offers courses on finance and economics for secondary and primary school students (Sulibank) and career programmes (Karriersuli, Karrieriskola) in Hungary and, through its sister foundations, in Romania and Slovakia.

TRAINING

The OK Educational Centre venues in Budapest and Nyíregyháza host over 15,000 students every year and reach further tens of thousands of interested persons at various educational and other events in Hungary. The region has no other financial educational institutions similar or even comparable in significance to the OK Educational Centre.

Our free courses are developed in-house and are subdivided by school years; they employ innovative educational techniques and methodology, and have a Kokoa certificate of excellence. In 2018 this certificate was also awarded to our OK Moneytainment Box complex training tool, which helps the 6 to 12 year age group acquire knowledge with the help of teachers. Our 'Financial Ninja Academy' is a two-hour experience training course we developed for primary school pupils. The course is adapted to the needs of this age group in that it includes a

large number of movement-based tasks. We also produce 'Train the trainers' materials.

We carried on with our academic programmes, collating and displaying scientific and scholarly content on the Tudásfeltöltés (Knowledge Upload) online platform, bringing closer to young people subjects that they often find alien.

We continued our four-semester teacher continuous education programme in cooperation with ELTE University and started work on refreshing the course content. For these modifications, we analysed and took into consideration the feedback received from former course participants. The Fáy Success Camp and the Experience Week also continued at both our locations.

We took part in the Night of Researchers as a venue and a programme provider and played a role in the 'King Matthias's Camera' video competition together with the Research Centre for the Humanities of the Hungarian Academy of Sciences and the Office of the Commissioner for Educational Rights.

413 DMA, GRI 203-2 RESULTS IN FIGURES - 2018

16,000 students from 170 institutions taught in 1300 training groups

15,000 students participating in our other educational programmes

5,500 persons (4,700 children and 800 adults) trained in Romania, at 476 training courses

9 trainers

3,600 students trained in Slovakia, at 281 training courses

5 trainers

OK EDUCATIONAL CENTRE IN ROMANIA

We continued to expand and improve the diversity of our programmes at the OK Educational Centre in Romania in 2018. While the modern spaces and equipment of the inspiring building of the Centre is clearly a plus for the thousands of students who receive training here, the role of our travelling trainers is also unquestionably important. The OK Educational Centre lays special emphasis on access, and therefore on the students of disadvantaged and/or rural schools. These students tend to take part in training at their own schools; our colleagues visited a total of 35 towns in 2018. We work with several institutions that help disadvantaged young children as well as children living with disabilities, providing training for the children and their teachers.

On the first anniversary of the Centre, we presented a study of the financial behaviour of the Romanian population and launched our OTP Financial Fitness programme. The initiative provides training for OTP Group employees and customers as well as teachers, school inspectors, journalists, the employees of non-governmental organisations and businesses. In 2018 we delivered 13 training courses across the country.

Besides the training courses, the OK Educational Centre houses multiple events, providing the training and conference rooms free of charge for e.g. art exhibitions, young business people, non-governmental organisations and other entities with a social impact. In 2018 the various training courses and other events made it possible for around 20,000 people to enjoy the benefits of the Centre, and the number of events exceeded one thousand.

OK EDUCATIONAL CENTRE IN SLOVAKIA

The OK Educational Centre in Trnava was part-financed with European Union grants. Our capacities increased significantly with the

new centre, which can receive 5,000 students per year; the number of trainers rose from two to five, and we trained them in cooperation with our Hungarian colleagues. Children can travel to the institution free of charge by coaches from the more distant parts of the country, and our trainers deliver training at external locations too. In 2018 our courses were attended by approximately 400 disadvantaged or disabled students and pupils living in children's homes. The OK Educational Centre also offers adult and teacher training.

OK ROADSHOW

In 2018 we ran our OK Roadshow programme, which is adapted to local needs, in two regions: North East Hungary and South West Hungary. Over 90 primary schools took part at a total of 40 events. The participating schools then met at a five-part competition series, with 3 pupils representing each school. We also organised Family Days in 5 towns, offering entertainment besides the financial education programme. We announced a Family Competition, with a total prize budget of three million forints, to collect true or fictional stories about finances, economics or money management. The Roadshow was also sponsored by the Ministry of Human Resources, in recognition of the essential nature of financial awareness and the role of our Foundation in this field.

DIGITAL IDEA COMPETITION

At the end of 2017 the OTP Fáy András Foundation and the Ministry of Human Resources announced a major competition with prizes totalling HUF 38 million to identify the best digital solutions for disseminating financial, economic and budgeting knowledge. The aim is to support financial awareness in the 12-to-22 age group and to help them prepare for a successful life. Of more than 400 applications, 25 teams were invited to the idea competition final. These 25 teams were given the opportunity to perfect their ideas in a mentoring programme. The ideas in the applications provided us

with inspiration and solution options, some of which we are using as we are implementing our Digital Simulation Program in 2019. In addition to the original prize money, we rewarded the large number of great ideas with a further HUF 6 million.

Model School

In 2018 we continued our Model School programme with three schools. All the students of the three schools took part in training by the OK Educational Centre; in addition, we set up a Fáy András room furnished with state-of-the-art equipment at the Eötvös József Grammar School. While its building is being refurbished in 2019, the OK Educational Centre in Budapest will operate at one of the model schools, namely BGSZC Secondary School in Buda.

400 applications to the Digital Idea Competition of the OK Educational Centre



25,000 students trained at 3 OK Educational Centres

49 volunteer employees gave lectures during MoneyWeek



2.3. Further programmes aimed at developing financial literacy

GRI 417 DMA

We advance the cause of financial education as members of various joint arrangements and with our own additional programmes.

OTP Bank is an active participant of the MoneyWeek programme, which was organised for the fifth time in 2018. Our bank was once more granted the Ambassador for Financial Literacy award at the ceremony held on this occasion. This year, the programme focused on the questions of 'Smart about investments' and 'Problem identification and business ideas'. In 2018, 49 of our employees volunteered to give lessons at schools, for three different age groups, following pre-defined exercises and frameworks but sharing this knowledge through their own experience and life-like scenarios³⁰.

In 2018 we paid special attention to self-provision in our press communications. In our 'Statistic of the month' programme, we process a figure each month from the Self-provision Index of the previous year. In connection with the message of providing for children, three influencers speak about their childhood on the platforms of blikk.hu, and explain how they provide for the future of their children. The videos were viewed more than 310,000 times.

We donated five million forints to support the creation of the 'Fintelligence' Financial Education Centre at Miskolc University. It has a modern exhibition and lecture space to make the sharing of financial knowledge more of an experience for young people. The centre is open to all, including primary and secondary school students, and even the elderly.

In 2018 DSK Bank developed its own financial education programme and created its National Financial Game for secondary school students. The main objective of the game is to motivate students and their families to acquire financial knowledge. The first round of the competition is to take place in early 2019, and the winners will receive cash grants.

As per tradition, nearly all of the bank's branches opened their doors to children on World Savings Day, calling their attention to the importance of savings and responsible money management.

OTP Bank Romania sponsored a survey of the financial activities and banking habits of female entrepreneurs, business women and business-owner mothers in the regions of Transylvania. We also continued our traditional sponsorship of the financial and economic competition Pénzidomár (Money Tamer), which is organised by Sapientia University.

OUR STRATEGIC GOALS

Digital Simulation Program

Adult education at the OK Educational Centre

First National Financial Game held in Bulgaria



03

Expert financial care

OTP Group is a universal banking group that aims to serve the financial needs of all customer segments.

Certified Consumer-Friendly Loans | MFB Points | Subsidy factoring | Financing of solar plants

Commitment

Supporting long-term sustainable progress in society and the economy.

Approach

Our products help in an ethical way the achievement of financial objectives, the access to basic needs and the safe investment and growing of savings.

Task

- Active participation in state and international programmes to help achieve social objectives and provide housing
- Serving the financial needs of small and medium-size businesses at a high standard of quality
- Special focus on satisfying the financial needs of the agricultural sector
- Wider availability of products helping the protection of the environment

OTP Group is a universal banking group that aims to serve the financial needs of all customer segments, always acting in compliance with the principles of ethical and fair product development. In our retail services, we pay particular attention to the products offered to young people and to promoting self-provision. In the corporate segment, several members of the Group focus on agricultural companies and small and medium-size businesses.

This chapter presents new or revised products offering social and/or economic benefits. To read more about our products introduced in the past, visit our website.



Expert financial care

2017 Our commitments

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

Develop a credit rating system facilitating lending to small producer customers

Provide energy and SME development finance opportunities under cooperation agreements

Develop services for the agricultural sector in Croatia and Russia

Market share in excess of 20% in agricultural lending in Hungary (2020)

2018 Our results

● Implemented ● Implementation in progress ● Not implemented

The specialised product for lending for electric cars has been completed but other parts of the project are delayed.

Rules have been drafted regarding small producer financing surplus opportunities.

The initiatives in Bulgaria and Montenegro have been completed. Programme implementation is delayed in Serbia.

In Croatia we created a dedicated business line, the Russian agricultural project has made progress.

The market share approximated 17% as of the end of the year.



3.1. Households and residential communities

OTP Group members offer numerous products that help the financial management of particular sensitive target groups, providing them with long-term financial security.

SENSITIVE TARGET GROUPS

- Most members of our Group offer preferential-rate accounts for children and young people, and provide differentiated services to different age groups.
- Our banks operating in EU member states offer the basic bank account for disadvantaged low-income retail customers; in addition, we provide minimum packages for customers who need a more limited range of services.
- Several of our subsidiaries offer preferential products to retired and elderly people as well; the range of these products continued to grow in 2018.

OTP Bank Russia developed preferential products for this segment, offering a special savings account and deposit account, while pensioner cards are free of charge and give their holders eligibility for free cash withdrawal. Customers can apply for a supplementary service with their card, giving them access to telephone consultations about various topics 24 hours a day (e.g. vital household questions, information on pension applications, medical consultations and calling a doctor).



In Croatia, we have entered into a long-term cooperation arrangement with the city of Split. As a first phase, we are planning to devise a special bank card for pensioners, which will incorporate an aid sum of around HUF 400,000 and eligibility for discounts at 15 welfare institutions and shops.

Our Serbian subsidiary bank revised its senior personal loan with a more attractive fee structure.



new home purchasing or construction decreased to a small degree (19%). The number of outstanding housing loans remained nearly unchanged and stood at 220,000 as of the end of the year.

We made it possible for customers to fill in several of the credit application documents online, and sent them free text message updates on the progress of the administration process once the credit decision was made.

ELECTRIC CARS

Our subsidiary bank in Croatia introduced a preferential-rate loan for electric cars. Under this scheme, the national Environmental Protection and Energy Efficiency Fund provides a grant.



Demand for the loan has been low so far, probably due to the high price of electric cars and the shortcomings of the charging infrastructure. An earlier plan of our bank, a project to invest in electric car chargers, has carried over into 2019.

Access to real estate, modernisation

GRI 203-2

OTP Group members play an active role through their own products and by participating in subsidised schemes towards reaching housing objectives and implementing energy-efficient solutions.

In 2018 the real estate lending market continued to grow in Hungary, although at a slower rate than in 2017. We signed around 30,000 housing loan contracts during the year. The share of used home purchases within all new lending rose (68%), while that of

Another important change was the spectacular growth in fixed-rate loans in 2018. The main message of our fixed-rate housing loan is predictability and plannability; in our communications, we also emphasised the option of conversion. In the last quarter, fixed-rate loans with interest periods of at least 5 years represented almost 95% of all new commercial housing loan applications. The total weight of fixed-rate loans with interest periods of 10 years or more is also rising steadily.

CERTIFIED CONSUMER-FRIENDLY HOUSING LOANS

The fixed-rate loans are largely Certified Consumer-Friendly Housing Loans, whose popularity is encouraged by concerted policy on the part of the Magyar Nemzeti Bank: after the certified consumer-friendly loans were introduced in 2017, debt brake rules were changed in 2018³¹. Our product development was also focused on the Certified Consumer-Friendly Housing Loans, obtaining the MNB's certification for our subsidised first home housing loans and adding extension, modernisation and renovation to the range of loan objectives. In the last quarter of 2018 the proportion of certified consumer-friendly housing loans exceeded 70% of all fixed-rate commercial housing loan applications.

31

The monthly repayment of a loan may be equal to a higher percentage of the customer's income if the interest period of the loan is longer.

CSOK

OTP Bank continues to be an active participant in the Family Housing Allowance (CSOK) scheme, although the proportion of subsidised loans is decreasing within the housing loan portfolio. In this scheme, our bank received over 12,000 subsidy applications in 2018, for a total amount of approximately HUF 40 billion. The rejection rate is minimal in this scheme.

CONDOMINIUMS

OTP Bank plays an important role in serving the financial needs of condominiums. In 2018 we introduced two new condominium account packages, of which condominiums are advised to select the one suited to the volume of their transactions.

OTP Condominium grant

In 2018 we announced our 10th tender for the modernisation of condominiums, this time doubling the available grant to HUF 20 million. A record number of applications were received, altogether 1238. The most frequent goals included accessibility, the installation of security surveillance systems, digital intercom systems, bicycle storage and new safety doors, as well as the renovation of internal common areas. We rewarded 20 applications in total; most of the winners this year were condominiums outside Budapest. Apart from providing financial support, the key aim of the grant scheme is still to raise awareness in residential communities of the fact that it is possible to make their environments more pleasant, improve the comfort of their place of residence, or achieve significant energy savings by means of relatively small investments.

MFB POINTS

In 2018 OTP Bank continued to lead the consortium established in 2017 to offer products of the Hungarian Development Bank (MFB), both EU-refinanced and MFB's own origination, at the MFB Points we set up at the branches. Under the Széchenyi 2020 Programme, we will offer EU-refinanced interest-free loans, available until the end of 2022, to private individuals, condominiums and housing associations for energy efficiency and renewable energy consumption projects. As of the end of 2018, 166 branches of our bank had an MFB Point installed in it (44% of our branches and 26% of all MFB Points) (the figures include the Points set up to replace units closed by MKB). At these units, OTP Business³² employees were at the disposal of the customers. Of the eight financial institutions operating MFB Points, OTP Bank was found by mystery shoppers to be the best in terms of both sales quality and volume in 2018. The findings suggest that the handling of situations, and therein the provision of proposals and information are clear strengths at our bank. We signed more than 2000 contracts during the year, for a total of HUF 5.8 billion, with disbursements amounting to HUF 3.4 billion.

Our subsidiary bank in Romania has again taken part in the state programme to help individuals with the purchase of their first home ('Prima Casa'), under which the bank offered young people a preferential loan. The bank drew down the entire sum allocated to it, but even so, preferential loans had a lesser weight within its total new mortgage lending than in prior years.

After a hiatus of one year, the 1000+ apartments project continued in Montenegro. The key objective of the initiative is to provide housing for pensioners, newlyweds, persons living with disabilities as well as citizens living in North Montenegro.

The participants in the programme are eligible for preferential-rate loans. Due to the delays in the project, we disbursed 32 housing loans in 2018, for a total of around HUF 500 million; nearly three quarters of these were drawn down in the vicinity of the capital.

In 2018 our Croatian subsidiary bank continued to disburse its 'Sunshine loans' product, which offers a lower interest rate for properties designed with energy efficiency in mind (with an energy rating of A+, A or B). The bank also started to lend subsidised loans in cooperation with the Agency for Transactions and Mediation in Immovable Properties (APN).

OTP Bank Ukraine continued its IQ Energy Programme, under which it partners with EBRD (the European Bank of Reconstruction and Development) in offering a loan incentivising the purchase of energy-efficient products. This Ukrainian project won two awards among European IQ Energy programmes, for sales volume and for sales methodology. Since 2016, 13 thousand customers have borrowed the equivalent of more than HUF 5 billion for insulation and improved energy efficiency.

ADLAK

In our ADLAK service, customers can access employer's grants for the repayment of housing loans. However, the termination of tax exemption for the employer grants resulted in a decline in new grant contracts with this product, and therefore we phased out our basic ADLAK service as of the end of 2018 and will end the provision of all the services at the end of 2019.

BUILDING SOCIETY SAVINGS

Another change in regulations put an end to the availability of our housing savings products with state subsidies. Under the existing contracts savings are still continuing, as are disbursements against the expiring contracts, with customers drawing down 40,000 housing loan contracts in 2018. We plan to introduce two new schemes in 2019 to encourage savings for housing purposes.



**220,000 housing
loan contracts in force
at OTP Core
as of the end of 2018**



**2000 contracts
at retail
MFB Points**

Self-provision

OTP Bank is committed to supporting financial self-provision and incentivising savings. Our bank's savings portfolio is one of the most extensive on the market, which allows us to serve a wide variety of needs, from regular savings of small amounts to the investment of large sums. In 2018 retail savings grew further in Hungary, with sight deposit balances growing at a rate faster than ever before. We believe that the financial education of customers would be necessary for further growth in investments in securities.

FINANCIAL PLANNING

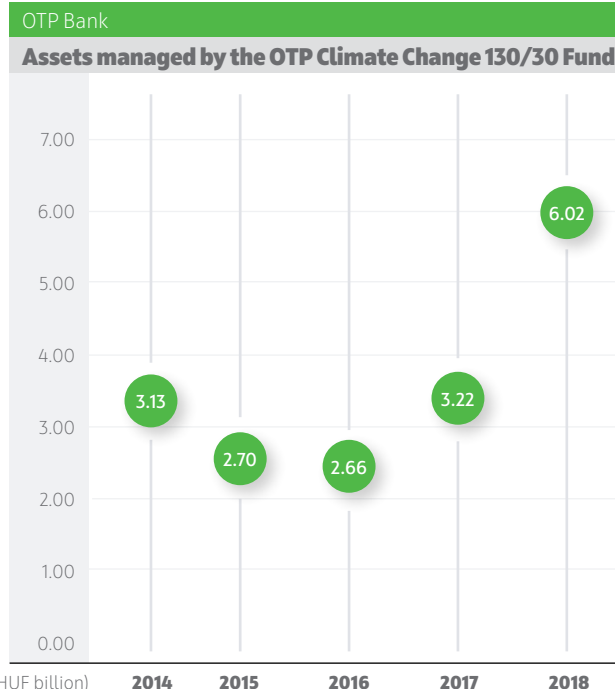
OTP Bank offers financial planning in its branch network as well; our colleagues use the Financial Planner, which is also available on our website, to provide our customers with customisation and greater clarity. In 2018, we executed the free planning process for over 152 thousand customers, on 160 thousand occasions; 130 thousand times for retail customers and 30 thousand times for premium customers. During these planning exercises, we recommended savings products for a total of HUF 1317 billion during the year.



**HUF 5 billion in the
IQ Energy programme**

RESPONSIBLE INVESTMENT FUND

We did not expand the range of our responsible investment funds in 2018. The OTP Climate Change 130/30 Fund provides an investment opportunity sharing in the performance of large international corporates in the green industries (climate protection, sustainable development, renewable energy sources etc.). The assets managed in the Fund nearly doubled compared to the previous year. Privátbankár.hu named Series A of the Fund as 'Best Global Equities Fund'. At the Best of BSE 2018 gala, OTP Bank won the award for Investment Service Provider of the Year. 🏆



LONG-TERM SAVINGS

The number of accounts specifically incentivising long-term savings³³ decreased in 2018. Of these, however, the number of Long-Term Investment and Securities Accounts increased by nearly 10%. The popularity of the Savings Account, which has features similar to the pension pre-savings account, continued to grow: there are 280,000 such accounts, with a total balance in excess of HUF 202 billion.

**160,000 financial
planning exercises
at OTP Bank
branches**



**349,000 long-term
savings accounts**



3.2. Micro, small and medium-size business customers and municipalities

OTP Group also focuses on serving the financial needs of small and medium-size businesses. Our objective is to provide services that are simple, fast and convenient but also satisfy unique needs; we therefore offer unique as well as standardised products.

Our experience shows that our service model offers sufficient flexibility for our customers; we have therefore kept it unchanged. We also carried out a survey of how to boost our corporate advisory services in the branches. Based on our findings, we plan to introduce pilot programmes in 2019. The widening of our online service offering across the group has been welcomed. In 2018 our Hungarian customers applied electronically to open an account in 15% of the cases.

In order to accelerate the service process, OTP Bank Romania introduced standard one-off and revolving quick loans for lower-revenue companies in 2018. Launching our Start-Up Hero package has allowed us to make a number of free services available to businesses established less than 12 months previously.



EBIZ

The eBIZ digital financial assistant is a unique service within Hungary, helping micro-, small and medium-size businesses in their administration processes. Businesses can use a single platform for invoicing, managing bank transfers and monitoring the company's current financial situation using clear reports. They can liaise with their cus-

tomers, suppliers and accountants on the same platform. Thousands of businesses and their accountants now use the eBIZ system.

GRI 203-2

MFB POINTS

At MFB Points (for further details see micro-, small and medium-size businesses can access long-term financing. Under this initiative comprising multiple programmes, OTP Bank signed 344 contracts with businesses by the end of 2018, for a total contractual amount of HUF 12.6 billion. These programmes provide loans with zero interest or preferential interest rates and cover five thematic areas. These areas are: promoting research, technological development and innovation; boosting competitiveness; incentivising employment and employee mobility; enabling access to infocommunications technologies and the use of e-technologies; and transition to a low-carbon economy. ➡ Households and residential communities

OTP HUNGARO-PROJEKT

Our grant applications consultancy company serves primarily the SME sector. In 2018 we submitted applications on behalf of our clients under the EU Rural Development Programme, the Economic Development and Innovation Operational Programme and nationally financed R&D&I programmes. Of the applications filed, 103 were granted funding in 2018, for a total of HUF 20 billion, while a further 55 applications were under review as of the end of the year. Three of the winning applications concerned energy developments, for a total of HUF 216 million. In addition to preparing applications, we provided project management services for grant winners and offered public procurement advice. The start of our agricultural specialist consultancy activities has carried over into 2019.

33

TBSZ (Long-Term Investment Account), TBÉSZ (Long-Term Investment and Securities Account), NYESZ (Pension Savings Account)

POS terminals

In 2018 OTP Bank again entered the tender announced by the Ministry of National Economy aimed at increasing the number of card acquirer locations in this country. 6,000 new OTP Bank card acquirer terminals were purchased and installed in this programme. Our contribution focused on making card payment available in seasonal accommodation services, taxis, municipalities, public transport and school cafeterias.

INNOVFIN

Under the InnovFin initiative of the European Commission, DSK Bank is granting loans to SME's against a guarantee from the European Investment Fund (EIF). In 2018 15 businesses took out the loan, using nearly 80% of the EUR 15 million budget available. EIF's guarantee allows the provision of preferential credit terms; these SME's would be unable to access funding otherwise.

In order to serve the segment at a higher standard of quality, CKB Bank has set up a regional SME centre in Herceg Novi; inspired by the positive experience, we also created one centre each in our central and northern regions. In addition, we introduced a new package for micro- and small businesses, and reduced SME loan approval times. We signed a guarantee agreement with the EU's Employment and Social Innovation Programme (EaSI), under which we disbursed HUF 251 million in loans to 108 customers by the end of the year³⁴.



**HUF 12.6 billion loans
contracted via business
MFB Points**



**HUF 3.8 billion
lending through
InnovFin in Bulgaria**

3.3. Agricultural customers

Serving agricultural customers at a high standard of quality and with an expanding offering continued to be a priority for OTP Group in 2018. At group level, our portfolio increased by HUF 130 billion, and a new agricultural business line was created or an agricultural project implemented in several countries.

GRI 203-2

DOUBLE SAPS

The pre-financing of land-based subsidies continues to be the leading agricultural product of our banks operating in EU Member States. A key reason for their popularity is that a single application and credit approval process is now sufficient for the two-year pre-financing of EU direct subsidies, which has halved administration costs. Our service is unique in several of these countries³⁵. Within the banking group, DSK Bank and OTP Banka Slovensko have the largest portfolios of this product. Our subsidiary banks in EU member states helped customers draw down subsidies for around 300,000 hectares of land.



SUBSIDY FACTORING

OTP Bank introduced the prefinancing of direct agricultural subsidies through factoring in 2017; as the findings were positive, we have used only this scheme since 2018 for the prefinancing of subsidies. Under the scheme, our customers can access funding within just a few days, at conditions they can meet more easily. As of the end of 2018, we were able to finance 35 subsidy schemes in this way.

³⁴ In this five-year programme, a total of 700 customers will enjoy the preferential terms.
³⁵ In 2018 the subsidy factoring product replaced Double SAPS in Hungary.

GREEN CORRIDOR

Applications under the Rural Development Programme reached the financing stage mostly in 2018, so that our Green corridor process assisting in pre- and co-financing was able to provide substantive help to farmers in that year. Under the simplified lending process, we:

- give a bank guarantee for drawing down the subsidy advance,
- grant a loan to pre-finance the rest of the subsidy, and
- grant an investment loan to cover any gaps in own contributions; the loan is offered against a low own funds requirement and attractive collateral terms.

In 2018 we contributed to the implementation of around 80 investment projects, and the total amount contracted was HUF 5.5 billion.

OTP AGRICULTURAL CROSS-BORDER BUSINESS FORUM

In 2018 we held our second OTP Agricultural Cross-Border Business Forum for representatives of business at a venue in Visegrád. The event helped business executives network and gain and exchange practical business experience. Our customers were once again happy to attend the event.

DEVELOPMENT PROJECTS AT THE SUBSIDIARY BANKS

In 2018 the banking group continued to heighten its focus on agriculture, improve its customer service quality and intensify liaising within the bank and the banking group and in agricultural sectoral circles.

Our subsidiary bank in Croatia set up an agricultural business line and formulated a medium-term agricultural strategy.

Our subsidiary bank in Russia employed a sales advisor under the agricultural project, joined the interest subsidy programme of the state and started selling.

Our subsidiary bank in Ukraine launched a new agricultural loan product called OTP Agro-Factory in cooperation with the International Finance Corporation. This simplified, quickly approved, standardised loan provides funding for small and medium-sized agricultural companies.

In Montenegro we introduced a working capital loan and an agricultural investment loan with EU guarantee. In 2018 the loans were offered still under a pilot; higher sales volumes are expected to be achieved in 2019.

Under an agreement with the Ministry of Agriculture, our subsidiary bank in Serbia created a preferential loan scheme for sole traders and businesses.

Our subsidiary bank in Romania boosted its participation at agricultural business events, conferences and forums.



**Pre-financing of
land-based subsidies
for 300,000 hectares
of cultivated land in EU
member state countries
of our subsidiary banks**

**Helping the
implementation
of 80 projects
via the Green Corridor
programme**



3.4. Corporate projects with social, environmental benefits

GRI 203-2

As in previous years, several projects with environmental and social benefits were implemented by OTP Bank and its subsidiaries in 2018. Solar plant development constituted a key area within project financing across the banking group. We signed loan contracts to fund the creation of a total of 27.5 MW solar plant capacity in 2018, which can cover the electricity use of nearly 12 thousand households³⁶.

In another priority field, that of real estate financing, we take into consideration and reward the sustainability / environmental certification of the property when we formulate the terms of our financing structure. Our objective is to reflect sustainability criteria in financing for renewables and the office market.

CKB Bank offers a Green loan for corporate investments aimed at increasing energy efficiency and the use of renewable energy sources. It finances a wide range of purposes, from insulation, through the construction of solar panel systems to more energy-efficient air conditioning equipment.

OTP Bank Romania regularly finances environmentally friendly projects. In 2018 the bank granted a loan to build the first and largest residential estate complex constructed with sustainable technology and materials in Iași. The real estate complex has environmentally friendly certification.



OTP Banka Slovensko is financing projects aimed at reducing carbon emissions and increasing the use of renewable energy under the SLOVSEFF scheme pursuant to an agreement with EBRD. By the end of 2018, 15 credit agreements had been signed for a total of HUF 1.5 billion. We disbursed a further 12 loans for projects aimed at increasing energy efficiency and using renewable fuels, for a total sum of HUF 1.6 billion. The bank also finances the construction of municipal rented accommodation, which provides housing primarily for young people and vulnerable members of society. Six projects for a total of HUF 800 million were financed in 2018.



OUR STRATEGIC GOALS

Reflect sustainability criteria in financing for renewables and the office market

Overhaul the mortgage lending process at the parent bank

Launch pilot projects to strengthen advisory services for business customers

Achieve a 20% share of the agricultural lending market in Hungary (2020)

Develop preferential loans and conditions for smaller municipalities, residential building renovation, the pre- and co-financing of EU funds and targeted financing of agricultural customers (OTP Banka Slovensko)



04

Ethical business behaviour and security

We consider security fundamental both for the banking group's stability and for the protection of our customers.

GDPR compliance | Revise arrears management with a customer focus | IT security campaign

Commitment

Strengthen trust in the reliability and integrity of the banking system.

Approach

We fulfil our role as financial intermediary in a way that ensures that the money and data of our customers are safe and secure throughout; We take care not to contribute to objectives breaching the law or the values upheld in society.

Task

- Strict, conservative risk management
- Full compliance with laws and regulations
- Reliable, continually improved security systems, protection

GRI 205, 206, 307, 406, 410, 417, 418, 419 DMA

We are convinced that ethical operations improve our competitiveness and reputation both in Hungary and internationally.

For our basic principles and comprehensive objectives relating to compliance and security see our website.



Ethical business behaviour and security

2017 Our commitments

2018 Our results

● Implemented ● Implementation in progress ● Not implemented

Transition the entire Group to the use of the AMA approach

CKB Bank has completed the implementation. Our subsidiaries in Croatia and Romania will use the new SMA methodology, which will enter into force only in 2022.

Install security software protecting ATMs against software attacks

The software has been installed on all ATMs at risk.

Standardise across the Group the frameworks and methodologies of the risk management models

The roll-out was completed.

Compliance with GDPR and PSD2 requirements

Compliance has been achieved.

Continue the replacement of credit approval systems

Systems replaced in the case of consumer credit too.

Group level regulation of the principles and procedures of compliance with sanction provisions and the protection of good reputation

The procedures have been approved.

Establish a 24/7 cybersecurity centre at OTP Bank

The preparations for establishing the centre have been completed.



4.1. Compliance³⁷ and adherence to laws and regulations

OTP Group considers it a fundamental principle to adhere to the law, international standards and ethical requirements.

REGULATION

Our entire regulatory system underpins our compliance with the statutory and supervisory requirements; all our internal regulations are reviewed by our legal and compliance departments. In 2018 we were called upon again to comply with a number of new requirements that made it necessary to review and revise certain fundamental activities within our operations. However, a number of these rules explicitly promote responsible operations. OTP Bank had to modify its internal regulations to reflect the introduction of the agile work model in its internal operations; special emphasis was placed on developing regulations that were standardised across the group.

MiFID II³⁸ and GDPR³⁹ compliance required changing our processes as well as almost all of the written materials addressed to customers (e.g. customer information documents, contracts). Our subsidiaries operating within the European Union prepared for the changes with uniform professional guidance and project management support from OTP Bank.

We continued the preparations for compliance with the PSD2 (Payment Services Directive 2) requirements. The directive will open the way for new payment service providers and services from 2019. The directive states that account manager banks will have to work with these new types of service providers and it tightens the rules

on security and complaint handling. PSD2 also opens up business opportunities for the banking group, for which we have started our preparations.

At the start of 2019, the EBA (European Banking Authority) guideline on the rules and practice of remuneration for the sale of retail banking products and the provision of retail banking services entered into force; its objective is to prevent unsolicited selling. We have reviewed our practices on the basis of the recommendation and made minor adjustments to achieve compliance. Regarding agent sales, the guideline promotes fair competition by expecting financial intermediary firms not to differentiate between banks' products in terms of commissions.

OTP Bank has revised its compliance risk assessment system in line with the recommendation of the Magyar Nemzeti Bank, introducing multi-component risk management and compliance risk indicators. We plan to roll out this system to the group members as well.

GRI 415 DMA

LOBBYING

It is predominantly through the Hungarian Banking Association and the Association of Investment Service Providers that OTP Bank participates in the reviewing of legislation concerning the financial sector. We also take part in the work of the Corporate Governance Committee of the Budapest Stock Exchange.

In 2018 we joined forces with the Hungarian Banking Association to play a significant role in shaping the regulatory environment in three matters important for both customers and the retail lending process. Scheduled for implementation in October 2018, the amend-



ment to the notarial fee decree would have considerably raised the notarial fee payable by customers taking out a housing loan. Thanks to the negotiations of the Hungarian Banking Association, the new fee decree introduced a special discount for housing loan borrowers, so that these customers will be subject to a much smaller increase than originally expected. The terms and conditions of the mortgage bond purchase programme announced by the Magyar Nemzeti Bank (MNB) were finalised during discussions with the member banks of the Hungarian Banking Association. The programme helped credit institutions on the financing side and thus indirectly contributed to the boosting of mortgage lending in Hungary. In addition, debt brake rules were fine-tuned in 2018. The MNB incentivises the spread of mortgage loans with longer interest periods in a number of ways; as a part of this process, its discussions with the Hungarian Banking Association led to the amendment of the PTI (payment-to-income) decree, with new lower PTI ratios being introduced for mortgage loans with terms of more than five years (depending on the length of the interest period).

³⁷ Compliance with legislative requirements, international norms and standards of ethical business conduct

³⁸ Directive concerning investment services, regulated markets and multilateral trading facilities.

³⁹ The General Data Protection Regulation of the European Union

GRI 102-16, 205 DMA, 205-2, 406 DMA, 406-1, 415 DMA

CODE OF ETHICS AND WHISTLEBLOWING

Our group-wide Code of Ethics and Conflict-of-Interest Regulation were changed solely to meet the new GDPR requirements. All new employees, executive officers and sales agents must sign our Code of Ethics; the acceptance of the Code of Ethics is stipulated in our contracts with suppliers. At our group members providing dedicated training about the Code of Ethics, completing this course is mandatory for new hires and sales agents within a certain deadline of starting work; some of our member companies provided training for all employees during 2018. 🏢

In 2019 we plan to fine-tune the Code of Ethics and it will be mandatory for all our employees to attend the relevant training course again.

During the year, there were a total of 11 reports on ethics offences to the ethics line across the banking group. We found that 1 of these reports was not on ethics offences and therefore treated it as a complaint. In two instances, we identified potential ethics offences in our own processes and conducted investigations. Of all the cases investigated, we identified a breach in three: an employee was reprimanded for improper appearance on social media; an employee using crude language in an internal written opinion was ordered to complete the Code of Ethics training again, and in one case we sought criminal proceedings. One report was received regarding equal opportunities, but no offence was found in that case.

Proceedings by authorities and other legal procedures

Proceedings by authorities and other legal procedures closed during 2018	OTP Bank*						
	Number of closed proceedings	Amount of fines paid (HUF million)	Number of procedures closed with fines	Number of procedures not closed with a sanction / closed with a non-financial sanction	Number of procedures closed in the framework of conflict management procedure	Number of procedures closed with acquittal	Number of procedures converted into court procedures
violation of competition rules**	2	1,435****	1	0	1	0	0
violation of consumer protection rules	39	4.7	11	28	0	0	0
violation of rules on equal opportunities	0	0	0	0	0	0	0
supervisory procedures	1	0	0	1	0	0	0
violation of taxation rules	0	0	0	0	0	0	0
violation of environmental protection rules	0	0	0	0	0	0	0
violation of marketing communication rules	0	0	0	0	0	0	0
violation of information provision rules	0	0	0	0	0	0	0
violation of marketing communication and information provision rules	0	0	0	0	0	0	0
violation of data protection rules	0	0	0	0	0	0	0
other procedures that may result in the imposition of fines***	0	0	0	0	0	0	0
Total 2018***	42	1,439.7	12	29	1	0	0
Total 2017	258	15.3	7	4	1	246	0
Total 2016	529	61.6	14	14	54	444	0

* Also includes data for OTP Lakástakarék and OTP Jelzálogbank.

** Also includes breaches of antitrust and anti-monopoly rules.

*** As from 2018, excludes Financial Arbitration Board cases, because these are simple cases triggered by complaints.

**** See description below this table.

For 2017 data, see [page 48](#) of the [Corporate Social Responsibility Report](#) for 2017.

For 2016 data, see [page 54](#) of the [Sustainability Report](#) for 2016.

For 2015 data, see [page 61](#) of the [Sustainability Report](#) for 2015.

For 2014 data, see [page 83](#) of the [Corporate Social Responsibility Report](#) for 2014.

Proceedings by authorities and other legal procedures closed during 2018	OTP Group						
	Number of closed proceedings	Amount of fines paid (HUF million)	Number of procedures closed with fines	Number of procedures not closed with a sanction / closed with a non-financial sanction	Number of procedures closed in the framework of conflict management procedure	Number of procedures closed with acquittal	Number of procedures converted into court procedures
violation of competition rules*	5	1,435	1	0	1	3	0
violation of consumer protection rules	91	10.4	34	34	4	8	11
violation of rules on equal opportunities	6	0	0	0	5	1	0
supervisory procedures	258	3.3	4	1	2	250	1
violation of taxation rules	32	0***	1	0	0	31	0
violation of environmental protection rules	0	0	0	0	0	0	0
violation of marketing communication rules	0	0	0	0	0	0	0
violation of information provision rules	5	0.8	3	0	0	0	2
violation of marketing communication and information provision rules	0	0	0	0	0	0	0
violation of data protection rules	1	1.6	1	0	0	0	0
other procedures that may result in the imposition of fines**	181	51.0	74	37	0	70	0
Total 2018	579	1,502.2	118	72	12	363	14
Total 2017	1,782	118.7	1,290	10	82	355	45
Total 2016	822	571	172	49	67	465	16

* Also includes breaches of antitrust and anti-monopoly rules.

** As from 2018, excludes Financial Arbitration Board cases, because these are simple cases triggered by complaints.

*** Not paid in 2018.

There are two ongoing competition law proceedings against OTP Group members: one against OTP Bank and one against OTP Bank Russia.

For 2017 data, see [page 48](#) of the [Corporate Social Responsibility Report](#) for 2017.

For 2016 data, see [page 55](#) of the [Sustainability Report](#) for 2016.

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 [Corporate Social Responsibility Report](#) for 2013.

GRI 206 DMA

The Hungarian Competition Authority imposed a HUF 1.435 billion fine on OTP Bank in the 'foreign currency loan early repayment' case (in which several other credit institutions were also sanctioned). Its decision was adopted in a proceeding repeating an earlier one, relating to behaviour in the year 2011, after the Supreme Court ordered the Competition Authority to do so upon a request for remedy. The amount to be paid is significantly lower than the HUF 3.922 billion fine imposed in the original proceeding. In its original resolution, the competition council had stated that the banks subject to the proceeding had committed an infringement of the law by coordinating their strategies in limiting the provision of refinancing loans in order to reduce early repayments at the fixed exchange rate.

We started work on enhancing our competition law practices right at the start of the legal proceeding, introducing an internal regulation on compliance with competition law and significantly expanding the competition law capacities of our legal department. In addition, we made it mandatory for employees and new hires to complete an on-line course and delivered a number of other in-house training courses on competition law regarding general and specific matters.

In 2018 we held general competition law training for our middle and senior management, with approximately 80 participants altogether; in addition, 10 colleagues received training specifically focused on acquisitions.



4.2. Development of risk management systems

The Group's risk management practices are built on uniform and solid foundations and we are continually working on developing them even further.

LENDING RISKS

In 2018 we made significant progress across the group in developing and independently validating our uniform credit application and behavioural risk management statistical models. Nearly 70% of our loan portfolio is now rated using models that meet the requirements. OTP Bank involved external consultants in a survey to examine the efficiency of retail fraud prevention and identified the main development directions. With the replacement of the credit approval system ongoing, the revised fraud prevention function is now used with consumer loans, which were added to the system most recently, and personal loans, which had already been included in the approval process. We have enhanced our regular monitoring of fraud attempts and risks, and strengthened the exchange of information among the departments involved in the fraud prevention process. We started the detailed examination and monitoring of the credit risk processes of the subsidiary banks.

NON-PERFORMING LOANS, DEBTOR PROTECTION

In 2018, we managed to reduce the portfolio of non-performing loans significantly across the group: loans more than 90 days overdue represented 6.3% at the end of the year. OTP Bank had approximately 300,000 retail credit contracts subject to lesser or greater arrears.

The fall in the proportion of loans in default is the result of multiple processes.

Factors having a positive impact on our customers as well:

- The favourable economic environment and improvements in risk management have considerably reduced the default rate of loans.
- Any protracted proceedings dating back to the crisis are gradually ending.
- We have launched campaigns about non-performing loans and intensified our pre-cancellation processes. With the help of new models, we can identify with improved efficiency any self-healing customers, so that we can focus on customers who are not self-healing. Since 2018, customers with permanent payment difficulties have been able to consult with our employees by telephone as well about the debtor protection programme; in the past, this was possible only in our branches. We have revised our arrears management website and information materials and the advisory role is more prominent now in the communications of our call centre staff (for details see [Customer service](#)).

Processes without any direct impacts on our borrower customers but positive for the stability of our banking group:

- the favourable economic environment has improved the conditions for selling collateral assets; the market for purchasing receivables is more dynamic,
- under IFRS9 rules on write-off, a large non-performing portfolio has been reversed out.

Proportion of loans over 90 days overdue fell to 6.3%



There were no significant changes in the debtor protection options in 2018⁴⁰, the proportion of participating customers is low. In 2018 OTP Faktoring transferred to the National Asset Management Agency the documentation of 280 properties in order to safeguard the long-term housing of these highly indebted, vulnerable families.⁴¹

GRI 102-11

OPERATIONAL RISKS

In 2018 we rolled out to our subsidiary banks a number of developments previously introduced at the parent bank, including the model governance framework aimed at managing the risks of the models used in banking operations and the operational and reputational risk appetite framework. The latter compares the extent of risk to the expected losses and the costs of risk management, which helps the bank decide the amount of risk it is willing to undertake. We have started our analysis of reputational risks and devised a quantification methodology for multiple events.

In order to enhance our risk management further, we started an examination of whether the operation of our existing controls is satisfactory. In designing the process for testing the controls, we are using and enhancing the practice followed by Splitska banka of Croatia.



⁴⁰ 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
⁴¹ The deadline for submitting to the financial institutions a statement of intent for participating in the Programme was 21 November 2018.

To improve the monitoring of business risk, we took a comprehensive inventory of our products, also focusing on the identification of any risks. We are planning to roll out the inventory across the group.

As required by MNB, OTP Bank subsidiaries continued to work on adopting the Advanced⁴² Measurement Approach in calculating the capital requirement for operational risk⁴³. In 2018 our subsidiary bank in Montenegro adopted the methodology.



RISKS

IT and cyber risks are the most significant operational risks for the banking group even though their loss impact is proportionately smaller. In 2018 we managed to minimise the number and duration of the IT incidents perceived by customers, reducing it to a fraction of the previous year's figures. As a result, we were able to focus on prevention instead of problem fixes. Similarly to other high-impact but low-likelihood risks, we conducted scenario analyses for the management of software attacks and risks concerning data assets. In terms of loss figures, external fraud represented the highest operational risk, while regulatory risk is also higher in several countries in the region.



4.3. Enhancement of the security of banking systems

In 2018 the bank once more implemented significant development to ensure its secure operation and the protection of its customers.

ATTEMPTED CRIMES AND PROTECTION

There were constant cyberattacks on the financial sector in 2018. The most topical challenges are the attacks to access personal data, the targeted attacks aimed at financial gain, extortion virus attempts and the protection of mobile devices. The number of attacks on the parent bank also increased, but none of the attacks were successful and no data was lost thanks to the prevention measures in force. Besides Hungary, we detect high numbers of attacks mostly in Romania and Russia.

In order to prevent personal loan fraud, we have introduced heightened controls to check the personal data of employers and applicants. We introduced a new security solution to prevent mobile banking fraud; there have been no unauthorised registrations since its introduction.

We installed factory protection capabilities on the ATMs at risk from software attacks; where this solution was not adequate, we added further encryption protection. We monitor the suspected fraud alerts received from ATM equipment 24 hours a day; however, there have been no software attacks since the protection solution was installed.

We designed our 24/7 cybersecurity centre, which will be set up and undergo its pilot operation in 2019.

⁴²

AMA methodology: Advanced Measurement Approach

⁴³

The Group level capital requirement for operational risk provides coverage for both expected and unexpected losses.

We introduced an online security code in order to make the use of our bank cards even more secure. With this solution, cardholders receive a confirmation code by text message when they make a purchase online and they need to use this code to confirm the relevant transaction. In addition to the parent bank, our subsidiary banks in Croatia, Slovakia and Montenegro have also introduced this feature, which is equivalent to the Mastercard Secure Code / ID Check and the Verified by VISA products of the card companies.



AWARENESS

In order to prevent fraud, the (technical, regulatory and practical) solutions employed are combined with an emphasis on raising awareness among our customers and employees.

Twice a year our branch employees receive on-site and e-learning training about banking security, while our head office employees take part in training once a year. We delivered on-site training for branch employees over 3500 times across the group. The courses also covered specific compliance issues (conflicts of interest, ethical standards, reporting of proprietary transactions) and the prevention of money laundering (detection and reporting of suspicious transactions).

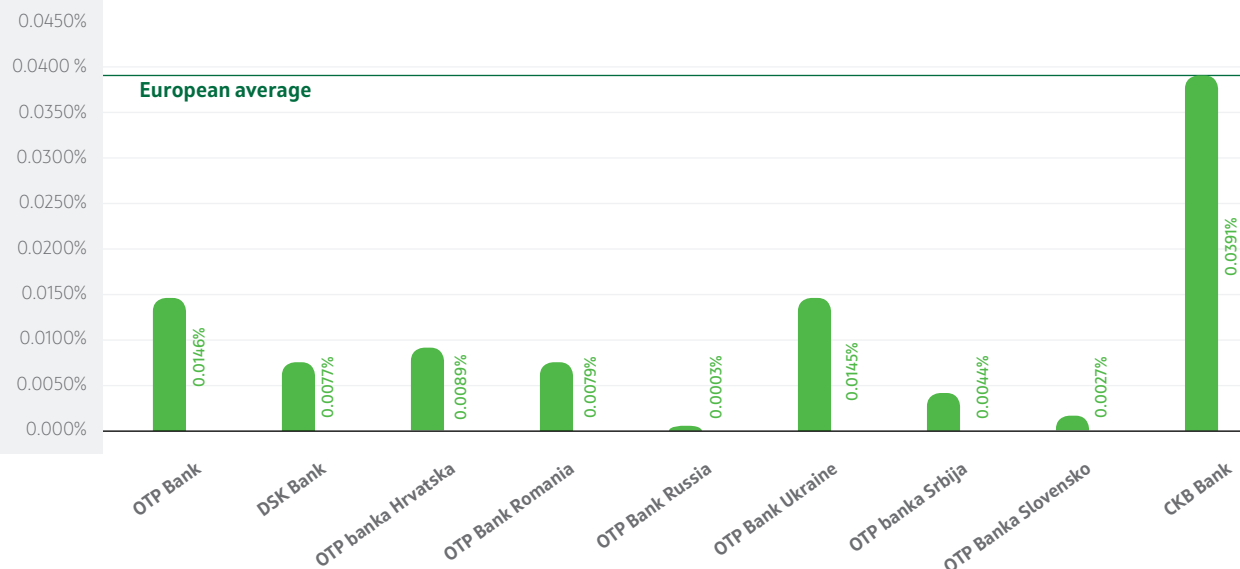
IT security campaign

We joined the European Cyber Security Month by running an IT security campaign at OTP Bank. This included issuing warnings to users to increase their awareness of security matters and designing a specialised e-learning course for IT systems developers and operators.

Our customers can do much to ensure their security. Our website offers a comprehensive explanation of the security risks involved in using bank cards and internet banking, and provides recommendations on how to prevent misuse. The newly introduced virtual purchase limit enables customers to define a daily cap on their online purchases. During the year we repeatedly warned our customers about data phishing e-mails; we also aim to increase their awareness of security considerations when we discuss with them the suspected fraudulent transactions over the telephone. In a new feature, our customers can inform us of their foreign travel and can limit card usage abroad.

Bank card fraud

Compared to turnover, 2018



GRI 418 DMA

THE PROTECTION OF DATA ASSETS

In compliance with the statutory requirements, the protection of the confidential data of our customers and of the banking group is a priority for us. In order to protect data management and data security and prevent data leakage, the group applies cutting-edge information technology and security solutions at all times. In 2018 we took an inventory of data assets in order to facilitate the further enhancement of our management and usage practices.

At the group members concerned, all processes and documents are compliant with the requirements of GDPR, which entered into force in the first half of 2018. As a result of intensive preparations in advance, the management of data in compliance with these requirements has become a part of our organisational culture. We have 70 data owners at the parent bank itself, who are responsible locally at the bank's various organisational units for ensuring compliance with the requirements (e.g. supervising personal data processing, the principle of data minimisation, the processing of high-risk data). We conducted a legal gap analysis across the banking group to identify the differences between GDPR requirements and the national legislation of our subsidiary banks operating in non-EU countries.



GRI 418-1 Abuse of personal information	OTP Bank					OTP Group				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
complaints from external parties, the justification of which was confirmed by our organisation	0	0	1	14	0	25,659*	18 131*****	1	15	11,035*****
complaints received from regulatory authorities	0	0	5	2	0	1,686**		12	2	15
leaking the data of customers (up to 2017: number of persons involved, from 2018: number of instances)	0	0	0	8	6	0	1567*****	0	35	44
data stolen (up to 2017: number of persons involved, from 2018: number of instances)	0	0	0	0	0	32,000***	0	0	0	0
data lost by the organisation (up to 2017: number of persons involved, from 2018: number of instances)	0	0	0	0		31,364****	0	0	0	1

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

** 97% are complaints concerning OTP Bank Russia raised as a result of stricter legal requirements regarding 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.



**3,500 on-site security
training courses**
across the group



**0.0146%: the incidence rate
of fraud with own-issued
bank cards at OTP Bank,**
which is significantly lower than
the European average published by
MasterCard (0.0450%)

OUR STRATEGIC GOALS

Meeting prompt payment conditions

Further development of business stress testing methodologies

Establish a 24/7 cybersecurity centre



05

Responsible employer

We have started to work on introducing the agile operating model in order to deliver fast and effective solutions.

Closer to your goals! | Home office | Integration | Annual health campaign 

Commitment

Employment that provides a decent, fair standard of living and encourages the wellbeing and growth of the individual

Approach

We consider our employees as our greatest asset and therefore consider ethical employment and equal opportunities as a natural requirement. We wish to be an attractive workplace for our talented and committed employees.

Task

- Fair employment and working conditions
- Equal access to growth opportunities and rewards
- Opportunities for growth and experience for the employees of the future
- An inspiring and attractive workplace atmosphere, where a work/life balance is feasible

GRI 401, 404 DMA

Our rapidly changing world demands fast adaptation from our organisation too; OTP Bank has started to work on introducing the agile operating model, in which our colleagues will work within the framework of a renewed mechanism and approach in order to deliver fast and effective solutions. The characteristics of an attractive workplace have also changed radically in just a few years, and therefore we must alter our practices if we are to retain our employees.

For our basic principles and comprehensive objectives regarding our employees, see our website.



Responsible employer

2017 Our commitments

2018 Our results

● Implemented ● Implementation in progress ● Not implemented

Renew the organisational culture:

- devise bank talent programme,
- renew and reform performance management,
- expand career paths,
- renew and reform recruitment.

The cultural change programmes have been implemented.

Upgrade OTP Bank's image as an employer

The programme has been implemented.

Strengthen the supporting functions of human resource management

There are dedicated HR employees working at the business lines.

Create a rotation programme within the Banking Group and develop the frameworks for internal mobility

To be implemented following and based on OTP Bank's second talent programme.

Roll out home office arrangements across OTP Bank

This option is available at all head office departments.

Complete the integration of Splitska banka of Croatia and Vojvodjanska banka of Serbia

The integration of Splitska banka has been completed, while the integration of Vojvodjanska banka will be finalised in 2019.



5.1. Employment

GRI 102-8

HEADCOUNT

In 2018 there were 35 thousand employees working at OTP Group.⁴⁴

Employee headcount (as of 31 December)	OTP Group														
	2014			2015			2016			2017			2018		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
Full time employees	36,427	7,804	28,623	34,118	7,265	26,853	34,453	7,483	26,970	35,658	8,072	27,586	33,912	8,650	25,262
Part time employees over 60 hours a month	1,549	265	1,284	1,579	250	1,329	1,356	158	1,198	1,229	177	1,052	1,276	188	1,088
Part time employees below 60 hours a month	128	16	112	138	17	121	141	26	115	142	30	112	64	13	51
Employees, total	38,104	8,085	30,019	35,835	7,532	28,303	35,950	7,667	28,283	37,029	8,279	28,750	35,252	8,851	26,401
Proportion of women	79%	-	-	79%	-	-	79%	-	-	78%	-	-	75%	-	-
Proportion of men	21%	-	-	21%	-	-	21%	-	-	22%	-	-	25%	-	-
Proportion of those employed under fixed term contracts	8%	8%	8%	9%	8%	10%	7%	5%	7%	7%	6%	8%	6%	5%	6%
Number of those employed under fixed term contracts	2,961	654	2,307	3,381	626	2,755	2,399	398	2,001	2,669	475	2,194	2,32	459	1,673

Fixed-term contracts apply to a relatively high number of employees at OTP Banka Slovensko (24%).

At the subsidiary banks in Russia and Ukraine, some of the employees (6957 in total) are agents. We are also partnered with 8300 sales agents who are not our employees.

The data are accurate and originate from our internal records.

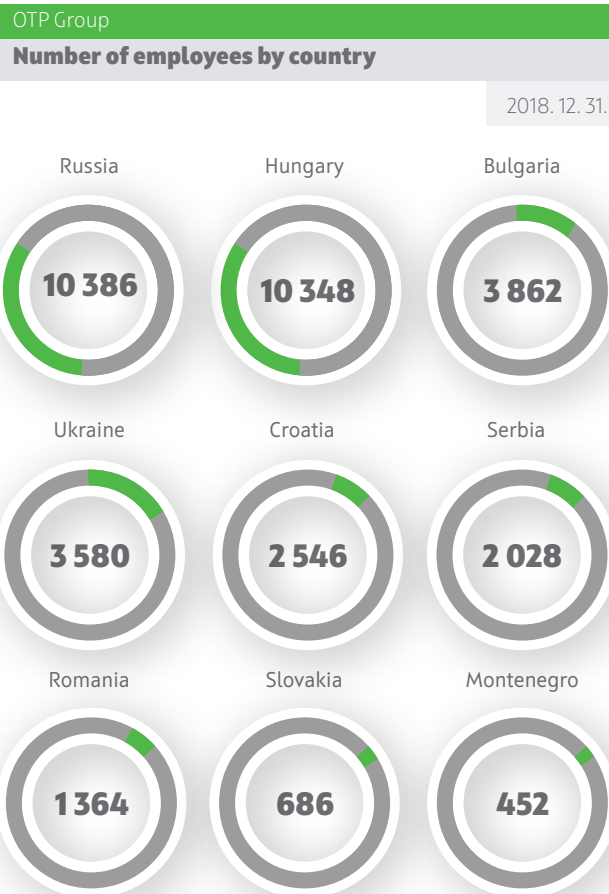
Employee headcount (as of 31 December)	OTP Bank														
	2014			2015			2016			2017			2018		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
Full time employees	6,806	1,955	4,851	6,707	1,961	4,746	6,981	2,091	4,890	7,261	2,238	5,023	33,912	8,650	25,262
Part time employees over 60»hours a month	1,165	167	998	1,141	166	975	920	76	844	803	60	743	1,276	188	1,088
Part time employees below 60 hours a month	44	2	42	62	2	60	70	3	67	43	1	42	29	8,851	26,401
Employees, total	8,015	2,124	5,891	7,910	2,129	5,781	7,971	2,170	5,801	8,107	2,299	5,808	8,725	2,617	-
Proportion of women	73%	-	-	73%	-	-	73%	-	-	72%	-	-	-	-	70%
Proportion of men	27%	-	-	27%	-	-	27%	-	-	28%	-	-	-	-	30%
Proportion of those employed under fixed term contracts	8%	8%	8%	9%	8%	9%	8%	8%	8%	9%	8%	9%	8%	6%	8%
Number of those employed under fixed term contracts	635	167	468	687	178	509	658	165	493	758	192	566	656	156	500

At the end of 2018 OTP Bank had 6,287 agents.

The data are accurate and originate from our internal records.

⁴⁴

Some of our employees, 6,066 people in 2018, work as contracted agents in Russia and Ukraine.



Significant headcount changes in the banking group: OTP Bank's headcount rose primarily as a result of expansion at its IT departments. OTP Bank Romania's headcount increased due to the expansion of its compliance department. The headcount of our subsidiary bank in Russia decreased as a result of lower POS sales staff numbers and the merger of Touch Bank into OTP Bank Russia.

THE OPERATION OF THE ORGANISATION

A number of changes were implemented in 2018 in order to achieve more efficient and supportive human resource processes. The parent bank introduced its business partner system, in which dedicated HR colleagues work at each organization, supporting the human resource related activities of head office departments at both the strategic level and in operational, administrative matters. Our first findings have been positive: the closer relationship has resulted in better cooperation.

The parent bank and the foreign subsidiary banks now work more closely together in human resource management. There are positive outcomes from this more intensive exchange of experience and, furthermore, we plan to standardise the operation of certain areas across the group in order to achieve higher efficiency. We plan to roll out to the subsidiary banks the digital HR administration solutions implemented at the parent bank. Integration following acquisition necessitates similar processes at all the banks involved, therefore we plan to create a unified framework for these processes and to implement them in standardised ways.



Agile operation

'In conventional hierarchical organisational structures, processes and decision-making are lengthy, and the members of project teams are driven by individual performance markers. Whereas in Agile operation, project teams covering multiple functions work in a single space, have greater decision-making powers and are motivated to achieve joint performance indicators, which is why this method can be a means towards more efficient, more successful operations. It makes the channelling of feedback easier, which accelerates the testing and, if necessary, the correction of products and services. Experts claim that implementation throughput times for a new product or service could decrease by 30-90%, while employee and customer satisfaction may rise by 15-20 percentage points. But corporate culture also needs to change if such attractive results are to be achieved.'

Bence Kisfalvi,

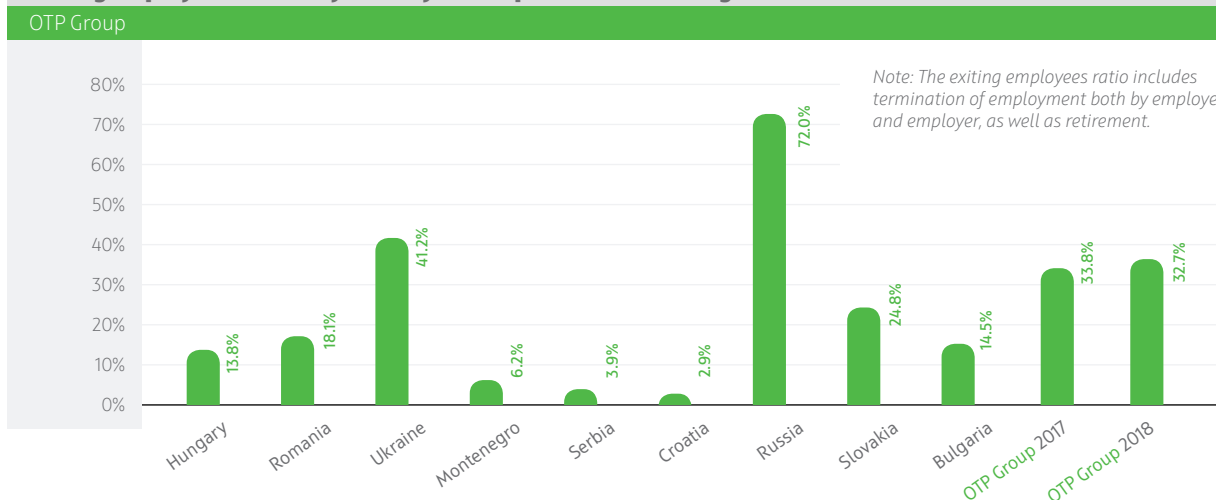
Director of Agile Methodology and Retail Business Development

In Hungary, OTP Bank was one of the first to choose to undergo an Agile organisational transformation, having already implemented a number of IT projects based on the Agile methodology in the past. At the end of 2018, nearly 650 employees and third-party IT partner company workers moved from their earlier workplaces and continued their work in January already under the new approach. We introduced the methodology in three areas (retail lending, sales and network support, and the integrated development of customer relationship channels). Our employees implement projects in teams of 10, e.g. developing new products or services. Efficiency is underpinned by the expansion of the necessary decision powers, the fact that various organisations work at the same physical location, and the frequent progress meetings. 25 coaches help with the resolution of the challenges of this switch in organisational culture, and we have started to prepare the entire organisation for this change with help of our Agile ambassadors. Based on initial experience, we plan to involve additional areas in the scope of Agile operation, and our Russian subsidiary bank is also looking at the feasibility of implementation.

GRI 401 DMA, 401-1

EMPLOYEE STATISTICS

Exiting employees in 2018 by country as compared to the closing headcount



Proportion of exiting employees within employee category

as a percentage of the closing headcount of each category, OTP Group, 2018

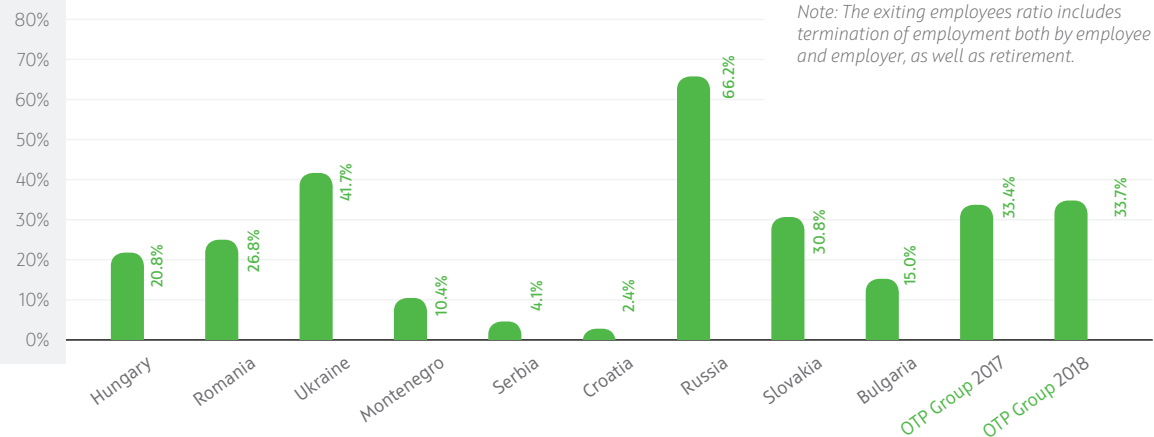


GRI 401 DMA, 401-1

EMPLOYEE STATISTICS

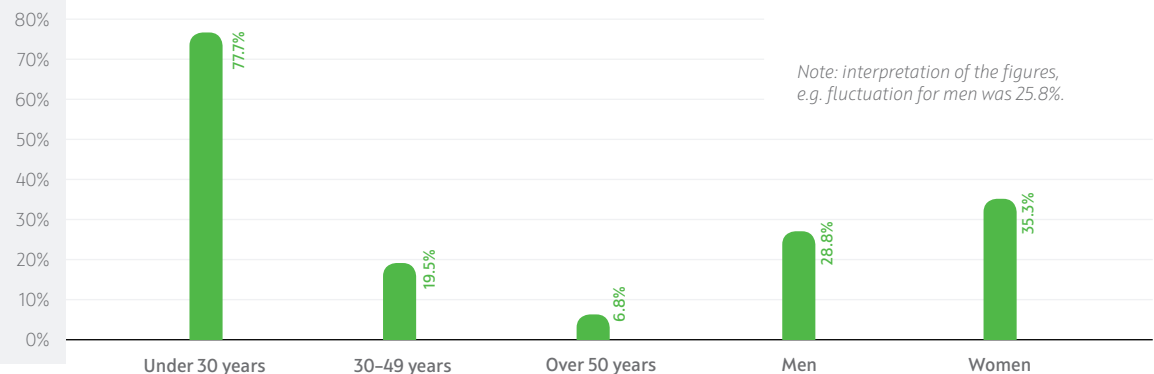
New hires during 2018 as a percentage of the closing headcount, by country

OTP Group



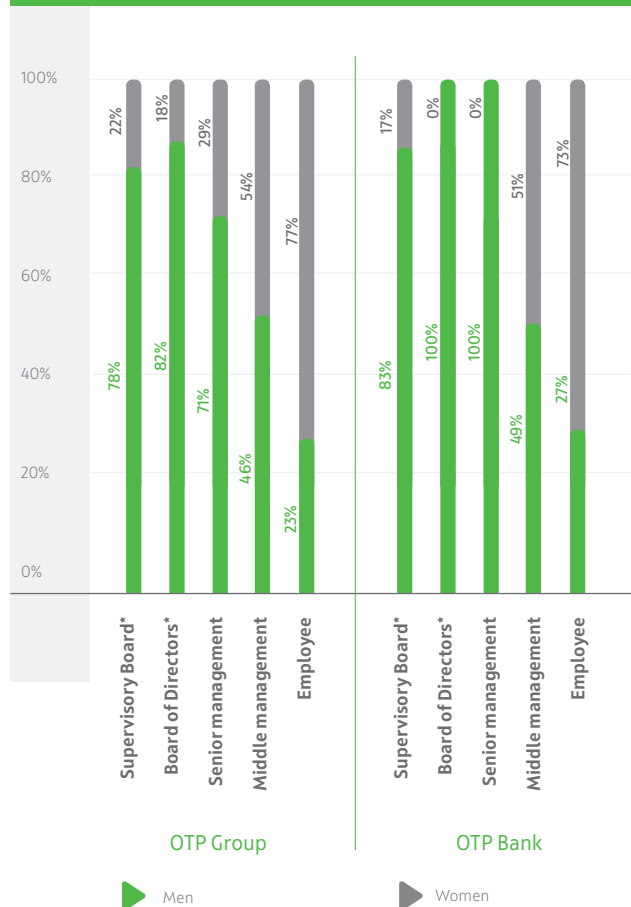
Proportion of new hires within employee category

as a percentage of the closing headcount of each category, OTP Group, 2018

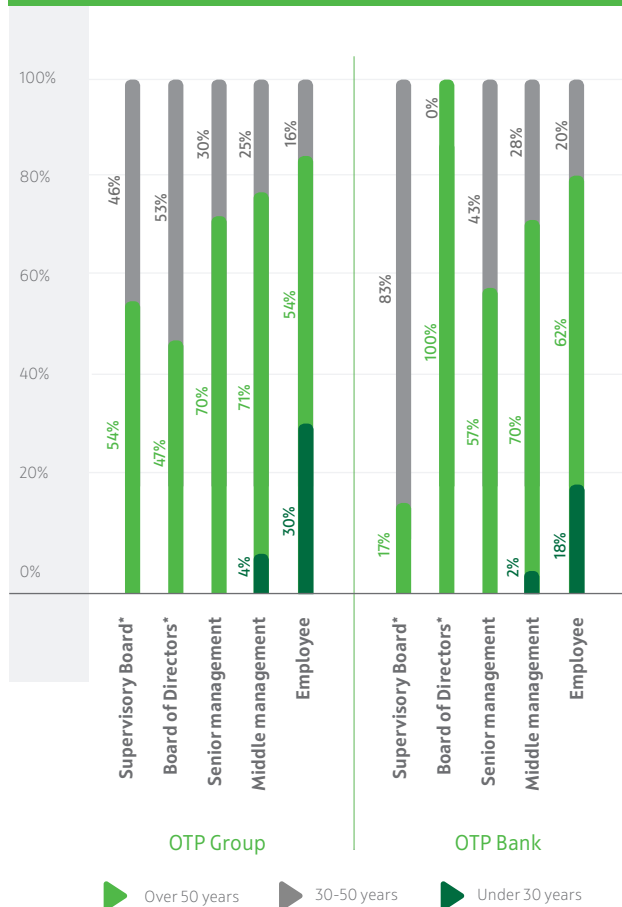


GRI 405 DMA, 405-1

Members of boards and bodies versus employees,
by gender and by level of position 31/12/2018



Members of boards and bodies versus employees,
by age and by level of position 31/12/2018



In 2018, OTP Group had 249 disabled employees.

OVERTIME

Overtime volumes grew in certain areas in 2018. Overtime is still more considerable in the branch network, higher in retail lending and investment jobs and lower for account management employees.

GRI 102-41, 402 DMA, 402-1

ADVOCACY

We facilitate advocacy in compliance with the statutory requirements and have a relationship of cooperation with the trade unions. Most employees of the banking group are covered by a Collective Agreement; OTP Bank, CKB, DSK Bank, OTP Bank Romania, OTP banka Hrvatska, OTP Banka Slovensko and OTP Bank Ukraine all have Collective Agreements in force. OTP banka Hrvatska adopted the practice of Splitska Banka and signed a collective agreement with employee representatives.

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 the longest at OTP Bank Russia (2 to 3 months), it is 60 days for OTP Bank Ukraine and OTP Banka Slovensko, 20 workdays for OTP Bank Romania, 15 days for OTP Bank, 8 days for OTP banka Hrvatska and OTP banka Srbija, while the rest of the subsidiary banks do not regulate the notice period. A minimum period of notice is set out only in OTP Bank Romania's collective bargaining agreement.

* The proportion of male employees is higher across the group, whereas there has been an increase in the proportion of women in senior management compared to 2017. The proportion of younger persons rose within management.

GRI 401 DMA

LABOUR COMPLAINTS

During the year a total of 66 labour proceedings were closed concerning a member of OTP Group. Of these, 42 were investigations by the Labour Inspectorate, 21 cases were labour lawsuits, two procedures were brought by the trade union, and one concerned health and safety at work.

- OTP Bank was acquitted in the 2 labour lawsuits.

- OTP Bank Russia was acquitted in 29 out of the 37 proceedings launched by the Labour Inspectorate, fined in 2 cases and imposed a non-financial sanction in 6 cases. 3 labour lawsuits against the bank ended with a fine. Our subsidiary bank in Russia paid a total fine equivalent to HUF 600,000.



- CKB was involved in 19 cases, 11 of which were labour lawsuits and closed with HUF 62 million in fines. Non-cash sanctions were imposed in 5 cases of the Labour Inspectorate, the one health and safety case and the 2 trade union cases.



- OTP banka Srbija paid out HUF 16.5 million in 4 labour lawsuits and was imposed a non-cash sanction in one case.



Closer to your goals

In order to increase the commitment of our existing employees and to attract talented new colleagues, we have defined the values of OTP Bank as employer and raised awareness of them via multiple channels. Our values:

- stability,
- opportunity to grow and develop,
- community,
- impact (the positive impacts we can achieve through our work).

The feedback shows that potential employees have a positive view of our bank as employer, which is also demonstrated by the fact that in 2018 we earned the most attractive workplace title at the Business Hungary competition organised by PwC Hungary and the Confederation of Hungarian Employers and Industrialists (MGYOSZ).

We focused on the opportunity to grow and develop because we consider it highly important. We launched a game in which we invited submissions from our employees in order to encourage striving for growth and the recognition of opportunities. Our colleagues selected the most inspiring submissions describing employees' personal growth and history.

We continued this campaign externally with a mini video series presenting a playful experiment, in which adults and children speak about knowledge and skills they have just acquired.

www.mittanultamma.hu

Its activities to raise awareness of our values as employer earned our bank the Exemplary Employer Brand Building Award from the Hungarian Public Relations Association (MPRSZ) in 2018. We also won in the Employer Branding Annual Strategy – Corporate category, earning gold certification. Our stall representing our employer brand values at HVG's jobs fair, the biggest jobs fair of the year, earned us the Most Inventive Activity prize.

1.6 million views of
#mittanultamma
videos



701 interns
at group level



CAREER STARTERS, COOPERATION WITH UNIVERSITIES

Our banking group is committed to working with higher education institutions and students. We believe it is important that the employees of the future receive training and gain experience at a high standard of quality (we also sponsor presentations, research, competitions and case studies), and that they can familiarise themselves with our banks as potential employees. OTP Bank organised a total of 74 events for students in higher education in 2018. We have noticed a trend whereby students are inclined to leave their higher education studies following programmes in which they spend lengthier periods in work. We believe this is not a desirable trend and therefore decided to keep the number of such arrangements unchanged. We employed 701 interns across the group in 2018. DSK Bank is planning to introduce an internship programme in which students who perform well in their internship period of a few months are given a job offer.

Programmer competition

We announced a competition for talented programmers of all ages. The response was outstanding, with more than six hundred people applying, from secondary school students to experienced programmers. Following several qualifying rounds, 80 applicants were selected for the finals held in Budapest. Here, robots built with LEGO bricks had to be programmed to perform a complex task, which was designed and tested by our development team in the course of more than two and a half weeks.



The first round of the Career Starter Programme launched at OTP Bank in 2017 ended with positive findings, and 90% of its participants have become employees of the bank. In 2018 we relaunched the programme with 10 participants, at the Back Office Directorate and the Treasury Directorate. It is an important feature of this initiative that the young employees can learn about the complex, multi-activity processes at the directorates and acquire operational knowledge through a personalised programme. We have worked with the organisations and took their needs and mentoring capacities into account when designing this programme.

5.2. Remuneration and rewarding of employees, career opportunities

PERFORMANCE APPRAISAL

OTP Bank changed the foundations of its performance appraisal and measurement system for the 3500 employees working at its head office. In the new system, employees receive personal feedback from their managers at least twice every year and are given their goals on a third occasion. In contrast to the past practice of appraisal based on subjective criteria, managers now conduct evaluations based on competencies selected to match the particular job. Assessments are also the basis for decisions on development and training. The development of the frameworks for internal mobility has carried over into 2019.

TALENT PROGRAMME

Only our subsidiary bank in Ukraine implemented an independent talent programme in 2018. Its objective is to enable in-house candidates to be suitable for the branch manager position. The first group will complete training in 2019.



The second round of parent bank's talent programme will start in 2019 with 54 employees participating. It will also serve as a basis for the group-wide rotation programme.

GRI 405 DMA, 401-2

BENEFITS

Members of OTP Group provide benefits to their employees appropriate to their weight within their local financial market. The group members provide the same benefits to full-time, part-time and fixed-

contract employees. OTP Bank's remuneration and motivational tools and the ratio of performance-based remuneration to total salary remained fundamentally unchanged in 2018. The wide range of fringe benefits include complex health insurance, pension and health fund contributions as well as an extensive cafeteria budget employees can adapt to their needs (e.g. SZÉP Card, Cafeteria card, tickets/season tickets to sporting events, reimbursement of crèche/nursery charges). In 2018 we expanded our employee stock ownership programme so that it now has 600 employees participating in it; we have also made company cars more widely available as a benefit. In 2018 CKB, DSK Bank, OTP Bank and OTP Banka Slovensko raised their average salaries in excess of the rate of inflation.

GRI 405-2

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

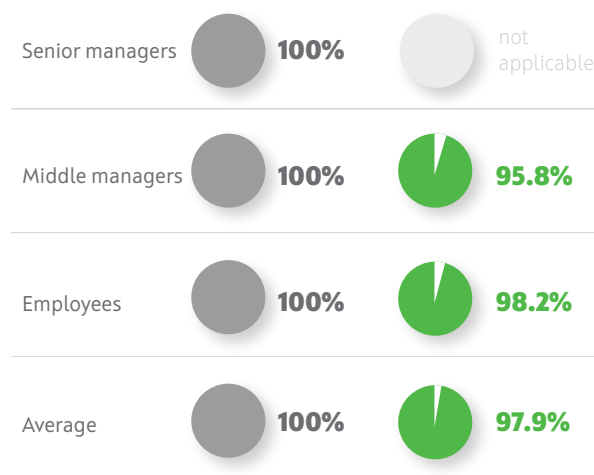


MEN



WOMEN

31.12.2018.



MORAL REWARDS

We traditionally reward employees and groups whose business performance is outstanding. A significant percentage of our employees are rewarded.

Responsible for Each Other Award

This award recognises teams at OTP Bank that prioritise community building and social responsibility. In 2018 the Sales and Development Directorate won the award for the second time in a row. 350 employees of the Directorate, which has a headcount of around 600, implemented 29 programmes, surpassing their performance in the previous year; the results benefited around 2000 persons. The team focused on helping primarily disadvantaged children, many living with disability or ill. Their multifaceted repertoire ranged from putting on puppet shows through buying bikes to cooking hot food. They sought to combine the fundraising process with experiences and education, in which respect they also worked with the OK Educational Centre.

3,500 persons in OTP Bank's new performance appraisal system



5.3. Training and education

GRI 404 DMA, 404-2

The professional training and competency development of employees is a constant priority. At OTP Bank, training associated with the introduction of the agile operating method was dominant, while the other group members focused on management skills development.

We spent HUF 1.4 billion on training for our employees, which is similar to the figure a year before. Professional training for employees and the up-to-date knowledge of our branch employees is a priority at all our companies; we discuss here the training courses that are provided beyond that priority and support mainly personal skills and growth.

Training the colleagues taking part in the first phase of transitioning to agile operations at the organisation was a priority, since this will be fundamental to the success of this organisational transformation. The high number of agile coaches (25) reflects the magnitude of this task.

In what we consider an important move, we have made it easier for our new branch employees to complete their professional training as we reduced the training material by 1500 pages. We started to develop and introduce gamification in training for our employees and plan to conduct a comprehensive review of our training system in 2019. Our objective is to enable our colleagues to acquire different types of content in the most efficient way possible. We also plan to review our mentoring system.

The following recently introduced managerial programmes were very popular and therefore we continued them with new topics and presenters:

- We organised a Management Day with nearly 200 participants.
- We held two BUKTA events, where the presentation of how errors are possible and can be processed was once more appraised positively.

Starting from 2019, we aim to reduce the concentration of our events on Budapest in order to make sure that events can be attended by as many of our managers as possible.

Our internal coaches provide efficient support in managing intra-group conflicts, which is why we had as many as eight coaches in 2018. Also, since 2018 a dedicated employee per region has helped the work of branches where we identified difficulties in their practices and day-to-day application of the necessary knowledge.

OTP Bank Romania designed a dedicated programme for newly appointed managers with no managerial experience, allowing them to improve their skills. The objective of the program is to reinforce an environment of cooperation and support, and to increase the motivation and commitment of middle managers.



OTP Bank Ukraine launched a new programme called 'Be better!'. The first level of the training focuses on the fields of emotional intelligence, time management, logic and personal energy, while the second one concerns design thinking, Lean Six Sigma, facilitation and agile management. In addition to this training course, colleagues can access the e-learning programme called 52 Weeks of Management, which covers management subjects and can be completed in two-week blocks. When training recruiter employees and branch managers, the subsidiary bank laid special emphasis on preventing and eliminating the prejudice concerning the age of candidates.



DSK Bank focused on personal and behavioural skills in 2018, with its employees taking part in sales, presentation, communication and teamwork as well as management skills development.



GRI 404 DMA, 404-1 **Annual training per employee** (hours, 2018)

	OTP Bank						OTP Group					
	Internal		External		Total		Internal		External		Total	
Senior manager	34		37		71		2		17		19	
Middle manager	72		24		96		30		17		47	
Employee	65		12		77		16		30		46	
Average	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
	74	63	21	10	95	73	23	16	17	33	40	49
Average total 2018	80						47					
Average total 2017	67						21					
Average total 2016	60						21					

HUF 1.5 billion
spent on
employee training



**1.7 million hours of
training in a year,**
47 hours/person



5.4. Involvement of employees

GRI 402 DMA

We constantly work on improving our internal communications because, beyond supplying our employees with information, well-designed and honest communication that also enables feedback can influence the acceptance of innovations, the atmosphere at the workplace and commitment.

OTP Bank made its internal communications more planned and proactive in 2018; 2018, with the employer brand and values being the dominant theme. As a new feature, network employees are now provided with corporate news on the start page of the customer management system. In 2019 we plan to merge the Intranet (as work platform) and the Magazine (as a corporate communications platform shaping our culture) to make sure that all internal information flows are conducted via one main platform.

Besides our focus on communication for business purposes, we arranged for our colleagues and their children a light-hearted, interactive event in the form of a guided tour of the construction site of our new office building in Madarász Street. This series of events exceeded expectations, as applications surpassed six times over the number of places available.

We introduced a number of developments in Russia. We refreshed our in-house portal by changing its structure and making the content more varied. We put up TV screens at our office buildings in Moscow and Tver for sharing important internal information. To facilitate direct communication between employees and management, the bank's chairman answered employees' questions during six pre-announced chat events. We plan to invite well-known experts to give talks in the future and also intend to expand the range of our corporate events.





5.5. Employee satisfaction measurement

GRI 102-43, 401 DMA, 402 DMA

OTP Bank did not measure employee satisfaction in 2018 as a survey is due in 2019 under our two-year cycle.

OTP Bank Romania involved its employees in the production of its intranet magazine in 2018, giving employees the opportunity to write articles. The Hobby Café leisure / personality development workshops are held once a month and their topics are selected based on our in-house survey of opinions. We have created a managers' blog, where our managers share their experiences.



Our subsidiary bank in Ukraine continued, and closed at the end of the year, its 'Easy to deal with' project, which related to the introduction of a new service vision for the future. It included rolling out the 5-minute start-of-day meetings to head office as well, in addition to the branches.



These 5-minute meetings focus on four subjects:

- good news (personal or workplace),
- conversation about the new service vision, including customer communication and education,
- problems that cannot be solved locally,
- wow stories: positive stories, when a matter was solved at a standard of quality exceeding (customer) expectations.

Our subsidiary bank in Croatia continued to focus on its integration with Splitska banka in 2018, again informing all staff about the process every two weeks in its Integration.info newsletter. In 2019 the newsletter will switch to monthly frequency and will be renamed OTPinfo. The bank's former quarterly periodicals are now available electronically on the OTPortal; in addition, we have set up a new intranet platform. In order to facilitate improvement, we conducted several surveys in 2018 to find out what our employees thought about the quality and availability of internal communication.



Our subsidiary bank in Serbia devised a dedicated internal communications strategy regarding the integration with Vojvodanska banka and measured the satisfaction of the employees with the internal communications processes every 2 to 3 months.



The other members of OTP Group continued to use their existing forms and channels of internal communication.

OTP Bank Russia surveyed the views of employees regarding the themes of managerial efficiency, strategy and management, inclusion and team, 'my work' and customer orientation. Employees gave management efficiency the outstandingly highest rating and gave ratings of around 80% to all the other topics.



OTP Bank Romania surveyed its employees' views regarding the services used by the bank, e.g. health insurance and cleaning.



DSK Bank measured the attitudes of its employees regarding the key development matters at the bank and the decisions of the management.



5.6. Health, working environment

Work-life balance

OTP Group employees have the opportunity to improve their work-life balance mostly through flexible working time and part-time arrangements, but the introduction of some new practices has also started. In 2018 the head office staff of the parent bank were given the opportunity to work from home some of the time. The availability and frequency of home office work is regulated by the managers. Our subsidiary bank in Romania also introduced this practice in a pilot and our subsidiary bank in Slovakia is also planning to allow it. OTP Bank Russia grants additional days off and shorter working hours to its employees living with disabilities.

403 DMA

STRESS

Several members of OTP Group provide stress management training for their employees. OTP Bank managers, including branch managers, can attend two-day stress management courses. This training is provided in small groups and can help participants manage the stresses at their workplace and in their private lives. In 2018 there were 35 training participants. In 2019 the training will be made available to head office employees who achieved low competency scores in stress management, and we also plan to conduct a comprehensive assessment of stress and its management. Of the subsidiaries, DSK Bank, OTP banka Hrvatska and OTP Banka Slovensko provide stress management training to their managers.



RECREATION

OTP Bank and OTP Bank Romania own several hotels, where employees with outstanding performance results can enjoy a holiday for free or at a reduced rate. 7% of the employees of OTP Bank and the Hungarian subsidiaries and 11% of the employees of the Romanian subsidiary benefitted from a holiday with their families during the year. DSK Bank, OTP banka Hrvatska and OTP Bank Ukraine contribute to financing recreation and rest. OTP Bank Romania is a subscriber to the Bookster online library, and our over 600 registered employees borrowed 15 thousand books in the course of three years. The books borrowed are delivered to the offices on the Monday of each week, and the bank pays the borrowing fees. To encourage the participation of our employees, we rewarded the most active ones in 2018.



CHILDREN

Women represent 75% of our colleagues across the group, with several thousand on maternity leave at any time. Parental leave is available to fathers as well, but few of them take advantage of this opportunity at the moment.



GRI 401-3 Employees taking parental leave and employees returning 31/12/2018				
Opportunities	OTP Bank		OTP Group	
	Men	Women	Men	Women
Number of persons taking parental leave	2	915	66	5,747
Number of persons returning to the company from parental leave after its expiry	0	186	12	1,505
Percentage of returners (%)	-	74%	71%	77%

The aim of our programmes organised for the children of our employees is, firstly, to make the bank where their parents work more tangible for the youngsters and, secondly, to help with the care and entertainment of children over the holidays.

Joining UNICEF's Children's Voices campaign, OTP Bank gave the chance to the children of its employees to get an insight into the lives of their parents and the bank in 2018. On Universal Children's Day, children could familiarise themselves with our latest information technology devices, for instance the Microsoft augmented reality glasses, visit the card factory, which otherwise operates behind closed doors and is protected with special security equipment, and try one of the executive meeting rooms in a head office building.

In Romania, our employees' children were invited to visit our offices and bank branches on an open day, and were welcomed with small gifts and a performance; we also organised a creative financial competition in the branches.



The children of OTP Bank employees can enjoy summer camp in our resorts and 150 children joined a programming camp in 2018 (more than originally planned, given the great demand for places). The programming tasks were adapted to their ages and diverging levels of knowledge.

The children of OTP Bank Romania employees were able to go to camp at the OK Educational Centre.



Healthcare and health and safety

GRI 403 DMA, 403-9

HEALTH AND SAFETY

With a few exceptions, the employees of the banking group work in jobs and workplace environments where the health and safety risk is low. Nevertheless, we do our utmost to maintain a safe working environment; the low number and low severity of accidents reflects the success of our efforts. We focus on preventing and resolving the problems inherent in the nature of our operations (e.g. stress, sitting).

The members of the banking group have Health and Safety Regulations compliant with the statutory provisions. In 2018 OTP Bank produced an extract of the Regulation to facilitate ease of use and made it available on its internal intranet portal; it also refreshed the related e-learning training material.

In response to the complaints emerging from the survey of the branch work environment, we investigated the 17 most problematic branches to identify what needs to be done to improve comfort (e.g. ventilation, solutions for heating comfort, heat regulation within a wider range), and implemented changes in most of the cases. We did not invest in development at branches where an overall refurbishment is scheduled to take place by the end of 2019. In order to prevent complaints about ventilation and air conditioning, we are amending our branch



Even in an international comparison, our accident at work rate is very low: 1.6

design guide to require artificial heat recovery ventilation even at the smallest branches.

Joining the Heart City nation-wide volunteer programme, we plan to purchase 30 new defibrillators in 2019 and plan to provide comprehensive first aid training to improve the confidence of first aiders in the event of trouble.

GRI 403-9

ACCIDENTS

The number and severity of accidents is low at both Group and Bank level. At OTP Bank, the number of accidents at work⁴⁵ was 1.6 in 2018, which is good compared to the national statistical average (at 4.4 to 5 accidents at work per 1000 employees). For OTP Group as a whole, the indicator is even lower at 1.6⁴⁶.

Most of the workplace accidents occurred while walking for work reasons or making awkward movements (sedentary work). There were no fatal accidents at work at any member of the Group.

Workplace accidents, 2018*	OTP Bank		OTP Group**	
Number of accidents	14	50	0	0
Accident rate (per 500 persons)	0.89	0.82	0	0
Number of serious accidents	0	1		
Serious accident rate (per 500 persons)	-		0.02	

We calculated the rates projected onto the hours to be worked by 500 full-time employees. E.g. less than one (0.89) out of 500 employees at OTP Bank will experience an accident.

* We present only 2018 figures due to the change in GRI methodology.

** OTP Bank Ukraine was unable to provide data.

Accidents – non-employees, OTP Group (2018)	Supervised employee		Person working on company premises	
Number of accidents	1	0	0	0
Number of serious accidents	0	0	0	0

The accident was associated with OTP Bank; of the foreign subsidiaries, DSK Bank, OTP Bank Romania, OTP Banka Slovensko, OTP banka Hrvatska, OTP Bank Russia and OTP Bank Ukraine were unable to supply data. We do not have information on the hours to be worked, but the low number of accidents would make the rate very low in any case.

Note: The accident statistics are recorded using methods prescribed by law.

⁴⁵ The number of accidents at work per 1,000 employees

⁴⁶ Excluding figures from the Ukrainian subsidiary.

GRI 403 DMA

HEALTHCARE SERVICES

Most members of the banking group provide their employees with healthcare services beyond what is required by the law and encourage a healthy lifestyle with a variety of programmes.

These healthcare services beyond the statutory requirements include regular health checks and health insurance. There were no substantive changes in the range of services available in 2018; however, OTP Bank and most Hungarian subsidiaries switched to a new provider to improve service quality, in which they also took into consideration the requests of employees. We organise specific health checks at our events (e.g. family day, sports days) and, from time to time, in our office buildings too, in which we also rely on the views of our employees; these health checks are always very popular.

OTP Bank Russia offers healthcare checks specifically for persons over 45 years of age.



CKB joined a campaign by the Ministry of Health to make ultrasound breast cancer screening available to its employees.



Our subsidiary bank in Romania implemented its year-round 'Fruit Break' programme series in 2018, in which every employee is given three kinds of seasonal fruits twice a month. During the 'Health Days at Work' programme, healthcare advice was available at head office for a whole week (in ergonomics, dentistry, ophthalmology etc.). We organised a 30-day H2O challenge to incentivise the drinking of water and rewarded our most enthusiastic employees with a prize. We made office massage therapy available at an attractive price, providing the time, place and the service provider. In addition, our 'Happy Days at the Office' programme included ice cream and chocolate days for head office employees, who were able to buy the sweets in the buildings on these days.



We organised our National Sports Days, which served as a preselection event for the Sports Meet of Hungarian Banks. The 30th Sports Meet of Hungarian Banks was organised by our bank and we won overall first place again, thanks to the successful performances of 70 colleagues.

Our subsidiary banks also organised or took part in a number of sporting events. OTP Bank Romania organised a table tennis competition with 22 employees participating; our Russian subsidiary bank held a sports event in Moscow. The employees of our subsidiary bank in Croatia took part in the sports days of Croatian banks and once again achieved outstanding results.



Sports

Several subsidiaries of OTP Group organise informal leisure activities for their employees and sometimes for their families as well. Most frequently, these events are organised around sports, and Christmas or New Year; often, there are separate programmes to entertain the children. At OTP Bank's Family Day, the employees of some of the Hungarian subsidiaries also attend.

In 2018 OTP Bank continued to provide opportunities and funding for:

- organising regional sports days and competitions,
- operating sports clubs – e.g. ground lease fees, competition entry fees,
- organising team events on the employees' initiative, based on their applications for funding; nearly 3,500 persons took part at mass sports events, based on 62 applications,
- a sports card, against a fixed monthly fee, for accessing gyms at over 500 locations in the country.

OUR STRATEGIC GOALS

Devise a HR strategy at OTP Bank

Review OTP Bank's training system

Introduce new intranet at OTP Bank

Introduce a group-level rotation programme

Overall stress survey at OTP Bank

3500 people have participated at sporting events initiated and sponsored by OTP Bank

06

Environmental protection

We are primarily striving to achieve an improvement in the efficiency of energy consumption and a reduction in paper use.

Paperless processes | Solar panels on bank branches | Expansion of selective waste collection

Commitment

The protection and low-impact use of environmental and natural resources

Approach

As a lender, we expect our customers to comply with all environmental protection legislation, and we strive to use resources efficiently in our operations, taking cost-effectiveness considerations into account.

Task

- Reduce paper use through digitalisation
- Rationalise business travel
- Energy-efficient renovations and the use of renewable energy sources
- Improvements in waste management

GRI 302 DMA, 305 DMA

We know that our employees and our external stakeholders consider the protection of the natural environment to be increasingly important. In terms of our direct impacts, our main aims are to improve energy efficiency and reduce paper use, and digitalisation can help this in an efficient, measurable way.

For our basic principles concerning environmental protection and the fundamentals of our practice, visit our website. The indirect impact of our activities and also our opportunities are primarily linked to our role as a responsible service provider; please find more detailed information [➞ Expert financial care](#)



OTP Bank's internal regulation on environmental protection ensures compliance with the law and the consideration and integration of environmental criteria into the bank's business operations in order to minimize the environmental impacts of operating and maintaining the bank's organization.

2017 Our commitments

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

Reduce paper use in internal processes (ongoing)

2018 Our results

● Implemented ● Implementation in progress ● Not implemented

Designing the criteria is in progress; we will incorporate them into the system of assessment when we overhaul our supplier rating and evaluation system.

Implementation in progress.

Energy

GRI 302 DMA, 305 DMA

DEVELOPMENT PROJECTS

We use state-of-the-art technology in new construction and renovation projects. We are installing modern building engineering solutions and energy-saving lighting. When refurbishing the branches and head office buildings of OTP Bank, we also replace their central heating units, in which energy efficiency is the primary criterion. As part of the renovation process, we also replace the air conditioning units and take care to make sure that the new units use environmentally friendly coolants. We continued to install LED lighting; we transformed the entire lighting of 13 branches in 2018⁴⁷. Our development efforts are expected to result in energy savings of 3,118 GJ in total. The use of LED technology has been expanded at our subsidiary banks in Serbia, Russia and Ukraine, and our subsidiary bank in Ukraine introduced the automatic switching off of computers after a certain period of inactivity.



RENEWABLE ENERGY

We are intensifying our reliance on renewable energy taking financial considerations into account. We installed solar panels on one branch in 2018. OTP Bank consumed 1996 GJ solar power and our subsidiary bank in Croatia used 144 GJ solar energy. The central archives facility owned by Monicomp Zrt used 4118 GJ geothermal energy and we plan to install additional heat pumps in 2019.



ENERGY CONSUMPTION

OTP Group's energy consumption⁴⁸ was 694,000 GJ in 2018, a 5% increase compared to the previous year. This was due to changes in volumes and activity scopes as well as in weather conditions; consumption by Vojvodjanska banka of Serbia is no longer included in the data effective from 2018. OTP Bank's overall energy consumption did not change compared to the previous year. However, due to the increase in our headcount, this represents an 8% reduction in per capita energy consumption. Alongside the implementation of energy-efficient solutions, there has been an expansion in energy-intensive functions (e.g. digital processes, the number of more brightly lit workplaces, air conditioners, water fountains).

⁴⁷ The annual report of our energy officer is available on our [website](#)
⁴⁸ Direct and indirect energy consumption.

Energy consumption (GJ)	OTP Bank				
	2014	2015	2016	2017	2018
Direct energy consumption total	90,093	97,204	94,697	101,972	110,646
Gas energy	60,184	65,058	63,436	69,828	77,838
Vehicle fuel	27,959	30,205	29,312	30,194	30,194
Other non-renewable	-	-	-	-	285
Solar energy (renewable)	1,950	1,950	1,950	1,950	1996
Heat pump (renewable)	-	-	-	-	-
Indirect energy consumption total	153,245	155,540	152,159	153,981	153,546
Electricity	128,639	128,822	126,590	126,864	129,593
District heating	24,606	26,718	25,569	27,117	23,953
Grand total energy consumption	243,338	252,744	246,857	255,953	264,192*
Total energy consumption per employee**	30.39	31.81	31.55	32.15	31.34

* Deviates slightly from the figures in the Annual Report because the finalised consumption data were received at a later date.

** Always based on the statistical headcount.

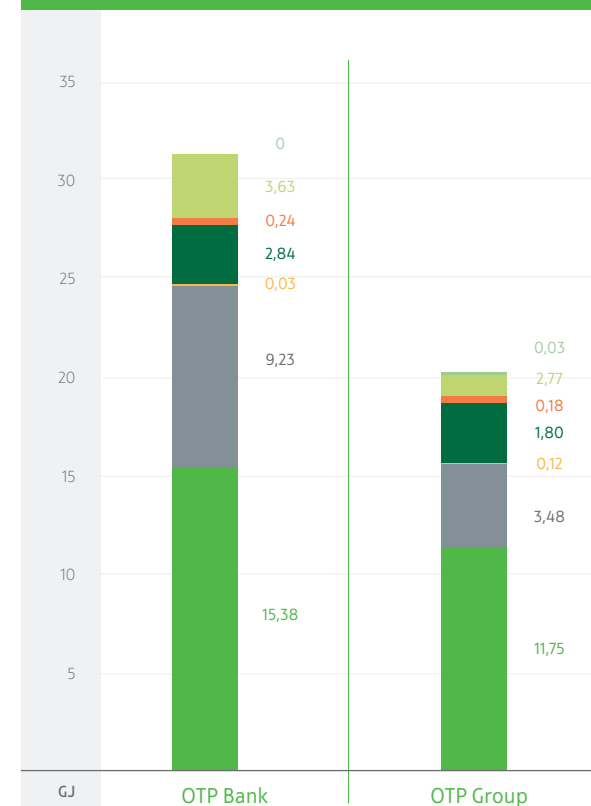
Energy consumption data are derived from readings, and in the case of vehicle fuel they are calculated based on the fuel consumed.

Energy consumption (GJ)	OTP Group				
	2014*	2015*	2016	2017	2018
Direct energy consumption total	267,312	327,162	196,175	241,731	224,410
Gas energy	176,833	181,930	96,773	103,986	120,985
Vehicle fuel	84,310	138,859	93,062	130,729	96,128
Other non-renewable	1,199	582	928	133	475
Solar energy (renewable)	1,950	1956	1,960	1,969	2325
Heat pump (renewable)	3,010	3,831	3,307	4,220	4,118
Other renewable	10	4	146	144	118
Indirect energy consumption total	618,257	617,215	423,614	421,929	470,737
Electricity	545,502	542,943	343,953	357,612	408,100
District heating	72,755	74,272	79,661	64,317	62,637
Grand total energy consumption	885,570	944,376	619,790	663,110	694,886
Total energy consumption per employee**	23.38	26.86	17.62	18.20	20.00

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

Energy consumption data are derived from readings, and in the case of vehicle fuel they are calculated based on the fuel consumed.

Energy consumption per employee 2018



OTP Group's total CO ₂ e emission (t)	OTP Bank					OTP Group				
	2014	2015	2016	2017	2018	2014*	2015*	2016	2017	2018
Direct										
emissions by vehicles	1,959	1,827	1,731	2,142	2,183	5,774	8,640	5,897	9,378	6,938
from natural gas consumption	3,359	3,631	3,541	3,898	4,374	9,870	10,155	5,402	5,804	6,799
from air-conditioning equipment	n.a.	n.a.	n.a.	741	885	n.a.	n.a.	n.a.	n.a.	1,536**
other non-renewable energy	0	0	0	0	18	n.a.	n.a.	n.a.	n.a.	37
Indirect										
from electricity	3,931	3,936	7,265	7,281	9,374	16,668	16,590	28,959***	29,415	42,082
from district heating	1,243	1,349	1,244	1,319	1,166	3,674	3,750	3,955	3,504	3,048
Total	10,491	10,743	13,781	15,381	18,000	35,987	39,136	44,940***	48,101	60,440
Per capita	1.30	1.33	1.76	1.93	2.14	0.94	1.11	1.28***	1.32	1.74
Biogenic emissions	0	0	0	0	0	<0.1	<0.1	0.6	0.6	0.5

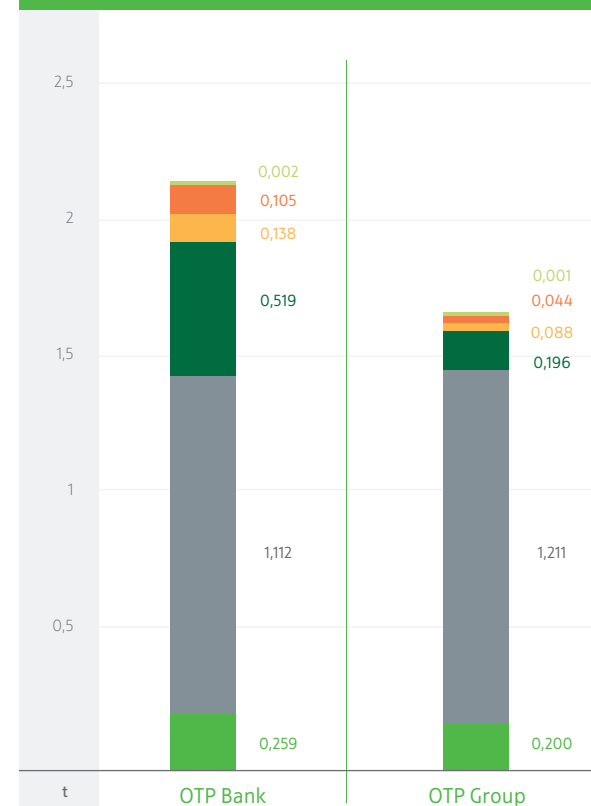
Greenhouse gas emissions are primarily carbon dioxide emissions; the emissions of other gases with greenhouse effects are negligible. The figures shown are calculated from energy consumption on the basis of the applicable statutory regulations and industry estimates. We started recording air conditioning equipment emissions due to leakages in 2017; the values are provided as CO₂ equivalents. We calculate electricity emissions figures using country-specific factors; in 2018 the specific emissions factors rose in most countries compared to the previous year. In the absence of other reliable data, we use the Hungarian emission figures in the district heating heading, except for Ukraine and Russia.

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

** Estimate proportionate to the headcount, based on the figures from member companies that provided accurate data.

*** GRI 102-48 Data retroactively corrected due to calculation error.

Per-capita breakdown of CO₂ emissions 2018



- caused by vehicles
- attributable to electricity used
- from natural gas consumption
- use of air conditioning
- use of district heating
- other

Paper

OTP Group has been working for years to reduce paper use and printing through an increased focus on digitalisation. Nevertheless, legislative requirements and the expansion of our business often do not allow us to achieve this aim.

PAPER USE

In 2018 the number of products for which customers can apply online continued to grow across the group; in addition, a reduced need for printing in our internal processes and customers' increasing preference for electronic account statements can also help prevent the use of paper. At OTP Bank, the wide-spread use of digital signature pads has facilitated a significant reduction in paper use. Our bank's overall paper use decreased by nearly 25%. At the majority of our subsidiaries, measures adopted previously helped keep paper consumption unchanged, while DSK Bank managed to reduce its consumption by around a quarter. OTP Group's paper use amounted to 2583⁴⁹ tons in 2018, 5% less than a year before.

In 2018 the employees of our Slovakian subsidiary continued their custom of planting a tree each time 50 packages of paper were used, enriching their environment with a total of 292 trees in the course of the year. The bank uses 'green' certified office supplies made from recycled or recyclable materials. At our Romanian subsidiary bank, we organised an internal competition in an effort to reduce internal printing by 20% and rewarded the three teams with the best performance.

E-STATEMENTS

Electronic account statements are made available wherever this is permitted by the legislative frameworks. Most customers do not receive a paper statement from OTP Bank, OTP Bank Romania and OTP Bank Slovensko.

In 2018 CKB introduced electronic account statements, whereas DSK Bank extended the option of e-statements to its corporate borrower customers too.

RECYCLED PAPER

Our member companies use recycled paper to varying degrees. Our subsidiary bank in Croatia and OTP Ingatlanlizing use such paper 100% of the cases, while our Russian subsidiary bank uses it over 50% of the time. Monicomp prints the statement letters of the Hungarian banking group on recycled paper, using such paper nearly 60% of the time, while OTP banka Slovensko and OTP Bank also use recycled paper, but to a lesser extent. Recycled paper represented 17% across the group in 2018.

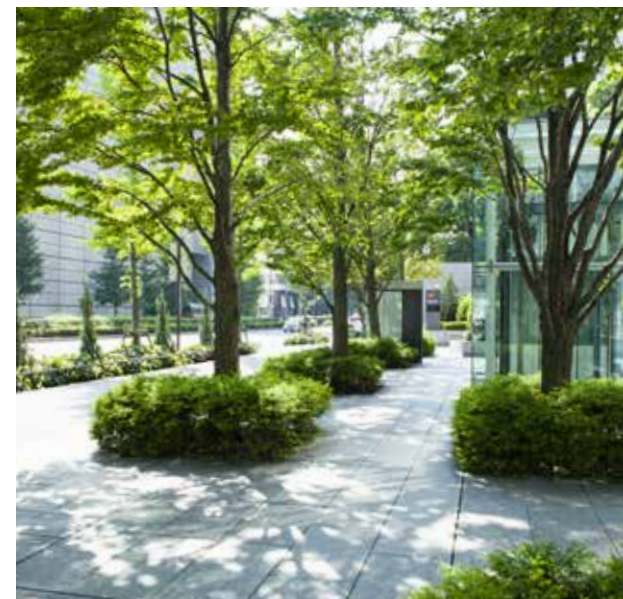
9,000 mature trees saved
by using recycled paper and reducing paper consumption



25% fall
in OTP Bank's
paper use



292 trees planted
by the Slovakian
subsidiary
to offset paper use



Travel

GRI 302 DMA, 305 DMA

The operations of the banking group involve significant amounts of travel and transportation. We take environmental criteria into account when we focus our procurement on cars with low fuel consumption. In accordance with OTP Bank's new vehicle policy, we replace all cars older than 5 years or having reached a certain total distance travelled; in 2018 we introduced carbon emission caps. OTP Bank's fleet includes two electric cars currently and we plan to purchase two more in 2019. Travel rationalisation and video conferencing are common practices across the group. OTP banka Hrvatska plans to introduce more concerted monitoring of carbon emissions and will encourage its employees to use public transport. The parent bank's car fleet and the total distance travelled both saw an approx. 10% increase in 2018, due to company cars becoming available to a larger segment of our workforce as a type of benefit. Total car travel volumes across the group decreased.

VIDEO CONFERENCING

The ability to use video conferencing options is growing year after year at OTP Group. The parent bank installed twice as many video conferencing devices in 2018 as in the year before. The number of videoconferencing rooms also increased at the Bulgarian, Romanian and Russian subsidiary banks. In 2018 our employees conducted a total of 14,000⁵⁰ video conferencing meetings, equal to 17,500 hours (around 2 years). Videoconferencing calls prevented the emission of 319 tonnes of carbon dioxide.



CYCLING

We continue adding new bicycle stands for the use of our customers and employees. OTP Bank and all our subsidiaries have made bicycle storage available at one or more head-office buildings. In 2018 we installed storage space for approximately 100 new bicycles at the central buildings of OTP Bank, with changing rooms and showers also available. 58% of our branches nationwide have bicycle storage facilities. Our Ukrainian subsidiary also increased the number of bicycle storage facilities available.



Waste management

We use our equipment, devices and machines for the longest time reasonably possible. We reuse furniture and ensure interchangeability. OTP Bank, DSK Bank, OTP Bank Romania and OTP banka Srbija all follow the practice of making charitable donations of any furniture no longer used but in good condition and functioning IT equipment (mostly computers and laptops) to institutions and organizations in need. In 2018 OTP Bank donated 450 pieces of furniture and 322 computers.



saved the annual carbon emissions of 41 persons through video conferencing



From banner to gym bag

We also strive to be responsible when it comes our sponsorship and promotional gifts. With this in mind, we have recycled OTP Bank's old but still perfectly good banners. Employees of KÉZMŰ Közhasznú Nonprofit Kft., which was established to provide work for disabled people, produced 320 gym bags and 146 ball bags in 2018.

The subsidiaries in Montenegro and Slovakia use toner refills to reduce toner and ink cartridge waste.

There were several improvements in waste collection in 2018. All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively. In addition to the selective collection of non-confidential paper waste and PET bottles in the central office buildings of OTP Bank, we have also provided selective waste collection facilities for glass in the workplaces refurbished in 2018, i.e. most of our central buildings. Our subsidiary bank in Serbia introduced the selective collection of used toners and paper waste at its branches. As from the end of 2018, our Romanian subsidiary has collected selectively all paper, metal, glass and plastic waste both in its central building and at its branches. We implemented the conditions for selective paper waste collection in the central building of our Ukrainian subsidiary. The Croatian subsidiary has collected waste selectively for years, whereas the Slovak subsidiary provides for selective waste collection wherever locally facilitated by the municipality. DSK Bank operates selective waste collection at its sites in Sofia and Varna.



Quantity of selectively collected waste	OTP Bank					OTP Group				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Selectively collected waste paper (t)	342	303	292	277	417	1,442	1,046	1,303	1,496	1,445
Selectively collected PET bottles (kg)	5,203	10,302	9,966	11,580	9,998	6,262	12,023	12,526	15,289	14,348

Typical data on the materials used by OTP Group and its procurements	OTP Bank					OTP Group				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Number of branches	395	386	379	374	374	1524	1328	1315	1497	1423
Number of branches refurbished during the year vs. total number of branches	4%	4%	4%	4%	3%	5%	4%	7%	12%	3%
Computers (laptops + PCs) (qty)	9,000 (excl. laptops)				15,000	n/a			approx. 45,000	
Replacement period	4 years on average									
Number of ATMs	1,976	1895	1937	1945	1931	3,924	3857,	3904	4340	4339
Number of POS terminals	52,336	55,288	59,988	70,002	77,599	69,552	76,567	80,563	103,028	112,593
Weight of ink cartridges and toners used (kg)	6403	6625	6648	9000	9500	32,282*	32,482*	37,233*	23183**	32,684*
Amount of office paper (t)	1015	928	838	905	685	3,701	3089	2983	2159	1955
Amount of paper used for document sorting and packaging (t)	46	45	39	43	43	111***	139***	107	76	116
Amount of indirectly used paper (t)***	63	46	44	9	5	1274***	1448***	989	484**	511

*estimate: prorated on the basis of actual data

**decline presumably due to increased precision in data capture

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

*** e.g. marketing publications

Responsible procurement

GRI 102-9

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



Environmental protection



Office complex under construction – inspiring and sustainable

In the summer of 2018 work started on erecting OTP Bank's new office building adjacent to our existing head offices. 'This new office building will provide a workplace for around 3000 employees of the bank and its subsidiaries, with a total of 5000 employees working together in more or less the same location if also including the neighbouring offices. The new building will be constructed using modern environmental and architectural solutions and will symbolise our bank's reliability and stability. It is important for us that the workspaces are as bright as possible, enjoying ample natural light. Our objective is a well-organised, pleasant and human-centred office building that can be adapted to the needs of the employees who work there. Its interior design was focused on finding solutions promoting the well-being of our employees. Following the principles of biophilia was a priority to make the work environment as close to nature as possible. The building will therefore be green in all senses of the word and it will have LEED Gold certification. We plan to complete the new office building by the end of 2021. We consider it important to make sure that the work environment of our existing office buildings does not lag behind that of the new building and are therefore working on their refurbishment and restructuring, so that the colleagues who arrive here after the intensive internal relocations will find new interior design solutions and arrangements.'

Szilvia Szeles,
project expert



OUR STRATEGIC GOALS

Further reduction of the amount of paper used (ongoing)

Construction of OTP Bank's new head office with LEED Gold certification (2021)



07

Citizenship

We work in alignment with values, thus our charitable contributions mirror and display the values we represent.

Equal opportunities campaign | Innovative cooperation with museums | Boranka 

Commitment

Support the progress of local communities and society, play a role in overcoming difficulties.

Approach

OTP Group can be truly profitable only in well-functioning, successful communities, whose emergence and growth we therefore support.

Task

- Identify local needs, create reliable partnerships
- Identify focal points to deliver effective results
- Help involve society in good causes
- Support and encourage our employees in their efforts to help

GRI 413 DMA

It is natural for us to contribute to the progress and development of local communities even beyond our services. We work on the basis of values and represent and embody our values in our donations as well. Our sponsorships and donations are varied and wide-ranging, with the generation of the future given a key role; the resources invested in them can bring the richest dividends.

OTP Bank is one of the largest donors in Hungary with billions of forints awarded so far; the size of this amount, the expertise of our collaborating partners and our long-term commitment guarantee that we can make a genuine impact through our donations. For this purpose, we consider it important not to fragment our resources.

2017 Our commitments

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

Renew and reform the Prima Primiissima Awards

Create Photo Museum (2019)

2018 Our results

● Implemented ● Implementation in progress ● Not implemented

A key part of this multi-component platform will be Smartbank, which is scheduled for renewal in the second half of 2019, so that the entire donation platform will be launched after that.

Implementation is foreseen for 2019.

We continued work on the preparations.

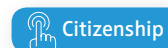


Our sponsorship activities are focused on:

- developing financial literacy, attitude shaping
- equal opportunities: helping the disadvantaged and those in need;
- sponsoring culture and the arts: creating and preserving values; and
- sports.

➡ [OTP Fáy András Foundation](#)

For more details on the basic principles of our corporate social responsibility and our sponsorship programmes and partnerships, please visit our website or the websites of our subsidiaries.



Citizenship

7.1. Our citizenship programmes

The members of our banking group provide support to the best of their ability and in awareness of the needs of their local communities. The member companies work together primarily in the development of financial literacy: the wealth of experience accumulated by the OTP Fáy András Foundation merits use beyond the borders of Hungary as well. All members of the banking group have fully developed priorities regarding citizenship. Our foundations play a key role in implementing our programmes; their professionalism and goal focus guarantee the efficient and effective use of the grants. In addition, assistance is often provided in close cooperation with local non-governmental organisations. Besides our long-term commitments, we are open to new initiatives.

In 2018 we spent HUF 2.8 billion on donations across the group, 22% more than in the year before. The OK Educational Centre represented the largest single item within our donations (73% of donations were made by the parent company). While the donations were predominantly financial contributions, we often provided support in kind, such as donating computers and enabling volunteer programmes.

➡ [OTP Fáy András Foundation](#)

Also, some of our sponsorship activities are in support of charitable causes. In 2018 OTP Group spent HUF 1.8 billion on this purpose, of which 57% was contributed by OTP Bank. Most of our sponsorship was linked to sports (72%), while arts (17%) and culture were also significant (8%).



**HUF 2.8 billion
in donations**



**450 pieces of furniture
and 322 computers delivered
to persons in need**

Creating opportunities

HUMANITY

The Humanity Social Foundation⁵¹ helps persons and families in need to resolve their healthcare, education and other welfare issues and supports institutions working with disadvantaged or ill children. Our Foundation awards its financial and non-financial grants mostly upon applications. In 2018 we helped more than 27 thousand people.

Key programmes implemented:

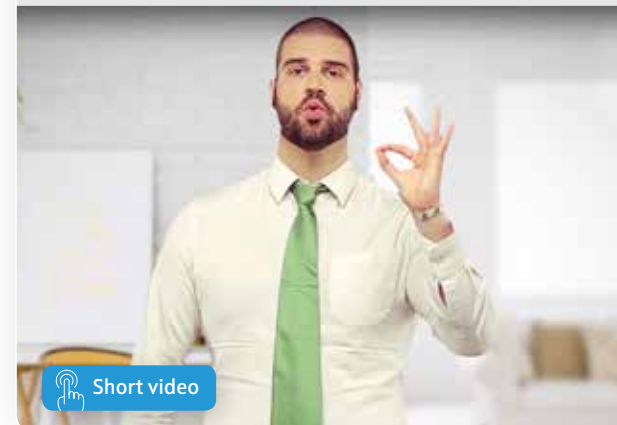
- Using a donation by the OTP Building Society, we helped four families in need, who used the sums received partly to create the sterile environment enabling recovery from illness, and partly to rebuild a condominium damaged by natural disaster.
- In our scholarship scheme, we helped finance the university studies of 28 talented young people from disadvantaged backgrounds.

- We helped a total of 54 disadvantaged families pay for medicines, medical aids and medical treatment.
- We organised a Christmas gift collection drive for the third time, together with the OTP Fáy András Foundation, two secondary schools and OTP Bank. Thanks to this initiative, 150 families received valuable gift packages and we were able to donate educational tools and games to two kindergartens.
- We supported two educational programmes, thus enabling the improved use of the donations. We started accredited teacher training at the Pázmány Péter Catholic University in relationship-focused early intervention, for employees of pedagogical services in and outside the capital. At the Péterfy Sándor Street Hospital we are supporting the creation of a complex urological patient education programme by donating computers and working with the volunteering physicians of the hospital to develop an educational web-site.
- OTP Bank donated 322 scrapped but functioning computers, which we delivered to a total of 17 institutions, including schools teaching disadvantaged students, children's homes and hospitals.
- We donated medical technology equipment to two hospitals.
- We organised volunteering programmes and collected donations for children's homes, maternity homes and families in need.

Attitude shaping campaign

OTP Bank sees social sensitisation as its responsibility and launched a nationwide awareness-raising campaign in 2018 to draw attention to the importance of the issue.

- as part of the campaign, we made our advertising videos accessible;
- we produced three short animated videos showing what to do and what not to do in order to make sure that the help we offer to those living with disabilities reaches its aim and is the most natural thing;
- the PR appearances underpinning the campaign focused on the persons affected speaking about their experience.



⁵¹

OTP Bank exercises founder's rights over the Foundation.

FURTHER DONATIONS

In 2018 we responded to several one-off requests to improve the living conditions and opportunities of children in need. We subsidised the renovation of the facade of the Kanizsai Dorottya Hospital. We helped children with permanent illnesses go to camp, helping them gain experiences and build communities with fellow patients and friends. Our resort in Balatonszemes welcomed transplant recipient children and we also financed the holidaying of 60 children with diabetes.

We carried on with our now traditional cooperation with the Hungarian Charity Service of the Order of Malta, the International Children's Safety Service, the Hungarian Riding for the Disabled Federation, Special Olympics Hungary and the KézenFogva (Hand in Hand) Foundation.

OTP Fund Management also continued to participate in its ROMAS-TER programme. In this programme, two of our employees mentor two students of Gypsy extraction in their higher education studies and take part in the events of the programme.

Value creation, preservation of traditions

In 2018 OTP Bank continued to prioritise programmes focused on the preservation and transmission of culture and traditions in its sponsorship.

Our most significant contributions:

- We oversaw and financed the Prima Primissima Foundation and Award, which is the highest and best known of all accolades awarded by entities other than the State. The objective of this award is to preserve and support intellectual achievement in Hungary, rewarding prominent people whose achievements, humanity and values can serve as an example for all of us. We expect to be able to introduce the planned changes in selecting nominees for the award in 2019.

- It is important for us that the generation of the future should understand and learn to love high art, which is why we sponsored the Museum+ programme and implemented a call for applications together with the Museum of Fine Arts of Budapest under the title 'Get displayed at MFAB!'. In this competition, a work chose by public vote is given the chance to be displayed for a month as part of the exhibition of the reopening Museum of Fine Arts. Of the 1300 submissions, the panel of judges selected 15, which we put on display in the virtual OTP VRMuseum. Votes for the shortlisted works were invited online and at our onsite stalls; the public voted for the work entitled 'Curtains' by Zsófia Horváth to be put on display at MFAB.
- We also sponsored the 'Stories from the Gallery' literary competition of the Museum of Fine Arts and the Hungarian National Gallery, in which secondary school students wrote fiction inspired by 10 key works of art. 'Minitextúra' is a programme encouraging openness to art in small children. It involved five popular contemporary fairy tale writers telling a short story about a work of art at the Gallery, which the Budapest Puppet Theatre then performed and, after the performance, the children were given the opportunity to look for the works in the museum.

We remained the title sponsor of the OTP Bank Street Music Festival in Veszprém. We sponsored the National Táncház Festival and Fair, and we handed out the Táncház Award and Medals for the 6th time. We are a committed sponsor of the 'Fölszállott a páva' folk talent show, and we donated its prizes, worth a total of HUF 11 million.

Investment in the future: talent training and role models

OTP Bank is the company most committed to the future of Hungarian football. The number of youngsters playing football in OTP Bank's Bozsik programme increased further. In 2018 Bozsik tournaments were held in 246 districts, with 3131 institutions and 114,000 young people

participating. 35% of participants were in nursery school, and one fourth were girls. A football competition of secondary school students, the Fair Play Cup continue to be popular; at the end of 2018, 8600 players from 437 institutions registered for the championship and 35% of the participants were girls.

As a committed sponsor of the International Judo Federation, we believe it is especially important that we can contribute to the training of the future generations and to the successes of the Hungarian competitors.

To read about OTP Bank's donation and sponsorship activities, visit our website.



Citizenship at subsidiary banks

- Our Croatian subsidiary plays an active role in supporting education, social assistance, the preservation of social traditions, environmental protection and preventive health. Some sponsorship recipients are selected based on applications, and individuals – mostly students – are also eligible. In 2018 we promoted a better society by helping a total of 47 projects nation-wide and granted scholarships worth a total of HUF 32.5 million to disadvantaged students.
- The highest priority for OTP Bank Romania is to develop financial education via the Right to Learn Foundation and the OK Educational Centre (for more details [see Section 2.2](#)).
- The bank gives its used IT equipment and furniture to charity.
- The bank sponsored a number of sports clubs and sporting events (e.g. Odorhei Handball Club, Miercurea Ciuc Football Club, Sepsi OSK Football Club, men's volleyball championship).



- We supported the Szekler Museum of Ciuc and the Babes-Bolyai University in Cluj-Napoca, and a number of cultural events.



- SOS Children's Villages remain a priority in the donations of DSK Bank. In 2018 we continued our partnership and provided financial help to two SOS families throughout the year. Our customers also had the opportunity to give to these organisations either at our ATMs or, thanks to a development we completed in 2018, on our internet banking platform.



- We support financial and insurance professional education via the Atanas Burov Foundation and the Prof. Dr. Veleslav Gavriisky Foundation.
- We contribute to the 'Support a dream' initiative, which helps children raised at welfare institutions in making decisions about their further education and choice of career before their secondary school leaving exams.
- We donated to our capital city to help keep its streets clean.
- We donate our IT equipment and furniture to schools and non-profit organisations.

- Our Serbian subsidiary is a committed sponsor of (contemporary) culture. Our bank is a strategic sponsor of the Cultural Centre in Novi Sad, which is the leading cultural institution in the region and hosts independent international projects and young artists.
- We give to charity our scrapped furniture and IT equipment, helping primarily schools, non-governmental organisations and the police.



- We sponsored the cultural programmes of the Hungarian embassy in Ukraine.



- The bank worked with the Omsk Museum of Fine Arts, supporting two exhibitions.
- We also supported the Omsk society of veterans.
- We helped implement several cultural events with Hungarian relevance (e.g. 'Cifra' film festival, Hungarian operetta concert at the Moscow Conservatoire).
- We took part in the charity fair in Chelyabinsk.
- We supported the #GivingTuesday initiative, doubling the amount of money collected.



- The bank has not changed the focal points of its donations and continues to support healthcare, education, culture, local communities and sports, and takes part in an increasing number of environmental protection initiatives.
- Our bank purchased observation equipment for the hospital in Bar in 2018.
- We joined the 'My tree' project for increased environmental awareness and donated four trees with the CKB logo. On the occasion of the opening of the branch in Herceg Novi, we donated to the town's green initiative.
- We provided financial help to numerous festivals (e.g. Podgorica Jazz Festival, which focused on the promotion of female jazz performers; Harmonika Montegrina, Bedem Fest, Bocche in Cattaro). We have been a general sponsor for the Princeza Ksenija Ballet School for several years.
- We hold regular exhibitions in one of the branches in Podgorica where we display paintings and photographs by the students of the Faculty of Fine Arts.
- We help educational institutions by purchasing equipment.
- In the field of sports, we sponsor an angling club and a karate club as well.



- The bank's sponsorship is concentrated on operating the OTP Ready Foundation, supporting financial literacy (for further details see [Section 2.2](#)).
- We also sponsored the DAC Football Club at Dunajská Streda.





7.2. Volunteering

The employees of OTP Group are sensitive to social issues and persons in need of help, and they are committed to the protection of nature and the environment. We encourage voluntary programmes and are happy to provide a venue and contribute to the efforts of our employees.

OTP LOCAL VALUE

We continued our application-based voluntary programme at OTP Bank. Following the two rounds held during the year, we selected the projects of 35 teams for sponsorship. Nearly 500 of our employees helped around 2000 people. The winning applications are also available to view on our public website (www.otphelyiertek.hu). Most of the programmes helped children and young people who are socially disadvantaged or live with disabilities. Our employees decorated a number of institutions and the children gained countless new experiences during the shared excursions, the events focusing on environmental awareness and joint creativity. Our colleagues sometimes involved other organisations in the implementation; for example, they worked with the Humanity Foundation and the Secondary School of Art.

We also organised a central volunteering event, making charitable action easier: in the Hungarian Food Bank Charity Kitchen initiative, 120 of our employees cooked 300 portions of hot food for persons in need. In addition to the cooking, they also helped out by labelling the tins of food donated to the Food Bank and by assembling children's toys. Over the course of the day, our employees labelled 35 thousand tins and assembled 30 toys.

OTP Bank has been committed to blood donation for years; it regularly organises donation events at its head offices and regional centres. In 2018 940 employees gave blood, a total of 1721 times.

Our employees were also active beyond the framework of centrally organised or sponsored programmes; volunteer teams collected hundreds of thousands of forints through various actions.

OTP COMMUNITY

The main aim of the volunteers of OTP Bank Romania is to support the education of children living in disadvantaged regions and to prevent them from dropping out of school. Our employees offer a variety of programmes to help children; for example, in 2018 they organised a day trip to Bucharest, organised a collection on a social fundraising site (Galantom.ro), 115 employees took part in the 'Back to School' 2018 campaign of the Edulier Association, they donated food and computers to children's homes and organised clothes collections for those in need. Our bank organised blood donation events four times; our employees gave blood a total of 120 times. In 2018 our volunteers again participated in the "Let's Do It, Romania!" rubbish collection campaign. 245 employees took part in OTP Community programmes, helping more than 600 people.



RO

DSK Bank organised Christmas lunches at its two head office buildings, with the involvement and participation of around 400 employees. The 'Big Miracles for Little Heroes' event was organised by the Our Premature Children Foundation. The Foundation was given the money received from the sale of the lunches our employees cooked at home. In 2018 our employees again took part in collecting plastic bottle tops for the manufacturing of wheelchairs.



BG

OTP banka Hrvatska also involved the employees of the former Splitska banka in volunteering. The bank was one of the main sponsors of the 'Boranka' campaign, the largest volunteering movement ever in Croatia. The objective of this initiative is the reforestation of the fire-ravaged areas of Dalmatia and to draw the attention of the population and especially children to the importance of forests, environmental protection, the consequences of global warming and the importance of preventing fire. The campaign was started by the Scout Organisation of Croatia, and around 70 employees of the bank, including members of the Board, took part in planting trees. In 2018 employees of the bank participated in the charity run Wings for Life World Run in an even larger number than in the previous year, with 100 employees taking part.



HR

Nearly 10% of CKB employees are regular blood donors. In addition, our employees continued in 2018 to support actively the fundraising for equipment for the Children's Hospital in Podgorica; this year, the hospital spent the funds raised on a tympanometer. The employees of the bank took part in nationwide forestation and environmental protection campaigns twice during the year.



MO

In 2017 our Slovakian subsidiary again joined the 'Our Town' project, which aims to improve and protect the urban environment.



SK

**615 volunteers
at OTP Bank,
2,300 beneficiaries**



OUR STRATEGIC GOALS

Develop a multi-channel donation platform at OTP Bank

Donations to a good cause when using a Mastercard bank card for purchases (OTP Bank Romania)

Launch OTP Heritage website to widely promote the cultural heritage of Hungarian financial institutions

Renew and reform the Prima Primiissima Awards



Annexes

GRI 201-4

State subsidies, tax allowances (HUF million)*	2014	2015	2016	2017	2018
OTP Bank	5	15	0	49	0
OTP Fund Management	0	0	0	0	0
OTP banka Hrvatska	17	20	34	26	0
Total	22	35	34	75	0

*The tax allowance granted on the basis of the Hungarian banking group's sponsorship of spectator team sports and the performing arts are not included here.

OTP Bank received a subsidy from the European Union in 2014, while in 2017 it benefited from a corporate tax base rebate on the grounds of its renovation of listed and protected buildings. In addition, 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.

GRI 201-1

Taxes paid HUF bln	Hungary (OTP Core)	Bulgaria	Russia	Ukraine	Croatia	Romania	Slovakia	Serbia	Montenegro
Contributions on wages + Adjusted corporate taxes + Other taxes on gross profits	112.6	7.5	14.0	6.2	8.7	1.4	2.8	2.2	0.8

Portfolio components by sector									
Small and medium-size businesses Group members' assets by sector, on-balance sheet exposure to own customers, %, 31/12/2018 ⁵³	Hungary (OTP Core and Merkantil Group)	Bulgaria	Russia	Ukraine	Croatia	Romania	Slovakia	Serbia	Montenegro
Agriculture, forestry, fishing	6%	27%	1%	0.2%	9%	18%	11%	5%	4%
Light industry	9%	19%	8%	32%	11%	13%	22%	24%	11%
Electricity, gas, steam and air conditioning	-	-	-	-	-	-	5%	-	-
Water supply; sewage management, waste management	-	-	-	-	-	-	2%	1%	-
Construction industry	13%	6%	6%	0.1%	6%	10%	6%	7%	7%
Wholesale and retail trade; repair of motor vehicles and motorcycles	29%	23%	55%	44%	23%	29%	14%	42%	43%
Transportation and storage	8%	6%	3%	0.5%	6%	5%	3%	13%	8%
Accommodation and catering	2%	6%	-	22%	13%	3%	-	3%	11%
Information and communication	-	-	1%	1%	-	-	-	0.4%	3%
Financial and insurance activities	-	-	0.2%	-	-	1%	-	-	-
Real estate activities	8%	3%	3%	-	-	8%	25%	-	3%
Professional, scientific and technical activities	6%	2%	22%	-	-	4%	4%	3%	6%
Administrative and support service activities	4%	2%	-	-	20%	3%	3%	-	3%
Human health and social work activities	-	2%	-	-	2%	-	-	-	-
Other services	8%	-	-	-	2%	-	-	1%	-
Total (HUF billion)	265	77	0.8	0.07	39	94	103	5	8%

53

In the table, only data for the 10 largest market sectors are displayed, as long as the respective share of such sector exceeds 0.1%.

Portfolio components by sector									
Medium and large enterprises Assets by sector, on-balance sheet exposure to own customers, %, 31/12/2018 ⁵³	Hungary (OTP Core and Merkantil Group)	Bulgaria	Russia	Ukraine	Croatia	Romania	Slovakia	Serbia	Montenegro
Agriculture, forestry, fishing	-	4%	-	14%	4%	10%	-	5%	2%
Mining, quarrying	-	-	3%	-	-	-	-	7%	-
Light industry	4%	26%	13%	22%	25%	21%	23%	28%	-
Electricity, gas, steam and air conditioning	-	3%	2%	0.5%	-	6%	7%	-	-
Water supply; sewage management, waste management	-	3%	-	-	-	-	3%	-	-
Construction industry	4%	6%	1%	-	6%	14%	-	5%	15%
Wholesale and retail trade; repair of motor vehicles and motorcycles	7%	23%	17%	43%	23%	15%	15%	29%	41%
Transportation and storage	4%	-	1%	3%	4%	4%	-	10%	1%
Accommodation and catering	-	8%	-	0.4%	9%	-	-	2%	31%
Information and communication	-	-	-	-	-	-	4%	8%	-
Financial and insurance activities	9%	-	28%	5%	5%	3%	-	-	1%
Real estate activities	10%	18%	18%	9%	4%	17%	15%	5%	-
Professional, scientific and technical activities	2%	2%	16%	0.3%	7%	4%	9%	-	1%
Administrative and support service activities	2%	2%	-	1%	3%	3%	4%	-	-
Public administration and defence; compulsory social security	-	-	-	-	-	-	-	-	0.2%
Arts, entertainment and recreation	-	-	-	-	-	-	8%	0.2%	-
Other services	51%	-	-	-	-	-	7%	-	-
Total (HUF billion)	1 733	413	94	176	317	-	44	72	47

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

53

In the table, only data for the 10 largest market sectors are displayed, as long as the respective share of such sector exceeds 0.1%.

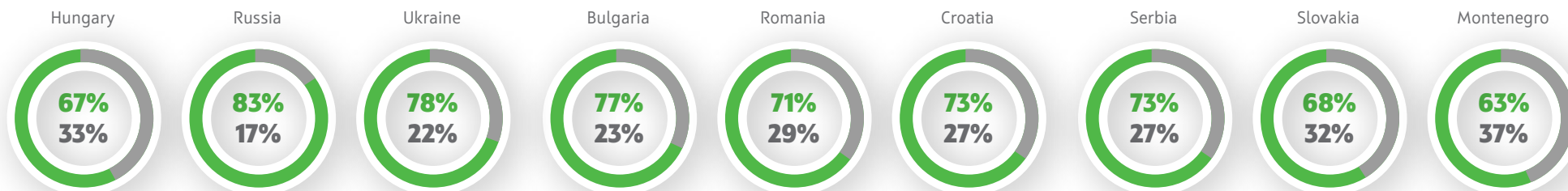
Employees

OTP Group, 31/12/2018

OTP Group employees by gender and region

▶ Women

▶ Men



GRI 102-8

Employees on permanent versus fixed-term contracts by region 31/12/2018	Permanent		Fixed-term	
	%	fő	%	fő
Hungary	93.6	9,682	6.4	666
Russia	96.1	9,984	3.9	402
Ukraine	96.4	3,452	3.6	128
Bulgaria	92.1	3,555	7.9	307
Romania	96.7	1,319	3.3	45
Croatia	91.2	2,323	8.8	223
Serbia	92.4	1,873	7.6	155
Slovakia	76.0	521	24.0	116
Montenegro	90.9	411	9.1	41
Total	94.0	33,120	6.0	2,132

GRI 205-2

Completed Code of Ethics training 2018	Supervisory Board		Board of Directors		Management	
	persons	%	persons	%	persons	%
OTP Bank*	1	17	0	0	0	0
Russia	-	-	3	33	7	100
Ukraine	4	50	0	0	0	0
Bulgaria	1	17	0	0	0	0
Romania	0	0	0	0	n.a.	n.a.
Croatia	0	0	0	0	0	0
Serbia	2	40	2	17	0	0
Slovakia	2	25	0	0	4	100
Montenegro	-	-	0	0	0	0

* We started collecting the data in 2018; the data of the Hungarian subsidiaries are not complete yet and are therefore not included in the table.

Management: Management: Hungary: the chairman of an enterprise elected by the management body in its managerial function and employed by the legal entity, or the chief officer appointed to manage the enterprise and employed by the enterprise, as well as all deputies of such officer;

Outside Hungary: the most senior officer appointed to manage the legal entity, who is employed by the legal entity, as well as all deputies of that officer and the division heads

GRI 405-2

Ratio of women's to men's basic salary 31/12/2018	Men	Women			
		Senior managers	Middle managers	Employees	Average
Hungary*	100%	not applicable	95.8%	98.2%	97.9%
Russia	100%	n.a.	n.a.	n.a.	n.a.
Ukraine	100%	100%	83.0%	65.0%	64.0%
Bulgaria	100%	n.a.	n.a.	n.a.	n.a.
Romania	100%	77.0%	93.0%	74.0%	74.0%
Croatia	100%	n.a.	n.a.	n.a.	n.a.
Serbia	100%	not applicable	97.6%	75.0%	86.7%
Slovakia	100%	100%	96.5%	98.2%	98.0%
Montenegro	100%	97.1%	100.4%	91.9%	93.3%

* Contains only OTP Bank data



GRI 404-2

Programmes in 2018 to help employees develop skills, remain in continual employment and complete their careers		
	OTP Bank	OTP Group
In-house training courses	Available	Partly available
External training or financial assistance to training	Available	Typically available
Leave of absence for studying, with job guaranteed to be reserved	Available	Typically 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	Partly yes
Jobseeker assistance for employees made redundant	Not available	Typically not available
Assistance during the transition to life without employment	Not available	Typically not available

Weighted average by employee headcount.

Typically not available/Typically no: 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.

A close-up photograph of a person's hands writing in a notebook. The person is wearing a grey sweater, a watch with a white face and a green and black strap, and a gold ring. A black pen is in their right hand. In the background, a laptop screen displays a world map, a bar chart, and a table with data. The text '85%' is visible on the screen. The image has a green circular graphic overlay in the bottom left corner.

GRI content index

The GRI content index table shows which indicators and requirements of the GRI (Global Reporting Initiative) Standards reporting standard used for this sustainability report we are reporting on and where the related information may be found.

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
GRI 102: General disclosures 2016			
Organisational profile			
102-1	Name of the organisation	back cover, website	https://www.otpbank.hu/portal/en/Disclaimer
102-2	Activities, brands, products and services	p. 13, website	https://www.otpbank.hu/portal/en/Retail the subsidiary websites available from the website https://www.otpbank.hu/portal/en/AboutUs/OTPGroup
102-3	Location of the organisation's headquarters	p. 14, website	https://www.otpbank.hu/portal/en/Disclaimer
102-4	Operating locations	p. 14-15	14 countries, of which our Company has significant operations in 9 countries.
102-5	Type and legal form of ownership	Annual Report	https://www.otpbank.hu/portal/en/IR/Reports/Annual
102-6	Markets served	p. 14-15, Annual Report	The Annual Report provides more detailed information: https://www.otpbank.hu/portal/en/IR/Reports/Annual pp. 78-98
102-7	Scale of the reporting organisation	p. 15, Annual Report	The Annual Report provides more detailed information: https://www.otpbank.hu/portal/en/IR/Reports/Annual pp. 78-98
102-8	Information about employees and other workers	p. 64	
102-9	Description of the organisation's supply chain	p. 68, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
102-10	Significant changes to the organisation or its supply chain	p. 16, Annual Report	For changes in capitalisation and ownership structure, refer to the Annual Report. https://www.otpbank.hu/portal/en/IR/Reports/Annual p. 104 No major change took place in the supply chain.
102-11	The principle of prudence or prudential approach	p. 57-58, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
102-12	Third-party initiatives	GRI Index	OTP Bank, Merkantil Bank, OTP Lakástakarék and OTP Jelzálogbank are signatories to the Hungarian Banking Association's Code of Conduct, which is a recommendation for financial institutions regarding behaviour with customers and partners and describes ethical banking service provision, thus facilitating compliance with social norms. https://www.otpbank.hu/static/portal/sw/file/BankszovetsegiKodex_20151201.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 OTP banka Hrvatska is a signatory to the Diversity Charter.
102-13	Memberships in associations	microsite	https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/Szervezeti_tagsagok_2018.pdf
Strategy			
102-14	Declaration by the highest-level decision-maker	p. 7	
102-16	Values, principles, standards and behavioural norms	p. 55, GRI Index, microsite	Code of Ethics: A standard Code of Ethics is in force at all members of OTP Group; any deviations are due to compliance with local laws. The guidelines and requirements set out in the Code of Ethics prescribe obligations for the companies' executive officers, the members of their Supervisory Boards and their assignees. The Code lays down clear and unambiguous guidelines and requirements for both the companies and those doing business with the companies. The Group attaches particular importance to making sure that employees familiarise themselves with, and develop an awareness of, the norms of ethics, therefore it is conducting an e-learning programme for every single employee, along with regular checks and monitoring of compliance with those norms. The Code of Ethics was adopted and approved by the Board of Directors. The Code is available on the websites of OTP Bank and the subsidiaries. https://www.otpbank.hu/portal/en/EthicalDeclaration https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
Governance			
102-18	The organisation's management structure	p. 13, GRI index, website	https://www.otpbank.hu/static/portal/sw/file/190412_FTJ_e_050.pdf Board of Directors, Supervisory Board, Executive board and management, Responsible Corporate Governance Report 12/04/2019 https://www.otpbank.hu/static/portal/sw/file/180516_Alapszabaly_egyseges_063.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. Standing committees are set up within the competence of the Board of Directors.

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
102-18	The organisation's management structure	p. 13,GRI index, website	<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 performs the function of preparing decisions to be made on many of the issues submitted to the General Meeting, 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: committee responsible under its procedures 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> <p>Credit-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 Board: to provide 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 inputs 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. 68, GRI index, microsite	At member companies of the Group where a collective agreement is in place, it applies to all employees of the given company. 60% of OTP Group's employees are subject to a collective agreement. https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
102-42	Identifying and selecting stakeholders	pp. 9-10, 34, 73 microsite	https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/erintettek-es-kapcsolattartas https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/Kapcsolattartas_modja_es_temaja.pdf
102-43	Stakeholder engagement methods		
102-44	Key subjects and questions raised		
Reporting practice			
102-45	List of entities covered by the Annual Report	GRI index, website	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 Jelzálogbank, OTP Lakástakarék, OTP Faktoring, Merkantil Group, OTP Nyugdíjpénztár, OTP Egészségpénztár, OTP Pénztárszolgáltató, OTP Ingatlanlizing, OTP Ingatlan Befektetési Alapkezelő, OTP Alapkezelő, OTP Hungaro-Projekt, OTP Ingatlanüzemeltető, Monicomp. This Report covers the companies whose operations are relevant to social responsibility. The entities included in the organisation's consolidated financial statements are listed in the Annual Report (Note 34) https://www.otpbank.hu/portal/en/IR/Reports/Annual
102-46	The process of defining the content of the Report and adherence to reporting principles therein	pp. 9-10	
102-47	List of material subjects	pp. 10	
102-48	Information republished	p. 33, p.81	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 relevant place within the text.
102-49	Changes to reporting	GRI index	–
102-50	Reporting period	p. 9	
102-51	Date of most recent report	GRI index, microsite	Our most recent Sustainability Report was issued for 2017. https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_Sustainability_Report_2017_EN.pdf
102-52	Reporting cycle	p. 9	
102-53	Contact for questions about this Report	back cover	csr@otpbank.hu
102-54	Declaration of compliance with GRI Standard	p. 9	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
102-55	GRI content index	GRI index	
102-56	External assurance	p. 9, Certification p.	Assurance on the report was provided by Deloitte Könyvvizsgáló and Tanácsadó Kft. The assurance provider is independent of OTP Group. As part of assurance, an interview was conducted with the Deputy CEO.
List of material topics	As the underlying principle for indicators 103-3, the content-specific indicators are (also) used as an evaluation method, with the results being the expectations attributed to the given indicator. For other evaluation methods, the presentation of results also features a clear indication of the method applied.		
201 Economic performance 2016			
103-1 (201 DMA)	An explanation and the limits of the material subject	pp. 7, 9-10, 19-20 microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag
103-2 (201 DMA)	The managerial approach and its constituent parts	p. 7, 15-17	
103-3 (201 DMA)	Evaluation of the managerial approach	pp. 16-17, website, microsite	https://www.otpbank.hu/portal/en/IR/Reports/Annual https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/penzugyi-stabilitas
201-1	Direct economic value generated and distributed	p. 17, 95	
201-4	Financial assistance received from government	p. 17, 95, website	https://www.otpbank.hu/portal/en/IR/Reports/Annual p. 43
202 Market presence 2016			
103-1 (202 DMA)	An explanation and the limits of the material subject	pp. 9-10, 13	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2 (202 DMA)	The managerial approach and its constituent parts	p. 13, 21, GRI index	OTP Group has no comprehensive policy for giving preference to local residents in respect of employees and senior management.
103-3 (202 DMA)	Evaluation of the managerial approach	p. 13, 16, 21	
202-2	Proportion of senior management hired from the local community at significant locations of operation	p. 16	
203 Indirect economic impacts 2016			
103-1 (203 DMA)	An explanation and the limits of the material subject	pp. 9-10., 19	
103-2 (203 DMA)	The managerial approach and its constituent parts	pp. 19-21, GRI index, 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 indirect economic impacts as well, we always act in accordance with the principle of ethical business behaviour. https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-3	Evaluation of the managerial approach	pp. 19-21	
203-2	Significant indirect economic impacts, including the extent of impacts	pp. 19-21, 4., 44, 47, 48, 51	
205 Anti-corruption 2016			
103-1	An explanation and the limits of the material subject	pp. 9-10 microsite, website	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas https://www.otpbank.hu/portal/en/EthicalDeclaration
103-2 (205 DMA)	The managerial approach and its constituent parts	p. 52	
103-3 (205 DMA)	Evaluation of the managerial approach	p. 55	
205-2	Communication and training on anti-corruption procedures and internal regulations	pp. 55, 67, 99, GRI index, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas The number and proportion of participants in orientation and training is equal to the number and proportion of new hires. The Annex contains the number and proportion of the new members of the governance body and senior management who received information and training. We consider commissioned agents and suppliers as business partners; all partners currently in a contract with us were informed about the Code of Ethics at the time of contracting. We do not have reliable group-level data about the number of commissioned agents and suppliers; we make a commitment to report this information in 2021.
206 Preventing anti-competitive behaviour 2016			
103-1	An explanation and the limits of the material subject	pp. 9-10 microsite, website	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas https://www.otpbank.hu/portal/en/EthicalDeclaration
103-2 (206 DMA)	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

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
103-3 (206 DMA)	Evaluation of the managerial approach	pp. 55-56	
206-1	Number and outcomes of legal proceedings relating to anti-competitive conduct or breaching of anti-trust or anti-monopoly regulations	pp. 55-56	
302 Energy 2016			
103-1 (302 DMA)	An explanation and the limits of the material subject	pp. 9-10, 78-79, 83, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-2 (302 DMA)	The managerial approach and its constituent parts	pp. 78-79, 83, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-3 (302 DMA)	Evaluation of the managerial approach	pp. 78-80, 83	
302-1	Energy consumption within the organisation	pp. 79-80	
305 Airborne emissions 2016			
103-1	An explanation and the limits of the material subject	pp. 9-10, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-2 (305 DMA)	The managerial approach and its constituent parts	pp. 78-79, 83, microsite	https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-3 (305 DMA)	Evaluation of the managerial approach	pp. 79, 81, 83	
305-1	Direct GHG emissions (Scope 1)	p. 81	
305-2	Indirect GHG emissions (Scope 2)	p. 81	
307 Environmental compliance 2016			
103-1	An explanation and the limits of the material subject	pp. 9-10, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-2 (307 DMA)	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 https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
103-3 (307 DMA)	Evaluation of the managerial approach	pp. 55-56, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem
307-1	Non-compliance with environmental laws and regulations	pp. 55-56	
401 Employment 2016			
103-1	An explanation and the limits of the material subject	pp. 9-10, 62, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2	The managerial approach and its constituent parts	p. 52, 54, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3 (401 DMA)	Evaluation of the managerial approach	pp. 63, 66-67, 69-70, 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. 66-67	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 70	The health insurance policy offered by the Bank does not provide coverage for short-term internships, summer hires as well as indefinite periods of employment less than 4 months. At the end of 2018 this limitation affected a total of 2 employees.
401-3	Parental leave	p. 70	Partly reported
402 Labour/management relations 2016			
103-1 (402 DMA)	An explanation and the limits of the material subject	pp. 9-10, 68, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2 (402 DMA)	The managerial approach and its constituent parts	p. 68, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3 (402 DMA)	Evaluation of the managerial approach	p. 68, 72, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
402-1	Minimum notice periods regarding significant operational changes	p. 68	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
403 Occupational health and safety 2018			
103-1 (403 DMA)	An explanation and the limits of the material subject	pp. 9-10, 74-75, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2 (403 DMA)	The managerial approach and its constituent parts	pp. 74, 76-77, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3 (403 DMA)	Evaluation of the managerial approach	p. 74, 76-77, GRI index: 403-1-6, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
403-1	Health and safety governance system	GRI Index	We do not have a certified governance system.
403-2	Identification of threats, risk assessment, investigation of incidents	GRI Index	We conduct these activities based on an internal Health and Safety Regulation compliant with the law. Threats are identified through regular risk assessment. Threats and risk situations are reported by the employees mostly to the managers of the relevant organisational units.
403-3 (403 DMA)	Occupational health services	p. 77, GRI index	They are provided in accordance with the statutory requirements.
403-4	Worker participation, consultation and communication about workplace health and safety	GRI index	We operate a health and safety joint body, which has at least one regular meeting a year, evaluating the health and safety efforts of the organisation, discussing and evaluating the actions taken, the action plans and the health and safety strategy, and defining the main directions and tasks in the internal regulation of health and safety.
403-5	Health and safety training for workers	GRI index	Health and safety training is provided in compliance with the statutory requirements; the details are set out in the health and safety internal regulations of the members of the banking group. In general, the objective of the training is to explain to employees the risk factors, the methods to protect themselves from risk, to teach them the theory and practice of safe work and the relevant rules and requirements. The training must be completed mainly upon being hired or moving to a different position or, if necessary, when relocating; in addition, repeat training is provided depending on the specific job and the requirements formulated in local regulations.
403-6	Promoting the health of workers	p. 77	
403-7	Preventing and mitigating workplace health and safety impacts directly related to business connections	GRI index	Not applicable to OTP Group.
403-9	Workplace accidents	p. 76	Our legally compliant health and safety risk assessment did not identify threats raising the risk of serious accidents.
404 Training and education 2016			
103-1 (404 DMA)	An explanation and the limits of the material subject	pp. 9-10, 62, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2 (404 DMA)	The managerial approach and its constituent parts	p. 71, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-3 (404 DMA)	Evaluation of the managerial approach	pp. 71-72, 77, 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. 72	
404-2	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p. 101	
405 Diversity and equal opportunity 2016			
103-1	An explanation and the limits of the material subject	pp. 9-10, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato
103-2 (405 DMA)	The managerial approach and its constituent parts	pp. 13, 70, 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 45. oldal https://www.otpbank.hu/portal/en/EthicalDeclaration
103-3 (405 DMA)	Evaluation of the managerial approach	pp. 13, 68, 70	
405-1	Diversity of governing bodies and employees	p. 13, 68, website	https://www.otpbank.hu/portal/en/IR/CorporateGovernance Data on ethnic background is not listed owing to statutory regulations.
405-2	Relationship between the basic salaries of men and women	p. 70, 99	

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
406 Non-discrimination 2016			
103-1	An explanation and the limits of the material subject	pp. 9-11, 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	pp. 52-54, 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	pp. 55-56	
406-1	Total number of incidents of discrimination and corrective actions taken	pp. 55-56	
410 Security practices 2016			
103-1	An explanation and the limits of the material subject	pp. 9-10, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/biztonsag
103-2	The managerial approach and its constituent parts	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/biztonsag
103-3	Evaluation of the managerial approach	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/biztonsag
410-1	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	GRI index, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/biztonsag 100%
413 Local communities 2016			Basic indicators in the GRI Standards (413-1 and 413-2) do not apply to OTP Group. The requirements are useful for presenting the management of the impacts of operations different from those of banking group (e.g. extraction, manufacturing); the negative impacts do not apply to a banking group in the form represented by the indicators. However, the FS13 sector-specific indicator applies to OTP Group, and we therefore report it.
103-1 (413 DMA)	An explanation and the limits of the material subject	pp. 9-10, 30, 86	
103-2 (413 DMA)	The managerial approach and its constituent parts	pp. 30, 36-37, 86-87	
103-3 (413 DMA)	Evaluation of the managerial approach	pp. 30, 40-41, 88	
FS13	Access points in low-populated or economically disadvantaged areas by type	pp. 25-26	https://www.otpbank.hu/static/portal/sw/flash/fiokkereso_map/fiokmap.html (The branch networks of foreign subsidiary banks are accessible on their respective websites.)
415 Public policy 2016			
103-1	An explanation and the limits of the material subject	pp. 30	
103-2 (415 DMA)	The managerial approach and its constituent parts	p. 54, website	https://www.otpbank.hu/portal/en/EthicalDeclaration
103-3 (415 DMA)	Evaluation of the managerial approach	p. 54	
415-1	Total amount of cash and in-kind contributions provided for political parties, politicians and related institutions	GRI index	OTP Group does not sponsor such persons or organisations.
417 Product and service labelling 2016			
103-1 (417 DMA)	An explanation and the limits of the material subject	pp. 9-10, 22, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatasi-fejlesztese https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese
103-2 (417 DMA)	The managerial approach and its constituent parts	pp. 22-23, 52, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatasi-fejlesztese https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese
103-3 (417 DMA)	Evaluation of the managerial approach	pp. 38-39, 40-41, 55-56, microsite	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 outcome.	pp. 55-56, GRI Index	In 2018 there was no non-compliance with voluntarily accepted standards.
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 outcome.	pp. 55-56, GRI Index	In 2018 there was no non-compliance with voluntarily accepted standards.

Indicator number	Indicator description	Where to find it	Note / Reasons for omission
418 Customer privacy 2016			
103-1 (418 DMA)	An explanation and the limits of the material subject	pp. 9-10, 59, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
103-2	The managerial approach and its constituent parts	pp. 52-53, 59, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
103-3	Evaluation of the managerial approach	pp. 59-60, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles
418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	p. 60	
419 Socioeconomic compliance 2016			
103-1 (419 DMA)	An explanation and the limits of the material subject	pp. 9-10, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-2 (419 DMA)	The managerial approach and its constituent parts	pp. 52-54, microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas
103-3 (419 DMA)	Evaluation of the managerial approach	pp. 52-56, 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. 55-56	We place in this category all proceedings other than proceedings brought due to the breach of environmental legislation.
Product portfolio (sector-specific)			
103-1	An explanation and the limits of the material subject	pp. 9-10, 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	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	microsite	https://www.otpfenntarthatosag.hu/hu/felelos-szolgalatas/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. 96-97	

INDEPENDENT ASSURANCE REPORT

To the management of OTP Bank Nyrt.

This report has been prepared in accordance with the terms of our contract dated 30th July 2019 in order to accomplish the independent external party examination of OTP Bank Nyrt.'s Social Responsibility Report 2018 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) Standard 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 2018 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 sustainability data and information stated in the Report. Our examination solely included the compliance of the data reporting procedure with GRI principles and the sample-based testing of the data sources for the selected indicators.

Our examination of numerical data included in the Report was limited to the sustainability indicators

- 206-1 – Legal actions for anti-competitive behavior, anti-trust and monopoly practices,
- 307-1 – Non-compliance with environmental laws and regulations,
- 401-2 – Benefits provided to full/time employees that are not provided to temporary or part-time employees,
- 406-1 – Incidents of discrimination and corrective actions taken,
- 415-1 – Political contributions.

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 2018.

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 2018 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 Standard guideline.

Procedures performed:

1. Assessment of the GRI in accordance Core level
 - Examination of the completeness and appropriate application of indicators used in the Report.
 - Definitional examination of the use of GRI indicators stated in the Report.
 - The evaluation of the Report's compliance with GRI principles.
2. Data level assessment of five selected indicators, providing limited assurance
 - Examination of the proper collection of basic data, examination of on-site aggregation and conversion of basic data, examination of the adequacy of data provision.
 - Checking whether the data was generated according to the definition of the respective indicator
3. To confirm and to complete the statements above, we have conducted the following interviews at the selected departments connected to the verification of the Report of 2018: Department of Communication and Social Relations, Department of Labor Management and Incentives Management, Legal Directorate, OTP Real Estate Operator, Compliance Directorate.

In engagements providing limited assurance, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, therefore, less assurance is obtained, than in case of 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 Standard criteria, and the Report would not comply with the GRI.

Budapest, 05 September 2019



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