

# Sustainability Report

2017









# Sustainability Report

2017










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We employ reader-friendly markings in our report to assist reading comprehension.

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-  TABLES AND CHARTS IN THE ANNEX

SUBJECTS RELEVANT TO PARTICULAR COUNTRIES ARE MARKED BY COUNTRY CODES								
BG	HU	HR	MO	RO	RU	SK	RS	UA
BULGARIA	HUNGARY	CROATIA	MONTENEGRO	ROMANIA	RUSSIA	SLOVAKIA	SERBIA	UKRAINE

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## Focus on clients

**300 DEPOSIT ATMs installed**  
across the Group

**over 185,000 views of TUDÁSBANK (Knowledge Bank) videos**

**650,000 customers registered for DIGITAL SIGNATURE PAD**  
at OTP Bank

**470,000 users of SIMPLE**

99% of branches  
**DISABLED ACCESSIBLE AT OTP BANK**,  
63% across the Group



## Expert financial care

**219,000 HOUSING LOAN CONTRACTS**  
in force in Hungary

**60% MARKET SHARE OF SUBSIDISED**  
loans in Hungary

**SAVINGS ADVICE**  
**to 350,000 CUSTOMERS**  
by the end of 2017 in Hungary

**HUF 465 billion in loans CONTRACTED**  
**and 3,300 NEW JOBS** added in 4 years  
under the Funding for Growth Scheme

**HUF 34 billion lent for**  
**LAND PURCHASES** in Hungary

## Ethical business behaviour and security

proportion of loans  
**over 90 days overdue fell**  
**to 9.2%** (-5.5 %points) at Group level

**0.0078%: the incidence rate of fraud with own-issued bank cards** at OTP Bank, an order of magnitude lower than the European average published by MasterCard (0.0433%)



## Responsible employer

**787,000 HOURS OF TRAINING**  
across OTP Group

**HUF 1.4 BILLION SPENT**  
on training at Group level

**128 persons** in OTP Bank's  
**TALENT PROGRAMME**

**only 3.1 WORKPLACE ACCIDENTS**  
per 1000 employees  
at Group level



## Developing financial literacy

**21,600 students ATTENDING**  
**FINANCIAL EDUCATION COURSES**  
at OK Educational Centres

**3 OK Educational Centres**

**HUF 800 million spent on FINANCIAL**  
**EDUCATION** across the Group

## Citizenship

**HUF 2.3 billion DONATED**  
by the Group

**25,000 PEOPLE SUPPORTED**  
via the Humanity  
Social Foundation

**350 COMPUTERS DELIVERED**  
to those in need

**500 VOLUNTEERS** in OTP Bank's  
Local Value programme

## Environmental protection

**28,300 TREES SAVED**  
by lowering our paper use

**SAVED THE ANNUAL**  
**CARBON EMISSIONS OF 600 persons**  
across the Group  
through video conferencing

**273 TREES PLANTED AT OUR**  
**SUBSIDIARY** in Slovakia



# Our awards



## ▶ **Bank of the Year, Most Innovative Bank of the Year, Retail Mobile and Online Banking Tool of the Year, Socially Responsible Bank of the Year 3rd place**

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

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## ▶ **Issuer Transparency Award**

The Budapest Stock Exchange granted this award to OTP Bank, which also won the category 'Stock Issuer with the Highest Turnover for the Year'.

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## ▶ **Best Digital Bank**

Based on its survey, Global Finance Magazine granted this award to OTP Bank in Hungary.

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## ▶ **Best Bank**

In 2017 Euromoney gave this award to OTP Bank in Hungary and DSK Bank in Bulgaria.

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## ▶ **Bank of the Year, Most Efficient Bank**

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

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## ▶ **Design Award**

DSK Bank's high-tech next-generation branches won platinum prize in the 'Interior and Exhibition Design' category. Competitors from 180 countries took part in the Design Awards in Italy.

## ▶ **Building of the Year**

DSK Bank's next-generation bank branches also won the 'Social Interiors' category of the competition run by Bulgarian magazine Ideal Home.

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## ▶ **Shine**

OTP banka Hrvatska received this award in 2017 for the visibility of corporate social responsibility and sustainability in the digital media. It was the only bank among the top ten award winners.

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## ▶ **Ranked 4th among top '50 Leading Banks' in Ukraine**

OTP Bank Ukraine achieved a prestigious place in the rankings.

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## ▶ **Ranked 17th among top 100 Most Reliable Banks in Russia**

Compared to 2016 OTP Bank Russia advanced 6 places in the rankings published by Forbes magazine.



Our Awards



"We believe that in-person services to our customers are essential even as digital solutions are gaining ground. The personal touch, the expertise and knowledge of my colleagues is a value we do not wish to forego in major decisions that call for careful consideration."

**Dr. Sándor Csányi**  
Chairman and CEO



# Chairman's Welcome

Dear Reader,

The favourable economic trends witnessed throughout the entire Central and Eastern European region in 2017 contributed to the outstanding results and expansion of the OTP Group.

We completed two successful acquisitions: in Croatia, OTP Bank is now the fourth largest market player with a market share exceeding 11%. In Serbia, too, we increased our market share to 5.5%. Today, the Group serves over 17 million customers, and the number of our branches grew by around two hundred in the countries concerned.

We believe that in-person services to our customers are essential even as digital solutions are gaining ground. The personal touch, the expertise and knowledge of my colleagues is a value we do not wish to forego in major decisions that call for careful consideration. We must, however, ask ourselves the question of what the bank branches and banking services of the future should be like. It was partly with this in mind that we established OTP LAB, which is, in essence, an innovation centre tasked with attracting startups whose ideas can open up new business opportunities for us and whose spirit of innovation can shape our Bank's operations and our ways of thinking. Finance startups and fintech companies are primarily the partners and only partly the competitors of OTP Bank. The success of our international accelerator programme is shown by the fact that we are now working together with eight startups. We also announced a multi-round innovative idea contest, in which our employees submitted a huge number of innovative and inspiring entries.

We had introduced several major solutions in 2017 as well: we rolled out digital signature pads to all our branches, taking an important step towards paperless branch operations. Our eBIZ digital financial assistant goes beyond banking services as it also helps small and medium-size business customers alleviate their administrative burdens significantly.

Our annually published OTP Self-Provision Index has highlighted an important gap, however. The financial knowledge of the Hungarian

population has deteriorated and the previously measured slow improvement has stalled. The results of our survey confirm that there remains much to be done to improve financial literacy. That is why we have produced an online video series presenting the use and features of banking products in a simple and easy-to-understand way. The demand for such videos is shown by the more than 185,000 views they achieved in six months. 25 years after its launch, the OTP Fáy András Foundation and its OK Educational Centre remain unmatched across the region. In 2017 we opened our third OK Educational Centre, this time in Bucharest; today, more than 20,000 young people are taking free courses in finance and economics in both Hungary and Romania and, through our travelling trainers, in Slovakia as well. The outstanding quality of education is signalled by the certificate of excellence awarded to it by Kokoa, an institute collaborating with the Finnish National Education Agency.

In order to remain profitable in the long term, we must provide our employees with an attractive workplace. To do so, several OTP Group members have recently launched a comprehensive development of their organisational culture. Several new methods and forums have been launched or adopted, supporting personal growth and the achievement of career goals, the acquisition of inspirational management skills and the creation of an atmosphere of cooperation.

We do much to ensure that these digital and organisational developments continue in the forthcoming period so that the OTP Group can operate even more efficiently and we can impact our environment not only in a financial but also in a social sense.

In the following pages, you can find out from OTP Bank's Sustainability Report what this credit institution has done for responsible, sustainable operations and the results it has achieved in various fields.

Sincerely,

**Dr. Sándor Csányi**  
Chairman and CEO



# I. About the Report





Our Sustainability Report is intended to present our endeavours and achievements from a responsible operations perspective or, in a wider sense, with regards to the economy, society and the environment.



The OTP Group publishes its Sustainability Report every year. This Report has been drafted in accordance with the GRI Standard, specifically the Core version<sup>1</sup>.



Although the report concerns the year 2017, we present much of the data over a 5-year horizon in order to capture the trends and facilitate comparison. Certification of the Report by an independent third party was provided by Deloitte Kft.

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

1. Information that will be of interest to the stakeholders

2. Aspects deemed material by the management of OTP Bank

3. Information necessary for compliance with the GRI Standard

We review our stakeholders' requirements regularly. The most recent survey specifically aimed at sustainability reporting was conducted in 2013 but we review key areas of our sustainability performance every year. In 2018 we will conduct a wide-ranging survey of stakeholders at the same time as working on the report. Results will be incorporated primarily in the 2018 report; nevertheless, some of the recommendations are already reflected in this issue. We also continue to shape and develop our reporting practice in consideration of international reporting practices and requirements.

#### Structure, key topics

Our Sustainability Report is aligned with the priorities in our Corporate Responsibility Strategy (for further information see Chapter II, OTP Group, Our responsibility), with special focus on responsibility in our core activity, the provision of services. The report identifies seven key topics and chapters. As innovation pervades all areas of our operations, we will deviate from our past practices and state innovative achievements under each respective area rather than in a separate chapter.

Based on feedback from stakeholders and the decision of its management, 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
- Emissions
- Energy

The reporting boundaries have not changed since last year:

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

#### Data

We present the data as applicable to the following entities:

- OTP Group as a whole and separately the parent company (OTP Bank),
- separately for each of our countries of operation where this is a GRI requirement; in this case, Hungary means a group constituted by OTP Bank and all the Hungarian subsidiaries included in the reporting scope,


<sup>1</sup> The GRI (Global Reporting Initiative) is the most widely recognised and used sustainability reporting framework internationally.

- under financial data, we present the results of OTP Core<sup>2</sup> rather than OTP Bank, in alignment with the Annual Report.

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.

Our corporate social responsibility efforts are described in detail in this Report and on our dedicated microsite ([www.otpfenn-tarthatosag.hu](http://www.otpfenn-tarthatosag.hu)). This Report provides concise information on general principles and focuses specifically on the events of 2017, whereas our microsite offers a more detailed explanation of our responsible operations in general and of their impacts, as well as of our basic principles and practices. We also disclose information (primarily technical information) in the GRI index as well.

A comprehensive insight into OTP Bank Plc.'s operations is also facilitated by annual and quarterly financial reports, available at the Company's website

 [Annual Report](#)

The Annual Report incorporates the non-financial statement in compliance with statutory requirements.

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 television screens at our branches in Hungary and from OTP Browser.

# Sustainable Development Goals



**OTP Group recognises the 17 Sustainable Development Goals, which 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.**

**Of the 169 targets, we list below the ones to which OTP Group is contributing<sup>3</sup>.**



**1 NO POVERTY**

- ▶ Implement nationally appropriate social protection systems and measures
- ▶ Equal access to appropriate financial services, including microfinance



**3 GOOD HEALTH AND WELL-BEING**

- ▶ Universal health coverage



**4 QUALITY EDUCATION**

- ▶ Access to affordable and quality education (including university)
- ▶ Increase the number of youth and adults who have relevant skills for decent jobs and entrepreneurship

**II. OTP Group, Our impacts on sustainability**

- 2.1 Households and residential communities
- 2.2 Micro, small and medium-size business customers and municipalities

**6. Corporate Citizenship**

**5 Developing financial literacy**

<sup>2</sup> OTP Core is an economic unit measuring the profit/loss of the core business operations of the OTP Group in Hungary, the financial statements of which are calculated from the partially consolidated IFRS financial statements of the enterprises performing the core banking activities of the OTP Group in Hungary (OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Pénzügyi Pont Ltd., and enterprises performing group financing activities; from 2017 also OTP Kártyagyártó Kft., OTP Ingatlanlízíng Zrt., OTP Ingatlanüzemeltető Kft. and MONICOMP Zrt.). In the consolidated report of the entities listed above, the Annual Report distinguishes the Corporate Centre, which is a virtual business unit.

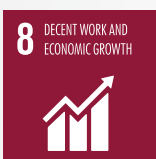
<sup>3</sup> Targets and indicators constituting the 17 goals are often not relevant for OTP Group as they apply solely at the country level and/or concern developing countries.





- ▶ End discrimination against women and girls
- ▶ Women's full and effective participation and equal opportunities for leadership
- ▶ Ensure women's equal rights to financial services

- ▶ 3.1 Compliance and adherence to laws and regulations
- ▶ 4.4 Remuneration and rewarding of employees, career opportunities



- ▶ Sustain the per-capita economic growth as permitted under domestic conditions
- ▶ Encourage the growth of micro, small and medium-size enterprises, including access to financial services
- ▶ Full and productive employment and decent work for all including young people and persons with disabilities, and equal pay for work of equal value
- ▶ Protect labour rights and secure working environments
- ▶ Strengthen the capacity of domestic financial institutions to expand access to banking and financial services and insurance

- ▶ 1.1 Customer service
- ▶ 2.1 Households and residential communities
- ▶ 2.2 Micro, small and medium-size business customers and municipalities
- ▶ 4.2 Employment
- ▶ 4.4 Remuneration and rewarding of employees, career opportunities



- ▶ Develop quality, reliable and sustainable infrastructure with a focus on affordable and equitable access for all
- ▶ Increase the access of small-scale industrial and other enterprises to financial services, including affordable credit

- ▶ 2.2 Micro, small and medium-size business customers and municipalities
- ▶ 2.3 Agricultural customers
- ▶ 2.4 Large corporate projects with social and/or environmental benefits



- ▶ Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations (OTP Group adheres to these rules.)

- ▶ II. OTP Group,  
Significant events in 2017,  
Our impacts on sustainability



- ▶ Adequate, safe and affordable housing
- ▶ Strengthen efforts to protect and safeguard the world's cultural and natural heritage

- ▶ 2.1 Households and residential communities
- ▶ 6 Corporate Citizenship



- ▶ Reduce waste generation
- ▶ Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle

- ▶ 7. Environmental protection



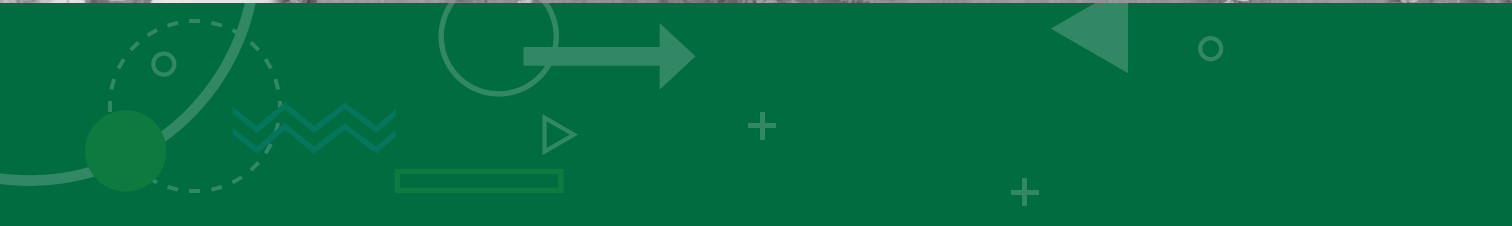
- ▶ Reduce all forms of corruption and bribery
- ▶ Promote and enforce non-discriminatory policies for sustainable development

- ▶ 3.1 Compliance and adherence to laws and regulations



- ▶ Effective public, private and civil society partnerships

- ▶ 5. Developing financial literacy
- ▶ 6 Corporate Citizenship



## II. OTP Group

In 2017 OTP Bank won the Issuer Transparency Award of the Budapest Stock Exchange. 🏆

- ▶ ▶ ▶ STABILITY
- PROFITABILITY
- GROWTH





OTP Group is a prominent financial services group in Hungary and the CEE region. By late 2017, our Group served nearly 17 million customers across nine countries<sup>4</sup>. We are the market leader credit institution in both Hungary and Montenegro, as well as in Bulgaria's retail segment.



Our aim is to become the most productive retail-focused universal banking group in Central and Eastern Europe. Our strategic goal is to increase our market share in the countries where we are present. In 2017 we continued our acquisitions to achieve optimal size.



We are enhancing further our ability to innovate and to develop and deliver to our customers value propositions adapted to their needs. We ascribe high priority to transparency and increasing shareholder value.

## Our activities

OTP Group engages in the provision of universal financial services. As the flagship unit of the Group, OTP Bank Hungary offers a wide range of up-to-date financial services in Hungary and, through the network of Hungarian group members, it also provides comprehensive solutions for all financial needs such as investment funds, housing and other specific savings options, as well as 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.



OTP Group

## CEERIUS index

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

## MSCI ESG indices

OTP Bank is also included in a number of MSCI's<sup>5</sup> ESG (environmental, social and governance) indexes. Companies are added to the index based on assessments against ESG criteria. Our Bank is also a member of the indexes EM ESG Leaders, EM Select ESG Rating & Trend Leaders, Socially Responsible Index on MSCI ACWI and ASWI ESG Universal 5% Issuer Cap.

## IMPORTANT EVENTS IN 2017

Favourable macroeconomic environment in the Central and Eastern European region; outstanding economic indicators in Hungary.  [Annual Report](#)

Improving economic performance in Ukraine and Russia



We implemented two successful acquisitions through acquiring Splitska banka of Croatia and Vojvodjanska banka of Serbia. OTP Group's Croatian operation became the 4th largest bank in that country.

The Banking Group's consolidated CET1 ratio has remained high. As of the end of the year, the Common Equity Tier 1<sup>6</sup> ratio stood at 15.3% after accounting for the income for the period and for earmarked dividends.

The quality of our loan portfolio has improved further as the consolidated DPD 90+ ratio (the proportion of loans more than 90 days overdue) fell to 9.2% (-5.5 percentage points YoY).

OTP Group closed a successful business year. The Banking Group's annual adjusted profits after taxes amounted to HUF 284 billion in 2017, which is 41% more than a year

before. The annual profit figure increased thanks to higher operating profits, lower risk costs and a reduction in the effective corporate tax rate.

<sup>4</sup> Including the customers of Vojvodjanska banka of Serbia.

<sup>5</sup> An independent company with a leading role in its segment, offering investor decision support solutions such as indices and analysis tools.

<sup>6</sup> CET 1: 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%.

<sup>7</sup> The proportion of loans more than 90 days overdue.

100+ subsidiaries  
of OTP Bank

4,000  
OTP ATMs  
globally

OTP Bank  
presents  
in 9 countries  
across the region

1300 bank  
branches  
across the region





OTP Group	
Number of branches	1,497
Number of employees <sup>1</sup>	38,580
Total assets	HUF 13,190 bn
Market capitalisation	HUF 3,002 bn
Taxes paid	HUF 154 bn
Employee training costs	HUF 1,432 mn
Donations	HUF 2,766 mn
Percentage of disabled accessible branches	63%
Energy consumption per employee	18.2 GJ
CO <sub>2</sub> emission per employee	1.34 t
Total paper use	2,719 t

OTP Core <sup>2</sup> (Hungary)	
Number of branches	374
Number of employees	9,221
Total assets	HUF 7,704 bn
Market share <sup>3</sup>	25.7%

CKB (Montenegro)	
Number of branches	29
Number of employees	432
Total assets	HUF 198 bn
Market share <sup>4</sup>	15.2%

OTP banka Srbija (Serbia)	
Number of branches	157
Number of employees	2,039
Total assets	HUF 483 bn
Market share	6.7%

DSK Group (Bulgaria)	
Number of branches	367
Number of employees	3,880
Total assets	HUF 1,926 bn
Market share	25.0%

OTP Bank Russia (Russia)	
Number of branches	134
Number of employees	14,437
Total assets	HUF 638 bn
Market share	0.6%

OTP Banka Slovensko (Slovakia)	
Number of branches	61
Number of employees	665
Total assets	HUF 452 bn
Market share <sup>4</sup>	2.3%

OTP banka Hrvatska (Croatia)	
Number of branches	194
Number of employees	2,475
Total assets	HUF 1,822 bn
Market share	13.2%

OTP Bank Romania (Romania)	
Number of branches	96
Number of employees	1,254
Total assets	HUF 624 bn
Market share	3.8%

OTP Bank Ukraine (Ukraine)	
Number of branches	85
Number of employees	3,562
Total assets	HUF 312 bn
Market share	4.5%

Data (audited, IFRS) as of 31.12.2017 or for 2017. The map features the first acquisition date next to each Bank's name.

<sup>1</sup> With all active full-time and part-time employees in each case.

<sup>2</sup> OTP Core is the business entity measuring the core activities of OTP Group in Hungary, comprised of OTP Bank, OTP Jelzálogbank, OTP Lakástakarék, OTP Faktoring, OTP Pénzügyi Pont, OTP Kártyagyártó, OTP Ingatlanlízing, OTP Ingatlanüzemeltető and Monicomp. And the companies providing group financing. No other Hungarian subsidiary is included.

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

<sup>4</sup> Market share always refers to that of retail loans.

Our impacts on sustainability

STABILITY

IMPACT

Members of our 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 maintaining and 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.

LENDING


IMPACT

Using the funds of our depositors, our lending can enable purchases, consumption and investments<sup>8</sup>. 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 products: **Lending, Housing loans, FGS, Large projects with environmental and social benefits.**

The Group's net loan/deposit ratio was 68% at the end of 2017.



**HUF 154 billion paid in taxes in 2017**


TAX PAYMENT

IMPACT

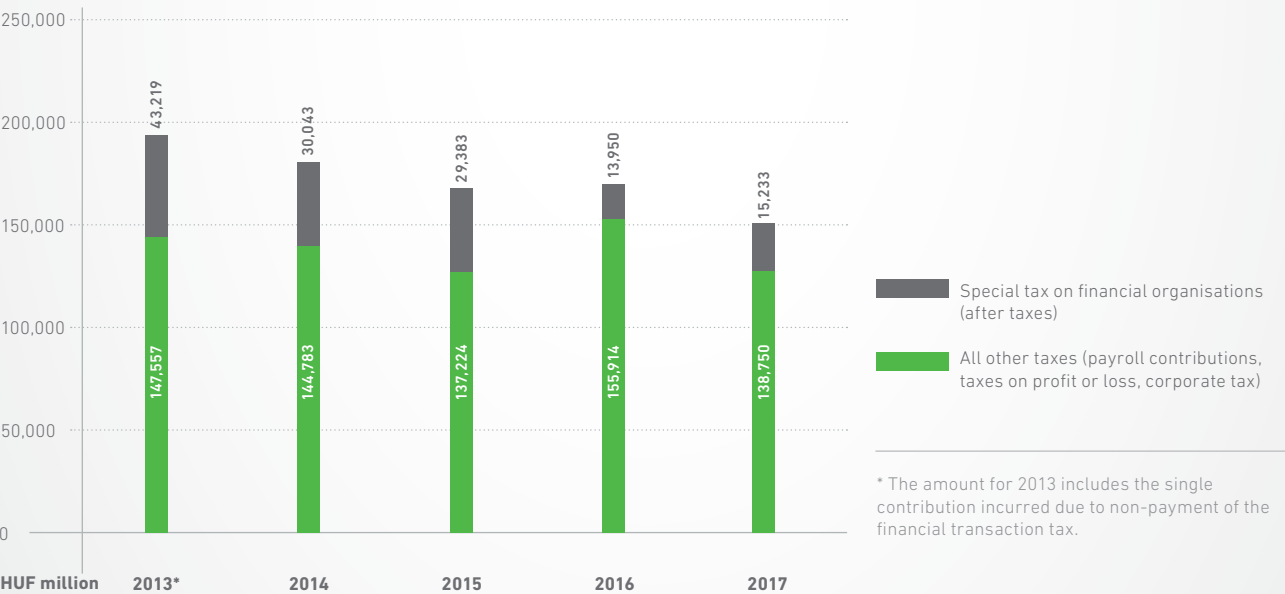
Through the taxes we pay, we make a meaningful contribution to the provision of community services and the management of social inequalities, thus ultimately to socio-economic stability.

PLAYING AN ACTIVE ROLE

Playing an active role: OTP Group is a major taxpayer; OTP Core paid 70% of our total taxes in 2017.

The members of the Group take only negligible amounts in subsidies from governments or the EU; the total-Group figure was HUF 75 million in 2017. 

TAX LIABILITY OF OTP GROUP



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



ECONOMIC VALUE GENERATED AND DISTRIBUTED PAYMENTS FROM THE PERSPECTIVE OF THE STAKEHOLDERS, 2017 (BASED ON CONSOLIDATED, AUDITED IFRS PROFIT AND LOSS STATEMENT, HUF MILLION)			OTP Core	OTP Group
I.	Direct economic value generated	= 1	417,360	856,717
1.	Net sales	Interest revenue + non-interest type revenue (net fees) (adjusted)*	417,360	856,717
II.	Distributed economic value	= 2+3+4+5+6	343,686	572,964
2.	Operating costs	Operating costs - Personnel expenditures - Depreciation	92,394,	181,707,
3.	Employees' salaries and benefits	Personnel expenditures - Contributions on wages	82,498,	175,954,
4.	Payments to capital providers	Dividends	61,320	61,320
5.	Taxes paid	Total tax liability M	107,474	153,983
6.	Community investments	Donations	2,178,	2,313
III.	Retained earnings	= 1-(2+3+4+5+6)	73,674	283,754

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

With the exception of taxes paid and community investments, distributed economic value was higher for all items in 2017 than a year before.

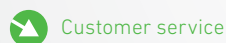
#### ACCESS TO FINANCIAL SERVICES

##### 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 provide access to our financial services for the economically and socially disadvantaged, and for persons living with disabilities as well. Our Group has the most extensive networks in Hungary, Bulgaria and Montenegro, our presence is also the most prominent in disadvantaged regions and we offer our basic account package for zero account management fee. We continue to work on improving our accessible customer service.



Customer service

#### DEVELOPING FINANCIAL LITERACY

##### IMPACT

Customers need to understand products and services well in order to be able to use them well. Understanding is often difficult due to an absence of the required financial knowledge.

##### PLAYING AN ACTIVE ROLE

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



Financial literacy

#### EMPLOYMENT

##### IMPACT

OTP Group is a major employer both in Hungary and across the region, directly as well as 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 a work-life balance. OTP Bank employed 339 persons in 52 disadvantaged Hungarian districts<sup>9</sup> in 2017.



Employment

#### Environment

##### IMPACT

The direct use of resources for our operations impacts the environment.

##### PLAYING AN ACTIVE ROLE

Our aim is to mitigate these environmental impacts.



Environmental protection

<sup>9</sup> 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).




## OTP Lab

OTP Bank has set up an in-house innovation centre integrated into its organisation. OTP LAB works on improving and enhancing the banking products and services of the future: acting as a catalyst, it offers employees an innovation toolkit, provides forums for external and in-house ideas and innovations, and feeds in the latest trends and information. OTP LAB has the important mission of encouraging a culture of innovation and supporting the Bank's competitiveness.

'We believe in cooperation; in our accelerator scheme announced in 2017, we help start-ups working on innovative solutions with the involvement of professional mentors. We had announced the scheme in several categories and without geographical limitations and received nearly 200 applications, of which we selected eight companies, in two rounds, to participate. The participants represent a variety of activities covering a large number of topics ranging from bank security matters through digital banking development to agricultural solutions; accordingly, a number of the Bank's specialist departments offer mentoring. The immediate goal of the scheme is for the startups to present their prototypes or conceptual designs at the end of the three months and for us to make a decision regarding continued cooperation and even investment. We work with the experienced Finnish accelerator company Nestholma in this scheme.

We rely and build on young people: there are nearly as many interns as employees working together at our OTP LAB. We support and even propose university schemes; we involve students in the search for solutions in our university business project. In addition to a number of other ideas, we plan to involve employees from foreign banking subsidiaries in OTP LAB's work in a rotation programme.'

**András Fischer**, Head of OTP LAB

We launched a multi-round ideas competition in 2017 to invite ideas from our employees. Although not all the rounds have reached the final stage yet, the best ideas are already being implemented.  **Involvement of employees**

OTP LAB has the important role of monitoring key external trends and sharing them at innovation workshops and in the 'Knowledge Nuggets', summaries of particular topics distributed to managers.

OTP LAB wishes to be a point of entry for the numerous external requests for contact with the bank. We are committed to supporting and encouraging the innovation ecosystem in this country; among other things, we have organised open fintech meetings at OTP LAB's offices and participated as speakers and sponsors at numerous conferences in Hungary.

## Group and corporate governance

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.

Each year, OTP Bank publishes its Responsible Corporate Governance Report in compliance with the recommendations of the Budapest Stock Exchange (BÉT),

 [Responsible Corporate Governance Report](#)

Annual Report presents the recommendations and proposals to which it responded negatively

 [Annual report 2017](#)

When OTP Bank delegates members to its management bodies or the Board of Directors appoints members of 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 in the participation of women.

 [Annual report 2017](#)



THE PROPORTION OF LOCALS AND WOMEN IN THE SENIOR MANAGEMENT OF THE GROUP				2017.12.31.
Company	Board of Directors		Management*	
	Proportion of locals (%)	Proportion of women (%)	Proportion of locals (%)	Proportion of women (%)
OTP Bank	100	0	100	0
CKB	14	0	40	20
DSK Bank	100	67	100	67
OTP Bank Ukraine	83	33	80	40
OTP Bank Romania	40	20	40	20
OTP Bank Russia	10	10	75	0
OTP banka Hrvatska	66	33	80	30
OTP Banka Slovensko	75	25	75	25
OTP banka Srbija	33	0	66	0
OTP Group total**	56	18	75	18

\* Management: Hungary: the chairman of an enterprise elected by the management body in its managerial function and employed by the enterprise, 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 enterprise, who is employed by the enterprise, as well as all deputies of that officer and the division heads.

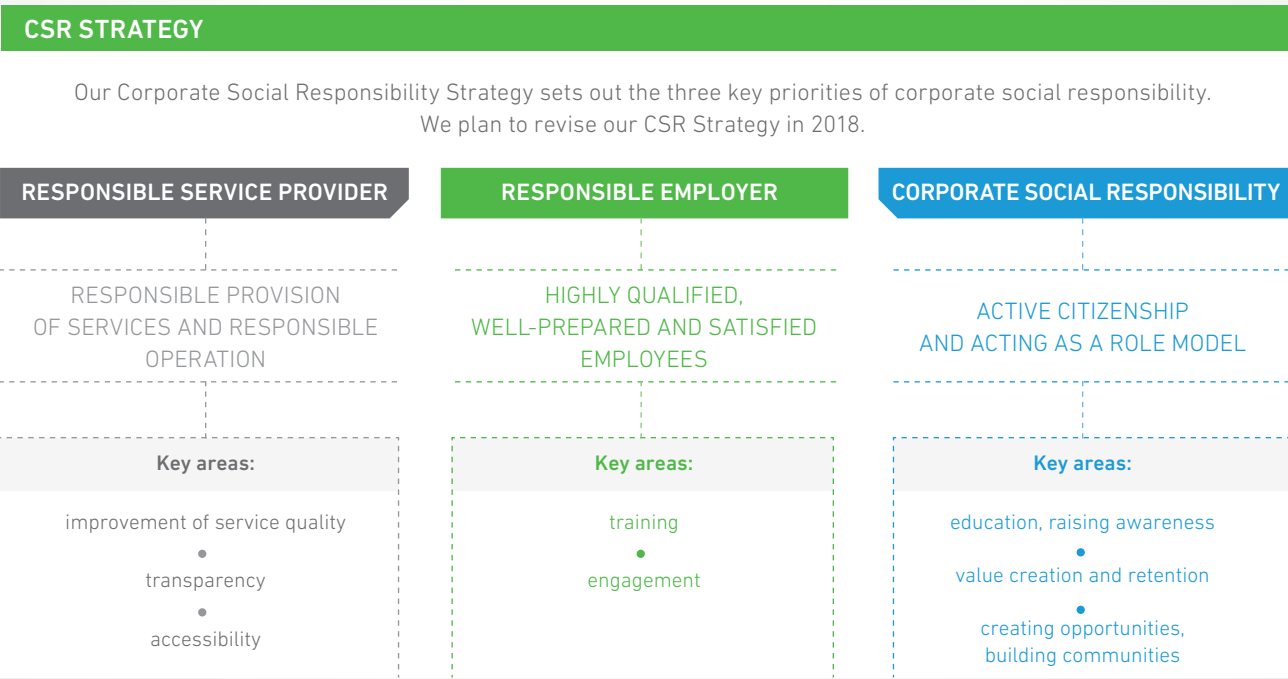
\*\* Without Vojvodjanska banka and Splitska banka.

Our responsibility

The responsibility of a company is essentially determined 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





## FOCUS ON CLIENTS

We believe in providing in-person and digital services in parallel.

- ▶ ▶ ▶ TUDÁSBANK (KNOWLEDGE BANK)
- FINANCIAL PLANNER
- DIGITAL SIGNATURE PAD
- PEPPER ROBOT
- PLAIN LANGUAGE



The thorough digital transformation of our banking operations pervades OTP Group as a whole, we place the digital world at the service of our customers. As a bank we offer our customers the means and the opportunity for achieving their goals, and this works best when customers are aware almost only of the fact that their objective has been achieved.



We are convinced that the involvement of our employees in person is necessary in matters requiring greater circumspection and that this is the only way we can offer the best solution. In such cases, we serve our customers at our branches or via the contact centre.

For our basic principles and overall objectives on customer focus see our website:



Focus on clients

2016 COMMITMENTS	2017 RESULTS
Complete the Digital Transformation Programme: <ul style="list-style-type: none"><li>• eBIZ: a product enabling efficient solutions for our small and medium-size business customers in their financial duties;</li><li>• nation-wide roll-out of Digital Signature Pad;</li><li>• overhaul SmartBank and SmartBroker;</li><li>• overhaul of the online savings advice platform.</li></ul>	<b>All the development has been implemented.</b>
Standardise online customer services, boost chat-based services in Hungary.	<b>Implemented.</b>
Develop new internet banking system in Montenegro.	Implementation will take place in 2018.
Launch mobile banking application at CKB Bank	Implementation will take place in 2018.
Introduce innovative loyalty programme in Croatia (2017).	<b>Implemented, under the name OTPetica.</b>
Introduce online loan products for existing customers at OTP Bank Russia.	Implementation is carried over to 2018.
Roll out the remote expert system (2018).	<b>Implemented for mortgage lending.</b>
Make the relationship with branch employees more personal in transactions for housing loans and other products.	Continued the efforts to make such transacting more personal.
Open a cashless branch in Montenegro with only elderly and disabled employees.	The project is not implemented for the time being.
Introduce new lending practices in Slovakia for faster and better services.	<b>Implemented; unsecured retail loans are available online.</b>
Set up OTP Education Points at 30 branches.	<b>Implemented.</b>
Compliance with Directive 2015/2366 of the European Parliament and of the Council on payment services in the domestic market (PSD2) (2018).	The project is progressing on plan.
Maintain waiting times at the current levels in OTP Bank (ongoing).	In 2017, 55% of branches met their annual waiting time objectives. As a result of measures taken during the year, the targets were met in the last quarter of the year.
Take 75% of calls to the contact centre within 20 seconds.	We took 50% of the calls within 20 seconds.
Increase the number and proportion of appointment bookings in Hungary, and introduce this option at some of our subsidiary banks.	<b>The number of appointment bookings grew by 16% and they represented 4.5% of all transactions dealt with in branches.</b>
Increase the number of ATMs with a cash deposit feature.	<b>Implemented; there are 180 such ATM's available in Hungary.</b>
Use simple and clear language on OTP Bank's online platforms.	Work is progressing alongside the development of the website; we have extended this effort to the overall communications of the Bank.



# 1.1. Customer service

## Remote access channels

In the development of electronic channels and the contact centre, we focus on customer-friendly usability and the continuous expansion of the available functions.

### WEBSITE

We completely overhaul our online platforms once every few years to keep apace with the changing expectations. Accordingly, in 2017 we started the overall revision of the OTP Bank website with the following criteria in mind:

- Provide a high level of customer experience, with up-to-date features;
- focus on transparency and clarity: we are writing our website with the help of a plain language expert;
- full accessibility;
- customer education: our customers can expand their knowledge and understand finances and banking services better with the help of the revised



Financial Planner



and the Tudásbank (Knowledge Bank)

The most frequently used features (foreign currency and foreign exchange rates, branch and ATM finder, car lottery search) are available on the start page. The pages already introduced are displayed properly on mobile devices as well as desktop computers.

We started the revision of our website with the most popular retail content and will complete its development in 2019. Initial feedback shows that the new website pages are better suited to visitors' expectations, the proportion of page leavers has fallen significantly and the proportion of users requesting call-back has increased on the product pages.

BG

DSK Bank also adhered to the above criteria when it overhauled its website and introduced the appointment bookings feature. The Bank's educational videos are available on its website and Facebook page.

### SZUPERFARM.HU

We created the website [szuperfarm.hu](http://szuperfarm.hu), which produces and collates articles on agriculture and the food industry. It often publishes articles about sustainable management methods, healthy foodstuffs and global issues. This fresh, youthful and dynamic website recommends several new articles every day. In addition to communicating news and global trends, it aims to direct its visitors to the website [otpagrar.hu](http://otpagrar.hu).

### CHAT

We have introduced a chat feature on several additional pages of our OTP Bank and eBIZ websites; the number of incoming chat requests grew to 114,000, which is 73% more than in the previous year. We also started a pilot in which we offer customers the opportunity for using our chat service with identification.

Currently in the trial phase, we have launched a chatbot service on Facebook Messenger, with three automated functions (branch and ATM finder, appointment booking, callback request), in a multiple-choice format. Our branch employees continue to serve customers, and our experience shows that the majority of customers (57%) continue to prefer this channel if they have a specific question or issue.

### SMARTBANK, MOBILE BANKING

Several members of OTP Group have enhanced and updated their mobile banking applications. OTP Bank overhauled its SmartBank and SmartBroker smartphone applications, introducing new customer-friendly features such as simplified log-in and balance inquiry without log-in. The feedback has been positive: the number of active users doubled within a single year and funds transfers in SmartBank trebled.

UA

OTP Bank Ukraine has significantly expanded the range of services it offers electronically (adding e.g. card limit management, new deposits, PIN code modification). The number of registered customers more than doubled in 2017, so that 30% of customers now use SmartBank.

BG

DSK Bank simplified the log-in process on its SmartBank platform. The number of active users increased by 70% and calls to the call centre fell considerably over the same period.

SK

OTP Banka Slovensko also overhauled its mobile bank and made it available to corporate customers too.

RU

OTP Bank Russia introduced a feature for immediate loan repayments with credit card in its OTP Credit mobile application and on its website. In 2017 over 400,000 customers used this fast and convenient solution.



### SIMPLE

In 2017 OTP Bank continued to add to its mobile application innovative features available without connecting to the bank: the Simple wallet contactless (NFC) solution enables payments by mobile phone. Customers with MasterCard or Maestro bank cards can now use their mobile phones for contactless payment. The virtual prepaid card allows non-OTP customers as well to make payments with the application. Over ten thousand customers digitalised their cards in a period of six months; one in five of these users were not our banking customers. The total volume of contactless mobile payments approached HUF 5 billion by the end of the year. The continued popularity of Simple is reflected in the fact that the number of its users almost doubled in just one year.



### Innovation Award

In 2017 OTP Bank's in-house innovation award was granted to the Simple wallet function.

## CONTACT CENTRE

OTP Bank has overhauled its employee training, adding communication styles and the components of assertive communication to the training offered. As a new feature in our quality control system, direct feedback is now provided to colleagues to facilitate their professional growth. In addition, we started comprehensive development work in 2017 with the important aims of improving operational efficiency and customer satisfaction. This development will enable serving customers through own branch employees in the future.

In 2017 OTP Bank did not achieve its telephone service targets as we took 50% of calls within 20 seconds and 16% of calls were lost. In the future, we will allocate priorities to the calls and define different call response time targets for different call types.

**RU** Our Russian subsidiary introduced a simplified identification process at its contact centre, where calls are free; this will help serve customers faster.

## EDUCATION

In 2017 we continued testing the OTPdirekt Points installed at 30 high-volume branches of OTP Bank. The education points have proven successful in encouraging customers' use of digital channels and we will therefore install them in further branches in 2018. At our busiest branches, employees will help educate customers on how to use internet banking, smartphone applications (SmartBank, SmartBroker and Simple) and deposit ATM's, and we plan to increase the number of branch employees tasked with this role.

**ME** In 2017 the CKB Kiosk was available in all regions in Montenegro, helping customers use the electronic channels. User numbers increased by 20% at branches equipped with the Kiosk. Nevertheless, we plan to start removing the physical Kiosks in 2018. We plan to train and involve our branch employees in encouraging the use of digital channels as part of their day-to-day customer service in all our branches.

**RS** Besides internet banking, OTP banka Srbija now educates customers on the use of mobile banking applications with the help of e-Corners.

## EVENT-DRIVEN/ PROACTIVE STEPS

A key priority in our development efforts is to be proactive in identifying, understanding and serving our customers' needs. Information technology provides us with more and more opportunities for analysing our customers' habits and we expect to be able to draw increasingly precise conclusions from this information regarding their goals and financial wishes. We can then convert them into personalised offers for immediate solutions.

In that spirit, OTP Bank launched event-driven campaigns in 2017; for instance, we gave personal loan offers to customers with-drawing large amounts of cash if they also met a set of other conditions.

In 2017 we also launched a project 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 (for example, when an IT error prevents them from executing the desired transaction in internet banking). In the next step of the project, we tested, measured and summarised the ten most important irritation events and are incorporating the results into the way we treat customers.

## OTPETICA

**HR** Following positive reception of the pilot phase, we rolled out the most innovative loyalty programme in Croatia. In this scheme, we reward the use of banking products with points, which can be converted to prizes at OTP banka Hrvatska's partners (e.g. cafes, pharmacies). Besides product use, points are given for viewing our animated educational quizzes. Feedback is positive from our partners as well as the more than 12,000 participants who registered by the end of the year.



**1.1 million active internet banking and SmartBank customers in Hungary, equal to 40% of our customer base**



**470,000 users of the Simple app**



**30 education points**



**70% growth in the number of active mobile banking users at DSK Bank**

In-branch services

Branch services are key when complex financial decisions require identifying needs and opportunities and rely on the professional expertise and advisory support of our branch employees.

Our extended branch networks offer highly convenient personal transacting in several countries. As a result of two acquisitions in 2017, the aggregate number of our branches in Croatia and Serbia is now around 200 higher.

We renovate our branches gradually; in 2017, we refurbished 180 branches across the Group (12%). We renovated almost all the branches of our Russian subsidiary in 2017; the proportion of renovated branches was lower at other group members.

We are aware that the explosive growth in digital opportunities is changing our customers' expectations fast and so we are preparing to define the functional, physical and human features of the bank branch of the future. Of the wide-ranging ideas, we have definite plans to install two cashless bank branches in 2018, one in Budapest and one outside the capital.

OTP Bank has conducted satisfaction surveys concerning the design of the branches, with the involvement of over 300 branches, their employees and customers alike. Respondents considered the quality of surfaces and furniture especially good but would like to see improvements in provision of confidentiality. Branch employees were least satisfied with the ventilation, heating and cooling of the branches (customers were highly satisfied). The survey confirmed that the main issues for customer satisfaction with a bank branch are waiting and service times and the waiting experience. Based on the results identified, we introduced a number of enhancements already in 2017.

WAITING TIMES AND IMPRESSIONS

High customer volume make waiting times a crucial issue in Hungary. We achieved our waiting time targets thanks to our development efforts in recent years, calling the overwhelming majority of our customers to the counter within 10 minutes; as a result, we set the objective of maintaining these achievements in 2017.


55% of branches met their annual waiting time objectives. In the first half of the year, waiting times increased sometimes as a result of longer response times in overburdened IT systems; we fixed this issue in the second half of the year. We also laid greater emphasis in the second half of the year on ensuring that our branch employees take utmost advantage of the tools enabling faster customer service. We re-ran training courses, hired temporary staff to alleviate bottlenecks due to the holiday period and offered rewards in an effort to improve waiting times. Our measures proved successful as the branches performed above the target in the fourth quarter of the year. At the time of writing this report, we know that the targets were also reached in the first quarter of 2018 even though the rewards had been phased out by then.

A pleasant environment and time spent productively while waiting also contribute to customer satisfaction. Following from earlier positive feedback, we installed water fountains in a further 140 branches in 2017 so that they are now available in 40% of our branches. The installation of corded and cordless mobile charging devices on advisor counters has proven successful so we will roll them out to our major branches in 2018.

Free WiFi access<sup>10</sup> and kids' corners<sup>11</sup> at several branches across the Group contribute to making the waiting time more pleasant for customers.

APPOINTMENT SCHEDULING

**BG ME RU** As part of the in-branch administration process we consider it important to boost appointment bookings, as they help both our customers and our employees to plan ahead. In 2017 OTP Bank customers booked 301,000 appointments at our branches, 16% more than the year before. Cash withdrawals and deposits excluded, 4.5% of transactions were dealt with at scheduled appointments. Appointment scheduling has been introduced by our subsidiaries in Russia, Bulgaria and Montenegro<sup>12</sup> as well.



Water fountains at 243 branches in OTP Bank



301,000 customers arriving for pre-booked appointments

10 Available in Hungary, Bulgaria, Serbia, Romania and Ukraine.  
11 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.  
12 The feature was already available at our Ukrainian and Croatian subsidiaries.





### Pepper at the branch

**BG** 'DSK is at the forefront of introducing technological innovation. We opened two next-generation, high-tech branches in Sofia, satisfying all digital needs. We designed these branches so as to meet the ever higher expectations of young people and all other customers who are receptive to technological innovation.'

No wonder, therefore, that these two branches in the capital were the venues for the November 2017 debut of Pepper, the humanoid robot. Pepper is the first robot to be used in a bank branch in Bulgaria or anywhere in the Balkans. Manufactured in Japan, 1000 robots were sold in the very first minute after its launch on the market. Pepper has multiple sensors and cloud-based artificial intelligence, and we worked with a Bulgarian information technology development firm to adapt it to DSK's needs.

Pepper meets and greets the customers and also has a built-in screen for providing information on banking products and services. The robot speaks English at the moment but it will soon be able to talk in Bulgarian as well. Besides offering useful information, Pepper is also an entertainer: it is happy to tell fairy tales and dance for the youngest visitors. Encouraged by the positive feedback, we are planning to put a third robot in service, at the University of Economics in Varna.' Nikolay Takuchev, head of Marketing and Communication

**Nikolay Takuchev**, Head of Marketing and Communication



## REMOTE EXPERTS SERVING CUSTOMERS

In 2017 we extended our remote customer service to 131 branches; this system supports the work of small-staff branches by helping with mortgage loan administration. In a dedicated meeting room, customers are served via video link by a call centre employee. With the help of this arrangement, citizens in small regions across the country can receive high-quality advice from our professional and highly-experienced employees. In 2017 our 16 remote experts provided advice in over 2500 cases. The overall satisfaction of customers using the service is 87%, slightly higher than satisfaction with standard branch services.

## MOBILE BANKER

For more flexible transacting, we intensified our mobile banker service in mortgage lending, so that the administration of loans may take place at any location in the country.

## PERSONALISED SERVICE

In view of the positive feedback from mortgage lending, we have introduced certain personalised service components in the micro and small business line, the premium business line and with mobile bankers. Our employees received personal mobile phones, photo business cards, desktop nameplates bearing their personal motto as well as a photo referral sheet.

## DEPOSIT ATM<sup>13</sup>

**BG** **SK** **RU** In 2017 we increased the number of deposit ATMs to 180 in Hungary. We installed 84 deposit ATMs in Russia, 68 in Bulgaria and three in Slovakia. CKB's plans for installing deposit ATMs were postponed to 2018. Experience from ATM use are positive; customers made deposits at OTP Bank's teller machines 628,000 times in 2017, paying in a total of approximately HUF 80 billion. We expect the number of deposit transactions to continue rising significantly in 2018.

## ATTRACTIVE ATM TERMS

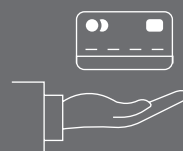
**UA** Our Ukrainian subsidiary entered into a partnership arrangement with state-owned PrivatBank, under which OTP Bank Ukraine customers can top up their cards free of charge at PrivatBank's 12,000 ATMs, subject to their daily limits.

**ME** CKB now offers its customers two free cash withdrawals a month at its own ATMs.

**RU** OTP Bank Russia also allows third-party Sberbank customers to make loan repayments.



**2,500 remote expert consultations**



**200 deposit ATM's in Hungary**

## DISADVANTAGED REGIONS

In several countries OTP Group branches are easier to access for the populations of disadvantaged regions than 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 a clustering of our branches to regions with a higher degree of disadvantage (in Romania, Slovakia, Serbia and Croatia).



## Customer Focus Award

Each year OTP Bank announces a contest for recognising the best performance in branches. With their building undergoing renovation this year, our flagship branch in Szeged faced the difficult task of maintaining their good results in the middle of a building site. Customers rewarded with high satisfaction results the care and fast and attentive service they received.

<sup>13</sup> In Ukraine, the majority of ATMs have had the functionality to accept deposits since 2016.

ACCESS POINTS IN DISADVANTAGED REGIONS <sup>14</sup>	Branch	ATM
<b>OTP Bank — Hungary</b>		
Number of access points (% – as a percentage of the total)	70 (19%)	181 (9%)
Number of new access points (as a % of new)	0 (- <sup>15</sup> )	7 (27%)
Number of terminated access points (as a % of terminated)	1 (17%)	2 (8%)
<b>CKB – Montenegro</b>		
Number of access points (% – as a percentage of the total)	1 (3%)	5 (6%)
Number of new access points (as a % of new)	0 (-)	0 (-)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
<b>OTP Bank Romania – Romania</b>		
Number of access points (% – as a percentage of the total)	30 <sup>16</sup> (31%)	10 (7%)
Number of new access points (as a % of new)	0 (-)	1 (33%)
Number of terminated access points (as a % of terminated)	0 (-)	1 (8%)
<b>OTP banka Hrvatska – Croatia (excl. Splitska banka figures)</b>		
Number of access points (% – as a percentage of the total)	40 (21%)	64 (12%)
Number of new access points (as a % of new)	0 (-)	3 (21%)
Number of terminated access points (as a % of terminated)	1 (16%)	2 (14%)
<b>OTP Banka Slovensko – Slovakia</b>		
Number of access points (% – as a percentage of the total)	52 (85%)	123 (83%)
Number of new access points (as a % of new)	0 (-)	5 (71%)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
<b>OTP banka Srbija – Serbia (excl. Vojvodjanska banka figures)</b>		
Number of access points (% – as a percentage of the total)	26 (50%)	56 (47%)
Number of new access points (as a % of new)	0 (-)	3 (100%)
Number of terminated access points (as a % of terminated)	0 (-)	2 (67%)
<b>OTP Bank Russia</b>		
Number of access points (% – as a percentage of the total)	13 (10%)	12 (6%)
Number of new access points (as a % of new)	0 (-)	0 (-)
Number of terminated access points (as a % of terminated)	0 (-)	0 (-)
<b>OTP Bank Ukraine</b>		
Number of access points (% – as a percentage of the total)	3 (4%)	12 (10%)
Number of new access points (as a % of new)	2 (100%)	0 (-)
Number of terminated access points (as a % of terminated)	1 (100%)	0 (-)
<b>DSK Bank – Bulgaria</b>		
n.a. – there are no disadvantaged regions defined		

<sup>14</sup> 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.

<sup>15</sup> None, not applicable.

<sup>16</sup> The variation from the previous year is due to a change in categorisations rather than the relocation of branches.



## 1.2. Accessible customer service

**Our objective is to give persons living with disabilities equal opportunity access and to serve their special needs.**

OTP Bank continued its development efforts in line with its complex accessibility strategy, which was reformed in 2016. To devise accessibility solutions, we continue to work with the non-governmental organisations that represent these persons and know their needs best.

**To help blind and visually impaired customers:**

- We laid down tactile guide strips in 14 branches (they are now available at 41% of our branches).
- We have renewed the Braille inscriptions on ATMs and streamlined transacting with the help of easy-to-find buttons on branch queue management machines. A Braille inscription tells the customer that our branch employee is about to arrive to offer help (we will roll out this feature to all branches by 2019). Equipping ATMs with a text-to-speech feature was postponed to 2018.
- In cooperation with the Institute for the Blind, we organised sensitisation training for our branch sales support employees. During this course, they were given the opportunity to experience in a virtual branch the difficulties encountered by our customers with impaired sight and how they can be resolved.
- When planning for the currently ongoing revision of our website, we treated accessibility as an important criterion and we have provided text-to-speech software to help with the use of the pages already completed.

**For our hard of hearing customers:**

- We worked with SINOSZ (the National Association of the Deaf and Hard of Hearing) to prepare the technical and legal frameworks for our video sign language services; the devices will be made available in the branch network in 2018.

- Two branch employees from each of our larger branches in Budapest and at county seats have now attended sign language training to learn sign language basic 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:**

- all branches but one are now wheelchair accessible across our network<sup>17</sup>,
- our website supports one-handed use.

Across the Group, accessibility is provided for customers with reduced mobility: all branches are wheelchair-accessible in Romania, while at the rest of the group members (except in Bulgaria), the majority of the branches are accessible. The percentage of wheelchair accessible branches across the Group is 63%.

**RU** As a result of our accessibility project launched in Russia, branches are now either wheelchair-accessible or a call button is available for customers to ask for assistance. The percentage of wheelchair accessible branches is 73%. For our visually impaired customers, we have placed high-contrast stickers on our entrance doors and, in one of our branches, we have put up information panels in Braille.



**99% of OTP Bank's branches are physically accessible and 41% have tactile guide strips for the blind**



<sup>17</sup> Accessibility is not feasible at this branch due to the characteristics of its building and environment (there is a significant height difference between the street and the branch floor level, which are connected by stairs, and the branch is subject to listed buildings regulations).

### 1.3. Actions taken to improve objective information provision

We seek to supply our clients with information that is objective and comprehensive but also clear and succinct. We lay emphasis on improving our customers' financial culture and knowledge. Our communications satisfy the legal requirements and changes; indeed, they often go beyond them.

#### Tudásbank (Knowledge Bank)

We launched a video series available on our website and YouTube. The series started in 2017 with three videos presenting building society savings products in episodes 2-3 minutes long. In these videos, a branch employee explains the most important information regarding the building society savings products, providing practical examples and useful advice. The videos were viewed more than 185,000 times by the end of the year. We plan to deal with additional subjects in 2018 (e.g. housing loans, savings) and will use animation to make our videos even more illustrative and clear.

#### FINANCIAL PLANNER

OTP Bank's Financial Planner service was launched at the end of 2017, as an update of the earlier savings advice tool. A key goal for this upgrade was to improve the user experience. The new platform allows navigation similar to tablets and smartphones. Our customers can select from a large number of financial goals and see on a graph how their financial situation would change as a result; they can also calculate alternative options. We display the advantages of the recommended portfolio in an easy-to-understand format. We plan to continue fine-tuning the Financial Planner in 2018 and to simplify its use based on the feedback from, and the needs of our customers.

The Financial Planner is available on a standard platform for our customers and branch employees, who can therefore provide customers with useful assistance.

In revising the Financial Planner, we adhered to the MiFID2 requirements that entered into force in 2018 for the protection of



investors and the transparent operation of investment service providers. The rules intend to encourage customer awareness and better-informed decisions. We surpass our legal obligations on the advance provision of information and aim to provide our customers with full and complete information.

79,000 customers used our savings advisory services in the branch network in 2017, 5,000 more than a year before. From its launch to 2017, a total of nearly 353,000 customers used our advisory service, and the total assets of customers who used the wealth planning service at least once amounted to more than HUF 2,100 billion as of the end of the year.

#### INFORMATION ABOUT OUR SERVICES

In order to comply with the statutory requirements on information, we developed a number of tools and methods in 2017 that will be made available from the start of 2018. We developed an online cost calculator for investment products, which summarises all expected/estimated costs of the particular product. In addition, we have prepared an ex-post cost statement that will show the total costs of savings products/services. We provide our retail customers with Key Information Documents (KIDs) regarding packaged investment products and insurance-based investment products, in which we state all the key information about the product. KID's have been available on our dedicated website and, in printout form, in our branch networks since the start of 2018.

In arrears management, we have updated our communication materials, which are now better aligned with our customers' needs.

**ME** CKB Bank introduced a new calculator in its information provision regarding retail loans.

**HR** OTP banka Hrvatska has revised its key information data sheet, which is available in the branches and gives a transparent presentation of the products; it has also revised the European Standardised Information Sheet (ESIS). Sample calculations are available on the bank's website alongside the basic information.

**RU** OTP Bank Russia revised the information materials for POS products for greater transparency. Greater clarity and transparency was also a priority during the development of the product and service pages on our website.

**SK** OTP Banka Slovensko reduced the number of its products in several segments, making its product offering simpler and more transparent. Its simplification drive covered retail loans and debit cards as well as corporate account packages.

#### TONE OF VOICE

OTP Bank wrote a manual entitled Tone of Voice, to serve as guidance for plain and clear communications. The manual explains what makes information delivery appropriate and clear. In 2018 a dedicated full-time employee will examine and correct our external communication documents to achieve plain and clear language.

## 1.4. Enhancement of background processes

We regularly check and examine our processes to improve the efficiency of our services to customers. Digitalisation also offers a number of opportunities for providing our customers with faster and more convenient services.

**UA** **HR** In Ukraine digital signatures have been available since 2016, while our Croatian subsidiary is planning to introduce digital signature pads in 2018. For the further convenience of our customers, we plan to introduce our VideoBank service in 2018; this will allow the remote, online identification of customers.



**Savings advice provided to OTP Bank customers in 79,000 cases in 2017**



**Over 185,000 views of Tudásbank (Knowledge Bank) videos**

### Digital signature pad

'With the help of a startup firm, we have developed our digital signature pad, which is unique even in Europe. After positive feedback from testing in 2016, we rolled it out nation-wide during 2017. This device, a European first, enables customers to read and sign electronically the documents generated during the administration process.

The system uses several repeated manual signatures to generate a secure electronic signature, which is never released from the Bank's in-house environment and cannot be accessed by its employees. The authentic copy of all signed documents are available on the customer's OTPdirekt platform. Over 650,000 customers registered for this feature by the end of the year. The feedback received shows that customers have responded positively to the convenience of using signature pads and welcome the environmental benefit of saving paper.

We save a significant amount of paper through the use of signature pads: reducing paper use in our branches by 40%, we expect to save tens of tons of paper a year.

Along with our drive to capture our customers' signatures, we are working on digitising documentation. Around 50% of all documents were available electronically by the end of the year and our aim is to raise this proportion to 80% by the end of 2018 and also hope that 90% of customers who visit our branches will have digital signatures.'

**Bence Kisfalvi**, Director, Retail Business Development Department

The foreign subsidiaries introduced several measures (e.g. on-site training, raising competencies, IT development) to significantly reduce the decision lead times in lending, accelerating the process of serving customers.

### MORTGAGE LENDING

In 2017 we optimised the mortgage lending process at OTP Bank branches. We examined how the branch employees conduct the entire process, collected the best practices and defined the optimal process on that basis. This standardisation of practices will be underpinned by the fact that several parts of the process will be carried out by the regional centres. Statutory requirements largely determine when the customer's presence is needed; nevertheless, we have developed and implemented solutions to receive and send certain documents electronically.

### DIGITAL DEVELOPMENT

The digitalisation of processes has significantly reduced the time required for accessing some of our products: at OTP Bank, the entire administration process for the new branch personal loan and the voluntary pension fund personal loan is now fully digitalised, which has made the application process faster. We have also enhanced the approval process for unsecured credit products.

**HR** OTP banka Hrvatska introduced the delivery by e-mail of various documents associated with bank accounts (e.g. monthly account statement, notifications of credits received).

### TEAM FOR SATISFIED CUSTOMERS

**UA** OTP Bank Ukraine has set up its Team for Satisfied Customers, where employees can ask questions or look for solutions by sharing their experiences of situations when they had to refuse the request of a customer for a particular product or service.



1.5. Improvements to complaint management

Our complaint management is fully compliant with the law, and follows the same principles across the Group. Besides striving to improve our service standards all the time, we continually enhance our complaints handling practices.

We investigate the reasons for each complaint and modify our processes to prevent their recurrence. OTP Bank regularly measures customers' satisfaction with complaints handling. In 2017 the satisfaction of our customers stood at 85%, almost unchanged from the previous year.

**BG** DSK Bank introduced measures to ensure that documents are completed accurately and with precision, and it also works on enhancing customers' knowledge. In 2016 several complaints were received regarding the ATM donation platform, which we modified in 2017, reducing complaints to the bare minimum.

**RU** In 2017 OTP Bank Russia introduced the practice of paying compensation in addition to correcting the bank's mistake when a complaint is justified.

**RO** OTP Bank Romania managed to reduce complaint numbers by modifying its bank account closing procedures, which had been the subject of frequent complaints. Also, in an effort to reduce complaints about its bank card services, it modified the account statement, making it clearer for customers.

**SK** In order to prevent complaints, OTP Bank Slovakia modified processes (e.g. guidance for employees, system modifications) and conditions (e.g. pricing, contract terms and conditions) in 2017.



We aim to answer all complaints as soon as possible.

OTP Bank sets a shorter timeframe for investigating complaints than is required by the law and it regularly measures the satisfaction of its clients with its complaint management process. In 2017 we made preparations for compliance with the expected changes in the law, such as the PSD2 requirement for managing each case within 15 business days, and also for the duties involved in the prompt crediting of payments.

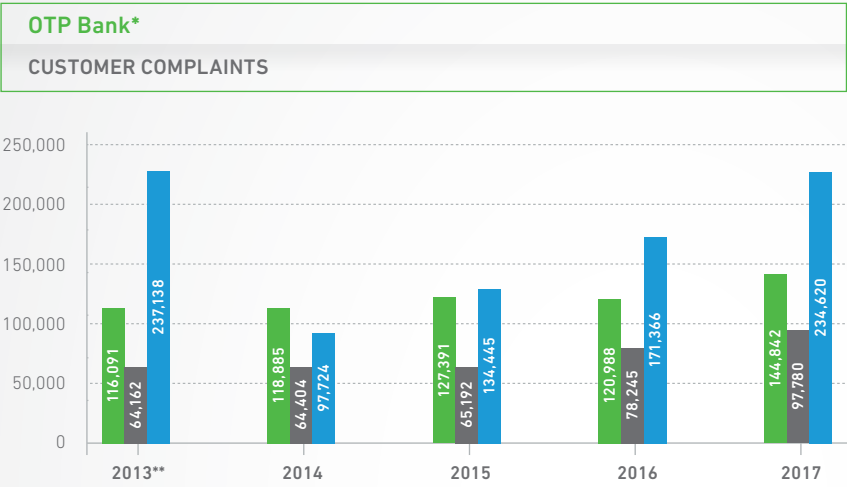
**ME** CKB was also working on reducing complaint handling lead times in 2017; it adhered to the shorter timeframe in 98% of the complaint cases.

**UA** Bank Ukraine displayed awareness-raising stickers in its branches, encouraging customers to provide feedback on the quality of the service received, regardless whether excellent or unsatisfactory. 40 responses were received in five months; most of these were expressions of gratitude for excellent service, while the small number of complaints concerned the waiting times in the branches.

**0.0078%: the incidence rate of fraud with own-issued bank cards at OTP Bank, which is an order of magnitude lower than the European average published by MasterCard (0.0433%)**

CUSTOMER COMPLAINTS	OTP Bank*					OTP Group				
	2013**	2014	2015	2016	2017	2013**	2014	2015	2016	2017
Compensation paid (HUF million)	237	98	134	171	235	368	249	224	268	339
Amount of compensation per warranted complaint (HUF)	3700	1 450	2 060	2 190	2400	5000	2100	2200	2200	3000

\* Also includes data for OTP Lakástakarék and OTP Jelzálogbank.  
 \*\*Reporting methodology was modified at the end of 2013. As of 2014, data are reported under the new methodology, and data for 2013 have been adjusted to reflect the new methodology.



number of complaint cases closed

number of warranted complaints

Compensation awarded (in thousand HUF)

\* OTP Bank, OTP Mortgage Bank and OTP Building Society

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



The number of warranted complaints to OTP Bank and thus the compensation provided was higher than in prior years. Most complaints concerned bank cards and the associated transactions. In 2017 we made software improvements to mitigate the rise in the number of complaints regarding ATM cash withdrawal. We plan to improve card security even further to combat online card purchase fraud. Even in an international comparison, our Bank receives very few such complaints (see Chapter 3.4).

Enhancement of the security of banking systems

1.6. Measuring customer satisfaction

TRI\*M

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



In the first half of 2017 customers' attitude to banks improved to a certain degree, both in respect of OTP Bank and its competitors.

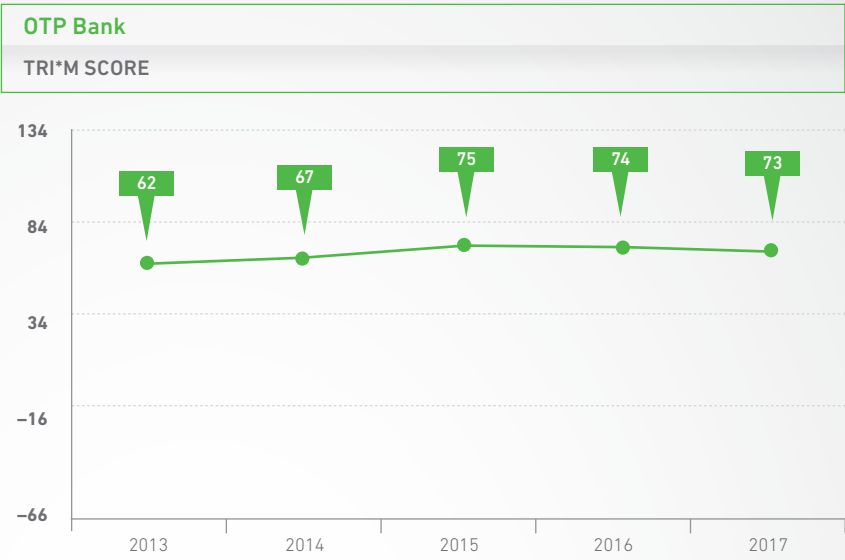
In the second half of 2017 OTP Bank's client retention power stood at 73<sup>18</sup> points, in alignment with the averages of other banks in Central Europe. The indexes of OTP Bank and of its competitors are stable on the short term and improving on the long term. Compared to its competitors, our bank performs best in the junior market segment.

SQM

We also continued measuring customer service in the branches (Service Quality Management, SQM)<sup>19</sup>. Helpfulness (96%) and expertise (89%) in our branches were again given the highest scores. Also unchanged is the fact that customer satisfaction was the lowest in waiting time (79%) and processing time (81%) categories.

**RS** OTP banka Srbija conducted satisfaction surveys regarding products and certain services (e-banking, complaints handling) in 2017 as well. Satisfaction rates in excess of 90% were achieved in all the product categories surveyed.

**RU** OTP Bank Russia surveyed the satisfaction of its customers per sales channel as well as globally. On a ten-point scale, the Bank's satisfaction index measured 8.5 points, which is significantly higher than competitors' scores. Respondents were most satisfied with the POS (point-of-sale) channel and cross-selling.



STRATEGIC GOALS
Enhancing the culture of innovation
Digital product offerings; enhancement of online channel capabilities
Setting up cashless branches at OTP Bank
Introducing the CKB Go online and mobile services
Introducing a financial education app at OTP Bank (2019)

18 The TRI\*M score can range between -66 and +134 points.  
19 All branches are measured, on a semi-annual or quarterly basis. The number of questionnaires depends on the frequency of transactions in the preceding period.





II./2.

## EXPERT FINANCIAL CARE

OTP Group aims to serve the financial needs of all customer segments. We always adhere to the principles of ethical and fair product development when we design our services.

▶ ▶ ▶ eBIZ

CERTIFIED CONSUMER-FRIENDLY LOANS

MFB POINTS

IQ ENERGY UA



In our retail services, we pay particular attention to products offered to young people and to promoting self-provision, raising awareness of it across society. In the corporate segment, several members of the Group focus on agricultural companies and small and medium-size businesses.



OTP Group also aims to provide banking products and services that directly serve the development of local communities and economies.

This chapter presents new or novel products offering social or economic benefits; to read about our products introduced in the past, visit our website:



Expert financial care

## 2016 COMMITMENTS

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

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.

Identify sectoral and product focal points in the micro, small and medium-size business segments.

Develop a credit rating system facilitating lending to small producer customers.

The introduction of fast agricultural lending at OTP banka Srbija and CKB.

Innovative offers for the agricultural sector in Romania.

## 2017 RESULTS

**Following OTP Banka Slovensko, DSK Bank has also designed its business development plan.**

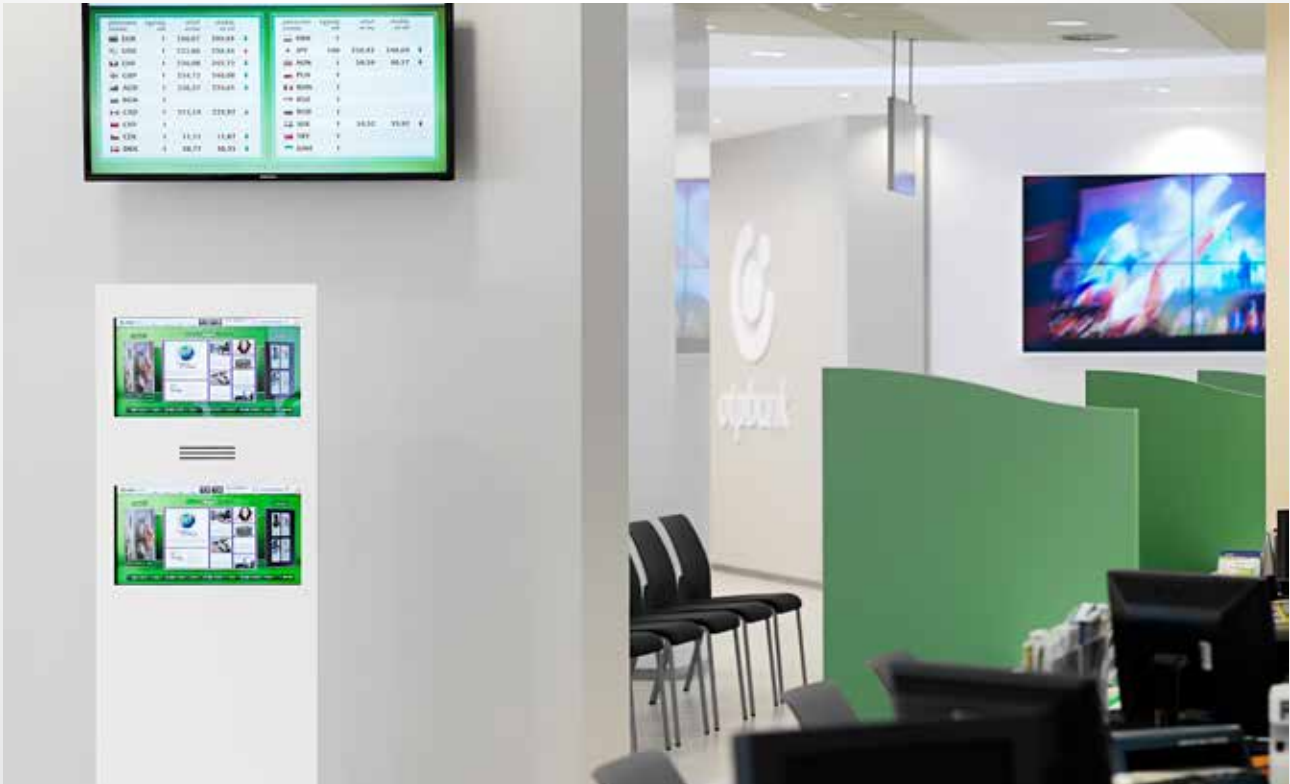
Project implementation is delayed.

Not implemented; there were no opportunities for us to take advantage of.

**The discussion of opportunities for raising limits has started but further assessment is necessary.**

**The Serbian subsidiary employs fast lending.**  
The Montenegrin subsidiary does not use this solution.

**A credit product underpinned with insurance was introduced.**



2.1. Households and residential communities

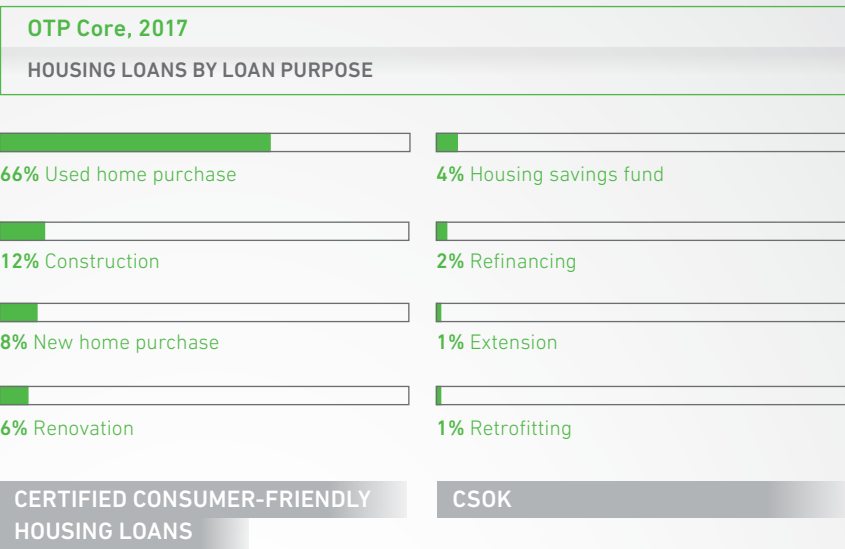
Our banks operating in EU member states offer the basic bank account for disadvantaged low-income retail customers; in addition, we provide minimum packages for customers who need a more limited range of services. At the end of 2016 OTP Bank introduced its modular retail bank account, which can be customised to individual needs, replacing its earlier account packages in 2017. During the year, 175,000 new customers opted for this account package, which can serve their particular needs. Most members of our Group offer preferential-rate accounts for children and young people, and provide differentiated services to different age groups.

Access to real estate, modernisation

There are government schemes to support home purchasing and the use of energy-efficient solutions in a number of countries where OTP Group is present, and we are actively involved in these schemes.

For the third year in a row the Hungarian mortgage lending market continued to expand in 2017, which was a year dominated by new home building. OTP Core disbursed nearly 27,000 new housing loans, which is an outstanding figure even in comparison with the previous year. We had a total of 219,000 mortgage contracts in effect as of the end of the year (3% more than in 2016).

Used home purchases represented a lower proportion of all credit purposes, while home construction, new home purchases and renovation all grew.



In 2016 OTP Bank introduced loans, with a variety of terms, that offered fixed repayments until maturity. Sharing the objective of the Central Bank of Hungary to increase the proportion of fixed-rate loans with long-term predictability within mortgage lending, our bank also introduced Certified Consumer-Friendly Housing Loans; the interest rates for these loans are fixed for 5- or 10-year interest periods or until the end of term (20 years). We pay particular attention to ensuring that our customers select the interest period of their housing loans carefully and we explain to them that they can reduce interest rate risk if they opt for a loan with an interest period of at least 10 years. Accordingly, we decided to introduce first the Certified Consumer-Friendly Housing Loan with a 10-year interest period. Based on our experience from this loan, we started offering our fixed-interest Certified Consumer-Friendly Housing Loans with interest periods of 5 years and 20 years in late 2017. On an annualised basis, Certified Consumer-Friendly Housing Loans represented 16% of all housing loans offered at market rates in 2017. The new applications submitted to us demonstrate that the popularity of these loans is rising.

OTP Bank is an active participant in the Family Housing Allowance (CSOK) scheme. The beneficial changes in the terms has contributed to the continued popularity of the initiative in 2017 as well. OTP Bank has a market share of 60% in subsidised lending. In 2017 the Bank received applications for CSOK subsidy amounting to around HUF 39 billion, while the total of subsidised loan disbursements amounted to nearly HUF 53 billion. Subsidised loans represent 30% of all mortgage loans.

ADLAK

In our ADLAK service, customers can access employer's grants for the repayment of housing loans. In 2017 we fully digitalised the employee tax clearance certification process and 63% of employees submitted the relevant documents electronically. During the year we signed new contracts with 400 employers and disbursed subsidies for over 15,000 loan contracts.

CONDOMINIUMS

OTP Bank plays an important market role in serving the financial needs of condominiums. First offered several years ago, the Thermo/Style Renovation Loan enjoys interest subsidy from the state and finances external and internal renovation and energy conservation projects. We encourage customers to sign a building society savings contract alongside their loan so they can benefit from additional state subsidies.



MFB POINTS

OTP Bank leads a 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 set up at branches. At the MFB Points private individuals, condominiums and housing co-operatives can access interest-free loans for energy efficiency retrofits. By the end of 2017 we had opened MFB Points at 163 branches of our bank (this represents 44% of our branches and 25% of all MFB Points), where OTP Business employees are at the disposal of customers interested in the product.

**HR** In 2017 our Croatian subsidiary bank continued to make available its 'Sunshine loans' product, which offers a lower interest rate for properties designed for energy efficiency (with an energy rating of A+, A or B). The project investing in electric car charges is carried over to 2018. OTP banka Hrvatska also started to lend subsidised loans in co-operation with the Agency for Transactions and Mediation in Immovable Properties (APN).

**ME** CKB worked with the company Mikromont to launch a cash loan within the framework of the Energy Wood programme. The loan offers favourable terms for purchasing e.g. solar thermal collectors, pellets etc.

**UA** In partnership with EBRD (the European Bank of Reconstruction and Development), OTP Bank Ukraine offers a loan product called IQ Energy, incentivising the purchase of energy-efficient products. The Bank has a 51% share in the scheme, and nearly five thousand customers have borrowed the equivalent of more than HUF 1.5 billion for insulation and improved energy efficiency since the launch of the programme in 2016.

OTP Condominium grant

It was for the 9th time that we invited financing applications from condominiums for modernisation in 2017. Demand was high again, we received a total of 715 applications. As in last year, the most frequent goals were the installation of security surveillance systems, digital intercom systems, bicycle storage or new safety doors, as well as the renovation of internal common areas. Against a budget of HUF 10 million, we awarded grants to 9 applicants in three categories and one audience award winner. The winning applications included accessibility and renewable energy purposes. Half of all winners were located in Budapest, the other half of the condominiums were applicants from elsewhere in the country. Apart from providing financial support, the key aim of the grant scheme is to raise awareness in residential communities of the fact that it is possible to make their environments more pleasant, and improve the comfort and safety of their residence.

BUILDING SOCIETY SAVINGS


Our Group offers a housing savings fund product in Hungary. This type of savings is increasingly popular, as new contract volume grew by 4% in 2017 over the previous year. In 2017 savings were taken out on nearly 53,000 contracts, to be spent on home purchasing, construction, extension or renovation. Renovation was the most typical spending purpose. Our building society savings fund bridging loan offers our customers an advance of the housing savings contract amount, i.e. the housing loan they can apply for after the savings period, along with the state subsidy.




Home renovation video series

Each week, an instalment of 23-part video series Felújítalak showed viewers step by step the process of renovating a flat in a prefabricated high-rise building. Viewers were given a lot of useful advice and ideas during this renovation process, ranging from the criteria for buying a home to the potential pitfalls of renovation. OTP Lakástakarék contributed by offering solutions for the financing issues. On average, more than 125,000 people viewed each instalment. We donated the renovated flat to charity.

 [www.felujitalak.hu](http://www.felujitalak.hu)



**219,000 housing loan contracts in force at OTP Core as of the end of 2017**



**60% share of the market of subsidised loans, HUF 53 billion subsidised loans disbursed in 2017**



**53,000 building society savings contracts with savings taken out**

Self-provision, wealth planning, advisory services

Support for financial self-provision and the encouragement of savings are essential for us. Our extensive product range allows us to serve a wide variety of needs, from regular savings of small amounts to the investment of large sums. Our employees also focus on optimising each product. In 2017 household savings grew at record rates in Hungary and also increased substantially across the region. Nevertheless, the OTP Self-Provision Index shows (see Chapter 5 for further details) that only a small and ever smaller proportion of Hungarian citizens are able to put money in savings.

Developing financial literacy

In an environment of low interest rates, fixed deposit volumes continued to decrease, with demand deposit and securities portfolios increasing. Within securities, the most popular products were still retail government securities, in spite of the repeated cuts in the interest rate. We believe that the financial education of customers would be necessary for the further growth in the weight of securities.



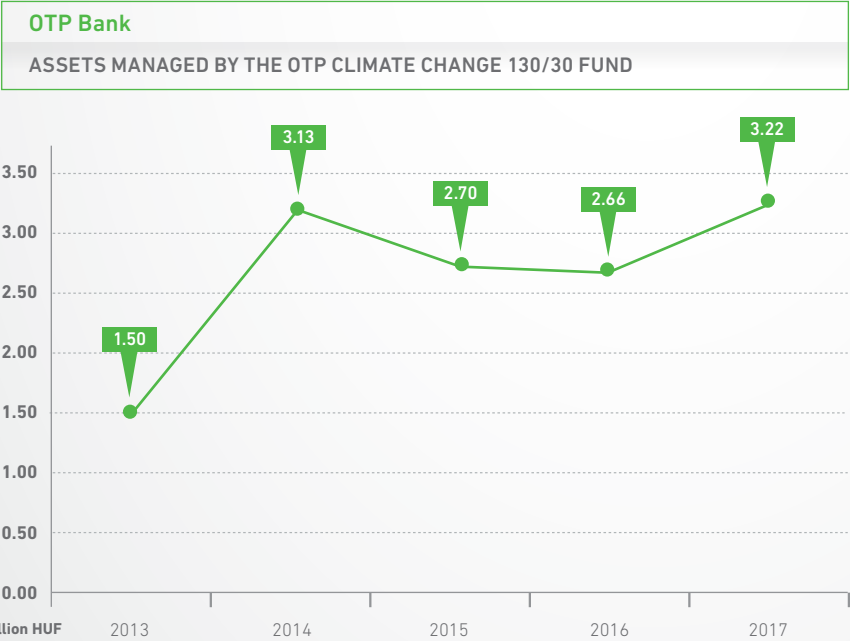
400,000 long-term savings accounts at OTP Bank

RESPONSIBLE INVESTMENT FUND

We did not add new responsible investment funds in 2017. 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 increased compared to the previous year.

LONG-TERM SAVINGS

Long-Term Savings Accounts (TBSZ), especially the Long-Term Investment and Securities Account (TBÉSZ) continued to be popular in 2017. In 2017 the majority of customers extended their matured accounts and continued to add to their savings. It is an important achievement that the total of assets placed on such accounts increased by more than 40% in the course of the year. The number of accounts did not change substantively over these twelve months and stood at 80,000 at the end of 2017.



Another long-term savings option, the Pension Pre-Savings Account (NYESZ) is less popular, given the shift towards Long-Term Investment and Securities Accounts; even so, we managed 41,000 pension pre-savings accounts at the end of 2017. Pension savings accounts number nearly 3,000. The Savings Account product may have features similar to the pension pre-savings account but it is much more widely used: there are 270,000 such accounts, with a total balance of HUF 194 billion.

UA OTP Bank was the first in Ukraine to join forces with MasterCard to introduce a unique opportunity for the bank's MasterCard holder customers. Customers were given the option to transfer the bonus amounts received in the MasterCard Rewards bonus programme to their OTP Pension private pension fund.

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

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

In 2017 the proportion of performing loans at OTP Core increased by 18% in the micro and small business clientele, in spite of the intense competition on the market. We did not change our service model in 2017 because we believe it offers sufficient flexibility to serve customers with lower as well as higher revenues. Introduced in 2016, the online account opening feature has generated good results: The number of accounts opened electronically trebled during 2017 and 7.5% of all new business accounts were opened by our customers online.

POS TERMINALS


OTP Bank entered the tender announced by the Ministry of National Economy aimed at increasing the number of card acquirer locations in this country. 7000 new OTP Bank card acquirer terminals were purchased and installed in this programme. In the first phase of the scheme a total of 30,200 new terminals were installed all over the country.

MFB POINTS

At MFB Points (for further details see Section 2.1), micro, small and medium-size businesses can access long-term finance, at attractive terms, for their investments. These programmes provide loans with zero interest or preferential interest rates. By the end of 2017 we had recorded 88 credit applications, for a total of HUF 5.8 billion.

FGS

OTP Group in Hungary took an active part in the Central Bank of Hungary's Funding for Growth Scheme (FGS), which operated in the years 2013 through 2017 and provided access for customers to funds at preferential



'As a bank, we need to recognise that instead of customers needing banking products, it is individuals needing to consume and businesses needing raw materials and buyers. Time is an important gift we can give them so they can use it as they wish. Our eBIZ service responds to these needs, this is the direction we are taking.

Launched in 2017, eBIZ by OTP Business is a digital financial assistant helping micro, small and medium-size businesses achieve time and financial savings. After registering, 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 customers, suppliers and accountants on the same platform, which reduces their administrative burden significantly. In eBIZ, they can also raise authenticated e-invoices, which the accountants can also access.

This service is unique in Hungary but there is nothing comparable at the moment anywhere in the Central and Eastern European region.

The development process and the joint creative process with the involvement of company executives is ongoing. We involved our partners already at the initial stage of development and have already incorporated in the service the numerous comments and some of the enhancement suggestions received since the launch.

We recommend eBIZ primarily to businesses where bookkeeping is provided by a third-party company and where no major enterprise system is in place. Our aim is to improve our serves in response to the needs of businesses and to create an opportunity for bringing suppliers and sellers together.'


Tibor Csonka, Managing Director, Corporate Directorate

Tamás Jósmai, General Manager of OTP eBIZ Kft.


rates. OTP Group achieved a 16.5% share of the Scheme in terms of sums financed, as we delivered to businesses a total of HUF 465 billion in funds at preferential rates, thus contributing to the creation of around 3300<sup>20</sup> jobs. In 2017 the Group's contracted portfolio amounted to HUF 28 billion<sup>21</sup>. We made use of nearly 100% of the funds available to us.

EUROPEAN UNION FUNDING

OTP Bank's OTP 2020 EU Development Loan helps companies win funding from the European Union and implement projects; it lends the own funds required and pre-finances the project costs. In 2017, nearly 1500 applications submitted by OTP Bank customers were granted funding in the Economic Development and Innovation Operational Programme (GINOP), which focuses on supporting the development of SME's<sup>22</sup>. The total cost of these projects was HUF 230 billion, and the subsidies received amounted to HUF 149 billion. Our Bank lent HUF 7 billion in loans associated with these funding applications.



163 MFB Points



3,300 new jobs under FGS schemes with the participation of OTP Group

OTP Bank took part in organising at four locations TÖÖSZ Academy, an event of the National Association of Local Authorities (TÖÖSZ). The topic on the agenda of this event was the spending of national and EU funding. Over 200 municipal leaders from 68 local authorities attended this professional forum.

20 Estimate based on market share using <http://www.novekedesihitel.hu/> sources.  
21 A significant part of FGS loans was disbursed to agricultural firms, therefore relevant information is also available there.  
22 A smaller proportion of customers first entered into a contract with us after they had been granted the funding.



### 2.3. Agricultural customers

As funding application consultant, OTP Hungaro-Projekt Kft. filed 115 EU funding applications on behalf of its clients in 2017. Of the applications filed mostly in 2016 but evaluated in 2017, 141 were granted funding, worth a total of HUF 24 billion. The applications were submitted under the Rural Development Programme, the Economic Development and Innovation Operational Programme and nationally financed R&D&I programmes. The applications financed under the Rural Development Programme frequently incorporated energy efficiency and renewable energy components.

#### INNOVFIN

**BG** DSK Bank signed a cooperation agreement with the European Investment Fund (EIF) for the financing of SME's under the European Commission's InnovFin initiative, for a total of EUR 15 million. Underlying this agreement is the EU's Horizon 2020 research and development programme. EIF's guarantee enables DSK Bank to develop preferential borrowing terms for SME's that would otherwise not be able to access funding.

**SK** OTP Banka Slovensko offers a number of products to help SME's. Pursuant to a refinancing framework agreement with the EBRD, we provide a dedicated loan product for investments to increase energy efficiency and reduce carbon emissions. The loans developed with the help of EIF contribute to social progress through financing startup companies, while the JEREMIE loan supports SME's.

**RS** OTP's subsidiary in Serbia is planning to introduce an EBRD loan in 2018.

**ME** In 2017 CKB Bank expanded its cooperation with EIF in the financing of SME's. The guarantee agreement with the Employment and Social Innovation EU Programme (EaSI) will help 700 Montenegrin businesses access finance totalling HUF 1.5 billion over the next five years.

**OTP Group is dynamically developing its services to customers in the agricultural sector. OTP Bank currently holds a 17% share in the financing of agriculture and its aim is to increase that ratio further.**

#### Double SAPS

**BG** **HR** **RO** **SK**

The pre-financing of land-based subsidies is the leading agricultural product of our banks operating in EU Member States. 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 countries. We granted pre-financing for land-based subsidies for 75,000 hectares of cultivated land in Hungary.

#### GREEN CORRIDOR

Following the introduction of funding opportunities under the Rural Development Programme, there has been a significant increase in the number of agricultural projects benefiting from funding; demand for pre- and co-financing starts to increase steeply at the end of 2017, following the funding application decisions. In order to serve this demand, we have developed a streamlined process called 'Green corridor', which has a number of standardised components. As part of this service, 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.

#### LAND TO FARMERS!

In 2017 we continued to finance the purchasing of state-owned cultivated land in Hungary, under the Funding for Growth Scheme. We lent HUF 3 billion to finance the project and also took over from MFB a portfolio of nearly HUF 8

billion. As a result, we held a portfolio of loans for the purchase of cultivated lands for a total of HUF 34 billion as of the end of 2017.

#### OTP AGRICULTURAL CROSS-BORDER BUSINESS FORUM

**HR** **RO** **RS** **SK** **UA**

Our experience from the cooperation between branches on either side of a border have been positive. Relationship managers working together ensure that our customers can now receive services that are within the same bank regardless of which side of the border they are on. In 2017 we held our OTP Agricultural Cross-Border Business Forum in Szeged, providing a venue for B2B business discussions. Our customers took advantage of this opportunity and welcomed the event, which we therefore plan to repeat in 2018.

**RO** In cooperation with Groupama Insurance, we designed and introduced a credit product underpinned with insurance in Romania.

**BG** **RU** Our subsidiaries continued to enhance their agri-market business lines. In 2017 DSK Bank completed its agricultural business development plan. Our subsidiary in Russia started its survey of the market in preparation for developing its agricultural business line.



**pre-financing of land-based subsidies for 75,000 hectares of cultivated land**



**HUF 34 billion lent for purchasing cultivated land**

## 2.4. Large corporate projects with social and/or environmental benefits

As in previous years, several projects with environmental and social benefits were implemented by OTP Bank and its subsidiaries in 2017.

COMPANY	NUMBER AND PURPOSE OF NEW PROJECTS IN 2017		Total number of projects and loans outstanding, 31.12.2017
OTP Bank	1	finance LEED 'Gold' certified office building development	business secret
	1	new bioethanol plant (abroad)	business secret
DSK Bank	7	energy efficiency, renewables	63, HUF 29.7 billion
	4	waste management, sewage management	
	2	healthcare	
	2	municipal infrastructure development	
OTP Bank Romania	47	energy savings, renewables	119, HUF 15.0 billion
	16	waste management	
	3	municipal infrastructure development (EU), training	
CKB Bank	6	water and waste management	72, HUF 9.0 billion
	12	healthcare and social work	
	7	education	
	2	government administration and military	

STRATEGIC GOALS
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)



II./3.

## ETHICAL BUSINESS BEHAVIOUR AND SECURITY

The practice of ethical operations makes a significant contribution to the Bank's competitiveness and recognition both in Hungary and internationally.

- ▶ ▶ ▶ RISK MODELLING SOFTWARE
- DUE DILIGENCE CENTER
- REVAMPED IT SECURITY RISK ANALYSIS





OTP Group considers essential and prioritises its compliance with statutory requirements and the principles of fair and ethical operations. We are convinced that the practice of ethical operations makes a significant contribution to the Bank's competitiveness and recognition both in Hungary and internationally.

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



Ethical business behaviour

2016 COMMITMENTS	2017 RESULTS
Transition the entire Group to the use of the AMA approach.	Our Serbian subsidiary has completed its implementation and CKB Bank has also filed a request for the same. Whereas our subsidiaries in Croatia and Romania will use the new SMA methodology, which will enter into force only in 2022.
Issue standardised guidelines for subsidiary banks on investor protection procedures.	<b>Implemented through professional guidance and coordination.</b>
Introduce consistent risk management activities across the Bank Group.	<b>Implemented.</b>
Accept and introduce the revised IT security risk analysis.	<b>We revised the methodology and carried out risk analysis accordingly in 2017.</b>
Install security software protecting ATM's against software attacks.	Rollout is ongoing and installation was completed on two thirds of the machines by the end of 2017.
Strengthen the professional cooperation between OTP Bank and the Hungarian subsidiaries.	<b>Implemented.</b>
Comply with the requirements of the General Data Protection Regulation (GDPR) (2018).	Implementation is in progress, the requirements will be complied with by the deadline.
Standardise across the Group the frameworks and methodologies of the risk management models.	The roll-out to the subsidiaries carries over to the beginning of the next year. The model inventory contains all the models in use at the bank.
Bank security development plan for subsidiary banks based on Code of Best Practice.	The foreign subsidiaries comply with the parent bank's standards.
Increase employees' security awareness.	All our employees took part in e-learning courses to improve their information security awareness.



3.1. Compliance<sup>23</sup>  
and adherence to laws  
and regulations

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

REGULATION

Compliance with the law is defined in the Organisational and Operational Regulations and OTP Banking Group's Governance Regulation. In addition, our entire regulatory system underpins our compliance with the statutory and supervisory requirements. All our internal regulations are reviewed by our legal, compliance and internal audit departments.

We have incorporated in our internal regulations and practices the recommendations formulated by the Central Bank of Hungary (MNB) in its two consumer protection recommendations issued in 2016. Our New Product Policy applies to any product launched or significantly modified as of the beginning of 2017. Accordingly, we satisfy the following requirements:

- specify precisely the new product/service and the target market in the event of standardised use,
- describe the general decision process and the departments involved in it,
- integrate product monitoring and governance measures in the governance, risk management and internal audit frameworks,
- name the control functions and the departments responsible for overseeing them,
- analyse and describe the potential risks for the consumer,
- regular product reviews.

Following changes to statutory requirements (MiFID2, PRIIPs) and the recommendations of the supervisory authorities (MNB, ESMA, EBA), we have reviewed and modified our product development for deposit and investment services, and several processes in our advisory, product referral and customer information processes. Our subsidiaries oper-

ating within the European Union prepared for MiFID2 implementation with standard professional guidance and project management support from OTP Bank. We have started the preparations for compliance with the PSD2 (Payment Services Directive 2) requirements. The Directive will open up markets to new payment service providers and services from 2019. It states that account manager banks will have to work with these new types of service providers and it will tighten the security and complaint handling rules.

Cooperation will be obligatory in the following fields:

- payment initiation services
- account information services
- payment service provider issuing card-based cash substitute payment instruments.



Our Bank has amended the relevant general terms and conditions and complaints handling procedures to comply with the above. PSD2 also opens up business opportunities for the Banking Group, and we have started work in multiple directions in order to enhance the functions and the customer experience in OTP Mobil's business lines.

Due Diligence Center

OTP Bank set up its Due Diligence Centre as a dedicated organisational unit within its risk management function. The Centre is responsible for the coordination of compliance and anti-money laundering due diligence<sup>24</sup> requested by OTP Group's partner banks and other financial institutions as well as the members of the Group:

- responding to the numerous questionnaires received by the bank and assessing the handling of anti-money laundering and compliance activities, and coordinating and checking the responses of the subsidiaries;
- compiling and sending out outgoing questionnaires, and evaluating them in terms of compliance.

The questionnaires are typically sent by or to correspondent partners, custodians and other banks planning to enter into a relationship with OTP Group members. Once the relationship has been established, compliance is regularly monitored in both directions. OTP Bank's questionnaires are based on the EU's AML Directive and the Wolfsberg Group's due diligence questionnaire.

In 2017 we handled approximately 350 questionnaires. There was not a single case of potential partners rejecting an OTP Group member on the grounds of non-compliance. OTP Bank evaluates the questionnaires it requests on several levels and its Due Diligence Forum decides whether the relationship can be established and what risk category to assign it to.

23 Compliance with legislative requirements, international norms and standards of ethical business conduct  
24 Átvilágítás

## OPERATIONS

The operation of the compliance and legal function became more proactive in 2017. Besides responding to events ex post and providing advice, we now give higher priority to analysing risks and processes so that we can better prepare for handling them. The forecasting of statutory requirements and the introduction of the advance discussion of lobbying plans are good examples.

It is primarily through the Banking Association that OTP Bank contributes to the drafting of legislation concerning the financial sector; documentation issued for comments under the public administration consultation process is provided to us via the Association of Investment Services Providers. With OTP Bank's active contribution and the help of the compliance committee of the Banking Association, the requirement for a compliance function that is independent of business activities was added to the Act on Credit Institutions and Financial Enterprises in 2017.

In order to standardise legal operations across the Group, the foreign subsidiaries implemented the best practice codes in 2017 by complying with the requirements formulated on the basis of analysing the divergences from best practice. As a result, legal support activities have been standardised across the Group and the legal functions now operate with the same shared principles. In 2017 the Hungarian subsidiaries completed the integration of their legal operation, intensifying professional contact and information exchange of the legal functions.

## COMPETITION LAW TRAINING

We provided a law seminar for volunteer participants regarding competition law. The presentations focused mainly on the rules and best practices relating to restrictive, anti-competitive agreements (horizontal, vertical), the abuse of dominant economic positions, information exchange and general compliance with competition law. We are planning to deliver competition law training to the acquisition function in 2018.

## CODE OF ETHICS AND WHISTLEBLOWING

Our Group-wide Code of Ethics and Conflict-of-Interest Regulation have not been modified. Splitska banka of Croatia and Vojvodjanska banka of Serbia are in the process of adopting the rules and connecting into the whistleblowing system (a line for reporting on ethical matters anonymously). Our anti-corruption practices are summarised in, and regulated by, our Human Risk Management Regulation, Conflict-of-Interest Regulation and Code of Ethics. We continue to require all new hires and all new members of the Board of Directors and the Supervisory Board to complete training on the Code of Ethics and to submit to it, and we also provide them with information about the Conflict-of-Interest Regulation. We give advance notification regarding human risk due diligence checks to the persons in the relevant positions and request them to sign a declaration of consent.

**HR** **SK** During the year, there were a total of 25 whistleblowing reports to the ethics line across the Group. We found that 5 of these reports were not on a matter of ethics and therefore treated them as complaints. We found ethical offences in five of the reported cases. In one instance we fired an OTP Bank employee for disclosing personal data to an unauthorised person; in two cases, the Ethics Committee of the Slovakian subsidiary decided to serve written warning on the employee, and in two other cases the Croatian subsidiary Splitska banka instituted disciplinary proceedings. An additional whistleblowing report at OTP Bank led to a human security inspection and revealed a series of instances of internal fraud. Following the discovery of this case, we terminated the contracts of several employees and reported the crime to the authorities. There was one instance of whistleblowing regarding equal opportunities; the investigation did not identify any wrongdoing.

Responding proactively to global events, we are going to investigate ways to protect our employees more effectively from sexual harassment and ways for handling potential complaints in an increasingly productive manner.



**350 due diligence questionnaires managed**





Proceedings by authorities and other legal procedures

PROCEEDINGS BY AUTHORITIES AND OTHER LEGAL PROCEDURES CLOSED IN 2017	OTP Bank*						
	Number of closed proceedings	Amount of fines paid (HUF million)	Number of procedures closed with fines	Number of procedures closed with non-financial sanctions	Number of procedures closed in the framework of conflict management procedure	Number of procedures closed with acquittal	Number of procedures converted into court procedures
violation of competition rules**	0	0	0	0	0	0	0
violation of consumer protection rules	3	14.3	2	1	0	0	0
violation of rules on equal opportunities	0	0	0	0	0	0	0
supervisory procedures	1	1	1	0	0	0	0
violation of taxation rules	4	0	4	0	0	0	0
violation of environmental protection rules	0	0	0	0	0	0	0
other procedures that may result in the imposition of fines***	250	0	0	3	1	246	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.  
\*\*\* Including cases heard by the Financial Arbitration Board.  
 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.  
For 2013 data, see page 65 of the Corporate Social Responsibility Report for 2013.

PROCEEDINGS BY AUTHORITIES AND OTHER LEGAL PROCEDURES CLOSED IN 2017	OTP Group*						
	Number of closed proceedings	Amount of fines paid (HUF million)	Number of procedures closed with fines	Number of procedures closed with non-financial sanctions	Number of procedures closed in the framework of conflict management procedure	Number of procedures closed with acquittal	Number of procedures converted into court cases
violation of competition rules*	110	0.5	37	1	35	35	2
violation of consumer protection rules	239	20.5	90	6	45	65	33
violation of rules on equal opportunities	0	0	0	0	0	0	0
supervisory procedures	1,130	37.3	1,126	0	1	3	0
violation of taxation rules	8	0.4	6	0	0	0	2
violation of environmental protection rules	0	0	0	0	0	0	0
other procedures that may result in the imposition of fines	295	60.0	31	3	1	252	8
Total 2017	1,782	118.7	1,290	10	82	355	45
Total 2016	822	571	172	49	67	465	16

There are four ongoing competition law proceedings against OTP Group members: two against OTP Bank, one against OTP Banka Slovensko and one against OTP Bank Russia.  
\* Also includes breaches of antitrust and anti-monopoly rules.  
 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.

Although compliance is a priority for us, a few fines were imposed on members of our Banking Group. Significant fines were imposed in the following cases:

The Central Bank of Hungary (MNB) audited Merkantil Bank's compliance with the rules on the provision of credit and cash loans. In its proceeding, it found a number of irregularities concerning internal rules and processes; it ordered the Bank to amend these and also imposed on it a fine of HUF 58 million.

MNB conducted a comprehensive end-to-end audit of the operations of OTP Fund Management. On the basis of its audit, the Central Bank ordered OTP Fund Management to modify several practices (e.g. risk management, internal controls, annual reporting) and it imposed a fine of HUF 35 million.

An audit by the Central Bank of Hungary found OTP Bank to be in breach of the legislative provision on the mediation of financial services in the course of sales combined with product demonstration. It found that the financing method categorisation of 15 of the randomly selected consumers were

wrong. MNB imposed a HUF 12.8 million fine in this case.

MNB imposed a fine of HUF 1.5 million on OTP Bank for a breach of the statutory requirement on the provision of information prior to selling financial services. During mystery shopping for transacting with us, the Central Bank found that the Product Information document and the Announcement contained mismatching information.

**HR** OTP banka Hrvatska was fined in four consumer protection cases, but the court proceedings ended with the acquittal of the Bank.

For the handling of disputes concerning contracts between consumers and financial service providers, the Financial Arbitration Board (FAB) operates as an efficient alternative forum for out-of-court dispute settlement in Hungary. The cooperation between the Board and our Group has remained stable, and in the majority of FAB-proceedings, customers accepted the agreement offered by us. In 2017 there were 250 procedures closed without a fine, 3 cases in which the Financial Arbitration Board imposed a non-financial sanction and one case in which it issued a recommendation.

### 3.2. Debtor protection


#### DEBTOR PROTECTION OPTIONS

There were no significant changes in the debtor protection options in 2017<sup>25</sup>. Owing to the conversion programmes implemented in several countries in recent years and the significant fall in the proportion of defaulted debt, the importance of debtor protection programmes has decreased considerably. Few customers, typically less than 1% in each product group, avail themselves of this opportunity, even though we have been more proactive than before in recommending the debtor protection options to our customers. Our customers resort to debtor protection in larger numbers only in Ukraine, with mortgage loans, but the expectation is that new application numbers will fall there too. In Hungary, a total of 15,000 customers took part in the debtor protection programme during the year, predominantly by signing an agreement to reduce the facility amount of their overdraft facility debt. At the subsidiaries, loan restructuring was the most typical option.

In Hungary, we continued to work with the National Asset Management Agency in 2017 to ensure long-term housing for heavily indebted and vulnerable families. In 2017, OTP Faktoring Zrt. submitted the documentation of 1,218 properties to the National Asset Management Programme. There was one eviction.

#### PORTFOLIO QUALITY

Credit portfolio quality improved significantly across the Banking Group. Even at the consolidated level, the proportion of loans over 90 days past due fell below 10% (it was 9.2% at the end of 2017). The total DPD 90+ loan portfolio increased by HUF 51 billion (without disposals/writeoffs, FX-adjusted and consolidated), representing a significant further decrease compared to recent years. Investors are regularly informed about delinquent loans in sufficient detail; for more information visit the website

 Ethical business behaviour



25 The options available: term extension, (partial) suspension of repayment or a combination of the two, refinancing loan, credit line reduction contract, instalment plan, amendment of the credit facility.

3.3. Development of risk management systems

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

LENDING RISKS

In alignment with the goals in our Risk Management Strategy, we continued in 2017 to develop our unified framework of analysis and modelling, accelerate the reduction of the weight of non-performing loans and return customers in arrears to a course of normal repayments.

- We developed Group level standards for the risk parameters of the different loan products.
- Started in 2016, the process of replacing OTP Bank's credit approval system continued and the personal loan approval procedures have been completely overhauled. The same process will be completed for POS loans and credit cards in 2019.
- With mortgage loans, we reviewed the financing ratios (credit/collateral value) and the relevant frameworks.
- We have written an internal regulation concerning the financing and risk assessment of solar power station projects in networks.
- In project finance, we have tightened and deepened the analysis of ownership structures in order to ensure that we focus our project financing even more on reliable professional investors with appropriate references and good capital standing.
- As a result of our cooperation with partners in academia, we have set up our own risk modelling server, where open source tools provide access to the latest algorithms.

OPERATIONAL RISKS

We continued the evaluation of our business and accounting models used across a variety of areas in our banking operations (credit scoring model, CRM model etc.) and introduced a Model Governance Framework at the parent bank. In 2018 the Framework will be rolled out to the foreign subsidiaries too.

Our focus has shifted from identifying risks to managing them as efficiently as possible. We have automated the required monitoring of actions and results with the help of IT support. In addition to country-specific key risk indicators, we have defined Group level indicators. Key indicators include, for instance, the number of justified complaints, the number of priority IT incidents, the workload of branch employees etc. We increased monitoring frequency to ensure faster responses.

The parent bank introduced its risk appetite framework regarding operational and reputational risks. We plan to roll out the framework to the subsidiaries in 2018. The framework 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.

**ME** **RS** As required by MNB, OTP Bank subsidiaries continued to work on transitioning to the Advanced<sup>26</sup> Measurement Approach in calculating the capital requirement for operational risk<sup>27</sup>. As these rules are expected to change in 2022, banks other than our Serbian and Montenegrin subsidiaries, which filed their accession requests in 2017, will not adopt this methodology.

RISKS

According to its self-assessment, the Banking Group's most significant operational risks in 2017 concerned the customer, business practice, market and product policies of its retail banking business line; external fraud

represented increased risk and legal risk was rising. Administrative risks are increasing given the continued expansion in rules and regulations. Similarly to other high-impact but low-likelihood risks, we conducted scenario analyses for the management of software attacks and risks concerning data assets. Our IT systems in Russia and Ukraine shut down several times and OTPdirekt was subject to some outages in Hungary.



26 AMA methodology: Advanced Measurement Approach.  
27 The Group level capital requirement for operational risk provides coverage for both expected and unexpected losses.





Megbízunk egymásban.

3.4. Enhancement of the security of banking systems

It is a considerable challenge to ensure security while also enabling our customers and employees to use our systems and services in a convenient, user-friendly way.

ATTEMPTED CRIMES

The real challenge is posed by the various forms of intellectual crime; credit fraud and card fraud remain high-priority issues across the Group. The prevalence of credit fraud has fallen significantly in recent years, while in card fraud there has been an increase in online forms of fraud. Unlike at other members of the Banking Group, our Montenegrin subsidiary suffered its highest losses due to employee fraud, while our Croatian subsidiary reported fraud as well as multiple cases of ATM robbery. In continuation of the trends of recent years, there were practically no successful violent crimes (e.g. bank robberies or burglaries).

In 2017 the financial sector was exposed to serious information technology crimes and cyber attacks; the number of attacks on our Bank also rose but none of the attacks succeeded and no data was lost thanks to our security measures and tools.



PREVENTION AND PROTECTION

The Bank is adequately protected against illicit acts in the intellectual crime category, and also provides adequate protection to its customers, which is clearly confirmed by statistical data. Across the Group, all our subsidiaries reported lower ratios of card fraud to turnover than the card company figures published European countries and globally. For years now, OTP Bank has had an incidence rate of fraud that is an order of magnitude lower than the European average published by MasterCard. Our successful preventative measures are evidenced by the numerous card fraud failures.

For the purposes of prevention, we focus on the solutions we apply (technical, regulatory and practical) as well as raise awareness. In 2017 our parent bank completed its annual IT security risk analysis relying on a wholly revised and redesigned methodology, and a detailed action plan was produced as a result. We continue to install on our ATM's the security protection required to protect against software attacks; installation was completed on two thirds of OTP Bank's ATM's by the end of 2017. There were no successful attacks at any of these ATM's.

Our awareness programmes are geared towards employees and customers alike. We delivered a total of 437 on-site courses to branch employees aimed at the management of the security risks associated with their jobs and at raising awareness of security. 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). The subsidiary banks deliver training in a similar way, under the parent bank's supervision.

During the year all our employees took part in e-learning courses to improve their information security awareness. Staff demonstrated the knowledge acquired at examinations.

Our customers are palpably more aware of security issues, yet crimes involving the theft of bank cards and PIN codes stored together with them are still frequent. Whenever a phishing or IT attack is made on the Bank or its customers or lottery fraud is committed, we issue the relevant information on the Bank's website and also inform the branch network, the media and the supervisory authorities.

**HR** In 2017 OTP banka Hrvatska again published information materials on its internet and mobile banking platform and on its Facebook page.

PROTECTION OF DATA ASSETS

The bank identifies as a priority duty the protection of the sensitive data of customers and the bank in accordance with the applicable legal and regulatory requirements, especially as banking information systems are defined in Hungarian law as falling under the scope of the Act on Critical Infrastructure. We have in place and develop processes and systems to protect our data assets. To ensure data management integrity and data security and to prevent data leakage, the Bank applies cutting-edge information technology and security solutions.

The entry into force of the EU General Data Protection Directive (GDPR) in the first half of 2018 imposed a considerable workload on the affected members of our Group. In order to comply with the GDPR, we have reformed our system of data owners. We are going to have nearly 70 data owners, some of them newly hired, and the Bank's various organisational units will be responsible locally for ensuring compliance with the requirements formulated in the GDPR (e.g. supervising personal data processing, the principle of data minimisation, the processing of high-risk data).

ABUSE OF PERSONAL INFORMATION	OTP Bank				OTP Group			
	2014	2015	2016	2017	2014	2015	2016	2017
complaints from external parties, the justification of which was confirmed by our organisation	0	0	1	14	25,659*	18,131*****	1	15
complaints received from regulatory authorities	0	0	5	2	1,686**	1567*****	12	2
customer data leaked (number of customers concerned)	0	0	0	8	0	0	0	35
customer data stolen (number of customers concerned)	0	0	0	0	32,000***	0	0	0
customer data lost by the organisation (number of customers concerned)	0	0	0	0	31,364****	0	0	0

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

\* Complaints concerning OTP Bank Russia raised as a result of stricter legal requirements regarding personal data.  
\*\* 97% 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.

STRATEGIC GOALS
Compliance with GDPR and PSD2 requirements
Continue the replacement of credit approval systems
Group level regulation of the principles and procedures of compliance with sanction provisions and the protection of good reputation
Establish a 24/7 cybersecurity centre at OTP Bank






II./4.

## RESPONSIBLE EMPLOYER

The expertise of our employees is our most valuable asset. We aim to provide our talented and committed employees with attractive organisational and working conditions, where they can see their long-term future.

- ▶ ▶ ▶ TALENT PROGRAMME
- CAREER PATHS
- CAREER STARTER PROGRAMME
- NEW EMPLOYEE FORUMS

 In 2015 OTP Bank and several subsidiaries launched comprehensive programmes to enhance their organisational culture and overhaul the background processes and systems that underpin it. continually adapt the organisational frameworks to the changing expectations.

 A key to our business successes is the continued enhancement of our colleagues' ability to learn, in addition to which we as employers must continually adapt the organisational frameworks to the changing expectations.

 Once more on the rise in recent years, acquisitions pose organisational challenges but also offer opportunities for benefiting from synergies, discovering other organisational cultures and learning.

2016 COMMITMENTS	2017 RESULTS
Renew the organisational culture: <ul style="list-style-type: none"> <li>• devise bank talent programme,</li> <li>• renew and reform performance management,</li> <li>• expand career paths,</li> <li>• renew and reform recruitment.</li> </ul>	The programme is progressing on plan.
Upgrade OTP Bank's image as an employer.	Certain components of the programme have been implemented; completion is expected in 2018.
Review and publish OTP Bank's new Health and Safety Policy.	<b>The Policy entered into force in 2017.</b>
Roll out the system of 'Best Practice Codes' to support access to best practices at Group level.	<b>The programme has been implemented.</b>
Splitska banka and OTP banka Hrvatska integration.	The integration, which is combined with an enhancement of organisational culture, is expected to be completed in 2018.
Complete OTP Bank Romania organisational culture programme.	<b>Implemented</b>



For our basic principles and comprehensive objectives relating to employees see our website:

 [Responsible employer](#)



4.1. Organisational culture, employer image

In order to establish a base of talented and committed employees, it is important to decide what we can and what we intend to offer our existing and future employees.

We believe OTP Bank has a number of attractive values as a workplace. In the past, however, we did not take stock of these values and did not coordinate their strengthening or modification. In 2017 we carried out a comprehensive survey with 2700 in-house and external participants, and identified four values as a result:

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

**RO** **UA** We are working on reinforcing and raising awareness of these values within and outside the Bank so that we can work with employees who can and wish to identify with our values. Besides OTP Bank, OTP Bank Romania and OTP Bank Ukraine also gave priority to enhancing our image as employers and reforming our organisational culture in 2017.

**HR** Our Croatian subsidiary also conducted an exhaustive survey of the organisational culture of OTP banka Hrvatska and Splitska banka. The combined integration and development process is planned for 2018.

4.2. Employment

Headcount

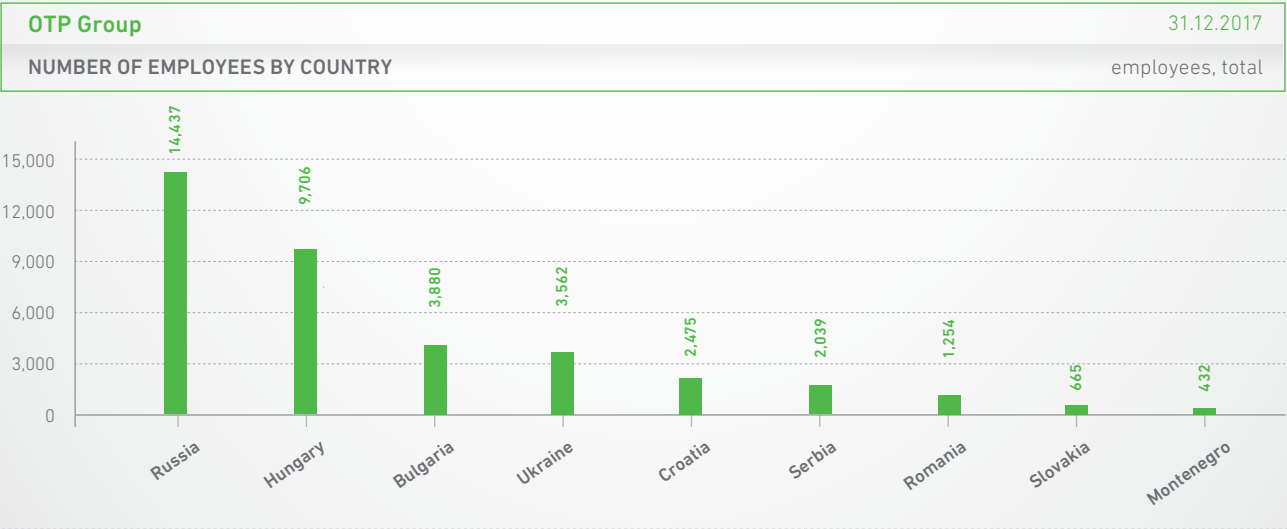
In 2017, employee headcount of full-timers as well as part-timers working more than 60 hours per month at OTP Group stood at almost 39,000.<sup>28</sup> (The table and the employee statistics do not include the figures from Vojvodjanska banka of Serbia, as its detailed employee data is not yet available.)

**HR** **RS** The largest factor contributing to the headcount change at the Group was the acquisition of Splitska banka of Croatia and Vojvodjanska banka. The employee headcount of our Croatian operation grew by 1300 and thus almost doubled, whereas the Serbian operation saw its headcount more than treble, growing by 1400. Adjusted for the above impacts, the Group's headcount has remained essentially unchanged.



More than 38 thousand employees at OTP Group

Following its acquisition of AXA Bank at the end of 2016, OTP Bank had surplus headcount in some areas and laid off 47 employees in a single move. These employees were not all AXA Bank staff; their jobs, primarily in back-office areas, became redundant as we eliminated duplications.



<sup>28</sup> Some of our employees, 6,535 people in 2017, work as contracted agents in Russia and Ukraine. In addition, we have contracts with a total of over 32,000 agents in the two countries.



EMPLOYEE HEADCOUNT (as of 31 December)	OTP Group												
	2013	2014			2015			2016			2017		
	Total:	Total:	Men	Women	Total:	Men	Women	Total:	Men	Women	Total:	Men	Women
Full time employees	36,792	36,427	7,804	28,623	34,118	7,265	26,853	34,453	7,483	26,970	35,658	8,072	27,586
Part time employees over 60 hours a month	1,265	1,549	265	1,284	1,579	250	1,329	1,356	158	1,198	1,229	177	1,052
Statistical headcount, total	38,057	37,976	8,069	29,907	35,697	7,515	28,182	35,809	7,641	28,168	36,887	8,249	28,638
Part time employees below 60 hours a month	5,332	128	16	112	138	17	121	141	26	115	142	30	112
Employees, total	43,389	38,104	8,085	30,019	35,835	7,532	28,303	35,950	7,667	28,283	37,,029	8,279	28,750
Proportion of women	78%	79%	-	-	79%	-	-	79%	-	-	78%	-	-
Proportion of men	22%	21%	-	-	21%	-	-	21%	-	-	22%	-	-
Proportion of those employed under fixed term contracts	37%*	8%**	8%	8%	9%	8%	10%	7%	5%	7%	7%	6%	8%
Number of those employed under fixed term contracts	15,921	2,961	654	2,307	3,381	626	2,755	2,399	398	2,001	2,669	475	2,194

The figures are accurate and originate from our in-house records.

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

\*\* 97% of OTP Bank Russia's employees are now employed under contracts for an indefinite term.

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

EMPLOYEE HEADCOUNT (as of 31 December)	OTP Bank												
	2013	2014			2015			2016			2017		
	Total:	Total:	Men	Women	Total:	Men	Women	Total:	Men	Women	Total:	Men	Women
Full time employees	7,332	6,806	1,955	4,851	6,707	1,961	4,746	6,981	2,091	4,890	7,261	2,238	5,023
Part time employees over 60 hours a month	765	1,165	167	998	1141	166	975	920	76	844	803	60	743
Statistical headcount, total	8,097	7,971	2,122	5,849	7,848	2,127	5,721	7,901	2,167	5,734	8,064	2,298	5,766
Part time employees below 60 hours a month	36	44	2	42	62	2	60	70	3	67	43	1	42
Employees, total	8,133	8,015	2,124	5,891	7,910	2,129	5,781	7,971	2,170	5,801	8,107	2,299	5,808
Proportion of women	74%	73%	-	-	73%	-	-	73%	-	-	72%	-	-
Proportion of men	26%	27%	-	-	27%	-	-	27%	-	-	28%	-	-
Proportion of those employed under fixed term contracts	9%	8%	8%	8%	9%	9%	8%	8%	8%	8%	9%	8%	10%
Number of those employed under fixed term contracts	734	635	167	468	687	178	509	658	165	493	758	192	566

The figures are accurate and originate from our in-house records.

At the end of 2017 OTP Bank had 5,982 agents.

## ADVOCACY

The members of OTP Group facilitate advocacy in compliance with the statutory requirements and are always willing to work 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 bank Hrvatska, OTP Banka Slovensko and OTP Bank Ukraine all have Collective Agreements in force.

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 60 days for OTP Bank Ukraine, it is 20 days 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. The minimum period of notice is set out only in OTP Bank Romania's collective bargaining agreement



LABOUR COMPLAINTS

During the year a total of 26 labour proceedings were closed concerning a member of OTP Group.

**HR** In 2 cases, the courts ordered OTP banka Hrvatska to pay out a total of HUF 10.1 million. These cases concerned the termination of employment contracts.

**RS** OTP banka Srbija was fined in 7 cases, for a total of HUF 200,000. The cases

concerned layoffs, overtime compensation and workplace injury.

**ME** CKB was involved in 16 labour lawsuits and paid fines amounting to a total of HUF 95 million.

OTP Bank was acquitted in a workplace injury dispute.

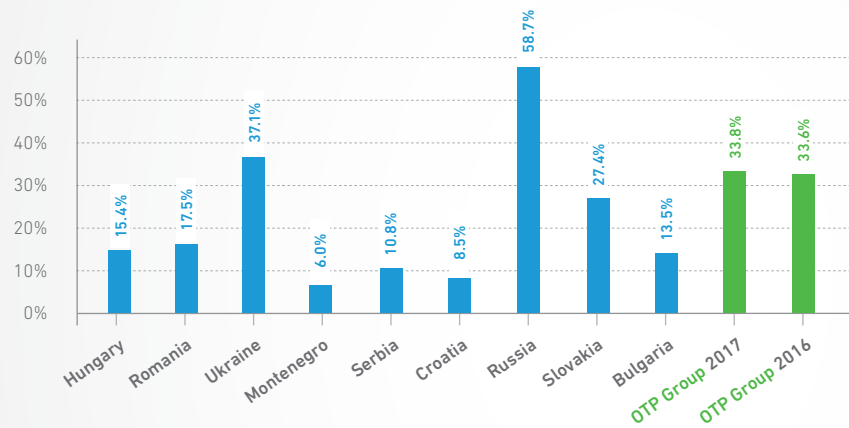
OVERTIME

Overtime volumes in 2017 were comparable to the figures measured in previous years; overtime tends to be concentrated in the branch network, on retail account management and in investment positions, whereas it tends to be lower in currency account management and commercial banking. We intend to reduce overtime by improving work organisation practices.

Employee statistics

OTP Group

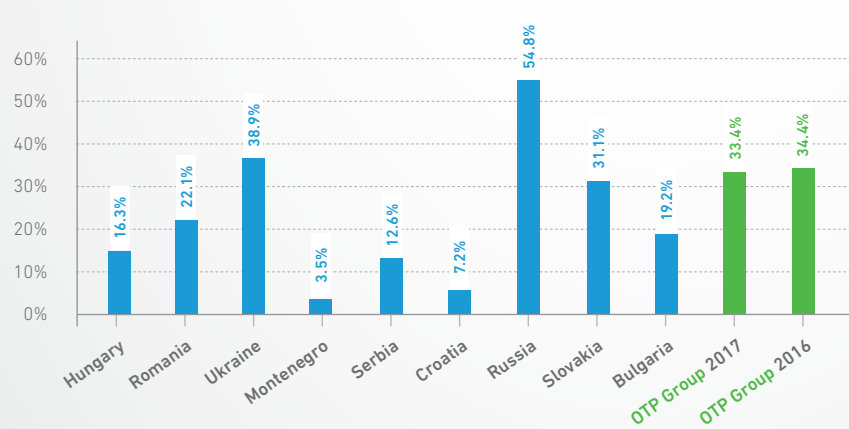
EXITING EMPLOYEES IN 2017 BY COUNTRY AS COMPARED TO THE CLOSING HEADCOUNT



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

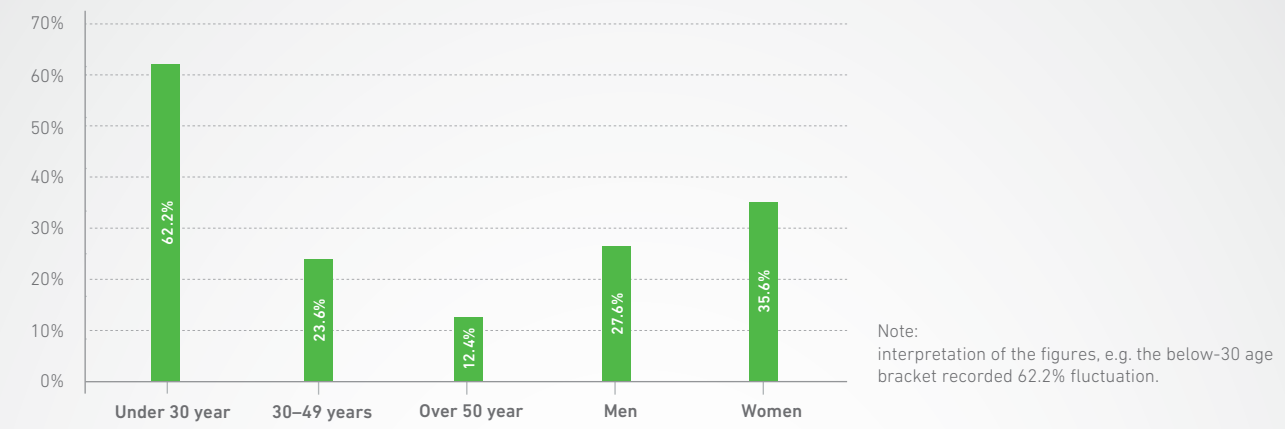
OTP Group

NEW HIRES DURING 2017 AS A PERCENTAGE OF THE CLOSING HEADCOUNT, BY COUNTRY



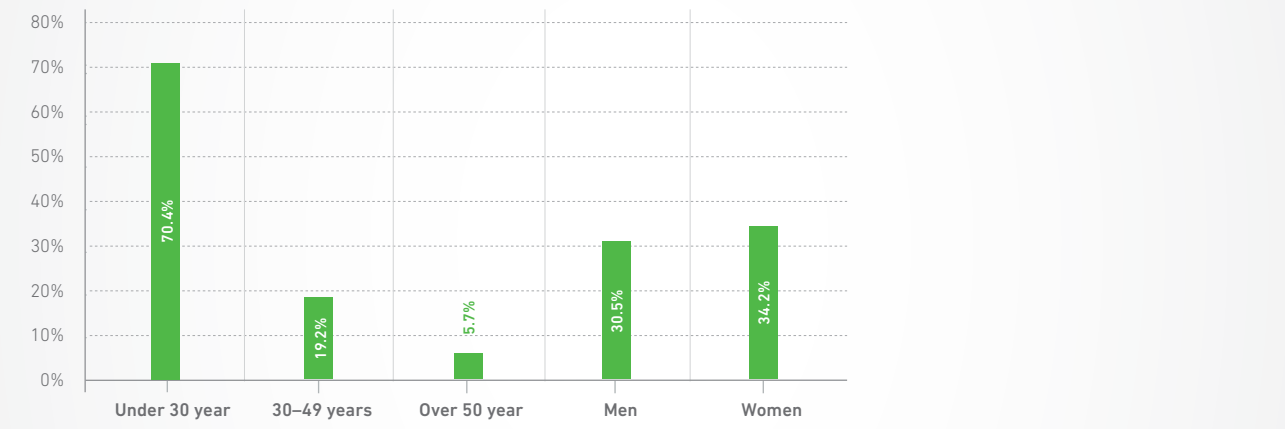
OTP Group
2017

PROPORTION OF EXITING EMPLOYEES  
WITHIN EMPLOYEE CATEGORY
as a percentage of the closing  
headcount of each category

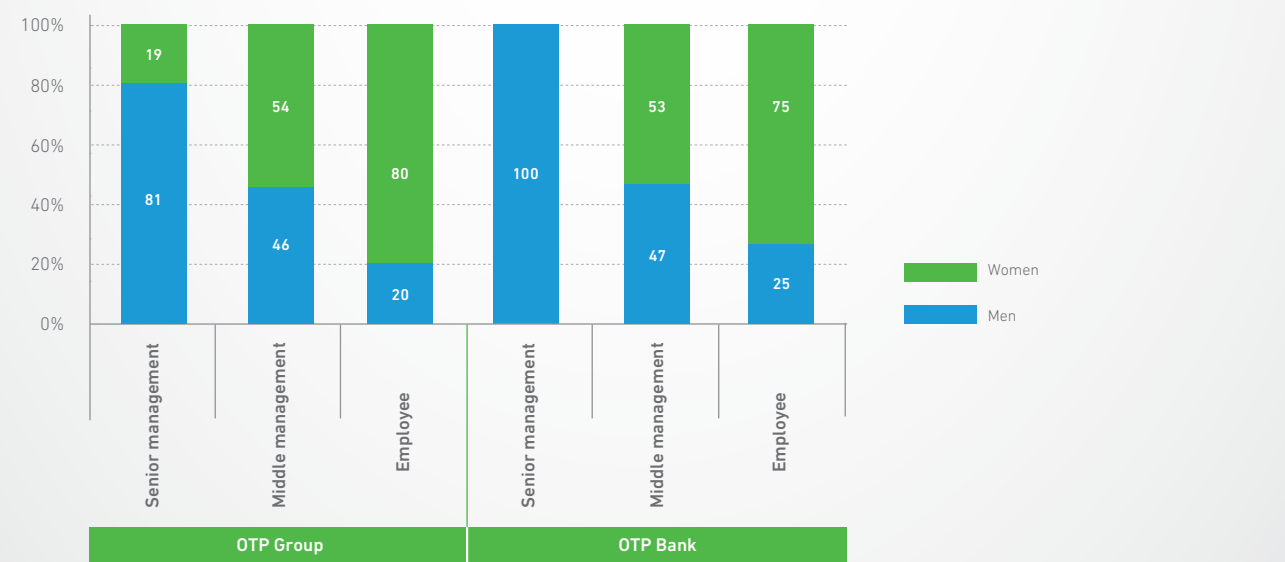


OTP Group
2017

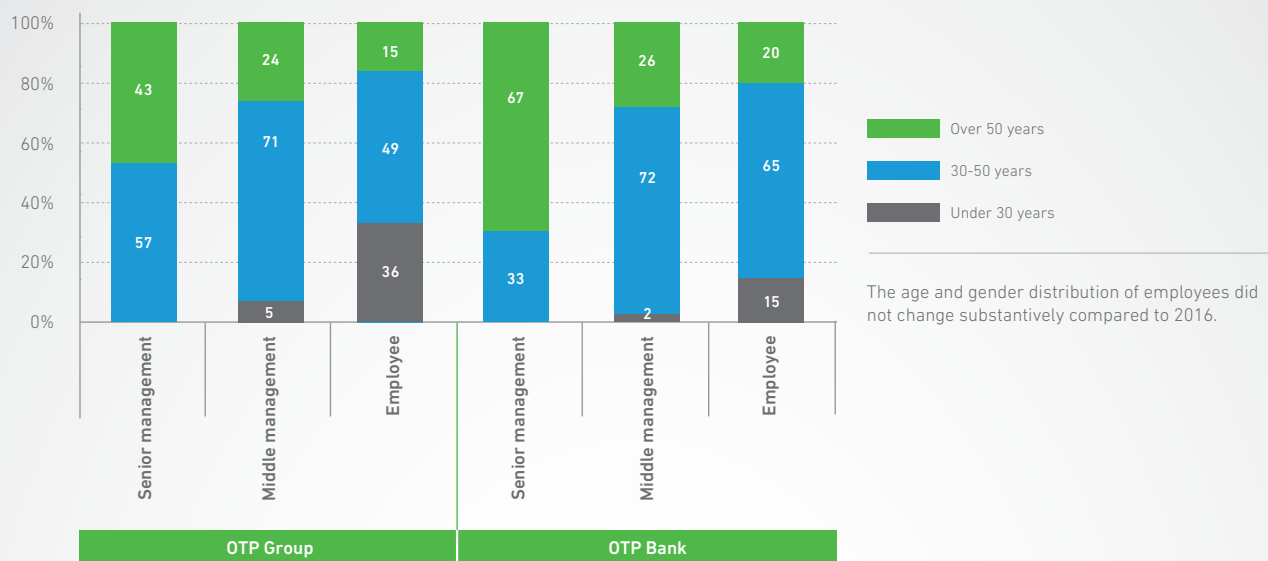
PROPORTION OF NEW HIRES  
WITHIN EMPLOYEE CATEGORY
as a percentage of the closing  
headcount of each category



EMPLOYEES BY GENDER AND REGION, AT EACH POSITION LEVEL
31.12.2017







In 2017, OTP Group had 333 disabled employees, almost the same number as a year before.

#### HR Diversity Charter

In 2017 OTP banka Hrvatska signed the Croatian Diversity Charter and it is planning to formulate its diversity policy and implement its action plan in 2018. The European Diversity Charter states and promotes among employers the European Union's principles of fighting discrimination and supporting equal opportunities at the workplace. Each Member State has its own diversity charter in place.

### Hiring and integration

OTP Bank has completed a significant development. Following recruitment, it has now digitalised the onboarding of new employees as well. This system makes integration easier for employees and managers alike as it provides promptly all the means and fundamental

authorisations necessary for starting work. In addition, managers can use a variety of tools to offer employees sources of information and important links customised to their needs. Prior to being hired, prospective employees can access information in another module regarding what they need to do and what they need to know about the Bank's community and values.

### Career starter programme

'We have started the pilot of our Career Starter Programme at the Back Office Directorate of the IT and Operations Division. Our main objective is to focus on educating our new generation of staff and on integrating university students into our organisation. The first team launched with 6 members, two of whom are now working for us as our employees. We wish to attract young people who can work well and are motivated and are receptive to the values of OTP Bank.

In the first step of this year-long programme, participants receive online e-learning training and they also need to successfully complete the Distribution of Financial Services Course. Afterwards they can learn about the complex, multi-activity processes at the Back Office Directorate and acquire operational knowledge through a personalised programme. We believe this is a good basis for building a subsequent career in the profession. We have worked with the organisation and took their needs and mentoring capacities into account when designing this programme. Our plans also include branch visits, where career starters will spend a few days under local mentoring. We are convinced that it is very important for them to learn about the work of 'the other side'. We have already liaised with one of the flagship branches in this matter, and they have expressed great enthusiasm for the idea.

Our impressions so far and the feedback received have been positive. Assessments after each work assignment completed at head office are an important part of the programme. They evaluate and are themselves evaluated. At the end of the one-year period (the first programme has not ended yet), an evaluation will be held with HR and business line employees also participating, where we can discuss how the career starters have been able to integrate into the organisation, which field they would be best suited for and what they themselves are most interested in.

Once the first round has been completed, we hope to roll out the programme to all areas of the Bank and to operate it systematically at the IT Division in particular.'

**Veronika Hegyiné Vizi**, Senior HR Specialist



## UNIVERSITIES

In 2017 the Group accepted a total of 766 interns. Group members apply different practices in their cooperation with institutions and for taking trainees; nevertheless, almost all of them maintain active links with higher education institutions.

In 2017 OTP Bank launched its internship programme with 37 participants. Feedback is positive, these young people integrate with ease, they have a sense of being useful and grow dynamically. Given the in-house demand and the large number of applicants, we plan to take on more interns in 2018.

We increased the number of students participating in the dual course provided in cooperation with Budapest Metropolitan University and continue to nurture our active relationships with other higher education institutions and universities. We take part in research projects and presentations and sponsor competitions and case studies.

The OTP Business Division announced its BusinessRace contest for students, who were invited to submit ideas for innovative solutions in the categories of corporate social responsibility and fintech. The proposals set out many unique ideas, which we now use in our daily operations; we have undoubtedly improved our links with universities and several competition winners are now part of our internship programme.



**766 interns  
at Group level**

## 4.3. Employee satisfaction measurement

Following its comprehensive review of its organisational culture in 2015, OTP Bank conducted a satisfaction survey among its employees in 2017. The survey was focused primarily on remuneration, training and education, recreation, recruitment, hiring and career opportunities within the organisation. The results show that our employees are most satisfied with the training and recreational opportunities but gave lower scores in the fields of remuneration and career opportunities. In order to improve satisfaction, we launched a number of programmes to widen the opportunities for switching jobs internally and making the process transparent, and we have also altered our performance assessment system, which will have an impact on remuneration too. We plan to conduct the satisfaction survey with regular frequency in the future.

**BG** DSK Bank regularly measures the attitudes of its employees regarding the key development matters at the bank and the decisions of the management.



## 4.4. Remuneration and rewarding of employees, career opportunities

### PERFORMANCE ASSESSMENT

A priority for the parent bank has been the revision of the foundations for its performance assessment and measurement system for head office employees. In the new appraisal system, employees receive personal feedback from their managers at least twice every year and are given their goals, which incorporate strategic as well as personal aims, on a third occasion. Instead of appraisal based on subjective criteria, as in the past, the managers now evaluate employees based on competencies, which are selected to match the particular job. Assessments are also the basis for decisions on development and training. In 2017 we tested this assessment system with the participation of 430 employees. We plan to roll out the scheme to all head office staff in 2018.

### CAREER PATHS


We continued to work on developing dual career paths, stating separately the conditions and opportunities for progress on a managerial versus specialist career path. As from 2017, most head office departments of OTP Bank have career maps. This arrangement has made career paths clearer and it has created advancement opportunities based on transparent principles and requirements. The career paths are also efficient in attracting, motivating and developing talented employees and have the advantage of providing a job structure that supports managers effectively. Career paths help managers and employees plan and successfully implement career level changes. The career paths system also supports internal mobility as employees can search based on knowledge, experience and skills. When introducing this system, we needed to allocate every employee to a specific career level, which led to some misunderstandings. In 2018 we will work on eliminating these and inform our colleagues in greater depth to ensure more thorough understanding. Specialist career paths are intended to make managerial and specialist progress equally attractive; our aim is to recognise and reward high-level specialist jobs with competitive remuneration.

## TALENT PROGRAMME

OTP Bank launched its talent programme with 127 participants. They were proposed for the programme by their superiors, and employees on managerial and specialist career paths were equally eligible. The programme also helped employees in their professional development and shaped their community role and attitudes; participants received, on average, 102 hours of development at 84 events. We developed a number of novel solutions, focusing on people-centred managerial attitudes and reinforcing the values of initiative and dynamism. Much of the development process was conducted interactively, in small teams. Given the positive feedback (88% satisfaction overall), we plan to continue the programme in 2018 but this time with fewer participants to achieve greater focus.

**UA** OTP Bank Ukraine launched a talent programme under the name Golden Ticket with the aim of filling open positions in the network with existing staff. Of the 100 persons signing up for the first round of the programme, 20 moved to a new position. After closing, evaluating and enhancing the first programme, we plan to select new applicants in 2018.

## 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 temporary employees. 

OTP Bank's remuneration and motivational tools and the ratio of performance-based remuneration to total salary remained fundamentally unchanged in 2017. Several group members raised remuneration in excess of the rate of inflation.

**UA** OTP Bank Ukraine once more increased salaries considerably in 2017.

## MORAL REWARDS

In 2017, members of OTP Group continued to reward colleagues and teams exhibiting professional excellence, especially in terms of business results. The group members handed out thousands of rewards across the Group.



**127 persons in OTP Bank's talent programme**

### OTP Bank

31 December 2017

#### RELATIONSHIP BETWEEN THE SALARIES OF MEN AND WOMEN, BY POSITION CATEGORY,

##### Senior managers



##### Middle managers



##### Employees



##### Average



### Responsible for Each Other Award

This award recognises teams at OTP Bank that prioritise community building and social responsibility. In 2017 the Digital Sales and Development Directorate was rewarded for its exemplary collaboration. In the course of one year, this active community of nearly 180 people implemented 20 different social activities and also regularly involved their relatives and friends in the programmes. Their work was aimed primarily at assisting disadvantaged children. They participated in renovating educational institutions several times, took puppet shows to kindergartens of disadvantaged children and collected donations in aid of children's homes and children in developing countries. They always try to combine the collections with experiences and education. Together with the Award, the Directorate received community-shaping funds of HUF 250,000.

4.5. Training and education

The professional training and competency development of employees is our priority. In 2017 OTP Bank continued to direct its competency development focus on the development of management skills, offering a number of novel methods for achieving the people-centred management model.

Training investments rose significantly across the Group, although with significant differences among the individual members. OTP Bank, OTP banka Hrvatska, OTP Bank Romania, OTP Bank Russia and OTP Bank Ukraine considerably increased their spending on training. OTP Group members spent HUF 1.4 billion on training, 40% more than a year before.

OTP Bank regularly examines what forms of training are the most efficient with a particular content and target group, and we also use the latest methodologies in our training courses. We also rely on the experience of the OTP Fáy András Foundation.

The Bank implemented the following programmes, focusing on management:

- We organised a management day, with 220 participants. At the conference ‘Flow at the Workplace’, Mihály Csíkszentmihályi and managers from OTP and other industry players exchanged their views on managerial responsibilities and duties and the day-to-day application of Flow Theory. Participants reported 82% satisfaction.
- At our BUKTA (Failure) event, two external and three in-house speakers examined the chances for error and how to deal with it. The feedback from the participants was highly positive.

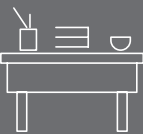
- We added seven new subjects to our managerial skills development training range (e.g. Self-knowledge and team efficiency, People-focused change management, Decision-making techniques with poker simulation, Innovation management). The programme is very popular: around 800 head office managers attended in the period from autumn 2016 to the end of 2017.
- We ran a female manager workshop series designated Fűszer (Spice). Our objective is to strengthen women managers in their role, help them on their path to self-knowledge, exchange information and build a community. 25 of the around 60 invitees attended the programme.
- We also offer in-house coaching to help manage intra-team conflicts. If requested by a manager, we can provide team coaching. We plan to employ in the branches persons with the dedicated role of helping with problem solving.

The training programme linked to opening new MFB Points plays a central role in the education of our employees. In order for well-trained employees to be available by the time of opening the Points, training on the legal background for both retail and corporate products had to be provided to a large audience within a short timeframe.

**BG** DSK Bank delivered training to develop personal and behavioural competencies to enhance its organisational culture and tested the motivations and integrity of its employees several times. Four employees of the bank attended the SEED Business Management Programme, two com-



HUF 1.4 billion spent on employee training



787,000 hours of training in a year, 21 hours/person

pleted coaching training and 59 took part in management and presentation skills training.

**UA** In Ukraine, the 52 Weeks of Management programme has ended; it involved managers taking part in online courses every two weeks. Those who achieved the best results were then invited to an informal programme with the CEO and members of the Board of Directors attending. The second cycle of the programme has started for new managers and personal mentors have been added to supplement the online courses.

**RU** OTP Bank Russia organised ‘Development Week’, a programme offering a variety of training courses to employees, among them courses on a wide range of management skills.

**SK** OTP Bank Slovensko organised employee motivation training for managers, who also attended a one-day team building exercise to improve cooperation.

ANNUAL TRAINING PER EMPLOYEE (HOURS, 2017)												
	OTP Bank						OTP Group					
	Internal		External		Total		Internal		External		Total	
Senior manager	0		27		27		13		41		54	
Middle manager	72		25		97		41		25		66	
Employee	53		9		62		16		4		20	
Average	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
	51	50	17	7	68	57	23	17	13	3	36	20
Average total 2017	67						21					
Average total 2016	60						21					



## 4.6. Involvement of employees

Several members of our Banking Group introduced new methods, incentivising bilateral dialogue and more efficient communication to employees.

### OTP MAGAZINE

OTP Bank aims to continually expand its communications toolkit and to offer employees more opportunities for feedback. Accordingly, we have introduced new social media functions for our online OTP Magazine. Commenting is now available under every article and we have created five forums organised around specific points of interest, where the main objective is also conversation and an exchange of views. Experience so far suggests that communication is dynamic primarily in the five groups. We incentivise the expression of views indirectly, through games and the various components of the development of organisational culture. In response to feedback from our colleagues, we have increased the amount of corporate news in OTP Magazine and highlight content in several ways. We installed large-screen television sets in the public areas of our office buildings in Budapest, providing news in brief informing on particular pieces of important Magazine content. Since employees consider these display screens useful, we will install them at the regional centres as well in 2018 and will share news in brief on the start screen of branch employees' computers.

### INTERACTIVE FORUMS

Our new managerial and employee forums were going strong in 2017:

- Using the Brown Bag forum, employees have watched online professional presentations during their lunch hour 17 times so far; third-party lecturers were invited to speak about interesting industry trends. Questions can be asked during and after the presentations. 150 to 200 employees viewed each live presentation and 1000 employees have registered on the forum. The presentations are now available as e-learning, to be watched at any time.
- Interest in our Business Café remains high, as is shown by how quickly the available places are booked. Participants at this online event can ask questions from the senior manager guest with the help of a facilitator, in a coffee house atmosphere.

Our aim for 2018 is to enhance the planning of internal communication, while our medium-term goal is to channel to a shared in-house platform all the various functions that are currently on diverse platforms.



**UA** OTP Bank Ukraine has introduced a number of creative methods and tools enabling collaboration. Branches start each morning with a start-of-day meeting. These 5-minute meetings focus on four subjects:

- good news (personal or workplace),
- conversation about our 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.

### Idea competition

An idea competition was launched in 2017 as one of the means for incentivising an internal culture of innovation. We invited employees to submit, either individually or as teams, ideas on four topics, in two rounds until the end of the year. The topics all concerned our business but also offered a chance to formulate complex, forward-looking ideas: mobile banking functions, family banking, data mining and a new branch employee platform. It was a condition for each idea to be feasible to implement in one year. Demand was high: there were 1600 participants and over 200 ideas were submitted in the competition. Dedicated mentors help develop the top three ideas in all topics, and the owners of these winning ideas have the opportunity to take part in implementing them.

### Creative tasks

**UA** 'We have a number of programmes to support achieving our comprehensive vision of outstanding customer service with the slogan "Easy to deal with". It is essential that our employees identify with the spirit of this vision, and therefore we focus on ensuring that they understand its practicalities and meaning. In order to implement this vision, branches are given one creative task per quarter to demonstrate how they interpret and implement customer service at the highest possible quality and how they deliver on our slogan. In one of these tasks, branches were asked to produce a video depicting the life of the customer.'

**Olena Goriacheva,**  
Head of Communications and PR

## 4.7. Health, working environment

Employees submitted 283 ideas to our IdeaBox during the year and 6% of these ideas have already been implemented. Most of the ideas concerned enhancing the retail business processes. We plan to introduce a video library on our intranet in 2018, to deal with frequent questions and offer tips on how to use Microsoft Office software.

We have set up an in-house Facebook group for our employees. The aim of this group is to increase employee commitment with motivational posts and prize competitions. The group has more than 200 registered members already.

**HR** Our Croatian subsidiary launched a newsletter entitled [Integration.info](#) for the benefit of more efficient and transparent communication. The newsletter informs employees specifically on the process of integration with Splitska banka. We measure satisfaction with the communication of news of the integration every quarter.

The other members of OTP Group continued to use their existing forms and channels of internal communication. Experience exchange mechanisms between functional areas operated in accordance with best practices within the Group.



### Work-life balance

OTP Group employees have the opportunity to improve their work-life balance through flexible working time and part-time arrangements, subject to the objective constraints of specific jobs. In 2017 OTP Bank created the conditions for working from home (home office) and trialled it at three of its organizations. We plan to roll out this practice in the future depending on the experience from the pilot.

#### STRESS

**BG** **HR** **SK** Our Bank provides a two-day stress management course for managers; there were 64 participants in 2017. In addition, an e-learning course on stress management is available to all our employees. Of the subsidiaries, DSK Bank, OTP banka Hrvatska and OTP Banka Slovensko provide stress management training to its managers.

#### RECREATION

**BG** **HR** **UA** **RO** OTP Bank and OTP Bank Romania own several hotels, where outstanding employees can benefit from a holiday for free or at a reduced rate. 7% of OTP Bank employees and 11% of the employees of the Romanian subsidiary enjoyed a holiday with their families during the year. We offer summer camps for the children of OTP Bank employees at our holiday homes, which are also available to the employees of the Hungarian subsidiaries. DSK Bank, OTP banka Hrvatska and OTP Bank Ukraine contribute to financing recreation and rest.

### Healthcare and health and safety

We promote a healthy lifestyle among our employees, often providing them with services that surpass the statutory requirements (e.g. screening tests, health insurance). The range of services available did not change substantively in 2017.

In line with the statutory requirements, we conducted a health and safety risk assess-

ment covering all OTP Bank employees and sites in 2017. In view of the characteristics of the risk factors identified, the highest-level risks fall into the 'tolerable, requires periodic monitoring' category.

The Bank introduced a new Health and Safety Regulation, which also serves as its standard and comprehensive health and safety prevention strategy. The earlier regulation was updated to reflect the changes in the law and incorporate the requirements on teleworking and the employment of people with disabilities. The Regulation serves as guidance for the Hungarian subsidiaries and our contractual partners.

We have introduced a fault reporting platform for flagging disturbances to working conditions and technical faults. In response to the complaints received from the branch network, we are improving ventilation in the smaller branches. We are installing additional defibrillators at the head office buildings and in our holiday homes.

#### ACCIDENTS

The number and the severity of accidents is low at both Group and Bank level. At OTP Bank, the rate of accidents at work<sup>29</sup> was 3.8 in 2017, which is good compared to the national statistical average (4.4-5 accidents at work per 1000 employees for years now). For OTP Group as a whole, the indicator is even lower at 3.1<sup>30</sup>.

Most of the workplace accidents occurred while commuting to work, travelling for work or making awkward movements (sedentary work, material handling). There were no fatal accidents at work at any member of the Group.

<sup>29</sup> The number of accidents at work per 1,000 employees.  
<sup>30</sup> Excluding figures from the Russian and Ukrainian subsidiaries.

SICK LEAVE, ACCIDENTS (2017)	OTP Group, HU		Bulgaria*		Montenegro		Croatia	
	Men	Women	Men	Women	Men	Women	Men	Women
Sick leave (workdays)	8,337	63,213	4,083	25,092	1,224	8,675	2,941	38,411
Absence rate	1.26%	9.24%	2.07%	12.7%	3.34%	23.67%	1.86%	24.24%
Number of accidents	7	29	0	3	0	2	1	15
Accident rate	0.001%	0.005%	0	0.002%	0	0.005%	0.001%	0.009%
Number of workdays lost through accidents at work	310	243	0	96	0	89	10	1,003
Ratio of days lost	0.049%	0.038%	0	0.049%	0	0.243%	0.006%	0.633%

\* Including long periods of absence owing to ill health (e.g. child care) and unpaid holidays.  
No fatal accident at work occurred at OTP Group companies.  
No occupational diseases occurred at OTP Group companies.

SICK LEAVE, ACCIDENTS (2017)	Romania		Slovakia		Serbia		Russia		Ukraine	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Sick leave (workdays)	8,360	19,060	873	4,641	687	6,495	n.a.	n.a.	1,847	12,735
Absence rate	9.95%	22.70%	1.83%	4.06%	1.55%	5.83%	n.a.	n.a.	1.06%	7.34%
Number of accidents	0	0	0	0	0	2	1	2	n.a.	n.a.
Accident rate	0	0	0	0	0	0.002%	0.001%	0.001%	n.a.	n.a.
Number of days lost through accidents at work	0	0	0	0	0	85	45	159	n.a.	n.a.
Ratio of days lost	0	0	0	0	0	0.076%	0.009%	0.033%	n.a.	n.a.

ACCIDENTS — NON-EMPLOYEES, OTP GROUP (2017)	Supervised employee		Person working on company premises	
	Men	Women	Men	Women
Number of accidents	0	5	0	0
Number of days lost through accidents at work	0	119	0	0

In 2016, the accidents were associated with OTP Bank; while of foreign subsidiaries, DSK Bank, OTP Bank Romania, OTP Banka Slovensko, OTP banka Hrvatska, OTP Bank Russia and OTP Bank Ukraine failed to report data.

Note: The accident statistics are recorded using methods prescribed by law.  
  
When calculating the rates the number of days of absence or the number of accidents was compared to total workdays.



even in an international comparison, our accident at work rate is very low: 3.1

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.

OTP Bank provided 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,
- a sports card, against a fixed monthly fee, for accessing gyms at over 500 locations in the country.

Our Bank organised its National Sports Days in 2017 as well; this was a preselection event for the Sports Meet of Hungarian Banks. 300 employees competed in nine sports at the event. Following tight competition in the selection round, our athletes performed excellently at the inter-bank sporting event: our employees won the overall cup for the fourth year in a row. OTP Bank employees stood on the top of the podium in six out of the nine sporting disciplines. In 2018 OTP Bank will organise and host the 30th Sports Meet of Hungarian Banks.

**HR** OTP banka Hrvatska employees also traditionally perform well at the sports days for Croatian banks. In 2017 our employees achieved top results especially in ball games.



**3,400 persons  
(over 40% of our  
employees) took part  
in own-initiative sporting  
events sponsored  
by OTP Bank**

STRATEGIC GOALS

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

Strengthen the supporting functions of human resource management

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

Roll out home office arrangements across OTP Bank





II./5.

## DEVELOPING FINANCIAL LITERACY

We are responsible for our customers, the performance of our companies and for the markets in all nine countries where we have operations.

- ▶ ▶ ▶ BUCHAREST OK EDUCATIONAL CENTRE RO
- KOKOA CERTIFICATION
- OK ROADSHOW



We operate the OK Educational Centre in the hope that people in the region as a whole will be financially aware citizens with the willingness and ability to provide for themselves. This aim goes beyond the interests and the role of OTP Bank.

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



Developing financial literacy

2016 COMMITMENTS	2017 RESULTS
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.
Increase the number of trainers teaching career management.	Implemented.
Set up the building of the OK Educational Centre in Romania.	Implemented; the building has been opened and is used actively.
Expand the Model School network.	Implemented with the involvement of the Eötvös József Grammar School of Budapest.
Organise event to encourage financial awareness on the occasion of World Savings Day.	We published the OTP Self-Provision Index at a financial conference.

### OTP Self-Provision Index – Back to square one

Published annually, the OTP Self-provision Index reflects the condition and progress of Hungarian society in the field of self-provision. It was for the eleventh time that we published the index in 2017. We examined financial criteria (e.g. financial planning, different types of savings held) and non-financial components (e.g. approach to environmental protection, preventive health).

Following a slow but persistent improvement in prior years, we found in 2017 a deteriorating trend in a number of areas, resulting in a self-provision index that was two points lower, at 36 points on a scale of 100. The social gap continues to widen: the self-provision indicator of more highly educated groups decreased less or stagnated, unlike in groups with lower levels of education. In 2017 the index changed relatively unrelated to the amount of assets held, so the index of wealthier groups of society remained higher.

Uncertainty and therefore precautionary saving demand fell with the improvement in the economy and especially on the labour market. Self-provision is seen as less important, the population is focused on day-to-day goals and does not look to the future. The rise in the proportion of savers has come to a halt, only building society savings are increasing. A third of all people keep their money in their homes in spite of the security risks; this is connected with the current low interest rates and the fact that many plan to use their cash in the near future.

The health care data demonstrates that a significant part of the population is forced to turn to private health care as a competitor to state services. Respondents are still divided in their views on social protection; the number of those expecting the state to provide for them in their retirement has increased even further. This also correlates with the fact that three quarters of the respondents consider their financial futures unpredictable and nearly half are unable to save money. 73% of the respondents expect that their state pensions will not be sufficient.

Expectations in the level of government-provided services have shown a tangible rise, even as the level of financial knowledge is falling. Overall, households are less concerned with providing for themselves on their own; they do not believe they can succeed in this regard.

OTP Fáy András Foundation

With 25 years of professional experience, the OTP Fáy András Foundation plays a crucial role in enhancing the financial literacy of students. Beyond sharing novel and interesting knowledge, the Foundation aims to deliver this information to disadvantaged and underprivileged regions just as it does to cities.

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 provides tuition-free courses to tens of thousands of students each year, using its own innovative educational techniques and methodologies. The Centre is also a scientific institution with its own research base, which continuously seeks the best solutions for the financial education of young people. Given the great interest and success, in recent years we have significantly extended the topics covered, the target audience and the training venues. The region has no other financial education programme comparable in significance to the OK Educational Centre. Our programmes are increasingly well-known and recognised.

The Michelin star of educational activities: Certificate of excellence from Kokoa

'Kokoa is a standard certification agency working closely with the Finnish National Agency for Education. We consider it a sign of recognition for the OK Educational Centre that Kokoa has examined its activities and deemed it outstandingly high quality as compared to the Finnish standards. Among other things, Kokoa surveys the teaching of 21st century skills and the inclusion of digital devices in training. The survey, which lasted two months and covered 400 subjects, included interviews with students and trainers as well as scholarly analyses.

Similarly to the approach followed in Finland, we give children all the help they need to progress in their learning in line with their capabilities and needs. Just as all our programmes in our foundations, our educational activities are aligned with the present-day expectations of society and constantly adjust to the trends that are of concern to teenagers. For example, we include digital devices in the learning process and work on enhancing them all the time.

We have taught financial, economic and budgeting knowledge to 100,000 primary and secondary school students in the last five years, but as the digital options expand, this figure may rise exponentially. Thanks to our certification of excellence, we are given the opportunity as a Hungarian institution to present our activities within the Finnish Pavilion at the Hong Kong Education Fair.'

Péter Schrankó, Managing Director of the OTP Fáy András Foundation.

Our BanKing card game, developed jointly with MNB, also received Kokoa certification. This card game teaches children basic financial terms and the fundamentals of financial management in a playful form.

OK EDUCATIONAL CENTRE ROMANIA

**RO** The delivery of the OK Educational Centre in Romania was a milestone in the operation of the Right to Learn Foundation. The innovative training methodology that is key to the spirit of the Centre can flourish best in a state-of-the-art facility. At the Bucharest Centre qualified trainers teach students and adults in training rooms equipped with the latest technology based on the template of the Centre in Budapest. The building has a capacity of 190 and can also house fundraising events. The number of trainers at the Centre has increased from two to twelve; ten of them deliver financial education and two focus on career choices. More than 60% of the students attending the courses come from the countryside, which shows that demand is higher for financial training outside of the capital in Romania.

In addition to our training courses, we compiled an eight-module Financial Fitness Programme for the adult population and intensified the cooperation with the employees of OTP Bank Romania. In the Ambassador Programme, 45 employees of the Bank became ambassadors for the OK Educational Centre and take part actively in its work.

Results in figures 2017

17,000 students from 170 institutions taught in 1300 training groups
15,000 students attended our other educational programmes
1600 students attended training in Romania
new OK Educational Centre in Bucharest
12 trainers
3000 students trained in Slovakia
2 travelling trainers







## INTERREG

**SK** This two-year programme with European Union funding was launched at an event held in Komárno in Slovakia and is implemented jointly with our sister foundation, the OTP Ready Foundation. The aim of the programme is to deliver training based on the OK Educational Centre methodology as widely as possible, ensuring that students from Hungary and Slovakia can participate at all times. The programme also includes adult education, and an OK Educational Centre has been set up in Trnava.



## ERASMUS + PROGRAMMES

**RO** The Right to Learn Foundation of Romania and the OTP Fáy András Foundation worked together on implementing the 'Career Programme – Going Beyond borders' Erasmus+ project. It involved extending the OK Career Programme to include boosting the labour market opportunities of young people. 950 students took part in this training series: 500 Hungarian and 450 Romanian primary and secondary school students.

**HU RO SK** The three-year 'O.K.+ 2007-2014' Erasmus+ project has also been completed. In this project, a total of 5200 students (2700 Hungarian, 1200 Slovakian and 1300 Romanian students) took part in training using the OK methodology, i.e. almost twice as many as the original target.

## OK ROADSHOW

We delivered programmes at forty locations, in forty primary schools in North-Eastern Hungary, expanding the financial, economic and budgeting knowledge of students with the motto of 'have fun while learning'. The roadshow was recorded and broadcast on regional and local television channels in order to increase awareness of the OTP Fáy András Foundation and the OK Educational Centre. As a conclusion of the programme, the students of the 40 primary schools took part in a series of five competitions, where the prizes were provided by OTP Bank. 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. We plan to continue with our Roadshow in 2018.

## DIGITAL IDEA COMPETITION

The OTP Fáy András Foundation and the Ministry of Human Resources announced a major competition with a prize total of HUF 38 million to identify the best digital solutions for sharing financial, economic and budgeting knowledge. The aim is to improve financial awareness in the 12-to-22 age group and to help them prepare for a successful life. There were over 400 applications, of which 25 teams were invited to the idea competition final in early 2018. The selected 25 teams received mentoring before the final to fine-tune their ideas with some professional advice. The teams were selected for the final by a four-member panel chaired by Péter Csányi, Managing Director of OTP Bank's Digital Sales and Development Directorate. Applications were also received from across the border and a team from Transylvania and a Hungarian-Serbian team joined the teams from Hungary in the final. After the final, we plan to implement the ideas of the prize-winning applicants will be implemented in 2018.

## I COUNT ON MYSELF

Partly in response to the latest results of our OTP Self-Provision Index, we filmed a video short with the portal [444.hu](http://444.hu) at the OK Educational Centre, highlighting the importance of financial awareness. In the video, three celebrities with very different personalities speak about their attitude to money and about self-provision. They also talk about what they discovered and learnt at the training they took part in at the OK Educational Centre.

 OK Educational Centre

## UNICEF CHILDREN'S VOICES

OTP Bank has joined UNICEF's Children's Voices campaign, in which children can take a peek at the world of adults, voice their opinions and even take over control in a number of places ranging from the media through sports and entertainment to public administration. Our aim was to offer children, from the elementary school to the secondary school age groups, a programme showing what bank work entails in an interactive way, through the day-to-day processes, and to enrich them with a lot of useful knowledge regarding how to manage their daily finances. The children were invited to the branch to look around before it opened and then tried out various equipment live during the opening hours and even served customers. After the programme at the branch, a trainer from the OK Educational Centre held financial training for the children in a playful format.

 Children's Voices



**Further programmes aimed at developing financial literacy at Group level**

We participate in joint efforts within Hungary and across the Group and also have independent initiatives to help expand the financial knowledge of young people and the adult population.

**HU** Operating the OK Educational Centre. Actively participating in the MoneyWeek programme, which involved 62 of our volunteers taking part in lessons in schools. They shared knowledge with three different age groups, following predefined exercises and frameworks but relying on their pre-existing experience, in life-like scenarios<sup>31</sup>. Sponsor economic and financial higher education institutions in relation to case studies.



**Ambassador for Financial Literacy Award**

As part of the events of MoneyWeek, the Hungarian Banking Association handed out the Ambassador for Financial Literacy Award to the OTP Fáy András Foundation and OTP Bank. The Award was granted in recognition of our exemplary and committed work in developing and spreading financial knowledge and literacy, especially our active help and participation in the MoneyWeek programme.

**SK** Operate the OTP Ready Foundation. In 2017 we increased the number of participating students by 50% compared to the year before.

**RO** The Right to Learn Foundation operates the local OK Educational Centre.

**BG** DSK Bank took part in the MoneyWeek initiative. During this event, fifth graders from a school in Sofia visited the bank's head office, where Violina Marinova Chairman & CEO showed them her office and told them about her work. The children then heard about the concept of money and the way the bank operates, and the event ended with a competition. At a similar event, tenth-grade students visited the bank's financial centre and also attended a lesson on macroeconomics.

In 2017 Violina Marinova continued the tradition of meeting the students of the Economics Faculty of the University of Sofia. She spoke to them about the history and the present situation of the bank, its priorities and objectives for the future, and also shared with them her personal opinion on how to be a successful bank manager.

**HR** The subsidiary bank also took part in the MoneyWeek programme in Croatia. The bank's employees held a number of financial literacy workshops for primary and secondary school students in Zadar and Zagreb. On World Savings Day, nearly all of the Bank's branches opened their doors to children, calling their attention to the importance of savings and responsible money management. The Bank also participated in the safe internet banking initiative of the Croatian Banking Association.

**STRATEGIC GOALS**

Set up an OK Educational Centre in Trnava in Slovakia

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

Finance Academy – a collection of playful tasks for use in schools

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

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







## CITIZENSHIP

We support programmes and initiatives we can be proud of, making a real difference for local communities and society at large. We work along values; naturally, we also represent and embody our values in our donations.

- ▶ ▶ ▶ HUMANITY SOCIAL FOUNDATION
- OTP LOCAL VALUE
- OTP COMMUNITY RO



 We are open to, and work consciously towards, establishing new ways of cooperation and synergies, so as to encourage active participation and inclusion.

 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 more details on the basic principles of our corporate social responsibility and our sponsorship programmes and partnerships, please visit our website:




- Our efforts are focused primarily on
- developing financial literacy, attitude-shaping
  - creating equal opportunities: helping the disadvantaged and those in need
  - sponsoring culture and the arts: creating and preserving values
  - sports

2016 COMMITMENTS	2017 RESULTS
Set up OTP Bank's online donation platform. (2018)	Implementation in progress.
Renew and reform the Prima Primissima Awards.	Implementation foreseen for 2018.
Create Photo Museum. (2019)	Preparations are underway to create the Museum.

### 6.1. Our citizenship programmes

Members of OTP Group implement their sponsorship activities meeting local needs and keeping within their budgets. Cooperation is focused on developing financial literacy. All members of the Banking Group have fully developed priorities and involve local non-governmental organisations in the delivery of their citizenship programmes. We commit to our successful cooperation arrangements on the long term and are also open to new initiatives.

Our foundations play a key role in implementing our citizenship programmes; their professionalism and goal focus guarantee the efficient and effective use of the assistance provided.

In 2017 we spent HUF 2.3 billion on donations, with the operation of the OK Educational Centre representing the largest single item therein.  **Developing financial literacy**

80% of all donations are by the parent company. While a dominant part of the donations across the Group were financial contributions, we often provided support in kind, such as donating computers and enabling volunteer programmes.

Some of our sponsorship is also for charitable causes: In 2017 OTP Group spent HUF 1.4 billion on sponsorship, of which 68% was donated by OTP Bank. Most of our sponsorship was linked to sports (68%), while arts and culture were also significant (17%).



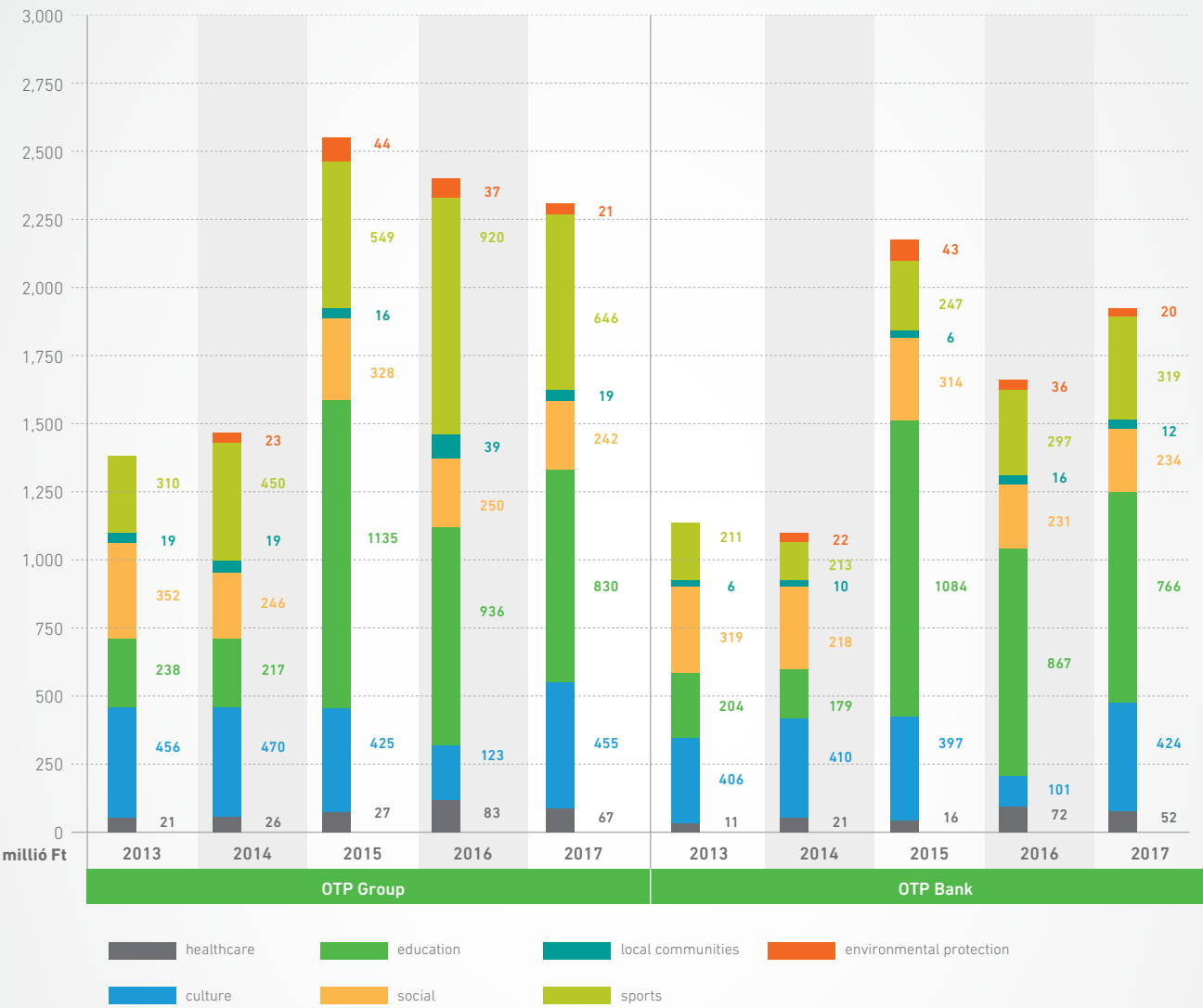
**HUF 2.3 billion in donations**



**350 computers delivered to those in need**

OTP Bank and OTP Group

DONATIONS



Creating Opportunities

Humanity Social Foundation<sup>32</sup> plays a central role in supporting persons who are disadvantaged and in need, contributing to resolving their health and education issues and day-to-day difficulties. Thanks to the donations it received from OTP Bank and several private individuals and to its professional partnerships, the Foundation continued with its rich programme of donations and events. Our donations reached approximately 25,000 persons in 2017.

For the benefit of efficient and transparent operations, the Foundation grants subsidies through an application process. Programmes implemented:

- Financed equipment purchases and attendance at cultural events by children's homes and kindergartens.
- Péterfy Sándor Street Hospital and Clinic used our donation to purchase and install a mobile ultrasound machine. We donated a modern respirator to Bethesda Children's Hospital of the Reformed Church in Hungary.
- Scholarship scheme to finance the university studies of talented young people from disadvantaged backgrounds: 36 persons.
- Funding to support the purchase of medicines and medical aids and the medical treatment of socially disadvantaged persons: 26 families.
- Cash donations at Christmas to 13 families
- OTP Bank donated 502 used and refurbished pieces of children's furniture to kindergartens caring for disadvantaged children (all 15 applicants were granted donations). Also donated by the Bank were 350 scrapped but operational computers, which we delivered to 13 schools with disadvantaged students and 2 children's homes.
- We helped with the year-end collection of donations at the OTP Fáy András Foundation, in which OTP Bank's Marketing and

Communication Directorate and the Model School of the Foundation also participated. The donations reached 150 families in need and three kindergartens.

- Volunteering and donation collection by OTP Bank employees represent a major contribution to the successful implementation of the Foundation's programmes.

OTP Bank is committed to supporting advances in healthcare. In 2017 we gave financial help for the modernisation and refurbishment of two hospitals (Péterfy Sándor Street Hospital and Maternity Clinic 1 of Semmelweis University).

We sponsored the 14th Congress of the World Federation of Interventional and Therapeutic Neuroradiology, which was held in Budapest in 2017, as well as the convention organised by the National Centre for Spinal Disorders jointly with the University of Bologna.

We carried on with our now traditional cooperation with, among others, the Hungarian Charity Service of the Order of Malta, the International Children's Safety Service and the KézenFogva (Hand in Hand) Foundation.

Sign language

We ran a mini-campaign to highlight equal opportunities. Four employees taught viewers the most basic sign language phrases in a video series that is available on both YouTube and our Facebook page. In addition, we made two informative video shorts accessible to the hard of hearing. We joined forces with [index.hu](https://index.hu) and relied on one of our employees to add sign language interpreting to these videos, which are available on YouTube to this day. We will continue our attitude shaping campaign in 2018.

Value creation, preservation of traditions

Programmes aimed at value creation and the preservation and transmission of traditions remained prominent within OTP Bank's sponsorship activities. Our most significant support and sponsorship activities:

- The Prima Primissima Awards were overseen and financed by OTP Bank in 2017 as well. The Award is the highest and best known of all accolades awarded by entities other than the State in Hungary. Its mission is to present as role models for society those prominent people whose achievements, humanity and values can serve as an example for all of us. The planned revision of the Award has been postponed to 2018.
- In 2017 we were once again the title sponsor of the OTP Bank Street Music Festival in Veszprém. OTP Bank donated the professional panel's prizes and the audience prizes.
- It is now a tradition for us to sponsor the National Táncház Festival and Fair, and we handed out the Táncház award and medals for the 5th time.
- We sponsored the 'Fölszállott a páva' talent competition, where children played the central role in 2017. In the final, the winners of each category and the special prize winners received HUF 1 million each donated by OTP Bank.
- We ensured that the OK Educational Centre was present at the events we sponsored, reminding as many young people and adults as possible of the importance of financial awareness and opportunities for education. The OK Educational Centre was present at OTP Bank's Street Music Festival in Veszprém, the National Táncház Festival and Fair as well as the Children's Day event in Budapest City Park, among others. Thousands of children attended mini training courses at these events.

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



## 6.2. Citizenship at subsidiary banks

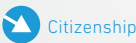
### Investment in the future: talent training and role models

OTP Bank is the company most committed to the future of Hungarian football. In the 2017/18 school year, the number of youngsters playing football in OTP Bank's Bozsik programme increased even further nation-wide. Bozsik Cups were held in as many as 239 regions, with 102,300 5-to-14-year-olds from 3174 schools taking part; this is 4% more than last year. 30% of participants are of kindergarten age and a quarter are girls. A football competition of secondary school students, the Fair Play Cup is also more popular than ever: 8539 players from 448 institutions took part in it. In this age group, nearly 40% of the participants are girls.

OTP Bank and the Hungarian Football Federation launched in 2017 their OTP Bozsik Champions initiative, inviting applications from children who play football within the institutional frameworks of the OTP Bank Bozsik Programme across the country. Our aim with this initiative, which several renowned footballers also joined, is to emphasise the physiological benefits and community-building power of sports.

OTP Bank has been a committed sponsor of the International Judo Federation for a long time. 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. At the World Championships held in Budapest in 2017, we handed out a special prize worth HUF 1.3 million to the Hungarian judoka with the highest achievements.

To read about OTP Bank donation and sponsorship activities, visit our website:



**HR** Our Croatian subsidiary is committed to supporting education, social assistance, the preservation of social traditions, environmental protection and preventive health, and it has sought to establish close links with the local communities. The collective name of the sponsorship programmes is: 'Green light for...', with a variety of target areas being represented. Some sponsorship recipients are selected based on applications, and individuals – mostly students – are also eligible. In 2017 these programmes contributed to a total of 44 projects across the country.

In 2017 the bank handed out scholarships for a total of HUF 21 million to 77 students. We also launched a programme to support talented students studying professions with a shortage of workers, granting three scholarships for the year 2016/2017.

**RO** The highest priority at OTP Bank Romania was adapting the OK Educational Centre's financial education model to the Bucharest Centre via the Right to Learn Foundation



The bank gives its used IT equipment and furniture to charity.

It also continued to support the Handball Club in Székelyudvarhely.

It supported the Szekler Museum of Ciuc and the Babes-Bolyai University in Cluj-Napoca.

**RS** Our Serbian subsidiary is a committed sponsor of (contemporary) culture and healthcare.

In 2017 it supported the Cultural Centre in Novi Sad, which hosts independent international projects as well as young artists and whose 900 programmes a year make it the leading cultural institution in the region.

We donated money to hospitals in Nis for developing healthcare provision. We sponsored a programme raising awareness of the healthy eating of children of kindergarten age.

We give to charity our scrapped furniture and IT equipment, helping primarily schools, non-governmental organisations and the police.

**UA** The bank supported the Blagomai Charity Fund, which operates orphanages around Kyiv. In what is now a tradition, we organised a charity fair and the bank matched the sum collected, which is a new initiative.

We also matched the donations collected by our employees for the visually impaired students of a school in Kyiv.

We sponsored arts and cultural programmes of the Hungarian embassy to Ukraine.

**BG** DSK Bank prioritises SOS Children's Villages in its charitable operations, as it has been a committed supporter of this organisation for several years. In 2017 we continued our cooperation and financed two SOS families for a full year. In addition, our customers also had the opportunity again to donate at our ATM's and we enhanced the donation platform based on the feedback.

**Largest Corporate Donor**

SOS Children's Villages Bulgaria gave this award to DSK Bank in recognition of its contributions.

DSK Bank established partnerships with several children's chess clubs in order to create and develop the opportunities for children's chess. In 2017 we sponsored three national chess championships.

**Lions' Cup Sponsor Award**

DSK Bank received this award for its continued support to the Cup.







As is a tradition now, we sponsored the Christmas in Bulgaria charitable initiative, which supports hospitals and people in need.

We joined the 'Easter for All' initiative of the Red Cross of Bulgaria and gave elderly people financial help and food vouchers.

The bank supports cultural events on the basis of its long-term sponsorship strategy. It cooperates with the Hungarian Cultural Institute and Sofia Theatre, among others.

Our Bulgarian subsidiary also donates its IT equipment and furniture to schools and non-profit organisations.

**RU** The bank took part in the charity fair Dushevny Bazar in 2017.

**ME** As in prior years, the bank has supported healthcare, education, culture, local communities, persons in need and sports. Our cultural assistance is focused on music and the arts. In 2017 we organised an interactive donation campaign for our partners and customers.

We created the Young Heroes award and financial reward to recognise the social and cultural activities of young people. Our objective is to help these heroes step out from anonymity and serve as an example to their

peers, inspiring others in their age group. Based on the 61 applications received, the awards were decided by a panel comprising representatives of the bank and its partners from the cultural sphere.

In 2017 we continued to support the purchasing of healthcare equipment and the education of students. We provided financial assistance to a number of festivals (e.g. the Accordion Festival, the Podgorica Jazz Festival, the Purgatory Theatre Festival). 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.

Twice a year the bank has traditionally taken part in nationwide forestation and environmental protection campaigns.

**SK** The bank's sponsorship is concentrated on operating the OTP Ready Foundation

#### Developing financial literacy

We donated furniture and equipment no longer needed in our renovated branch to a volunteer fire brigade.

## 6.3. Volunteering

We welcome and support the volunteering activities and initiatives of our employees.

Our volunteers predominantly help disadvantaged children and people living with disabilities, but there are numerous initiatives across the Group in the areas of financial education, environmental protection and healthcare as well.

### OTP Local Value

OTP Bank overhauled its volunteering programme in 2017 on the basis of the results of the survey of its employees. Our aim with these modifications has been to ensure that our employees volunteer in even higher numbers and even more organised ways. We continued to invite applications for programme financing and also raised the amounts available to win; we included our colleagues and the public in the selection process. On the public website of the programme ([www.otphelyiertek.hu](http://www.otphelyiertek.hu)), anyone could vote for the programmes (2254 votes were received) and we guaranteed financing for the top three. The panel then selected further applications so that, ultimately, the commitments made by a total of 14 teams were implemented. We added to our employees' initiatives 12 centrally organised programmes in the period designated for implementing the Local Value scheme. These programmes were open to anyone wishing to join, and therefore individual volunteers and groups not organising their own programmes were given the opportunity to help. Altogether, 488 employees (6%) took part in the Local Value initiative during the year.



**488 volunteers  
at OTP Bank**



Besides the Local Value programme, employees had the opportunity to join other initiatives too:

- The 'Accept it, accept me' programme of the KézenFogva Foundation shows schoolchildren the world of people living with disabilities. Local branch staff also took part in the programme at the various stages of the roadshow.
- Under the umbrella of an initiative of the International Children's Safety Service, our employees gifted 300 boxes of cakes to children in need, handed out at the Christmas for All event of the Service.
- OTP Bank has been committed to blood donation for years; it provides the venue and encourages its employees to help. In 2017 845 employees gave blood, a total of 1646 times. Blood donations are now more frequent both across the branch network and in the head office buildings.

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 and did various other volunteering.



OTP Community

**RO** 'A small team of our volunteers convened in late 2016 and started to work on implementing volunteering programmes in a more organised fashion. Christmas offered a topical reminder for the need for assistance programmes, and we threw ourselves enthusiastically into organising. Our team was also given the name OTP Community, which we have used ever since. Our commitment was reinforced when CEO László Diósi also welcomed the creation of the group.

In our estimate, around 150 colleagues took part in our first campaign, i.e. more than 10% of our employees, and if anything, the willingness to help increased over the subsequent period. Our Christmas fair was also really successful, and many employees joined the OTP Community in 2017. During the year we collected 220 kgs of toys, books and clothes for those in need, while on another occasion we helped sort the donated clothes, also highlighting the fact that reuse protects the environment. The clothes were given mostly to disadvantaged secondary school students living in the countryside and these donations helped ensure that they would not be forced to leave education early due to a lack of appropriate clothing.

We also played a role in the work of the Right to Learn Foundation, helping increase financial awareness among students.'

Attila Kelemen, Marketing Director

**BG** DSK Bank employees held fundraising drives several times: among other things, they bought an electric piano for a disadvantaged talented teenage girl so she can continue her music studies; they also participated in a plastic cap collection drive in 2017.

**HR** 65 employees of OTP banka Hrvatska entered the Wings for Life World Run humanitarian race in 2017.

**UA** The employees of OTP Bank Ukraine also ran fundraising events. The bank matched the amounts collected and the full sum was donated to people in need.

**ME** CKB's employees continued their fundraising activity, already a tradition, to help the Childcare Hospital in Podgorica purchase equipment. In 2017 the amount collected was used towards incubator purchases.



In 2017 CKB was recognised for the third time by the Montenegro Transfusion Institute for its contributions to blood donation. Around 10% of the bank's employees gave blood in 2017.

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

STRATEGIC GOALS

Develop a multi-channel donation platform at OTP Bank

Play an active role in gaining acceptance for persons living with disabilities and understanding their situation

Renew and reform the Prima Primiissima Awards



# ENVIRONMENTAL PROTECTION

OTP Group is committed to the protection of the environment and the preservation and low-impact use of natural resources.

- ▶ ▶ ▶ SOLAR PANEL IN PULA HR
- PAPERLESS PROCESSES
- BICYCLE STORAGE



Our main aims are to improve energy efficiency and reduce paper use. The increasingly important digitalisation trend is an efficient enabler of these efforts.



The indirect impact of our activities and also our opportunities are primarily linked to our role as a responsible service provider and employer. OTP Bank's environmental regulation ensures compliance with the law and the consideration and integration of environmental criteria into the Bank's business operations.

For our basic principles concerning environmental protection and the fundamentals of our practice, visit our website



Environmental protection

## 2016 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)

Install solar panels on Croatian subsidiary bank's building in Pula (2017)

## 2017 RESULTS

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.

Implemented.

## Energy

We use state-of-the-art technology in new construction and renovation projects. We are installing modern building engineering solutions and energy-saving lighting.

### DEVELOPMENTS

**HR** **UA** In 2017 OTP Bank completely refurbished ten branches; as part of their energy modernisation, their light sources were replaced, typically with compact and LED lighting, and boilers, air-conditioning and ventilation systems, liquid coolers etc. were replaced<sup>33</sup>. This development is expected to result in energy savings of 11,500 GJ in total. In 2018 we plan to install LED lighting in the interior of a further 9 branches<sup>34</sup>. Currently in the design phase, OTP Bank's new head office building will have LEED Gold<sup>35</sup> certification. In 2017 our subsidiaries in Ukraine and Serbia expanded the use of LED technology.

**ME** CKB uses only ECO Freon refrigerant in its air conditioning systems.

### RENEWABLE ENERGY

We are intensifying our reliance on renewable energy taking financial considerations into account. OTP Bank's entities in Hungary operate solar panels of a total size of 460 m<sup>2</sup>; we have scheduled a pilot to install solar panels on a branch in 2018. The central archives facility owned by Monicomp Plc. has used geothermal energy for several years.

**HR** OTP banka Hrvatska installed solar panels on a third building, in Pula; the capacity is 30 kW and the expected reduction in energy use is 40 MWh. The subsidiary bank has solar panels with a total capacity of 76 kW.

### ENERGY CONSUMPTION

Alongside the implementation of energy-efficient solutions, there has been an expansion in energy-intensive functions (e.g. additional digital processes, more brightly lit workplaces, air conditioners) so that our energy consumption has not fallen considerably.

OTP Group's energy consumption<sup>36</sup> was 663,000 GJ in 2017, a 7% increase compared to the previous year<sup>37</sup>. This was due to changes in volumes and activity scopes as well as in weather conditions. In 2017, we generated 1,969 GJ of energy using solar energy and 4,220 GJ with heat pumps.

<sup>33</sup> The annual report of our energy officer is available on our [website](#).

<sup>34</sup> DSK Bank uses LED lighting in all its branches.

<sup>35</sup> US-based certification system of energy efficiency and environmental awareness. If a building reaches the minimum required score, it will be allocated to one of four categories: certified, silver, gold or platinum.

<sup>36</sup> Direct and indirect energy consumption.

<sup>37</sup> The information in the environmental protection chapter does not include the figures of Vojvodjanska banka of Serbia yet, they will be collected from 2018 onwards.



ENERGY CONSUMPTION (GJ)	OTP Bank				
	2013	2014	2015	2016	2017
<b>Direct energy consumption total</b>	<b>136,770</b>	<b>90,093</b>	<b>97,204</b>	<b>94,697</b>	<b>101,972</b>
Gas energy	82,255	60,184	65,058	63,436	69,828
Vehicle fuel	40,445	27,959	30,205	29,312	30,194
Other	-	-	-	-	-
Solar energy (renewable)	1,950	1,950	1,950	1,950	1,950
Heat pump (renewable)	-	-	-	-	-
<b>Indirect energy consumption total</b>	<b>164,488</b>	<b>153,245</b>	<b>155,540</b>	<b>152,159</b>	<b>153,981</b>
Electricity	138,373	128,639	128,822	126,590	126,864
District heating	26,115	24,606	26,718	25,569	27,117
<b>Grand total energy consumption</b>	<b>301,259</b>	<b>243,338</b>	<b>252,744</b>	<b>246,857</b>	<b>255,953</b>
<b>Total energy consumption per employee*</b>	<b>37.62</b>	<b>30.39</b>	<b>31.81</b>	<b>31.55</b>	<b>32.15</b>

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

\* Always based on the statistical headcount.

ENERGY CONSUMPTION (GJ)	OTP Group				
	2013	2014*	2015*	2016	2017
<b>Direct energy consumption total</b>	<b>250,185</b>	<b>267,312</b>	<b>327,162</b>	<b>196,175</b>	<b>241,731</b>
Gas energy	143,265	176,833	181,930	96,773	103,986
Vehicle fuel	97,842	84,310	138,859	93,062	130,729
Other	3,487	1,209	586	1,074	277
Solar energy (renewable)	1,950	1,950	1,956	1,960	1,969
Heat pump (renewable)	3,641	3,010	3,831	3,307	4,220
<b>Indirect energy consumption total</b>	<b>447,722</b>	<b>618,257</b>	<b>617,215</b>	<b>423,614</b>	<b>421,929</b>
Electricity	386,020	545,502	542,943	343,953	357,612
District heating	61,701	72,755	74,272	79,661	64,317
<b>Grand total energy consumption</b>	<b>697,906</b>	<b>885,570</b>	<b>944,376</b>	<b>619,790</b>	<b>663,110</b>
<b>Total energy consumption per employee*</b>	<b>18.89</b>	<b>23.38</b>	<b>26.86</b>	<b>17.62</b>	<b>18.20</b>

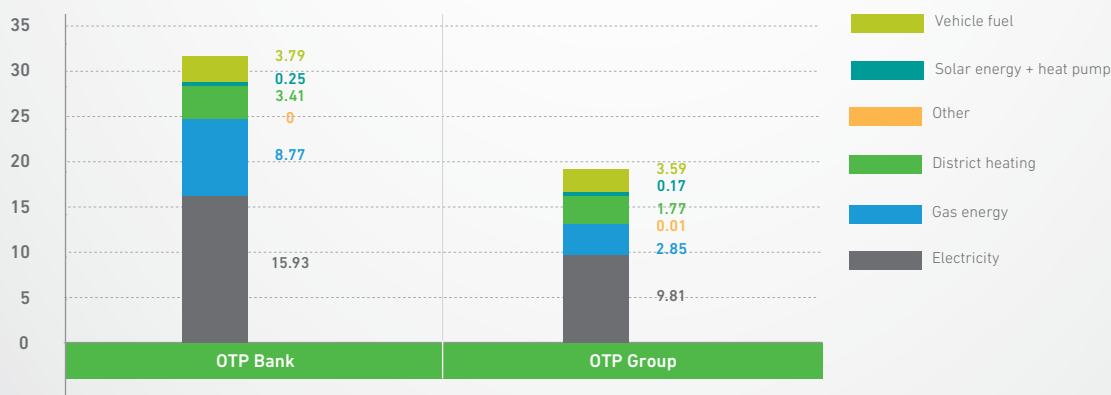
\* The data for 2014 and 2015 are significantly influenced by OTP Bank Russia's failure to report data, as a result of which its consumption is estimated in proportion to its headcount.

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

## ENERGY CONSUMPTION PER EMPLOYEE

2017

GJ



OTP GROUP'S TOTAL CO <sub>2</sub> EMISSION (T)	OTP Bank					OTP Group				
	2013	2014	2015	2016	2017	2013	2014*	2015*	2016	2017
<b>Direct</b>										
emissions by vehicles	2,297	1,959	1,827	1,731	2,142**	6,260	5,774	8,640	5,897	9,378
flight related	359	304	257	344	420	823	524	585	727	869
from natural gas consumption	4,591	3,359	3,631	3,541	3,898	7,997	9,870	10,155	5,402	5,804
from air-conditioning equipment	n.a.	n.a.	n.a.	n.a.	741	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Indirect</b>										
from electricity	4,228	3,931	3,936	7,265	7,281	11,795	16,668	16,590	28,959***	29,415
use of district heating	1,319	1,243	1,349	1,244	1,319	3,116	3,674	3,750	3,955	3,504
<b>Total</b>	<b>12,794</b>	<b>10,795</b>	<b>11,000</b>	<b>14,125</b>	<b>15,801</b>	<b>29,991</b>	<b>36,511</b>	<b>39,721</b>	<b>44,940***</b>	<b>48,970</b>
<b>Per capita</b>	<b>1.60</b>	<b>1.35</b>	<b>1.38</b>	<b>1.81</b>	<b>1.99</b>	<b>0.81</b>	<b>0.96</b>	<b>1.13</b>	<b>1.28***</b>	<b>1.34</b>

The table contains the key greenhouse gas emissions; other emissions of gases with greenhouse effect are negligible. Greenhouse gas emissions are primarily carbon dioxide emissions. With the exception of flights, the items shown were calculated from energy consumption on the basis of the applicable statutory regulations, industry estimates and official emission data. We started recording air conditioning equipment emissions due to leakages in 2017, only at the parent bank for the time being; the values are provided as CO2 equivalents. The electricity-related emissions factors were adjusted for country-specific data in 2016. In order to achieve genuine comparability among carbon emission figures, we adjusted the factors retrospectively as well. In the absence of other reliable data, we use the Hungarian emission figures in the district heating heading, except for Ukraine and Russia.

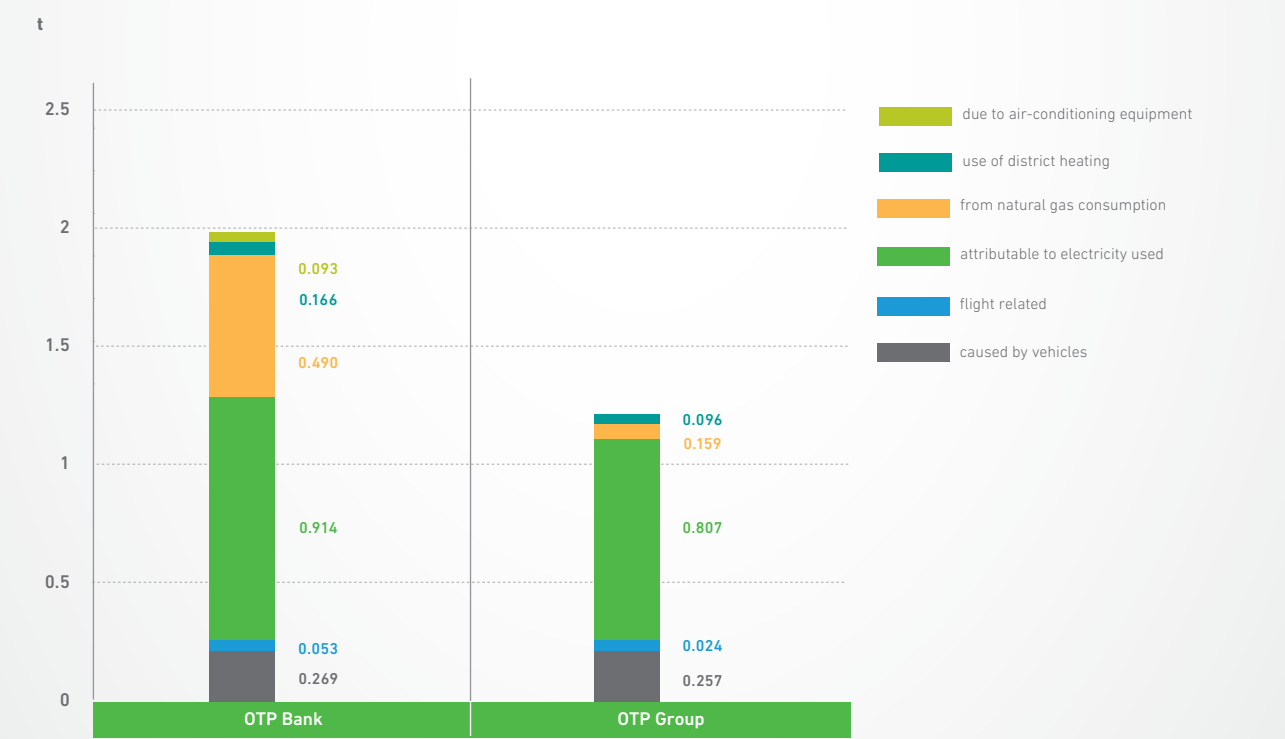
\*The data are significantly influenced by OTP Bank Russia’s failure to report data, as a result of which its consumption is estimated in proportion to its head-count.

\*\* In a methodological change compared to last year, we now calculate emissions from the fuel consumed.

\*\*\* Data retroactively corrected due to calculation error.

PER-CAPITA BREAKDOWN OF CO<sub>2</sub> EMISSIONS

2017



Paper

For several years now, OTP Group has aimed to reduce paper use and printing both in its internal processes and in terms of documents and account statements delivered to customers. Nevertheless, legislative requirements and the expansion of our business have often counteracted this aim.

In 2017 the digital signature pads introduced widely at OTP Bank helped reduce paper use and the range of products that may be applied for online also expanded further. At the majority of our subsidiaries, measures adopted previously helped keep paper consumption unchanged, while the Croatian subsidiary achieved a significant saving.

**HR** OTP banka Hrvatska (excluding Splitska banka's consumption) reduced its paper use by nearly 7% compared to the year before. This was a result of the centralisation of printing at head office buildings and the reduction in the volume of paper handed out to customers. The bank uses only recycled paper.

**UA** Our Ukrainian subsidiary reduced paper volumes between the bank and its suppliers through further digitalisation. We cut our use of colour paper and now use smaller pieces of paper for printing out cash slips. We are investigating opportunities for using recycled paper.

**RS** Our subsidiary in Serbia sends regular e-mails to its employees to advocate environmental awareness.

**SK** **273 trees**

In 2017 the employees of our Slovakian subsidiary planted a tree each time 50 packages of paper were used, enriching their environment with a total of 273 trees in the course of the year. The bank uses 'green' certified office supplies made from recycled or recyclable materials.

ELECTRONIC ACCOUNT STATEMENTS

Electronic account statements have been available for years at all members of OTP Group where this is permitted by legislation. We continuously encourage our customers to cancel their paper-based statements.

As from 2017, OTP Bank sends account statements electronically by default; customers need to opt in if they wish to receive printed statements. This modification has resulted in a significant rise in the number of e-statement users; we sent out more than 10 million fewer letters this year than in 2016. 34% of business customers have electronic statements.


**SK** In Slovakia, too, printed statements are provided only against a fee for newly opened accounts, and the easy-to-use statement management platform in internet banking also encourages the use of e-statements. In 2017 there were 15% fewer paper statements sent.

**HR** In Croatia, e-statements became available first in 2017, and thus for the time being only a small proportion of customers opted for this format.


PAPER USE

OTP Group's paper use amounted to 2719<sup>38</sup> tons in 2017, 33% less than a year before. The greater part of this decrease is attributable to more precise data collection, but also to the decline in the letter volumes at Hungarian group members; Monicomp's paper use declined significantly (84 tons, 17%). Recycled paper amounted to 15% of all paper used across the Group; OTP banka Hrvatska (not including Splitska banka) uses only recycled paper.



  
**over 28,000 mature trees saved by using recycled paper and reducing paper consumption**

  
**273 trees planted by the Slovakian subsidiary to offset paper use**

  
**100% recycled paper at OTP banka Hrvatska**

38 Excluding the consumption of Vojvodjanska banka of Serbia.







Travel

The provision of banking services entails extensive travelling and transport. When purchasing cars, we specifically seek out low-consumption models, and our cars are kept in service as long as it is economical and safe. In 2018 we plan to introduce maximum CO2 emission limits into OTP Bank's vehicle policy.

OTP Bank's fleet includes two electric cars; we plan to increase the number of electric cars especially in Budapest.

VIDEO CONFERENCING


OTP Group uses video conferencing increasingly often year after year. In 2017 a total of 15,000<sup>39</sup> video conference calls were made by our employees, for a total length of 12,000 hours (17 months). Video conference calls reduced carbon emissions by 4,700 tons. The total duration of calls was 37% higher than in 2016.

BICYCLE

BG UA Bicycle storage is now available at one or more head office buildings of OTP Bank and all our subsidiaries. Bicycle storage is also provided by some branches at OTP Bank, DSK Bank and OTP Bank Ukraine. In 2017 DSK Bank installed bicycle storage at eight locations, while OTP Bank Ukraine did so at four.

BG OTP Bank took part in the Cycle to Work! initiative in 2017 too. DSK Bank joined the programme for the first time. Our Bulgarian subsidiary was given seven conventional and two electric bikes, which were used by 17 employees, contributing to higher environmental awareness and reduced urban pollution.

RO On the occasion of World Car Free Day, the Romanian subsidiary encouraged its employees to choose an alternative mode of transport. It also announced a 30-day competition to reduce reliance on cars. The Bank has employed stickers and posters to encourage its employees to behave in environmentally friendly and healthy ways.



saved the annual carbon emissions of 600 persons through video conferencing

Waste management

BG HR RS SK We follow a principle of using all our equipment, devices and machines for the longest reasonably possible time. 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. OTP Bank hands over IT equipment for resale too.

The subsidiaries in Montenegro and Slovakia use toner refills to reduce toner and ink cartridge waste. The Russian subsidiary plans to run a toner refill pilot starting in 2018.

BG HR RO RS SK There were no changes in waste collection at the Group in 2017. All members of OTP Group collect and manage hazardous waste and paper containing business secrets selectively, in compliance with the law. Selective collection of non-confidential paper waste and PET bottles is available in the central office buildings of OTP Bank.

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. The Romanian subsidiary facilitates selective collection of paper in its head office building. At the Serbian subsidiary, paper waste is collected selectively both at head office and in the branches.



39 Group-level estimate based on OTP Bank's precise data.

QUANTITY OF SELECTIVELY COLLECTED WASTE	OTP Bank					OTP Group				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Selectively collected waste paper (t)	298	342	303	292	277	681	1,442	1,046	1,303	1,496
Selectively collected PET bottles (kg)	6,287	5,203	10,302	9,966	11,580	7,354	6,264	12,023	12,526	15,289

### Responsible procurement

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; see our website



TYPICAL DATA ON THE MATERIALS USED BY OTP GROUP AND ITS PROCUREMENTS	OTP Bank					OTP Group				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Number of branches	397	395	386	379	374	1 434	1 524	1 328	1 315	1 497
Number of branches refurbished during the year vs. total number of branches	6%	4%	4%	4%	4%	5%	5%	4%	7%	12%
Computers (laptops + PCs) (qty)	9,000 (excl. laptops)				15,000	n.a.				
Replacement period	4 years on average									
Number of ATM's	2,017	1,976	1,895	1,937	1,945	3,939	3,924	3,857,	3,904	4,340
Number of POS terminals	51,683	52,336	55,288	59,988	70,002	69,427	69,552	76,567	80,563	103,028
Weight of ink cartridges and toners used (kg)	11,051	6,403	6,625	6,648	9,000	43,987	32,282*	32,482*	37,233*	23,183*
Amount of office paper (t)	1,006	1,015	928	838	905	3,422*	3,701	3,089	2,983	2,159
Amount of paper used for document sorting and packaging (t)	26	46	45	39	43	67***	111***	139***	107	76
Amount of indirectly used paper (t)***	233	63	46	44	9	598***	1,274***	1,448***	989	484**

\*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

STRATEGIC GOALS

Further reduction of the amount of paper used (ongoing)

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





# III. Annexes

STATE SUBSIDIES, TAX ALLOWANCES (HUF MILLION)	2013	2014	2015	2016	2017
OTP Bank	0	5	15	0	49
OTP banka Hrvatska	21	17	20	34	26
Total	21	22	35	34	75

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.

PORTFOLIO COMPONENTS BY SECTOR									
Small and medium enterprises Group members' assets by sector, on-balance sheet exposure to own customers, %, 31.12.2017 <sup>40</sup>	Hungary (OTP Core and Merkan- til Group)	Bulgaria	Russia	Ukraine	Croatia	Romania	Slovakia	Serbia	Monte- negro
Agriculture, forestry, fishing	8%	25%	2%		13%	10%	11%	3%	5%
Light industry	9%	19%	1%	14%	13%	17%	20%	21%	13%
Electricity, gas, steam and air conditioning	-	-	-	-	-	-	5%	-	-
Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	2%	1%	-
Construction industry	12%	5%	1%		6%	8%	6%	5%	7%
Wholesale and retail trade; repair of motor vehicles and motorcycles	27%	25%	37%	41%	21%	35%	16%	46%	41%
Transportation and storage	8%	6%	-	-	7%	6%	2%	13%	7%
Accommodation and catering	2%	8%	-	44%	15%	5%	-	2%	9%
Information, communication	-	-	-	-	1%	-	-		3%
Financial and insurance activities	-	-	-	-	-	2%	-		-
Real estate activities	8%	2%	-	-	-	5%	24%	27%	2%
Professional, scientific and technical activities	6%	2%	58%	-	4%	2%	5%	3%	7%
Administrative and support service activities	4%	2%	1%	-	12%	2%	3%	4%	3%
Human health and social work activities	2%	2%	-	-	-	-	-	-	-
Other services	8%	-	-	-	2%			1%	1%
Total (HUF billion)	231	72	0.4	0.2	30	70	102	6	8



40 The table contains only the figures of the 10 largest sectors, provided that their share is in excess of 0.5%.

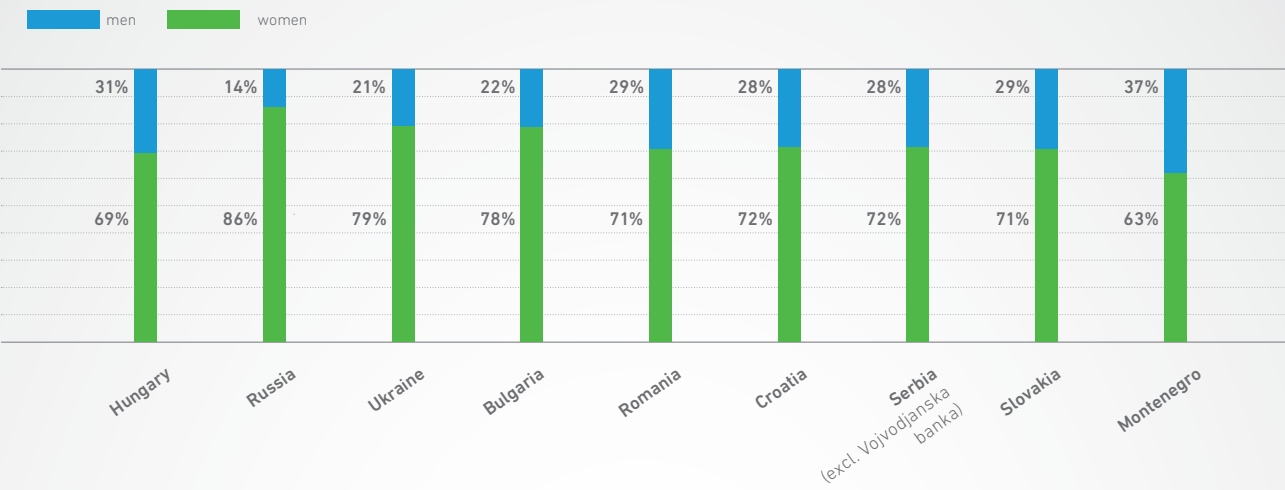
PORTFOLIO COMPONENTS BY SECTOR									
Group members' assets by sector, on-balance sheet exposure to own customers, %, 31.12.2017 <sup>41</sup>	Hungary OTP Core and Merkantil Group	Bulgaria	Russia	Ukraine	Croatia	Romania	Slovakia	Serbia	Monte-negro
Agriculture, forestry, fishing	6%	5%	-	8%	4%	11%	2%	5%	1%
Light industry	-	-	4%	-	-	-	-	-	1%
Electricity, gas, steam and air conditioning	6%	27%	8%	26%	25%	22%	16%	36%	11%
Water supply; sewerage, waste management and remediation activities	-	3%	3%	-	-	8%	11%	-	-
Construction industry	-	4%	1%	-	-	-	3%	-	-
Wholesale and retail trade; repair of motor vehicles and motorcycles	6%	7%	3%	-	5%	12%	3%	8%	13%
Transportation and storage	7%	23%	27%	49%	26%	22%	14%	37%	47%
Accommodation and catering	3%	1%	-	1%	2%	6%	-	6%	2%
Information, communication	-	7%	-	-	8%	-	-	3%	19%
Financial and insurance activities	-	-	1%	-	-	-	4%	-	-
Real estate activities	12%	-	5%	3%	6%	3%	2%	-	2%
Professional, scientific and technical activities	9%	17%	15%	12%	3%	9%	19%	4%	2%
Administrative and support service activities	2%	2%	34%	-	6%	3%	12%	-	1%
Human health and social work activities	-	-	-	1%	3%	2%	4%	-	-
Other services	2%	-	-	-	-	-	-	-	-
Total (HUF billion)	-	-	-	-	-	-	10%	-	-
Other services	40%	-	-	-	-	-	-	-	-
Total (HUF billion)	1,597	358	56	138	328	154	40	55	53
Industrial classification is according to UN (ISIC) classification. Company sizing complied with the relevant legal categorisation.									

<sup>41</sup> The table contains only the figures of the 10 largest sectors, provided that their share is in excess of 0.5%.



### Employees

OTP GROUP EMPLOYEES BY GENDER AND REGION	2017. 12. 31.
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NUMBER OF EMPLOYEES ON INDEFINITE- VERSUS FIXED-TERM CONTRACTS BY REGION 31.12.2017	Indefinite term		Definite term	
	%	person	%	person
Hungary	91.8%	8,906	8.2%	800
Russia	92.2%	13,310	7.8%	1,127
Ukraine	99.8%	3,554	0.2%	8,6
Bulgaria	93.4%	3,622	6.6%	258
Romania	95.5%	1,198	4.5%	56
Croatia	91.7%	2,270	8.3%	205
Serbia (excl. Vojvodjanska banka)	94.0%	581	6.0%	37
Slovakia	76.4%	508	23.6%	157
Montenegro	95.1%	411	4.9%	21
<b>Total</b>	<b>92.8%</b>	<b>34 360</b>	<b>7.2%</b>	<b>2,669</b>

Excluding Vojvodjanska banka.

NEW MEMBERS OF THE BOARDS 31.12.2017	New SB members (no. of pers.)*	New BoD members (no. of pers.)*	New management members (no. of pers.)*	New SB members (%)*	New BoD members (%)*	New management members (%)*
OTP Bank	0	0	0	0	0	0
CKB	-	1	2	-	14%	40%
DSK Bank	0	1	0	0	17%	0
OTP Bank Ukraine	3	0	0	38%	0	0
OTP Bank Romania	0	0	0	0	0	0
OTP Bank Russia	-	1	0	-	12%	0
OTP banka Hrvatska	2	0	1	40%	0	10%
OTP Banka Slovensko	2	0	0	33%	0	0
OTP banka Srbija	-	0	2	-	0	66%
<b>OTP Group total**</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>22%</b>	<b>5%</b>	<b>10%</b>

\*SB: Supervisory Board, BoD: Board of Directors

\*\* Excluding Splitska banka and Vojvodjanska banka.

Management: Hungary: the chairman of an enterprise elected by the management body in its managerial function and employed by the enterprise, 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 1st-level chief officer appointed to manage the enterprise, who is employed by the enterprise, as well as all deputies of that officer and division heads.

BENEFITS (2017)	OTP Bank, HU		Bulgaria		Montenegro		Croatia	
	Full time employees	Part time employees, fixed term	Full time employees	Part time employees, fixed term	Full time employees	Part time employees, fixed term	Full time employees	Part time employees, fixed term
Life insurance	Available	Available	Available	Available	Not available	Not available	Not available	Not available
Health	Available	Available	Available	Available	Available	Available	Available	Available
Disability / sickness cover	Not available	Not available	Available	Available	Available	Available	Available	Available
Parental leave	Available	Available	Available	Available	Available	Available	Available	Available
Retirement benefit	Not available	Not available	Available	Available	Available	Available	Not available	Not available
Shares	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available
Extra day of leave	Available	Available	Available	Available	Not available	Not available	Not available	Not available
Anniversary bonus	Available	Available	Not available	Not available	Not available	Not available	Available	Available
Material assistance for special (family) events	Not available	Not available	Available	Available	Available	Available	Available	Available
Christmas bonus	Not available	Not available	Not available	Not available	Not available	Not available	Available	Available
Sports contribution	Not available*	Not available*	Not available	Not available	Not available	Not available	Available	Available
Holiday contribution	Not available	Not available	Available	Available	Not available	Not available	Available	Available
Other	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available
* OTP Bank provides sports grants to groups upon approval of applications.								

BENEFITS (2017)	Romania		Slovakia		Serbia		Russia		Ukraine	
	Full time employees	Part time employees, on fixed-term contracts	Full time employees	Part time employees, on fixed-term contracts	Full time employees	Part time employees, on fixed-term contracts	Full time employees	Part time employees, on fixed-term contracts	Full time, part time employees	Fixed-term employees
Life insurance	Available	Available	Not available	Not available	Available	Available	Available	Available	Not available	Not available
Health	Available	Available	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available
Disability / sickness cover	Available	Available	Available	Available	Not available	Not available	Not available	Not available	Available	Available
Parental leave	Available	Available	Available	Available	Available	Available	Not available	Not available	Available	Available
Retirement benefit	Available	Available	Not available	Not available	Available	Available	Not available	Not available	Not available	Not available
Shares	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available
Extra day of leave	Available	Available	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available
Anniversary bonus	Not available	Not available	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available
Material assistance for special (family) events	Available	Available	Not available	Not available	Available	Available	Available	Available	Available	Available
Christmas bonus	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available
Sports contribution	Not available	Not available	Not available	Not available	Not available	Not available	Available	Available	Not available	Not available
Holiday contribution	Not available	Not available	Not available	Not available	Not available	Not available	Available	Not available	Available	Not available
Other	Available	Available	Available	Available	Not available	Not available	Not available	Not available	Not available	Not available



PROGRAMMES FOR SKILLS MANAGEMENT AND LIFELONG LEARNING IN 2017		
	OTP Bank	OTP Group
In-house training courses	Available	Typically available
External training or financial assistance to training	Available	Partly available
Leave of absence for studying, with job guaranteed to be reserved	Available	Typically available
Planning before pension for those about to retire	Not available	Typically not available
Continued training for those who intend to keep on working after retirement	Not available	Typically not available
Severance pay	Available	Typically available
If the organisation provides severance pay, does it take into account the employee's age	Yes	Typically not
If the organisation provides severance pay, does it take into account the number of the employee's years of service	Yes	Typically not
Jobseeker assistance for employees made redundant	Not available	Typically not available
Assistance during the transition to life without employment	Available	Typically not available

Weighted average by employee headcount.  
Typically not available/Typically not: available at less than 50% of the members of the Group.  
Partly available: available at 51-70% of the members of the Group.  
Typically available: available at 71-99% of the members of the Group.





# IV. GRI content index

INDICATOR NUMBER	Indicator description	Where is it to be found	Note / Reasons for omission
GRI 102: General disclosures 2016			
<b>Organisational profile</b>			
102-1	Name of the organisation	<a href="#">back cover, website</a>	<a href="https://www.otpbank.hu/portal/hu/JogiEtikaiNyilatkozat#Impresszum">https://www.otpbank.hu/portal/hu/JogiEtikaiNyilatkozat#Impresszum</a>
102-2	Activities, brands, products and services	<a href="#">p. 12, website</a>	<a href="https://www.otpbank.hu/portal/hu/fooldal">https://www.otpbank.hu/portal/hu/fooldal</a> , the subsidiaries' websites listed on <a href="https://www.otpbank.hu/portal/hu/Rolunk/OTPCsoport">https://www.otpbank.hu/portal/hu/Rolunk/OTPCsoport</a>
102-3	Location of the organisation's headquarters	<a href="#">p. 13, website</a>	<a href="https://www.otpbank.hu/portal/hu/JogiEtikaiNyilatkozat#Impresszum">https://www.otpbank.hu/portal/hu/JogiEtikaiNyilatkozat#Impresszum</a> <a href="https://www.otpbank.hu/portal/hu/Rolunk/OTPCsoport">https://www.otpbank.hu/portal/hu/Rolunk/OTPCsoport</a>
102-4	Operating locations	<a href="#">p. 13</a>	14 countries, of which our Company has significant operations in 9 countries
102-5	Nature of ownership and legal form	Annual Report	<a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a>
102-6	Markets served	<a href="#">pp. 12-13, Annual Report</a>	The Annual Report provides more detailed information: <a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a>
102-7	Scale of the reporting organisation	<a href="#">p. 13, p. 17, Annual Report</a>	The Annual Report provides more detailed information: <a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a>
102-8	Information about employees and other workers	<a href="#">pp. 53-54, p. 91</a>	
102-9	Description of the organisation's supply chain	<a href="#">p. 87, microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
102-10	Significant changes to the organisation or its supply chain	<a href="#">p. 13, Annual Report</a>	For changes in capitalisation and ownership structure, refer to the Annual Report: <a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a> No major change took place in the supply chain.
102-11	The principle of prudence or prudential approach	<a href="#">p. 48, microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles</a>
102-12	Third-party initiatives	<a href="#">p. 94</a>	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. <a href="https://www.otpbank.hu/portal/hu/Lakashitel/MagatartasiKodex">https://www.otpbank.hu/portal/hu/Lakashitel/MagatartasiKodex</a> 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. <a href="http://mrsz.hu/cmsfiles/08/c1/Magyar_Reklametikai_Kodex_2015.pdf">http://mrsz.hu/cmsfiles/08/c1/Magyar_Reklametikai_Kodex_2015.pdf</a> OTP banka Hrvatska is a signatory to the Diversity Charter.
102-13	Memberships in associations	<a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/Szervezeti_tagsagok_2017.pdf">https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/Szervezeti_tagsagok_2017.pdf</a>
<b>Strategy</b>			
102-14	Declaration by the highest-level decision-maker	<a href="#">pp. 5-6</a>	
102-16	Values, principles, standards and behavioural norms	<a href="#">p. 45, p. 95, microsite</a>	<b>Code of Ethics:</b> 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 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. <a href="https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_HU.pdf">https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_HU.pdf</a> <a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a>
<b>Governance</b>			
102-18	The organisation's management structure	<a href="#">pp. 14-15, p. 95, website</a>	<a href="https://www.otpbank.hu/static/portal/sw/file/180413_FTJ_048.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_FTJ_048.pdf</a> Board of Directors, Supervisory Board, executive operations management, Responsible Governance Report 15.04.2016 <a href="https://www.otpbank.hu/static/portal/sw/file/OTP_Alapszabaly_20180516.pdf">https://www.otpbank.hu/static/portal/sw/file/OTP_Alapszabaly_20180516.pdf</a> 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 is it to be found	Note / Reasons for omission
102-18	The organisation's management structure	pp. 14-15, p. 95, website	<p><b>Management Committee:</b> the Bank's supreme managing body, the forum directly assisting the work of the Chairman &amp; 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 Assembly, the Board of Directors or the Supervisory Board, along with a coordinating role in the Bank's executive management. The Committee plays a strategic role.</p> <p><b>Asset-Liability Committee:</b> OTP Bank Plc's management body for the highest-level issues concerning asset and liability management.</p> <p><b>Product Development, Sales and Pricing Committee:</b> a committee dealing with the products and services of the Bank and of the Bank's Hungarian subsidiaries sold in the Bank's sales channels, their normative pricing, their distribution via the various sales channels and any major campaigns. <b>International Product Development, Sales and Pricing Committee:</b> 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><b>Work-out Committee:</b> 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><b>Credit and Limit Committee:</b> 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><b>IT and Operations Board (ITOB):</b> provides guidance for the Group's IT and non-IT investment strategy for the benefit of the prudent and safe operations of the Group. It has independent decision-making rights in the matters designated to it by the Organisational and Operational Rules and provides 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><b>Group Operational Risk Management Committee:</b> 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	<a href="https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/erintettek-es-kapcsolattartas">https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/erintettek-es-kapcsolattartas</a> <a href="https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/Kapcsolattartas_modja_es_temaja.pdf">https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/Kapcsolattartas_modja_es_temaja.pdf</a>
102-41	Collective agreements	p. 54, p. 96, microsite	At member companies of the Group where a collective agreement is in place, it applies to all employees of the given company. 46% of OTP Group's employees are subject to a collective agreement. <a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
102-42	Identifying and selecting stakeholders	p. 7, pp. 32-33, p. 59, microsite	<a href="https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/erintettek-es-kapcsolattartas">https://www.otpfenntarthatosag.hu/hu/vallalati-felelossegvallalas-es-fenntarthatosag/strategia-es-a-felelossegvallalas-menedzsmentje/erintettek-es-kapcsolattartas</a>
102-43	Stakeholder engagement methods		
102-44	Key subjects and questions raised		
Reporting practice			
102-45	List of entities covered by the Annual Report	p. 96, 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 Önkéntes Nyugdíjpénztár, OTP Egészségpénztár, OTP Pénztárszolgáltató, OTP Ingatlanlízing, OTP Ingatlan Befektetési Alapkezelő, OTP Alapkezelő, OTP Hungaro-Projekt, OTP Ingatlanüzemeltető, Monicomp. The data of other subsidiaries, with revenues below HUF 1 billion, are not included in the report. 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 33) <a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a>
102-46	The process of defining the content of the Report content and the application of the reporting principles	pp. 7-8	
102-47	List of material subjects	pp. 7-8	
102-48	Information republished	p. 96	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	p. 96	–
102-50	Reporting period	p. 7	



INDICATOR NUMBER	Indicator description	Where is it to be found	Note / Reasons for omission
102-51	Date of most recent report	p. 96, <a href="#">microsite</a>	Our most recent Corporate Social Responsibility Report was issued for 2016. <a href="https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_Fenntarthatosagi_jelentes_2016.pdf">https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_Fenntarthatosagi_jelentes_2016.pdf</a>
102-52	Reporting cycle	p. 7	
102-53	Contact for questions about this Report	<a href="#">back cover</a>	<a href="mailto:csr@otpbank.hu">csr@otpbank.hu</a>
102-54	Declaration of compliance with GRI Standard	p. 7	
102-55	GRI content index	pp. 94-101	
102-56	External assurance	p. 7	Assurance on the report was provided by Deloitte Könyvvizsgáló és Tanácsadó Kft. The assurance provider is independent of OTP Group. As part of assurance, an interview was conducted with the Deputy CEO.
<b>List of material topics</b>			
201 Economic performance 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 16-17, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag</a>
103-2	The managerial approach and its constituent parts	pp. 14-15, pp. 16-17	
103-3	Evaluation of the managerial approach	p. 13, pp. 16-17, <a href="#">website</a> , <a href="#">microsite</a>	<a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a> <a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag/penzugyi-stabilitas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag/penzugyi-stabilitas</a>
201-1	Direct economic value generated and distributed	p. 17	
201-4	Financial assistance received from government	p. 17, p. 89, <a href="#">website</a>	<a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a>
202 Market presence 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 14-17	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-2	The managerial approach and its constituent parts	pp. 14-17	
103-3	Evaluation of the managerial approach	pp. 14-15	
202-2	Proportion of senior management hired from the local community at significant locations of operation	pp. 14-15	OTP Group has no comprehensive policy for giving preference to local residents in respect of employees and senior management.
203 Indirect economic impacts 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 16-18	
103-2	The managerial approach and its constituent parts	pp. 16-18, <a href="#">microsite</a>	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. <a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a>
103-3	Evaluation of the managerial approach	pp. 16-18	
203-2	Significant indirect economic impacts, including the extent of impacts	pp. 16-18, pp. 35-36, p. 39, pp. 41-42, p. 70	
205 Anti-corruption 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, p. 45, <a href="#">microsite</a> , <a href="#">website</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a> <a href="https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf">https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf</a>
103-2	The managerial approach and its constituent parts	p. 43-45	
103-3	Evaluation of the managerial approach	p. 43-45	
205-2	Communication and training on anti-corruption policies and procedures	p. 45, p. 56, p. 91, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etik-us-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a> The proportion of participants in orientation and training is equal to that of new hires (p. 56). The numbers and proportions of new members of governance bodies and management are stated in the Annex (p. 91); these persons received orientation and training. We explain the Code of Ethics to agents as well; their range is defined in the Code of Ethics.
206 Preventing anti-competitive behaviour 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 43-45, <a href="#">microsite</a> , <a href="#">website</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a> <a href="https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf">https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf</a>
103-2	The managerial approach and its constituent parts	pp. 43-45, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a>

INDICATOR NUMBER	Indicator description	Where is it to be found	Note / Reasons for omission
103-3	Evaluation of the managerial approach	p. 43-45	
206-1	Number and outcomes of legal proceedings relating to anti-competitive conduct or breaching of anti-trust or anti-monopoly regulations	p. 46	
302 Energy 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
103-2	The managerial approach and its constituent parts	<a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
103-3	Evaluation of the managerial approach	p. 81, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
302-1	Energy consumption within the organisation	p. 82	
305 Emissions 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
103-2	The managerial approach and its constituent parts	<a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
103-3	Evaluation of the managerial approach	p. 81, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
305-1	Direct GHG emissions (Scope 1)	pp. 83-84	
305-2	Indirect GHG emissions (Scope 2)	pp. 83-84	
307 Environmental compliance 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, p. 43, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a>
103-2	The managerial approach and its constituent parts	p. 43, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a> <a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
103-3	Evaluation of the managerial approach	p. 46, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/etikus-es-atlathato-uzleti-magatartas</a> <a href="https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem">https://www.otpfenntarthatosag.hu/hu/kornyezetvedelem</a>
307-1	Non-compliance with environmental laws and regulations	p. 46	
401 Employment 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, p. 18, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-2	The managerial approach and its constituent parts	<a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-3	Evaluation of the managerial approach	<a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
401-1	Total number and rates of new employee hires and exiting employees by age group, gender and region	pp. 55-57	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 60, p. 91	
402 Labour/management relations 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-2	The managerial approach and its constituent parts	<a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-3	Evaluation of the managerial approach	p. 55, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
402-1	Minimum notice periods regarding significant operational changes	pp. 54-55	
403 Occupational health and safety 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 64-66, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-2	The managerial approach and its constituent parts	pp. 64-65, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-3	Evaluation of the managerial approach	pp. 64-65, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
403-2	Type of injury and rates of injury, occupational diseases, lost days, and absences, and total number of work-related fatalities, by region and by gender	pp. 65-66	
403-3	Workers with a high incidence or a high risk of diseases related to their occupation	p. 64, p. 98	At several members of OTP Group, there are employees who are often exposed to a great risk of stress in the course of their work.
404 Training and education 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, p. 17, pp. 61-62, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-2	The managerial approach and its constituent parts	pp. 61-62, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>

INDICATOR NUMBER	Indicator description	Where is it to be found	Note / Reasons for omission
103-3	Evaluation of the managerial approach	p. 59, pp. 61-62, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
404-1	Average hours of training per year per employee by gender, and by employee category	p. 62	
404-2	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	p. 93	
405 Diversity and equal opportunity 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 14-15, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a>
103-2	The managerial approach and its constituent parts	pp. 14-15, p. 45, <a href="#">microsite</a> , <a href="#">website</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato">https://www.otpfenntarthatosag.hu/hu/felelos-munkaltato</a> <a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/etikus-es-atlathato-uzleti-magatarthatosag">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/etikus-es-atlathato-uzleti-magatarthatosag</a> <a href="https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf">https://www.otpbank.hu/static/portal/sw/file/180413_Eves_jelentes_044.pdf</a> <a href="https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf">https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf</a>
103-3	Evaluation of the managerial approach	pp. 14-15	
405-1	Diversity of governing bodies and employees	pp. 14-15, p. 57, <a href="#">website</a>	<a href="https://www.otpbank.hu/portal/hu/IR_Tarsasagiranyitas">https://www.otpbank.hu/portal/hu/IR_Tarsasagiranyitas</a> Data on ethnic background is not listed owing to statutory regulations.
405-2	Relationship between the basic salaries of men and women	p. 60	We have standardised information only from the parent bank; we can commit to providing such information about the subsidiary banks in our annual report for 2018.
406 Non-discrimination 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, p. 43, p. 45, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/etikus-es-atlathato-uzleti-magatarthatosag">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/etikus-es-atlathato-uzleti-magatarthatosag</a>
103-2	The managerial approach and its constituent parts	p. 45, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/etikus-es-atlathato-uzleti-magatarthatosag">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/etikus-es-atlathato-uzleti-magatarthatosag</a>
103-3	Evaluation of the managerial approach	p. 43, p. 45	
406-1	Total number of incidents of discrimination and corrective actions taken	pp. 45-46	
410 Security practices 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles</a>
103-2	The managerial approach and its constituent parts	pp. 49-50, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles</a>
103-3	Evaluation of the managerial approach	<a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles</a>
410-1	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	p. 100, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatarthatosag-es-biztonsag/biztonsag-es-kockazatkezeles</a> 100%
413 Local communities 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 14-16, p. 25, pp. 73-74	
103-2	The managerial approach and its constituent parts	p. 25, pp. 73-74	
103-3	Evaluation of the managerial approach	p. 25, pp. 73-74	
FS13	Access points in low-populated or economically disadvantaged areas by type	pp. 25-27, <a href="#">website</a>	<a href="https://www.otpbank.hu/static/portal/sw/flash/fiokkereso_map/fiokmap.html">https://www.otpbank.hu/static/portal/sw/flash/fiokkereso_map/fiokmap.html</a> (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. 7-8, p. 45	
103-2	The managerial approach and its constituent parts	p. 45, <a href="#">website</a>	<a href="https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf">https://www.otpfenntarthatosag.hu/static/otpfenntarthatosag/download/OTP_EtikaiKodex_HU.pdf</a>
103-3	Evaluation of the managerial approach	p. 45	
415-1	Total amount of cash and in-kind contributions provided for political parties, politicians and related institutions	p. 100	OTP Group does not sponsor such persons or organisations.
417 Product and service labelling 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, p. 20, p. 28, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas</a> <a href="https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese">https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese</a>
103-2	The managerial approach and its constituent parts	p. 20, p. 28, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas</a> <a href="https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese">https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese</a>



INDICATOR NUMBER	Indicator description	Where is it to be found	Note / Reasons for omission
103-3	Evaluation of the managerial approach	p. 20, p. 28, p. 46, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/kozpontban-az-ugyfelek/korrekt-es-hiteles-tajekoztatas</a> <a href="https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese">https://www.otpfenntarthatosag.hu/hu/penzugyi-kultura-fejlesztese</a>
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. 46-47	There was no non-compliance with the law or any breaches of the voluntarily accepted standards in 2017. In this respect, non-compliance with the law may occur in the categories of consumer protection, regulatory and other (Financial Arbitration Board cases) in the table referred to.
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. 46-47	There was no non-compliance with the law or any breaches of the voluntarily accepted standards in 2017. In this respect, non-compliance with the law may occur in the consumer protection and regulatory categories of the table referred to.
Customer privacy 2016			
103-1	An explanation and the limits of the material subject	pp. 7-8, p. 50, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles</a>
103-2	The managerial approach and its constituent parts	pp. 49-50, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles</a>
103-3	Evaluation of the managerial approach	pp. 49-50, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-uzleti-magatartas-es-biztonsag/biztonsag-es-kockazatkezeles</a>
418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	pp. 50-51	
419 Socioeconomic compliance			
103-1	An explanation and the limits of the material subject	pp. 7-8, pp. 43-45, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas</a>
103-2	The managerial approach and its constituent parts	pp. 43-45, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas</a>
103-3	Evaluation of the managerial approach	p. 46, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas</a>
419-1	Non-compliance with laws and regulations in the field of society and economics	pp. 46-47	We categorise here 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. 7-8, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas</a>
103-2	The managerial approach and its constituent parts	pp. 38-41, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas</a>
103-3	Evaluation of the managerial approach	pp. 38-41, pp. 89-90, <a href="#">microsite</a>	<a href="https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas">https://www.otpfenntarthatosag.hu/hu/felelos-szolgaltatas/etikus-es-atlathato-uzleti-magatartas</a>
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector	pp. 89-90	



## INDEPENDENT ASSURANCE REPORT

### ***To the management of OTP Bank Nyrt.***

This report has been prepared in accordance with the terms of our contract dated 16 June 2018 in order to accomplish the independent external party examination of OTP Bank Nyrt.'s Corporate Social Responsibility Report 2017 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 2017 are prepared by the Management of OTP Bank Nyrt. in line with the GRI criteria.

### ***The limitations of our examination***

The scope of our examination included solely the sustainable performance indicators stated in the Report.

During our examination we have not fully examined all the sustainable data and information stated in the Report. Our examination included solely the compliance of the data reporting procedure with GRI principles and the sample-based testing of the data sources.

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

- 102-8 – Information on employees and other workers,
- 201-4 – Financial assistance received from government,
- 302-1 – Energy consumption within the organization,
- 305-2 – Energy indirect (Scope 2) GHG emissions,
- 417-3 – Incidents of non-compliance concerning marketing communications.

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 2017.

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 2017 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. The verification of the reporting process:
  - Examination of the organization's operational processes;
  - Examination of regulations of the reporting process;
  - Examination of the data gathering and maintaining practice;
  - Examination of the reporting practice;
  - Examination of documentation practices and regulations.
2. The verification of GRI application level:
  - Examination of the completeness and appropriate application of indicators used in the Report.
  - Examination of the definition level application of GRI indicators stated in the Report.
  - The evaluation of the Report's compliance with GRI principles.
3. Limited examination of the appropriateness of five selected indicators on data level.
4. Preparation of the final examination report: professional evaluation and elaboration of recommendations.

We have summarized the possible development areas connected to the reporting process in the final examination report prepared for the management of OTP Bank Nyrt. These statements do not have influence on our conclusions on the Report stated in this independent assurance report.
5. To confirm and to complete the statements above, we have accomplished the following interviews at the selected departments connected to the verification of the Report of 2017: HR Administration Section, Tax Regulations and Tax Settlement Section, Banking Group, Tax Planning and International Taxation Section, Supply Management and Logistics Centre, Facility Management Support Centre, Retail Legal Unit, Corporate Finance Legal Unit and the Legal Directorate. We have examined the internal communication connected to sustainability through interviews with a representative group of employees. The examination of the management's commitment was performed through interviews with the management.

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

## **Conclusion**

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

Budapest, 15 August 2018



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**Tamás Horváth**

Partner

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Our registered office:  
OTP Bank Plc., 1051 Budapest, Nádor u. 16.

We look forward to your feedback.

To improve the Bank's performance in sustainability,  
it is very important for us to know your opinion.  
Please share it with us at [csr@otpbank.hu](mailto:csr@otpbank.hu).





