

2014 / 2015

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Sustainability  
report

OTP banka Hrvatska is the eighth largest bank on the Croatian banking market, with total assets amounting to HRK 16.2 billion. Around a thousand employees in the network spread over 105 branches and nearly 250 ATMs all over Croatia operate with more than 420,000 clients in retail and corporate sector. Bank headquarters are in Zadar, with business centres in Zagreb, Pula, Sisak, Dubrovnik and Osijek. The bank is the member of OTP Group which operates in nine CEE countries: Hungary (seat), Bulgaria, Montenegro, Croatia, Romania, Russia, Slovakia, Serbia and Ukraine.

## Our products and services

| Retail   | SMEs and craftsmen  | Large companies   | Financial markets   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>&gt; accounts and service packages</li> <li>&gt; cards</li> <li>&gt; loans</li> <li>&gt; online services</li> <li>&gt; savings</li> </ul> | <ul style="list-style-type: none"> <li>&gt; accounts and payment operations</li> <li>&gt; loans</li> <li>&gt; deposits</li> <li>&gt; cards</li> <li>&gt; online services</li> </ul> | <ul style="list-style-type: none"> <li>&gt; accounts and payment operations</li> <li>&gt; deposits</li> <li>&gt; cards</li> <li>&gt; loans</li> <li>&gt; online services</li> </ul> | <ul style="list-style-type: none"> <li>&gt; treasury</li> <li>&gt; securities</li> <li>&gt; financial instrument custody</li> </ul> |



## Vision and mission

On the market, in society and local communities, we act and operate responsibly, in order to contribute to their development. We want to be a bank of significant market influence. Open, with attractive market approach and responsible operations, we are the most desirable partner to our clients.

### Vision

We want to be a modern bank, constantly investing in innovations and technology advancement. We utilize our open corporate culture to encourage employees to realize their plans ambitiously. This approach will strengthen our market influence, by growing market shares in desired segments and regions.

We will be recognized by responsible conduct with all stakeholders, while our open approach, reputation and attractive market approach will secure that we are a desirable partner to clients in the centre of our attention.

### Mission

To our most important partners – clients, employees and shareholders – we instil confidence in our capability of contributing to their goals with our secure and stable operations. We are constantly developing modern, high-quality and competitive products and services.

## OTP banka in numbers

TOTAL AFTER TAX PROFIT\*

REVENUES\*

ASSETS\*

LOANS\*

DEPOSITS\*

CAPITAL ADEQUACY RATE

MARKET SHARE

2014

2015

155,233

-79,589

1,019,002

961,694

15,820,466

15,838,812

11,784,059

11,928,420

12,713,227

12,548,560

16.54%

15.56%

3.93%

3.95%

\*all amounts expressed in HRK thousand

POSITION ON THE BANKING MARKET  
(ACCORDING TO ASSETS)

8

2014 / 2015

CLIENTS



2014

428,471

2015

423,966

BRANCH OFFICES



2014

112

2015

105

ATMs



2014

242

2015

247

EMPLOYEES



2014

1,246

2015

1,141

A man with short brown hair, smiling, wearing a light blue dress shirt, a dark vest, and a striped tie. He has his arms crossed and is standing in front of a blurred background.

**“Sustainability  
for us means  
protecting  
stability and  
security of bank  
operations”**

## Dear readers,

It is my pleasure to introduce to you the second Sustainability report for OTP banka Hrvatska. Years covered by this report, 2014 and 2015, were extremely important and challenging for our bank. Operating in a dynamic business and market environment, as well as initiating internal ventures directed at growth, we strived to conduct our operations in accordance with high standards of social responsibility and sustainable growth. These two years were predominantly marked by a big step for us – takeover and complete integration of Banco Popolare Croatia. The integration was conducted successfully and in record time, mostly thanks to great contribution from our employees. It resulted in strengthening and spreading of the bank in new local communities in which we were not present before. During the integration, we conducted operative restructuring and invested in the improvement of business processes.

We have focused on our goal to strengthen social responsibility and sustainability in various ways in different areas of our operations. Sustainability for us means protecting stability and security of bank operations. Constant growth of our market shares has always been an indicator of our clients' trust growth, as well as proof of recognition of the bank as a good partner for realization of their business and personal plans. This reporting period has had multitude of market, regulatory and developmental challenges. We had to prepare ourselves in time and face conversion of loans in Swiss Francs, as well as conduct all necessary measures in very short term. At the same time, we have tried to respond to speedy development of technology on the market and change of social trends, developing innovative solutions and intensifying relations with all our stakeholders. The bank constantly developed new products and services in the segment of internet and mobile banking, as well as improving flexibility of operations.

Bank management stayed dedicated to sustainable development goals from the previous reporting period. After concluded integration, we were especially dedicated to further development of our corporate culture and intensified several projects engaging our employees and communities in which we operate stronger. By building quality relations with

our clients, suppliers, business partners, local communities, interest groups and NGOs, we continued to build our reputation and became recognized as the preferred partner and reputable corporate citizen in many communities. Along with supporting the business segment, we constantly develop out community investments. We have been organizing our donations tender transparently for the past several years, and we continued to provide scholarships for financially disadvantaged students and pupils in cooperation with local communities.

Striving to develop out corporate culture, we launched awarding program for employee ideas, entitled "Eureka!" at the beginning of the previous reporting period, and we worked on encouraging our employees in participation in local community projects and humanitarian actions.

In 2015, OTP banka took an important step in the segment of environmental protection and energy efficiency, by building its very first solar plant on its building in Dubrovnik; we plan to develop this use of energy from own sources in the future.

Dedication to sustainable development means constant work on development of sustainable processes and practice. In time of technological and social challenges, OTP banka faces multiple risks, but also many opportunities. In order to best utilize them, we are prepared to changes and wish to actively shape the new world within these changes. This can only be achieved if we reach our sustainability goals: positively influence the level of financial literacy; partner in projects aimed at securing added value to economy, society and environment; based on our values – openness, availability and responsibility – constantly develop ourselves, our organization, employees, our business partners and communities in which we work.

**Balázs Békeffy**  
CEO





Along with financing  
and securing deposits,  
we strive to constantly  
develop our services,  
especially considering  
risk management,  
client stake protection  
and responsible  
financing

Ethically  
based  
governance

Croatian OTP banka, as in the previous reporting period, is under the management of four-member Management Board headed by CEO Balázs Békeffy, along with Board Members Helena Banjad, in charge of supervision over credit, market and operating risk management, Zorislav Vidović, in charge of treasury, finance, corporate banking and group management system, and Slaven Celić, in charge of retail, marketing and corporate communications. Full confidence of mother OTP Bank in the local Management Board, as well as its approach to developing local talents, is shown also in the fact that three out of four MB members are long time employees of OTP banka and its legal predecessors.

President of OTP banka Supervisory Board is dr. Antal Pongrácz, while the SB saw changes in the number of members in 2014. Additionally, Zorislav Vidović abstained from the position of Board Member between April 25 and December 16, 2014 because he was appointed CEO of taken over, but not yet integrated Banco Popolare Croatia.

#### SHAREHOLDERS' ASSEMBLY

Viktor Siništaj, President

from March 31, 2014

#### SUPERVISORY BOARD

by March 30, 2014

Dr. Antal Pongrácz, President

|                |                |              |               |                |                |
|----------------|----------------|--------------|---------------|----------------|----------------|
| Szabolcs Annus | Branko Mikša   | Árpád Srankó | Fülöp Benedek | Szabolcs Annus | László Kecskés |
| Balázs Fábián  | László Kecskés | Zsolt Szabó  | István Vastag | Branko Mikša   | Attila Kozsik  |

#### MANAGEMENT BOARD

Balázs Békeffy, CEO

|                       |                           |                      |
|-----------------------|---------------------------|----------------------|
| Helena Banjad, Member | Zorislav Vidović*, Member | Slaven Celić, Member |
|-----------------------|---------------------------|----------------------|

\*from January 1 to April 25, 2014 and from December 16 to 31, 2014.

Corporate governance as the foundation of OTP banka operations stipulates responsible and ethically based behaviour towards all stakeholders on the market. Our system lies on transparent, responsible and fair operations based on clear procedures and direction. Along with financing and securing deposits, we strive to constantly develop our services, especially considering risk management, client stake protection and responsible financing. On all of these aspects the bank regularly reports to its stakeholders.

Corporate governance code defines goals and basic principles of governance, duties and obligations of governing bodies' members and possible conflict of interest, as well as the role of revision as a mechanism of securing successful corporate governance.

In its operations, the bank also follows Rulebook on conflict of interest prevention, its own Corporate governance code, as well as Code of ethics and ethical statement adopted in 2015, explaining ethical principles on which the bank bases its everyday operations: basic moral demands, professional principles, conduct with clients, colleagues and competition, as well as corporate governance and social responsibility principles.

Management and directors meet regularly, while larger, so-called planning conferences are held once or twice a year. Planning conferences focus on the dialogue between the Management Board and directors on topics current for the bank's development. In the reporting period, the focus was on retail crediting and SME support, with a balanced approach to corporate segment, all in challenging times of economic crisis still present in Croatia at the time.

### Basic principles of corporate governance

- > Business transparency
- > Clearly developed work procedures
- > Avoiding conflict of interest
- > Efficient internal control
- > Efficient system of responsibilities

# Our values

Our values speak of the manner in which we approach ourselves, our clients, shareholders, business partners and communities in which we live and work. Each of our values is based on clear set of our beliefs which generate the rules of our behaviour, and are deeply entwined in the decisions we bring. Our organization culture is based on work environment in which the management clearly communicates all expectations, employees are cooperative, respectful towards each other and know that their results are valued and appreciated.



## STABILITY

We secure stable employment and perspective work environment. We respect the trust of invested capital and secure that our operations comply with the highest standards of risk assessment and protection of owner's interest. Stable operations provide constant high quality of services for clients and sensible management of their deposits. Communities in which we operate are guaranteed good entrepreneur stability and attractive business partnership.

## RESPONSIBILITY

Cooperation between our employees is based on personal and team responsibility towards the bank, colleagues, clients and all other stakeholders. In all strategic decisions we are led by a sense of responsibility towards owner's investment as of it was our own. Clients trust the bank and our conservative approach to managing their assets. We invest in sustainable economic and social development, in our communities. We take care of the environment.

## SECURITY

Our employees enjoy personal safety and trust the bank to invest into the development of security. We respect standards which secure the owner's trust in our wise management of the bank's assets. Client security and safety of their deposits is a principle we respect in operations and organization of the bank. We secure constant source of revenue to our communities thus increasing their financial and social security.

## OPENNESS

We develop culture of dialogue and respect employees' opinions. We communicate openly on all issues. Constant dialogue with our owner secures exchange of ideas and their complete understanding of our operations. Personal and courteous approach to the clients, with clear communication on which products best fit their needs secures not only openness, but trust as well. We participate in economic and social life of communities and create open dialogue.

## AVAILABILITY

We are an organization of open doors. We foster simple communication and dialogue between all employees on all levels. Our management is quickly and easily accessible which simplifies our operations. Communication with the owner is simple, regular and open. They are available when we need direction or advice. Our clients can manage their finance in time and manner that best suits their needs. With technology development we secure complete availability. We are a part of the community and participate in its life. Our doors are open.

The bank does not regulate anticorruption measures with one internal document; they are embedded in different documents like the Code of ethics and rulebook on prevention of conflict of interest. Ethical statement that is a part of the Code of ethics is available on the bank's website. All Management Board members and employees have to comply with principles and values proscribed by the Code, and this document is readily available on the bank's intranet. Operating principles stipulated by the Code of ethics are also communicated to the bank's business partners and suppliers. Those that represent the bank in any capacity are obligated to comply with these principles and values.

Code of ethics proscribes that donations can be given only in accordance with the law and internal regulations and policies, while the principle of anti-corruption is taken in consideration in procedures of deciding on providing donations and sponsorships. The bank does not provide political contributions to the state or political parties. There have been no cases of corruption in the bank in the reporting period.

## Conduct on the market and market competition

There have been no procedures initiated against OTP banka in the reporting period due to behaviours contrary to the principle of free competition, antitrust or monopolistic practices. As a part of standard procedure during larger takeovers on the market, Croatian Competition Agency considered permissibility of concentration occurred by the takeover of Banco Popolare Croatia and concluded that this merger does not create unpermitted concentration or disrupts fair market competition.

In 2015, Franak Association submitted an initiative to Croatian Competition Agency for initiation of administrative proceedings to determine possible market competition breach due to suspicion on bank's coordinated operations, but the CCA dismissed this initiative, founding that there are no conditions for initiation of these proceedings. There have been no financial sanctions for breach of market competition.

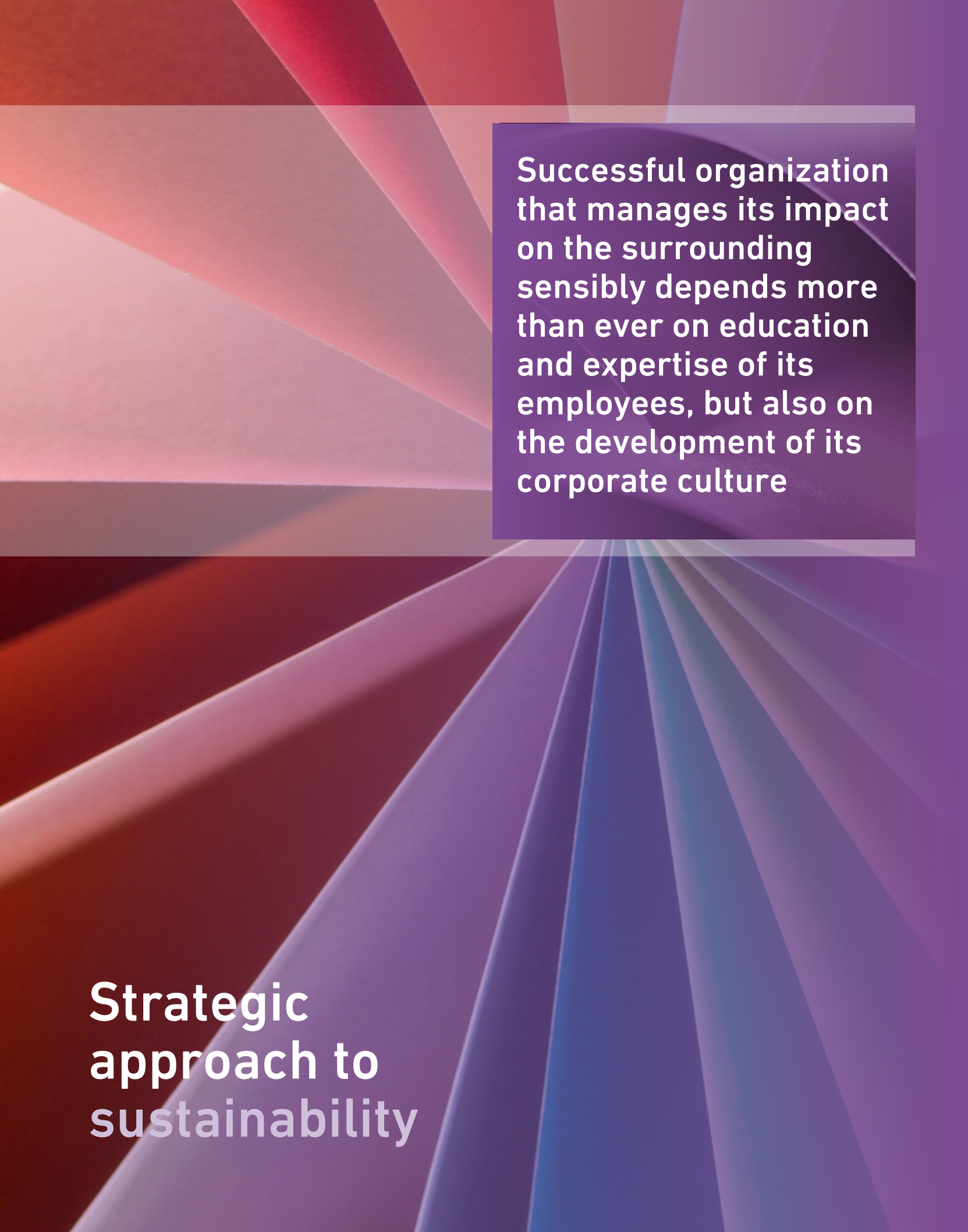


## Bank's memberships

Bank's experts, as well as the bank itself, have been recognized in expert and wider public with their participation in numerous expert gatherings and memberships in organizations that support the development of banking market in Croatia in every sense – from products and services development, management in financial sector, to following trends in banking and finance.

OTP banka is the member of Croatian Banking Association, economic interest association of banks in Croatia, Croatian Employers' Association, Money and Short Term Securities Market, Croatian SWIFT Group and Zagreb Stock Exchange. Personal memberships of OTP banka employees include them in the work of ACI Hrvatska, association of experts in the field of financial markets, Croatian IT Assembly, and European Payments Council's Cards Working Group.

Bank's experts participate regularly in expert conferences like annual Money Market Zagreb conference, international conferences organized by Croatian Institute of Internal Auditors, as well as on numerous expert and economic conferences like HR Summit. They actively participate in different working groups within OTP Group, expanding their knowledge and gaining experience in cooperation with colleagues from the group.



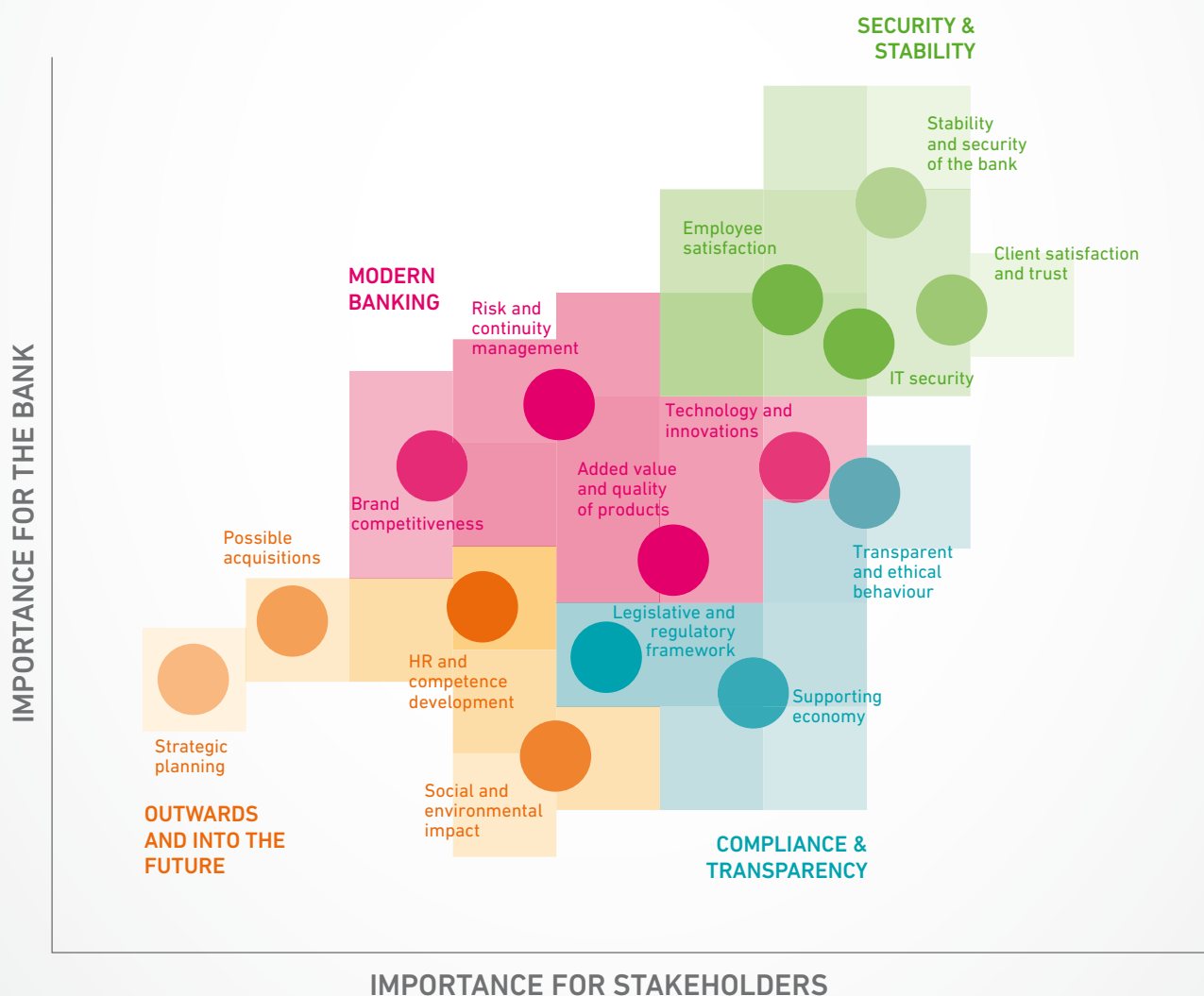
Successful organization  
that manages its impact  
on the surrounding  
sensibly depends more  
than ever on education  
and expertise of its  
employees, but also on  
the development of its  
corporate culture

Strategic  
approach to  
sustainability

# Material issues

OTP banka's material issues are completely entwined with the bank's strategic plans. On several workshops in the monitored period participants (Management Board members, directors and managers) listed material issues, described them and estimated their impact on sustainability of the bank, as well as their impact on bank's stakeholders. Changes in material issues compared to the previous period were estimated on a workshop of the CSR team in early 2015; 15 issues were selected which reflected traceability in comparison to the previous reporting period. These issues were included in employee satisfaction survey conducted in early 2016. A total of 404 employees from all bank segments participated in the survey.

Employees estimated importance of material issues in the context of bank impact on economy, society and environment, its risk management and business development. Material issues estimated by management and employees were compared with information and standpoints given by other stakeholders by various research methods used for their engagement in the reporting period. This helped shape the final image of material issues.



Apart from listing and describing material issues and estimating their importance, participants of strategic workshops discussed how material issues affect the business model, whether they are important for strategic course adjustment and successful development, what their effect on the value chain is, and which are the ways the bank can actively manage these issues. Furthermore, the participants determined borders of the material issues impact and their description in the context of stakeholder engagement.

Workshop gathering the management and crisis management group discussed material issues as well, this time in the context of global sustainable development goals as well as sensible risk management. Previously determined material issues were examined at this workshop, and discussed within problem focused discussion. After the determination of key areas of material topics, the participants described issues within each area, discussed organization's standpoints on these issues, identified key stakeholders and described methods for their engagement.

Material issues have been analysed within six larger topics pertaining to areas of the bank's biggest influence on surroundings and stakeholders, covering also six key areas of the bank's sustainability: market, regulations, security, social trends, technology and corporate culture. It was estimated that material issues remained practically the same in comparison to the previous period, with mostly unchanged impact, so the new workshop aimed more to further examine issues, networking with stakeholders and develop their stronger engagement into interaction or cooperation on certain issues.

Material issues of the bank have been articulated in the bank's business goals and strategy in several ways in the reporting period. Focus on security, social trends i.e. changes in acceptance, trust and habits of our clients, development of technologies, but also market competition, are seen in bank's overall goals, as well as particular objectives of directorates and sectors. Stability and security are the bedrock of banking operations; proof of stability and security builds client trust, generates principles and risk management processes, builds competitive advantages. In the reporting period, the bank showed special attention to new content and initiatives in the segment of client education and strengthening of their financial literacy. Carefully following social trends and development of technologies, clients are more involved in active management of personal data security in the use of online banking platforms. In addition, challenging period of Croatian banking, dominated by loans pegged to Swiss Francs and resolution of the issue, encouraged both the bank and its clients to communicate obligations and expectations openly, clearly and transparently.

Successful organization that manages its impacts sensibly depends more than ever on the level of education and expertise of its employees, as well as on the development of its corporate culture. In the reporting period, especially during 2015, after the integration of Banco Popolare Croatia, the bank continued the process of corporate culture strengthening. Management and employees have been included in the development of business strategies and plans in various workshops and meetings, while examination of organizational climate has also been conducted.

## OTP banka's social responsibility goals in 2014 and 2015

- Develop awareness on the importance of social responsibility among bank employees.
- Strengthen client loyalty based on the bank's responsibility.
- Strengthen corporate values and corporate culture of the bank.
- Develop joint initiatives to foster responsible practices in cooperation with stakeholders.
- Decrease own environmental impact and increase energy efficiency.

## Embedding material issues into the business strategy and stakeholder engagement

|                              | MARKET                                 | REGULATION           | SECURITY                         | SOCIAL TRENDS                        | TECHNOLOGY                   | COPORATE CULTURE                                       |
|------------------------------|--|----------------------|----------------------------------|--------------------------------------|------------------------------|--|
| <b>CLIENTS</b>               | client trust                           |                      | financial literacy and education | new habits and needs                 | development of channels      | individual client approach                             |
| <b>EMPLOYEES</b>             | competitiveness and entrepreneurship   | work mobility        | education                        | social climate                       | banker: advisor and educator | development of leadership diversity as "bonding value" |
| <b>SHAREHOLDERS</b>          | market development                     |                      | risk management and continuity   | group synergy                        | investment in innovations    | reputation development                                 |
| <b>REGULATORS</b>            | stricter supervision                   |                      | occurrence and growth of e-crime | business transparency                |                              |  |
| <b>STATE ADMINISTRATION</b>  |  | regulation changes   |                                  | simplification of processes          | application development      |  |
| <b>BUSINESS ASSOCIATIONS</b> | exchange of experiences                | public consultations |                                  |                                      |                              | development of expertise                               |
| <b>INTEREST ASSOCIATIONS</b> |  |                      | joint action                     | exchange of knowledge and experience |                              |  |
| <b>SUPPLIERS</b>             | responsibility for quality             |                      | quality control                  | engagement of local suppliers        | reliability                  | integration (culture transfer)                         |
| <b>BUSINESS PARTNERS</b>     | joint interests and synergy            |                      |                                  | joint initiatives                    | joint innovations            | development of collaborative culture                   |
| <b>LOCAL COMMUNITIES</b>     | community investments and partnerships |                      |                                  | engagement of local suppliers        |                              | local culture specificities                            |

The bank maintained cooperative relationship with the regulators and state administration, while bank's representatives participated in the work of sector working groups and committees in all relevant public consultation processes. However, vagueness and rigidity of regulations, as well as complex adjustment to EU regulatory do not always offer clear and easily applicable solutions. The bank aims to discuss this with all relevant stakeholders.

Strengthening relations with suppliers and local communities has been recognized as extremely important for the bank, which is a significant business subject and employer in certain communities. By participating in various local initiatives and localizing operations, the bank aims to engage various stakeholders from local communities into its operations strongly, support the development of local entrepreneurship and positively influence social development.

Development of  
technology is our  
opportunity to  
provide our clients  
the ability to manage  
finance from every  
place and at every  
time

**Market:**  
**Availability**  
**as a priority**

## OTP banka integrated Banco Popolare Croatia



## Constant decrease of interest rates for retail loans

OTP banka Hrvatska bought Italian Banco Popolare's subsidiary signing the purchase contract in late January 2014; during the same year, it obtained all approvals and permits for merger and conducted extensive integration process that ended at the end of November 2014 with the migration of data from BPC's central system to the central system of OTP banka.

Banco Popolare Croatia held 0.6 per cent market share in assets, with focus on consumer crediting and over 2 per cent market share in this segment. OTP banka, which also maintains strong focus on retail segment, strengthened its market position and operation in Croatia with this acquisition.

The process was conducted in seven phases: preparations, mapping, harmonization, IT specifications, testing, education and migration. The process commenced in May 2014, with the intent to conclude most of the tasks by the end of the year. The integration gathered a team of 57 employees from BPC and 120 from OTP banka, out of which 95 in the bank centre and 19 persons in charge of support to former BPC branches, as well as so-called IT urgent squad.

Bank merger is a much more complex procedure than mergers of companies from other industries, because it includes very complex and detailed preparations, especially in the IT segment, but also because it has to comply with a series of regulatory demands that have to be met in the preparatory period. Merger process is therefore more complex also because it is conducted parallel with regular operations, and includes employees that are at the same time dedicated to their regular tasks.

Project was followed by changes in the organizational structure; organization of Retail Sector and Corporate Banking Sector have been changed to form five business centres (BC Northern and Central Dalmatia, BC Istria and Primorje, BC Dubrovnik and Southern Dalmatia, BC Northwestern Croatia and BC Slavonia, along with BC Large systems which continued to operate as a part of Corporate Banking Sector), newly-founded Recovery Sector took over corporate banking loan collection, Directorate of Risk Control was founded, including Team for Internal Capital Adequacy Estimate, as well as independent Compliance and Security Directorate. EU Desk was founded within Corporate Banking Sector.





Acquisition of this bank follows OTP Group's long term expansion strategy on the Central and Eastern European market.

During 2014 and 2015, OTP banka decreased interest rates to all existing and new retail loans with variable interest rates four times; this decrease is the result of fluctuations of national reference rate (NRS1) to which OTP banka pegged its retail loans.

Considering amendments to the Consumer Crediting Act from 2013, Croatian banks adjusted their terms of operation in contracting variable interest rates for consumer loans. Parameters that changes in variable interest rates can follow are reference interest rates like EURIBOR or LIBOR, consumer prices index, Croatian credit risk premium and other that comply with legislative conditions.

Since Croatia did not have a reference interest rate which could be applied in the same way as international reference rates until then, Croatian Banking Associations defined the national reference rate of average cost for financing Croatian banking sector, using publicly accessible data issued by the Croatian National Bank.



|      | ADDED VALUE TAX<br> | PROFIT TAX<br> | INCOME TAX AND CONTRIBUTIONS<br> | REAL ESTATE TAX<br> | TOTAL<br>(HRK) |
|------|--|---|---|--|----------------|
| 2014 | 5,522,058.22   | 25,300,387.22   | 62,028,238.00   | 114,866.00   | 92,965,549.44  |
| 2015 | 7,541,481.28   | 6,088,109.58*   | 78,854,143.00   | 78,041.00  | 67,261,387.64  |

\*2015. return: -25,300,387.22; 2016. return: -6,088,109.58

## Conversion, grace periods, refinancing

Beginning of 2015, due to the decision brought by the Swiss National Bank to discard its policy of limiting CHF currency exchange rate against EUR, brings swift drop of CHF rate against EUR, and with that, against HRK as well. After 2010, this event had the biggest impact on burden for debtors with loans in Swiss Francs. In order to deal with the issue of overburdened debtors, Croatian Government proposed to the Parliament amendments to the Consumer Crediting Act which the Parliament adopted, regulating the possibility of conversion from loans with CHF currency clause to loans with EUR currency clause. Legislative changes pertained to loans in regular repayment and cancelled matured loans with recorded matured debt.

With the last day of September 2015, OTP banka reserved funds needed for implementation of conversion according to legislative changes in the amount of HRK 244 million and began with preparations for conversion. All preconditions for

conversion were met in set time: all debtors, co-debtors and guarantors received conversion calculation for September 30, 2015 together with conversion offer and loan contract annex. On its website, the bank secured access to informative calculations, daily currency exchange rates for CHF and EUR, as well as historical overview of decisions on interest rates on loans with both currency clauses. The conversion began in January 2016.

For a number of years, the bank has been offering repayment extensions as well as refinancing of existing obligations to its clients. Contracting grace period for loan repayment the client can set repayment in line with their financial circumstances, while grace periods can be contracted for up to five years. Considering refinancing of existing obligations, the bank contracted 216 such loans in 2014, worth HRK 6.2 million in total, and granted 333 loans of this kind in 2015, worth HRK 10.6 million.

## Development of online services






Strategically determined to secure the highest quality of services to clients at any moment and in any place, following its corporate value of availability, the bank was among the first on the market to offer them the option to open a current account via online form on the bank website, as well as the option to arrange meetings in its branches and contract a prepaid card from the bank's offer online.

The bank introduced a new kind of cash loan to its offer named Click loan, with the intent to enable clients to submit a loan application via bank's website hosting online application, while providing feedback on the possibility of loan realization via e-mail within 30 minutes from application and loan realization with a minimum of needed visits to the branch office within 24 hours from obtaining complete documentation.

Efforts in the development of online products were followed by the development of the bank's website; since November 2015 the bank's website offers modern, innovative and functional web design enabling better customer experience – simple browsing, comparison of information on products and services and content adjusted to different screen sizes, from personal computers, and tablets to mobile phones.

Universal availability of banking services to all clients regardless of their location was followed by activities aimed at increasing financial literacy, as well as raising awareness about online safety. The bank participated in online campaign to give visibility to this topic launched by Croatian Banking Association in March and April 2015. The Association previously conducted a survey to determine the level of awareness about internet safety. Results showed that citizens do not do enough to protect themselves from dangers on the internet. In cooperation with the bank, CBA launched a website, at [www.sigurnostnainternetu.hr](http://www.sigurnostnainternetu.hr), in order to jointly contribute to higher awareness of citizens and businesses of online safety measures and protection of personal and financial data on the internet. This website contains examples of the most common frauds and advice for consumer protection. Digital campaign was conducted in

## Our clients

|   | 2014    | 2015    |
|---|---------|---------|
| <br><b>CURRENT ACCOUNTS</b>       | 292,952 | 294,221 |
| <br><b>GIRO ACCOUNTS</b>          | 110,304 | 114,867 |
| <br><b>CARDS</b>                  | 390,251 | 400,105 |
| <br><b>INTERNET BANKING USERS</b> | 61,028  | 66,451  |
| <br><b>MOBILE BANKING USERS</b>  | 11,361  | 19,864  |

March and April 2015, which involved the banks' engagement, so OTP banka participated in the campaign with content on social networks.

In 2015, the bank implemented upgrades on internet banking service that enabled increase of transaction safety towards physical persons in other banks and alleviating internal transfer transactions. The bank issued a series of advice on the safe use of its online services on its website in mid-2015 and, that same year, informed all clients using internet banking about the system upgrade due to new rules of SSL certification, by sending letters to clients and via the website.

Cashless and contactless payments for visitors of the largest Croatian music festival



OTP banka continued cooperation with the largest Croatian open air festival began in 2013. Ninth and celebratory tenth edition of INmusic festival, which takes place every year at the end of June on Zagreb's Jarun Lake, offered cashless and contactless payments to visitors with the help of OTP banka, thus allowing them to enjoy music without standing in long lines at stands. OTP banka also enabled payment of festival tickets in all its branches in Croatia, making them more available to visitors than ever.

Complex payment system which the bank, as the festival's partner, sets up each year at the festival provides payment using OTP banka's Mastercard contactless cards, Mastercard cards and festival cards, to which the visitors can deposit money and use for payments at the festival, but also get refund for the unused funds in all OTP banka branches during the festival and in the days following the festival.

INmusic is the biggest Croatian music festival and one of the best known European festivals, which has been bringing the biggest names in music to Croatian and increasingly foreign audience for more than a decade. Lineup of the previous festival editions include the likes of The Black Keys, Arcade Fire, Franz Ferdinand, Nick Cave and the Bad Seeds, Arctic Monkeys, Editors, Pixies and many other performers. The idea to secure fast and simple availability of services to festivalgoers – and thus more enjoyment – led the organizer and OTP banka in creating this, we believe, long term cooperation.



## Informing and education

In the credit application process, after determination of creditworthiness, OTP banka provides necessary documents to each client, including:

- Information form before contract signing and informative payment plan with effective interest rate
- Currency exchange rate fluctuation overview, i.e. information before contracting loans with currency clause
- Terms and conditions of loan granting
- Nominal interest rate and fee changes policy in operations with retail clients.

To their own request, clients can obtain the rulebook on interests and fees calculation in operation with retail clients, decision on fees, decision on interests and loan contract draft depending on the type of loan. Clients are informed that data in the form and payment plan is informative and liable to changes.

Employee conducting loan processing has to explain to the client terms and conditions pertaining to interests, fees and cases of early repayment of loan, i.e. segments that can affect the client's financial position. In addition, the employee is obligated to warn guarantors and co-debtors, and any other participants in the loan, of the legal nature of co-indebting or guaranteeing for loans – their solidary guarantee of fulfilment of loan obligations stemming from the loan contract and make all internal acts of the bank available to them as well as to the debtor.

There have been no cases of failing to hold up to rules and codes connected to securing data on products and services in the reporting period. OTP banka even increased the quantity of information on all aspects of its offer available to clients via its website. Along with basic information on every loan and conditions of their contracting, the bank's site contains contracting documents, calculation examples, and other useful information like the policy of interest and fees changes, and rulebook on interests and fees calculation.

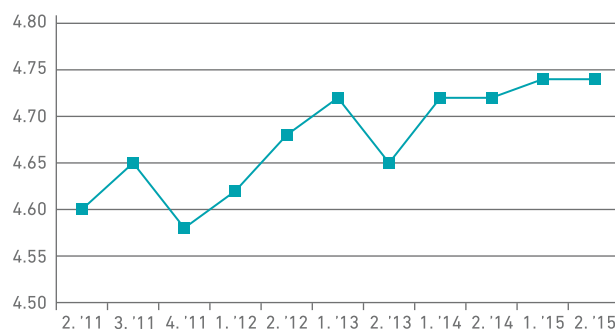
OTP banka has been investing funds into encouragement of education and science for years, and considers its special

task to contribute to the development of financial literacy. In this way, it participates in education of the youngest generations, teaching them about the importance of savings and responsible money handling. Within its program entitled "Green Light for Knowledge", the bank marks World Savings Day every year organizing visits for kindergarteners and elementary school pupils to its branch offices all over Croatia. Almost all OTP banka branches hosted children and their educators on this occasion in 2014 and 2015, while branch managers explained to them basic concepts of savings and presented small gifts that the bank prepared.

## Client satisfaction

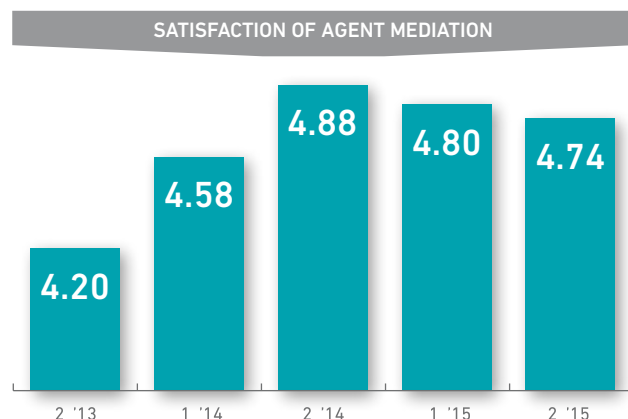
According to data regularly submitted to Croatian National Bank, OTP banka concluded all questions and reclamations in 2014 and 2015. A total of 3,623 reclamations were solved in 2014, and 4,685 reclamations were solved in 2015.

CLIENT SATISFACTION SURVEY, RESULT TREND

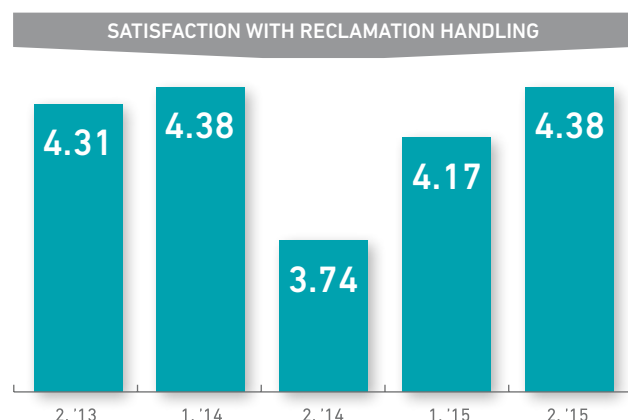


Twice a year, the bank conducts telephone survey examining client satisfaction with reclamation solving and feedback, which they grade on the scale from one to five. Clients can direct their questions to the Contact Centre, which provides all necessary information about bank's operations, but also to bank's Facebook page, and they can also fill in the survey available at OTP banka website.

Since 2013, OTP banka had been examining client satisfaction with the way reclamations were handled, as well as satisfaction of those clients represented by agents.



Decrease of satisfaction can be noted in the second wave of 2014 in the part of reclamation handling, due to a large number of inquiries about the repayment of loans in Swiss Francs. The following wave of survey records improvements in this grade, and was at the highest level since the beginning of measuring in 2015.



The bank received an award for its dedication to service quality in 2014, awarded by mystery shopping agency Heraklea. Mystery shopping is organized by the Sales Directorate twice a year, with the goal to determine the level of compliance to the standardization of sales process. Mystery shoppers visit the branches where they ask for information about a certain product from commercialists.

There have been no cases of failing to hold up to rules and codes of marketing communications in the reporting period.

## Optimized business network

With the takeover of Banco Popolare Croatia at the end of 2014, OTP banka merged its business network of 35 branch offices, which meant that the bank had to adjust its network in cities that had BPC branches in accordance with the estimate of viability and client needs. After the conclusion of integration, the bank closed 20 branches, three OTP banka and 17 BPC branches in 2014, and additional eight branches in 2015. Network optimization was conducted with utmost care to ensure availability of bank services to the clients, but also service level they were accustomed to, as well as to those who became clients after this integration.

Dedicated to meeting the needs of its clients and investing into development and modernization of the business networks in traditional regions in which it operates, the bank has, before it started network optimization within BPC integration, initiated refurbishment and modernization of its branches in accordance with OTP Group new standards. By the end of 2015, the bank refurbished a series of branches all over Croatia, and adopted the Handbook on branch service quality, directed at service standardization in all branches. Special care is thus taken of appearance of the branch, corporate attire, manner of communication with the clients with an accent on service and providing information and manner of handling customer complaints.

Introduction of this handbook also saw the establishment of awards for best OTP banka branch offices – the best branch in sector and best branches in all business centres, decided by the Retail Sector. These are the branches that demonstrate that they meet client needs the best, record good sales results and comply to business processes, while the criteria taken in consideration are branch profitability, mystery shopping results, sales results and client satisfaction survey results.

In order to develop cooperation with the clients and increase their satisfaction, the bank secured an area for children in a number of its branches, by setting special boards carrying the image of OTO the Alien, children's savings mascot. They are there to display children's drawings made while they wait in the branch, securing comfortable stay for the children and providing time to the parents to conduct business with the bank. Ramps for wheelchair access were installed in almost all refurbished branches where one did not exist before, securing accessibility of services to all clients.

## Procurement and investments

Department of Procurement, Maintenance and Workplace Safety is in charge of planning budget for space maintenance as well as for equipment and services procurement. At the beginning of every year, the main budget is prepared by head of procurement, support and workplace safety, head of investments and real estate management, head of procurement process and Operations Directorate director. Procurement process and supplier relations are defined by the Procurement Rulebook, CAPEX, OPEX procedures and rules of procurement of OTP banka and its daughter companies.



Department of Procurement, Maintenance and Workplace Safety is responsible for procurement of materials, services and equipment as well as equipment for office automation, telecommunication technology, bank's technology, for property which is subject to central procurement (computer hardware, UPS and telephone network, network tools and services, tools, office technology, telecommunications, technological tools and accessories, tools for banking technology, tools for banking security, cars and vans, signs and advertisements, furniture and other fixed assets, educational tools, stamps as fixed assets) and material stocks that are subject to central procurement (computer supplies, paper for special forms/shipments, bank forms including payment slips and strictly carrying forms, blank cards, rubber stamps). For the procurement of IT equipment, procurement team cooperates with IT Directorate in order to obtain their approval. Supply of technical equipment for branch offices is organized on the basis of standard equipment list that is accepted by the group. Supply of office materials and bank forms and their distribution are arranged with contractual suppliers, due to which warehouses are not used; they are delivered to units that ordered supply. Ordering and distribution of materials is organized once a month for each business centre.

For orders that are not covered by contracts, Department of Procurement, Maintenance and Workplace Safety sends a request for an offer to addresses of at least three suppliers, or when this is not possible, it is enough to collect two offers. For large purchases, negotiations are conducted and agreements are made in order to utilize the purchasing power of the bank, and to ensure that purchases of goods and services represent the best value for the bank. Investments and procurements worth over EUR 15,000 have to go through two phases of approval, and every phase has to be approved by the authorized body. The first phase pertains to approval of initiation of investment and decision on supplier selection. The second phase relates to approval of results of conducted procurement. The bank can bring the decision on its own for procurements worth under EUR 15,000, in compliance with internal regulations. Framework contracts are made to establish long term relations with suppliers in those cases when the supplier takes on the obligation to procure goods or services for the bank during specified or non-specified term, with agreed price or based on agreed terms. Offers can also be collected in public tenders.

In 2014 and 2015, the bank had contracts with around 90 suppliers, majority from Croatia, with several contracts with foreign suppliers.

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

Changes in the supply chain in this reporting period pertain mostly to procedures and phases of procurement approval depending on their value. Procurement approvals are regulated by the Procurement Rulebook, CAPEX, OPEX procedures and rules of procurement of OTP banka and its daughter companies. Additionally, in tenders the bank now asks for additional information on the ownership structure and connected companies of the supplier as a condition for participation in the tender. Committee for evaluation of submitted offers in issued tenders can include bank's external experts as well. The bank does not evaluate suppliers based on environmental, human rights, responsible employment practices or anti-corruption practices criteria, nor does it demand compliance to them in contracts, but in every procedure of service externalization it evaluates supplier from reputation risk aspect and compliance risk, which includes evaluation whether supplier's practices are in line with bank's ethical and other practices.

|      | NUMBER OF SUPPLIERS   | PAYMENTS TO SUPPLIERS (HRK)   |
|------|---|---|
|      |  |  |
| 2014 | 1,362   | 144,310,895.23  |
| 2015 | 1,497   | 192,841,514.41  |

## Bank's business overview

### Retail banking

| <b>LOANS (in HRK thousands)</b> | <b>31/12/14</b>  | <b>31/12/15</b>  |
|---------------------------------|------------------|------------------|
| Northwestern Croatia            | 1,728,486        | 1,726,431        |
| Istria and Primorje             | 1,171,127        | 1,181,617        |
| Northern and Central Dalmatia   | 1,776,099        | 1,796,058        |
| Dubrovnik and Southern Dalmatia | 1,352,226        | 1,414,602        |
| Slavonia                        | 662,790          | 639,778          |
| <b>TOTAL</b>                    | <b>6,690,728</b> | <b>6,758,486</b> |

| <b>DEPOSITS (in HRK thousands)</b> | <b>31/12/14</b>   | <b>31/12/15</b>   |
|------------------------------------|-------------------|-------------------|
| Northwestern Croatia               | 1,262,072         | 1,020,446         |
| Istria and Primorje                | 2,719,695         | 2,772,595         |
| Northern and Central Dalmatia      | 3,783,639         | 3,678,855         |
| Dubrovnik and Southern Dalmatia    | 2,706,196         | 2,819,530         |
| Slavonia                           | 410,959           | 271,900           |
| <b>TOTAL</b>                       | <b>10,882,561</b> | <b>10,563,326</b> |

## Small and medium sized entrepreneurs

| <b>LOANS (in HRK thousands)</b> | <b>31/12/14</b> | <b>31/12/15</b> | <b>Annual % change</b> |
|---------------------------------|-----------------|-----------------|------------------------|
| Northwestern Croatia            | 75,595          | 75,186          | -0.54                  |
| Northern and Central Dalmatia   | 96,138          | 95,312          | -0.86                  |
| Dubrovnik and Southern Dalmatia | 55,466          | 55,909          | 0.80                   |
| Istria and Primorje             | 77,634          | 82,472          | 6.23                   |
| Slavonia                        | 47,244          | 52,945          | 12.07                  |
| <b>TOTAL LOANS</b>              | <b>352,078</b>  | <b>361,824</b>  | <b>2.77</b>            |

| <b>A VISTA DEPOSITS (in HRK thousands)</b> | <b>31/12/14</b> | <b>31/12/15</b> | <b>Annual % change</b> |
|--|-----------------|-----------------|------------------------|
| Northwestern Croatia                       | 39,932          | 52,174          | 30.66                  |
| Northern and Central Dalmatia              | 83,197          | 107,780         | 29.55                  |
| Dubrovnik and Southern Dalmatia            | 88,560          | 101,407         | 14.51                  |
| Istria and Primorje                        | 86,315          | 128,031         | 48.33                  |
| Slavonia                                   | 8,024           | 12,520          | 56.04                  |
| <b>TOTAL A VISTA DEPOSITS</b>              | <b>306,027</b>  | <b>401,912</b>  | <b>31.33</b>           |

| <b>TERM DEPOSITS (in HRK thousands)</b> | <b>31/12/14</b> | <b>31/12/15</b> | <b>Annual % change</b> |
|---|-----------------|-----------------|------------------------|
| Northwestern Croatia                    | 17,617          | 23,092          | 31.08                  |
| Northern and Central Dalmatia           | 12,300          | 12,991          | 5.62                   |
| Dubrovnik and Southern Dalmatia         | 5,526           | 9,658           | 74.77                  |
| Istria and Primorje                     | 32,082          | 6,963           | -78.30                 |
| Slavonia                                | 459             | 353             | -23.09                 |
| <b>TOTAL TERM DEPOSITS</b>              | <b>67,984</b>   | <b>53,057</b>   | <b>-21.96</b>          |

|                       |                |                |              |
|-----------------------|----------------|----------------|--------------|
| <b>TOTAL DEPOSITS</b> | <b>374,011</b> | <b>454,969</b> | <b>21.65</b> |
|-----------------------|----------------|----------------|--------------|

## Corporate banking

| <b>LOANS (in HRK thousands)</b> | <b>31/12/14</b>  | <b>31/12/15</b>  | <b>Annual % change</b> |
|---------------------------------|------------------|------------------|------------------------|
| Large corporations              | 1,072,845        | 1,161,459        | 8.26                   |
| Northwestern Croatia            | 301,358          | 284,619          | -5.55                  |
| Northern and Central Dalmatia   | 859,596          | 821,590          | -4.42                  |
| Dubrovnik and Southern Dalmatia | 403,567          | 356,696          | -11.61                 |
| Istria and Primorje             | 366,983          | 346,509          | -5.58                  |
| Slavonia                        | 134,710          | 186,917          | 38.76                  |
| <b>TOTAL LOANS</b>              | <b>3,139,058</b> | <b>3,157,790</b> | <b>0.60</b>            |

| <b>A VISTA DEPOSITS (in HRK thousands)</b> | <b>31/12/14</b> | <b>31/12/15</b> | <b>Annual % change</b> |
|--|-----------------|-----------------|------------------------|
| Large corporations                         | 7,740           | 16,203          | 109.34                 |
| Northwestern Croatia                       | 145,247         | 200,780         | 38.23                  |
| Northern and Central Dalmatia              | 287,958         | 318,232         | 10.51                  |
| Dubrovnik and Southern Dalmatia            | 274,775         | 220,101         | -19.90                 |
| Istria and Primorje                        | 128,530         | 133,337         | 3.74                   |
| Slavonia                                   | 31,914          | 84,433          | 164.56                 |
| <b>TOTAL A VISTA DEPOSITS</b>              | <b>876,164</b>  | <b>972,703</b>  | <b>11.02</b>           |

| <b>TERM DEPOSITS (in HRK thousands)</b> | <b>31/12/14</b> | <b>31/12/15</b> | <b>Annual % change</b> |
|---|-----------------|-----------------|------------------------|
| Large corporations                      | 3,872           | 3,954           | 2.12                   |
| Northwestern Croatia                    | 60,455          | 38,338          | -36.58                 |
| Northern and Central Dalmatia           | 200,526         | 204,877         | 2.17                   |
| Dubrovnik and Southern Dalmatia         | 91,300          | 80,507          | -11.82                 |
| Istria and Primorje                     | 56,440          | 84,500          | 49.72                  |
| Slavonia                                | 8,056           | 7,205           | -10.56                 |
| <b>TOTAL TERM DEPOSITS</b>              | <b>420,649</b>  | <b>419,381</b>  | <b>-0.30</b>           |

|                       |                  |                  |             |
|-----------------------|------------------|------------------|-------------|
| <b>TOTAL DEPOSITS</b> | <b>1,296,814</b> | <b>1,392,084</b> | <b>7.35</b> |
|-----------------------|------------------|------------------|-------------|

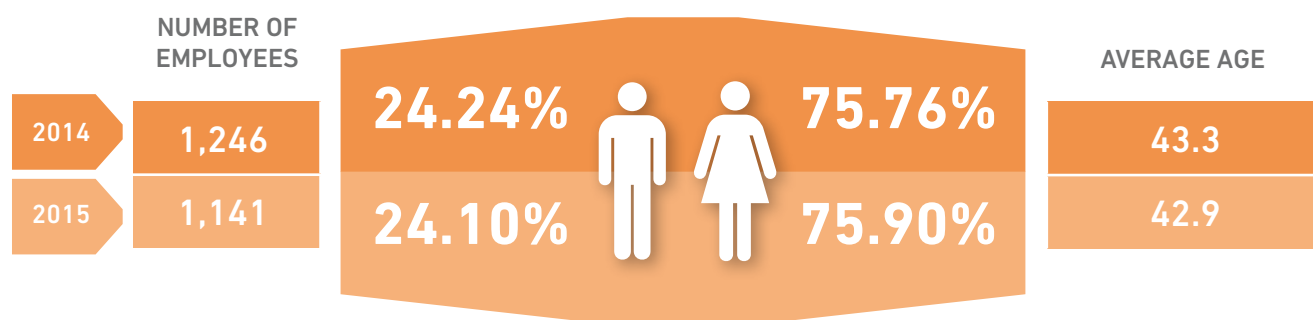


We approach education and professional development carefully and systematically, encouraging the development of talents through special education programs

**Our  
bank**

Important basis of every organization's sustainability is permanent investment into personal and professional development of its employees, because its success depends gravely on their satisfaction and wellbeing. OTP banka gives great attention to responsible operations, with special care for employees. While planning its business strategy, the bank considers appropriate workplace environment that affects the quality of products and service as well as communication and development of client relations. Contributing to the quality of life of its employees, OTP banka wants to secure their satisfaction and thus motivation, assertiveness and creativity.

## Employees



## National champion in the best employer category

At the end of 2014, European Business Awards nominated OTP banka national champion in the best employer category as one of Croatian representatives on this international award contest.

This is one of the most important independent programs that include more than 24,000 businesses from 33 European countries. OTP banka competed in the second round of selection which selects one representative for each of 33 countries that will compete for the title of European champion. The bank submitted a short film that wittily presents the bank's everyday work, with CEO Balázs Békeffy in the role of narrator. In this way, OTP banka presented itself to European business community as an attractive employer with innovative and active work environment.



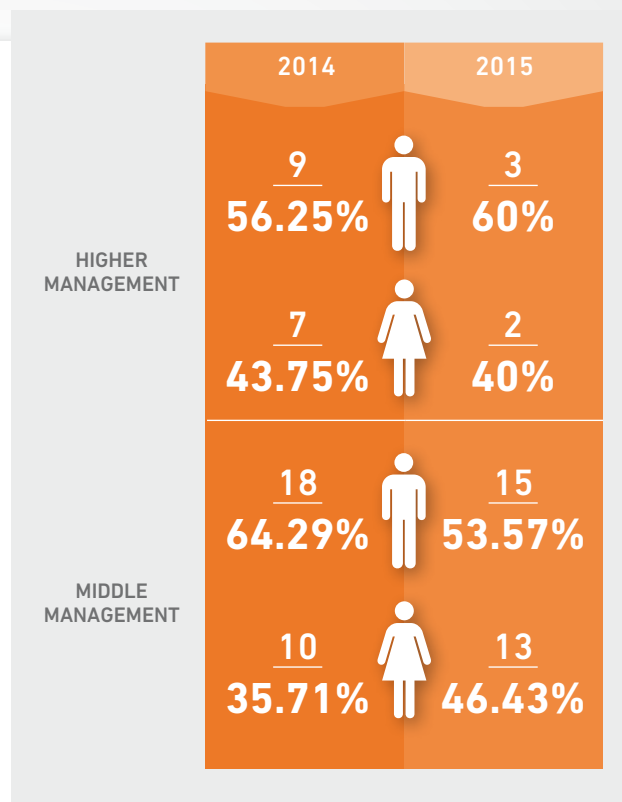
## Organizational snapshot

In 2014, 1,246 employees worked in OTP banka, while there were 1,141 at the end of 2015. Acquisition of Banco Popolare Croatia at the beginning of December 2014 brought a more significant change in the number and fluctuation of employees – this number grew in 2014 after the integration, but dropped in February 2015 after the conclusion of organization optimization process. In regards to new arrivals in this period, 27 employees (22 women and five men) were employed in 2014, while in the same year 36 employees (30 women and six men) left the bank. Integration brought 238 BPC employees to the bank (191 women and 47 men). In 2015, 82 employees came to the bank (56 women and 26 men), while 187 employees left the bank (134 women and 53 men). Fluctuation rate in 2014 amounted to 3.5 per cent, while it was 16.43 per cent in 2015, as the result of optimization process after the merger.

Collective surplus was expressed because of overlaps in administrative operations, branches in retail network and managerial staff after the integration. The biggest number of employees left from centres of both banks (47 from Zadar and 38 from Zagreb), while work capacities decreased in Retail Sector the most (61 employees), and in Operations Sector (31 employee). The biggest share in collective surplus, 40 per cent, pertained to employees between the ages of 56 and 65, and total years of employment between 36 and 44 (26 per cent).

The bank offered redundancy package with good conditions for voluntary departure with simulative redundancy payment. Particular interest for this package was shown by employees with more years of service, considering many of them realized or expected to soon realize retirement conditions, which secured them attractive redundancy amount. The program was conducted in accordance with legal and procedural framework and decisions adopted by the authorized bodies of the bank, after obtaining approvals from the unions and Croatian Employment Service.

Considering employment of management from the local community, three members of the higher management are Hungarian citizens with residence in Zadar, which means that the share of higher management employed locally is 82.35 per cent.



The bank does not offer special pension plans for employees, nor does it conduct collective bargaining. Two trade unions operate within the bank: Trade Union of Croatian Banking and Financial Employees – OTP banka Trade Union branch, and Trade Union of ex-Dubrovačka banka Employees. These two trade unions have not been constituted, but regardless of that, the bank communicates with them, conducts consultations and gets their approvals in line with legal framework, establishing straightforward relations. Employees are being informed on significant changes in operations within eight days before they come into force. Considering labour disputes, there have been a total of 29 disputes in the reporting period; three disputes were initiated in 2014, nine in 2015, while five have been concluded in both years. The bank did not record any cases of discrimination on any basis, nor were there any complaints connected to the bank's employment practices.

## Salaries, benefits and bonuses

Share of base salaries for women in total base salaries for 2014 and 2015 was around 69 per cent. Considering the difference in compensations for men and women, average annual salary for men was around 30 per cent bigger in the reporting period. This difference may seem big, but can be explained by specificities of organizational structure: around 75 per cent of bank's employees are women who mostly work in the retail network where workplaces demand lower education level and are thus paid in accordance with that. In addition, the largest number of employees in the process of staff rejuvenation comes to the retail network. Considering the differences according the category of employees (higher and middle management, employees) this difference is not so prominent. In 2014 it ranged between 8 and 9 per cent in favour of men, while in 2015 it was between one and 10 per cent, depending on the category of employee.

## Health and safety

Health and safety issues are very important to the bank; in the reporting period there have been no cases of professional illnesses, while all employees that used maternity leaves in this period returned to the bank and continued working in the bank.

### EMPLOYEE COSTS (in HRK thousands)

|                      | 2014           | 2015           |
|----------------------|----------------|----------------|
| Employee salaries    | 118,200        | 133,747        |
| Other employee costs | 75,076         | 44,982         |
| <b>TOTAL</b>         | <b>193,276</b> | <b>178,729</b> |

To increase health protection, the bank secured physical check-ups for all bank employees, as well as discounts in contracting additional healthcare insurance policies. All benefits secured by the bank are available equally to employees with permanent contracts and those with fixed-term contracts.

Besides physical check-ups, the bank secures preventive examinations by an ophthalmologist for all employees, and provides Christmas bonus, holiday bonus, gifted goods, gifts for children by the age of 15, financial aid for ill employees as well as aid for the families and scholarship for children of deceased employees.

## Solidarity at work

Bank's activities in the segment of socially responsible operations are not only directed at protection of life, health and dignity of its employees; the bank also takes special care of those that found themselves in difficult life situations and need a helping hand.

Decided discretionarily by the Management Board, and in accordance with financial circumstances, the bank provides financial aid for employees that suddenly find themselves in difficulties due to treatment expenses, natural disasters and similar situations, after they exhaust their funds. The bank cares for immediate family members of its deceased employees, providing scholarships for their children and ensuring they have a head start that they might not have had due to an early loss of a parent. In 2015 the bank provided financial aid for 22 employees in the total gross amount of HRK 224,899.55, while a year earlier 15 employees received financial aid worth in gross total HRK 146,500.





## Special offers of housing loans

### OTP banka brought a single offer of housing loans for employees and decrease of interest rates for their existing housing loans.

All employees can benefit from this offer, while loans can be used for the purchase or adaptation of a house or an apartment, or for land purchase or restructuring. In addition, using this offer, employees can close one existing loan in the bank without fees, or in another bank. Interest rate on this offer is tied to the lowest interest rate for housing loans in the bank's offer for client, with 0.5 percentage point reduction in time of contracting.

Loans from this offer were available with 30-year repayment period, pegged to euros. Employees that have already used housing loans (from standard offer or those offered to employees) had to right to lower interest rates regardless of the loan currency, under the condition they had no debts older than 30 days for loan products in the bank.

## Performance and satisfaction

In 2015, the bank introduced a system of work performance evaluation as a pilot program, although it earlier had various awarding systems according to work position and type of work, which helped in estimation of performance. The new system is based on qualitative estimate of their work through description grades, which includes employees into the framework of monitoring and evaluation. Employee evaluation is of key importance for management of their performance, by identifying their strengths and weaknesses, and is a useful tool for planning collective measures, but is also a platform for development of career, promotions and compensation adjustments.

With the introduction of this system, the bank wants to secure systematic feedback for all employees on their work, encourage their efficiency and increase productivity, as well as pinpoint weaknesses that can cause decrease in the quality of performance and remove them, i.e. draw positive potential from all employees. Monitoring and evaluation of all employees will provide information on their relevant competences, the way they implement them and mechanisms of result improvement we need to use. Employee performance will be estimated on annual level, at the end of business year.

Along with the new evaluation system, the bank still implements existing systems for employee contribution to the development of the bank awarding, which included over a half of all employees in 2014 and two thirds of them in 2015.

Employee satisfaction is examined in annual surveys in order to gain information on the acceptance of processes and activities in the bank and receive feedback important for adjustments and corrections. In 2014 the survey was not conducted because of integration with BPC, while the results for 2015 showed high average level of satisfaction with a total of 95 per cent of employees giving 3-4 and 4-5, and significantly lower level of dissatisfaction, with 5 per cent of employees giving 2-3 in average. Results also confirmed high level of employee loyalty, and high level of satisfaction with internal communication. Significant number of employees expressed satisfaction with their workplaces, stating their jobs are challenging and stimulating for further learning and development. Survey in 2015 also included a new set of questions pertaining to bank's social responsibility and sustainability. Client satisfaction and trust were selected as the most important issues with 24 per cent share, followed by employee satisfaction with 21 per cent and bank stability and strength with 15 per cent share.

## OTP Eureka brings innovations and better cost management

Excellent managers say that development, innovations and people need additional investments in times of economic difficulties. If we include employees in the systems of idea exchange and encourage innovative solutions, we will enrich our pool of quality choices. Although many organizations encourage innovations, they do not all award employees for selected or viable solutions. Innovation processes, encouragement of idea and talent development and awarding employees for benefits stemming out of their ideas pertain to measuring success of employee engagement and are taken as indicators in determining nonfinancial capital value of the organization and its brand.

This story began at the beginning of 2014 in OTP banka, with the idea to engage employees in strengthening contribution to gain better results for the bank, along with the development of a system that could be attractive, interesting, creative and fun for all, and in accordance with bank values, its mission and vision as well as CSR program in the segment of work environment.

Idea awarding program named OTP Eureka was imagined in the form of contest open for all employees under director level. This program helps embedding innovation into organizational culture and realizes multiple benefits, since ideas for achieving cost cuts can increase profitability or competitive advantage. The new system can contribute to increasing employee satisfaction and motivation. Complex set of evaluation criteria was set in order to ensure objective evaluation of ideas, while the evaluation itself is conducted by expert interdepartmental committee. Since it is very important to secure the possibility of participation in the contest to all employees, heads of departments and teams were asked to encourage employees to share their ideas.

This project is partially aimed at creating healthy competitive atmosphere and – in line with corporate value of openness – secure space for all opinions. The program is supported by the Management Board of the bank, and with its launch the bank wants to become an organization that brings good practices on the banking market, among large companies in Croatia and within our own group as well.

Topic of the first campaign conducted in spring 2014 was "Cost cutting". Awarded ideas were provided by Ante Perković ("Print management"), Slađana Bratoš ("Overhead expenses") and Ana Klarić Kukuz ("Online postman"). The second campaign, "Control development in the bank's business process" was held in October 2014, in time of intensive preparations for BPC integration, which affected the number of submitted ideas and extended evaluation period. This time awards were presented to Slađana Bratoš ("Supervision of credit analysis measurement to decrease operating risk – facing documentation risk"), Ana Klarić Kukuz ("Application support for payment with USD notes") and Marina Črnac ("Fast and safe banking"). Campaigns in Eureka program were not conducted in 2015, but continuation of the project followed in 2016.



## Education, cooperation and celebrating good results

OTP banka conducts regular programs of education and different kinds of awarding systems including all employees. We approach education and professional development carefully and systematically, encouraging the development of talents through special education programs. Along with open-type programs employees attended individually, during 2014 and 2015 many in-house educations were also organized for a number of employees. Some of the most interesting were:

➤ **Quantum management** – a combination of psychology, sociology, economy, leading and management and their application can bring positive changes in the manner employees work and improve organizational efficiency, strengthen innovations, improve business quality and bring other benefits. Department heads were introduced to tools which enable simple coordination of internal and external circumstances, help managing emotions, thoughts and words, and teach them how to project ideas and plans to employees.

➤ **Game theory** – attendees gained knowledge and skills enabling them to pick the best strategy in every business related situation to achieve the best possible result in winning, or minimise losses in situations that objectively cannot bring victory.

➤ **Lean management** – world famous concept and philosophy for continuous improvement of processes and operations. In banking, it can be applied to recognition of process segments that show losses and inefficiency, their removal and thus encouraging processes and operations that spend bank resources optimally and secure high level of client satisfaction.

The bank does not organize special programs for life-long learning, nor does it have a strategy for this kind of a program. Additionally, in the reporting period there have been no education programs with the topic of human rights. Finally, but not less important, the bank promotes corporate culture of togetherness and openness towards the communities in which it operates through its internal newsletter, with special accent on regional approach which brings us great pride. We will continue to underline and celebrate individual accomplishments of our employees, like yearly awarding of best commercialists, which give us all a sense of pride as well as encouragement in further individual development.

## OTP banka team on global humanitarian Wings for Life World Run

On the second edition of Wings for Life World Run in the spring 2015, OTP banka was represented by its small, but powerful team.

Humanitarian race held in Zadar started on Zadar Forum at 1 pm, when 3,551 runners joined the global initiative to help cure spinal injuries while surpassing their own physical limits; entire starting fee amounts were directed at Wings for Life Foundation financing modern research of spinal injuries.

Organizers of the race enabled participants to form teams in order to motivate each other, run together and compare individual and team results. Considering that a significant number of OTP banka

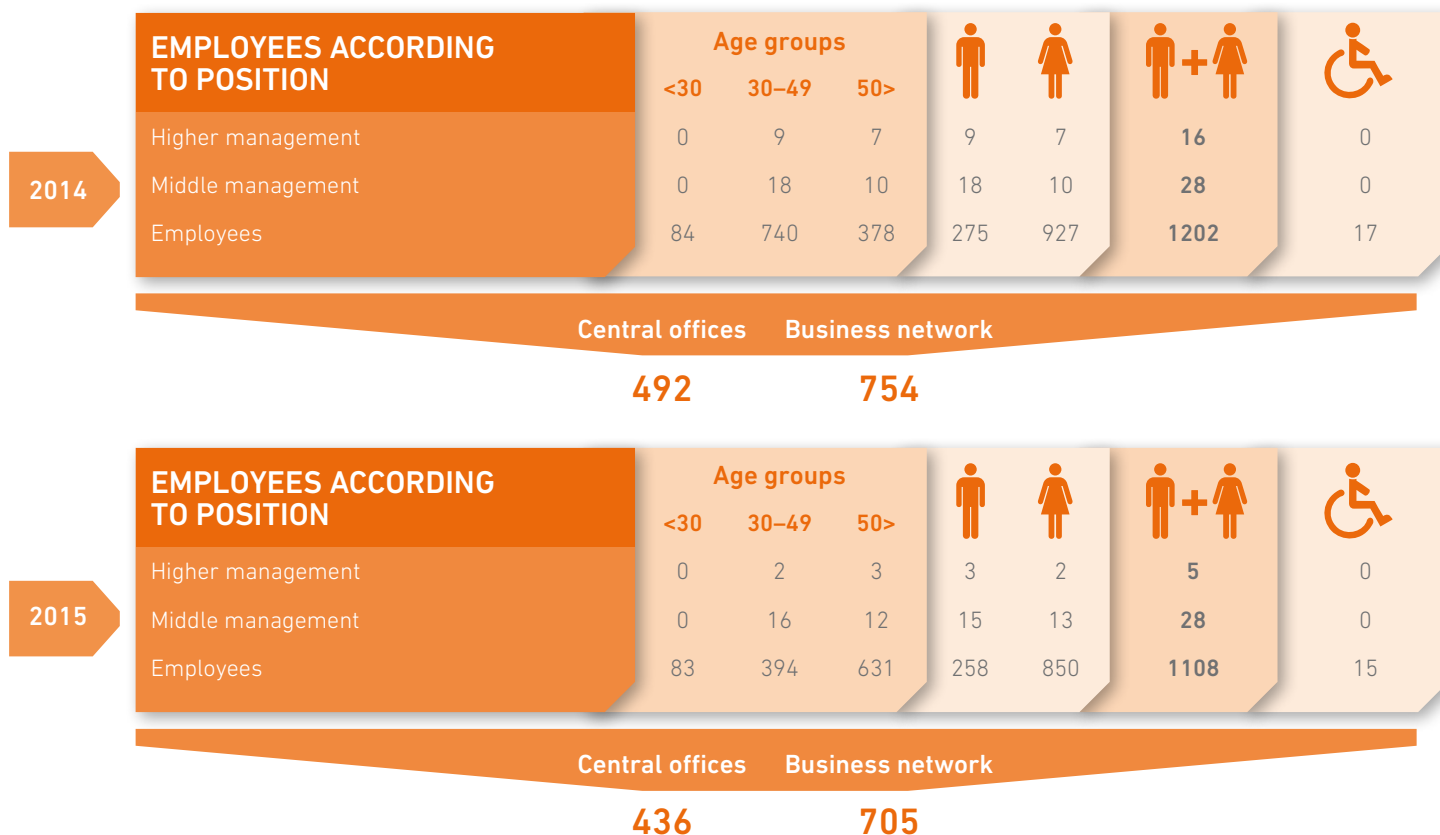




employees signed up for the race, the idea to form a team arised, but due to time constrictions not many of them managed to join the team, despite the fact that there were many OTP banka employees at the race, not only from Zadar, but from different parts of Croatia as well. OTP banka team - Ante Perkov, Balázs Békeffy, Boris Stanišić, Damir Fisher, Ljubica Milolović, Marijana Katić and Miljenko Gašpar – ran a total of 121.38 kilometres, 17.34 kilometres per team member on average. Considering that the race is still a competition, we will underline that the most persistent were Marijana Katić in female competition with 25.04 kilometres and Ante Perkov in male competition with 19.64 kilometres. Globally, OTP banka team with its seven members ended up on the 511<sup>th</sup> position among 1,865 teams according to the number of kilometres ran.

At the end of 2015, encouraged by this good result and the desire of team members to continue participation as a team and attract more members from the bank, the bank Management Board decided to encourage all interested employees to join the bank's running team. To all that expressed the desire to join, and there were 47 of our colleagues that did, the bank paid the starting fee and enabled them to participate in the next run as a part of OTP banka team.









## Organization in numbers



## Employee fluctuation u 2014/15.

| EMPLOYEE ARRIVALS<br>– according to age |                                 | 2014     |           |          |          |          |           | 2015     |           |           |          |          |           |
|---|---------------------------------|----------|-----------|----------|----------|----------|-----------|----------|-----------|-----------|----------|----------|-----------|
|   |                                 | >25      | 25-34     | 35-44    | 45-54    | <55      | Total     | >25      | 25-34     | 35-44     | 45-54    | <55      | Total     |
| REGION                                  | Northern Dalmatia               | 1        | 11        | 2        | 1        | –        | 15        | 6        | 38        | 12        | 4        | 3        | 63        |
|   | Central Dalmatia                | –        | 1         | 1        | –        | –        | 2         | *        | *         | *         | *        | *        | *         |
|   | Northwestern Croatia            | –        | –         | –        | –        | –        | –         | –        | 2         | 1         | –        | 2        | 5         |
|   | Slavonia                        | –        | –         | –        | –        | –        | –         | –        | 3         | 1         | –        | –        | 4         |
|   | Dubrovnik and Southern Dalmatia | –        | 1         | 1        | 2        | –        | 4         | 2        | 4         | –         | –        | –        | 6         |
|   | Istria                          | –        | 5         | 1        | –        | –        | 6         | 1        | 2         | 1         | –        | –        | 4         |
|   | <b>TOTAL</b>                    | <b>1</b> | <b>18</b> | <b>5</b> | <b>3</b> | <b>0</b> | <b>27</b> | <b>9</b> | <b>49</b> | <b>15</b> | <b>4</b> | <b>5</b> | <b>82</b> |

| EMPLOYEE DEPARTURES<br>– according to age |                                 | 2014     |           |          |          |           |           | 2015     |           |           |           |           |            |
|---|---------------------------------|----------|-----------|----------|----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|------------|
|   |                                 | >25      | 25-34     | 35-44    | 45-54    | <55       | Total     | >25      | 25-34     | 35-44     | 45-54     | <55       | Total      |
| REGION                                    | Northern Dalmatia               | –        | 4         | 2        | 2        | 8         | 16        | –        | 6         | 3         | –         | 32        | 41         |
|   | Central Dalmatia                | –        | –         | 1        | 1        | 4         | 6         | *        | *         | *         | *         | *         | *          |
|   | Northwestern Croatia            | –        | 1         | –        | 1        | 1         | 3         | –        | 21        | 49        | 15        | 22        | 107        |
|   | Slavonia                        | –        | 1         | –        | –        | –         | 1         | –        | 1         | 2         | 1         | –         | 4          |
|   | Dubrovnik and Southern Dalmatia | –        | –         | –        | –        | 1         | 1         | –        | 2         | 1         | 2         | 11        | 16         |
|   | Istria                          | –        | 6         | 2        | –        | 1         | 9         | –        | 3         | 1         | 3         | 12        | 19         |
|   | <b>TOTAL</b>                    | <b>0</b> | <b>12</b> | <b>5</b> | <b>4</b> | <b>15</b> | <b>36</b> | <b>0</b> | <b>33</b> | <b>56</b> | <b>21</b> | <b>77</b> | <b>187</b> |

| EMPLOYEE ARRIVALS AND DEPARTURES<br>– according to gender |                                 | ARRIVALS  |   |   |   | DEPARTURES  |   |   |   |
|---|---------------------------------|---|---|---|---|---|---|---|---|
|   |                                 | 2014  |   | 2015  |   | 2014  |   | 2015  |   |
| REGION  | Northern Dalmatia               |  |  |  |  |  |  |  |  |
|   | Northern Dalmatia               | 4   | 11  | 20  | 43  | 3   | 13  | 13  | 28  |
|   | Central Dalmatia                | –   | 2   | *   | *   | 2   | 4   | *   | *   |
|   | Northwestern Croatia            | –   | –   | 2   | 3   | 1   | 2   | 33  | 74  |
|   | Slavonia                        | –   | –   | 2   | 2   | –   | 1   | –   | 4   |
|   | Dubrovnik and Southern Dalmatia | 1   | 3   | 2   | 4   | –   | 1   | 5   | 11  |
|   | Istria                          | –   | 6   | –   | 4   | –   | 9   | 2   | 17  |
|   | <b>TOTAL</b>                    | <b>5</b>  | <b>22</b>   | <b>26</b>   | <b>56</b>   | <b>6</b>  | <b>30</b>   | <b>53</b>   | <b>134</b>  |

\* Integrated BC Northern and Central Dalmatia

## AWARDS AND BONUSES FOR CONTRIBUTION TO BANK BUSINESS

|  | 2014         | 2015         |
|--|--------------|--------------|
| According to procedure for awarding employees' participation in projects | 122          | 124          |
| According to procedure for awarding results in retail                    | 297          | 364          |
| According to procedure for payment of annual performance bonus           | 276          | 283          |
| According to procedure for awarding results in soft collection           | 12           | 8            |
| According to procedure for awarding results in NPL collection            | 5            | 3            |
| According to procedure for awarding ideas                                | 4            | 3            |
| <b>Total</b>   | <b>716</b>   | <b>785</b>   |
| <b>%</b>   | <b>57.46</b> | <b>68.80</b> |

## AVERAGE NO OF HOURS for trainings and educations

|                   | In-house trainings |      |         |       | Outsourced trainings |       |       |       |
|-------------------|--------------------|------|---------|-------|----------------------|-------|-------|-------|
|                   | 2014               | 2015 | 2014    | 2015  | 2014                 | 2015  | 2014  | 2015  |
| Gender            |                    |      |         |       |                      |       |       |       |
| Higher management | 14                 | 14   | 0       | 3     | 410                  | 733   | 245   | 343   |
| Middle management | 113                | 46   | 23      | 35    | 387                  | 590   | 225,5 | 379   |
| Employees         | 312                | 527  | 1,255.5 | 2,388 | 1,648                | 1,996 | 2,282 | 3,819 |

## INVESTMENTS IN EDUCATION (HRK)

|                      | 2014    | 2015      |
|----------------------|---------|-----------|
| In-house trainings   | 44,160  | 0         |
| Outsourced trainings | 837,793 | 1,040,000 |

## MATERNITY LEAVES

Gender

Total number of employees that used maternity leave in the reporting period

Total number of employees that returned to work after maternity leave

2014



0



65

2015



0



64

## NUMBER OF DAYS LOST DUE TO ILLNESSES

2014

250

2015

251

## WORKPLACE ACCIDENTS

Gender

Number of workplace accidents

Days lost to workplace accidents

Accidents with fatal outcome

2014

Employees



3



7

Supervised employees



0



0

Persons working in bank premises



0



0

2015

Employees



1



3

Supervised employees



0



0

Persons working in bank premises



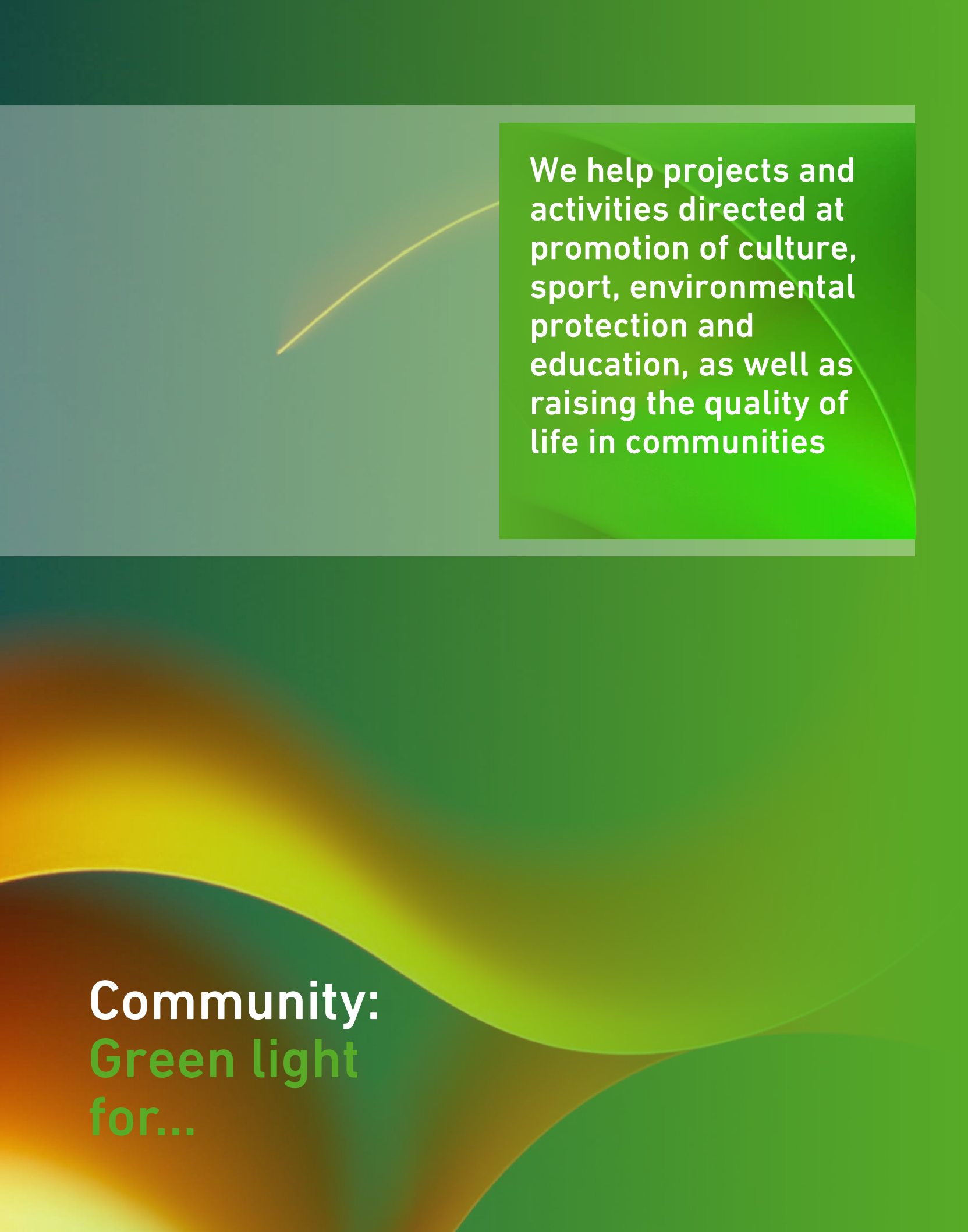
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0



We help projects and activities directed at promotion of culture, sport, environmental protection and education, as well as raising the quality of life in communities



Community:  
Green light  
for...

With its projects gathered in "Green Light for..." program, OTP banka has been supporting various project, activities, associations, clubs and institutions working on the promotion of sport, culture, environmental protection and education, but it also joins actions aimed at raising life quality. In 2014, OTP banka donated HRK 1,335,738.25 and HRK 1,450,604.63 in 2015 to various projects. Here are some of our favourite stories...

## Green light for culture

For a number of years, OTP banka has been supporting different cultural manifestations with its "Green Light for Culture" program, especially in its domicile regions.

Cooperation with Dubrovnik Summer Festival has been decades-long; every year, the bank secures HRK 180,000 for a drama premiere at this festival. In 2014 the donation went for the premiere of Marin Držić's "Uncle Maroje", and in 2015 for "Dubrovnik Trilogy" by Ivo Vojnović. "Story of a Soldier", "Grižula", "Ondine", "Oresty", "Arkulinv", "Miser", "On the terrace", "The Government Inspector", "Kate Kapuralica", "Uncle Maroje", "Dubrovnik Trilogy" are only several out of numerous plays which, with the support of OTP banka, enriched the drama program of Dubrovnik Summer Festival.



The bank also cooperates with Croatian National Theatre in Zadar on the organization of Zadar Culture Summer which, every year from the end of June to beginning of August, brings performances-rich program to Zadar inhabitants and their guests. Donating funds to this manifestation the bank has been assisting with organization for years, and in 2015 it supported the organization of Zadar Jazz&Blues, three-day festival gathering world-known performers in this genre.



## Green light for a better society



Wanting to give Croatian associations, clubs and institutions a chance to develop their projects aimed at raising life quality in their communities, OTP banka launched its tender for distribution of donations “Green Light for... a Better Society” in 2012.

Organizations can apply with projects in four categories: youth, education and science, preservation of cultural, historical and traditional heritage and environmental protection, humanitarian projects and sports. From the very start, the bank has been recording several hundreds of applications from all over Croatia every year. In 2014 tender committee selected 52 projects to donate a total of HRK 400,000, while the same amount was donated to 40 projects prominent for the quality and clear contribution to the society in 2015.

Criteria used by the committee for the estimation of projects are impact on society and community, development or youth, long term sustainability and project reach, feasibility of goals and long term benefit for users, as well as possibility for involvement of OTP banka volunteers in the project, but also secondary impacts like raising awareness, informing or education on the particular issue.

Numerous and diverse projects benefited from funds from this tender over the years. For example, in July 2015 Siscia Jazz Club from Sisak was the host of traditional Siscia open jazz & blues festival which brought top music names to the tenth edition of this festival. Traditionally held on the terrace of Siscia Jazz Club on the Kupa River bank, Sisak's promenade, it saw the final concert in the Old Town. The goal of the festival is to promote Croatian jazz musicians and enable their performances on the domestic music scene, promote Sisak and enrich cultural and tourist offer of the city.

OTP banka has had a successful cooperation with the City of Sisak for years in community work as well; with its financial support for projects like “I like Sisak” initiated by the City and Radio Sisak, Sisak-based bank employees often participate with volunteer work in these actions, in this case arranging playgrounds for the young inhabitants of Sisak.

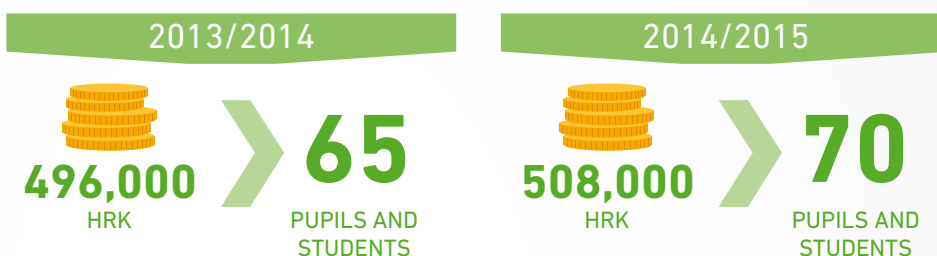
Another organization well-known for its volunteer work is Croatian Mountain Rescue Service. Two years ago, OTP banka helped CMRS Zadar Station to purchase a border collie. This little searcher, Tara, recorded success in search and rescue even before she got her certificate as a search and rescue dog: participating in the search action on Velebit, Tara found a missing person. It is important to say that one search dog replaces 35 people on the field during rescue actions and is irreplaceable in searches in ruins after earthquakes. OTP banka also helped the Croatian Mountain Rescue Service (CMRS) Zadar Station in purchasing a personal vehicle which combines characteristics of low consumption, transportation in rescue actions and managing poor road conditions in every weather. This vehicle is of great importance for everyday work of the station because it is used for training and emergency services in Paklenica National Park, which is visited by more than 130,000 guests during the season.



## Green light for knowledge

Since 2009, the bank has been providing scholarships for students of disadvantaged economic background in its program entitled "Green Light for Knowledge".


In the academic year 2013/14 it provided scholarships worth in total HRK 496,000 for 65 students from Istria County, Zadar, Sisak, from Župa dubrovačka and Gradac municipalities and students from the University of Zadar. In 2014/15 a total of HRK 508,000 were secured for 70 disadvantaged students from Istria County, Zadar, Sisak, from Župa dubrovačka, Gradac and Nuštar municipalities and students from the University of Zadar. The project is realized in partnership with local authorities, which means that the bank as partner joined their existing scholarship programs in the academic year. Scholarships are awarded via tenders, with material and social position as well as general success of the student as criteria. At the end of 2014/15 academic year, the bank secured more than HRK 3 million in scholarships and other donations for improved education conditions and investments in education.



On the occasion of International Book Giving Day marked on February 14, bank employees launched an action of book collection in 2015. Collected books were given to the Department for pupils with developmental disabilities of the "22. lipnja" Elementary School in Sisak. The action gathered bank employees from all over Croatia, who collected several boxes of encyclopaedias, books for assigned reading, entertaining reading as well as picture books and colouring books for the youngest and DVDs of children's plays.

## OTP banka in debt write-off program

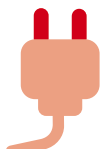



Signing the agreement with which socially disadvantaged citizens are enabled alleviation of their financial difficulties with the Croatian Government, OTP banka joined the initiative of the Ministry of Social Policy and Youth in January 2015. In economically difficult times, increasing number of people faced the problem of fulfilling their basic obligations, especially those left without jobs and incomes. As we understand their difficult positions, we readily joined this project which helped them deal with their problems with one-off financial relief.



By investing in renewable energy sources like solar power plants, the bank directly contributes to environmental protection

**Environment:**  
Investments in  
energy efficiency

## Energy consumption in the organization

|      | <b>ELECTRICITY</b><br><b>(MWh)</b>  | <b>LIQUID FUEL</b><br><b>(l)</b>  | <b>GAS</b><br><b>(m³)</b>  | <b>HEAT ENERGY</b><br><b>(kWh)</b>  |
|------|--|--|---|--|
| 2012 | 4,824  | 65,066   | 90,000  | 60,000   |
| 2013 | 5,145  | 43,130   | 35,000  | 86,348   |
| 2014 | 4,953  | 38,600   | 30,753  | 103,502  |
| 2015 | 5,570  | 30,650   | 39,971  | 287,137  |

Consumption of all energy sources in the bank network, with the exception of liquid fuel, increased between 2014 and 2015; takeover of Banco Popolare Croatia meant that OTP banka took over their branch networks as well. Takeover and business optimization led to closing of certain branches in the joint network, while, at the same time, the bank undertook comprehensive reconstruction of a series of branches which included working on improving energy

efficiency – change of energy sources for heating and installation of savings light fixtures. Decrease in the volume of spent liquid fuel happened thanks to changing the energy source in Benkovac branch. On the other hand, growth in the consumption of heat energy from hot water was affected by takeover of a series of premises from Banco Popolare Croatia; business centre and branches in Zagreb alone consumed 90.148 kWh of heating energy.

### Sunny bank

Investments in renewable energy sources and energy efficiency have been increasingly present topics in the public and expert dialogue. Following the intent to decrease its environmental impact and use favourable potentials coming from its specific locations, the Management Board initiated a project of solar power plants construction in 2015. Although it might be considered that a bank's environmental impact is limited compared with industries, infrastructure or energy, OTP banka is aware that it has many opportunities to decrease its negative or increase positive impact.

The first solar power plant was built on the bank's building in Dubrovnik in August 2015, while construction of a plant on the building in Zadar commenced that same year, while construction of another in Pula is planned for 2016. Dubrovnik solar power plant is of 25 kW in power and planned annual generation of 31,825 kWh, while Zadar plant will be of 21 kW in installed power and generate around 27,000 kWh annually. All electricity produced from these plants will be used for in-house consumption (air conditioning, lighting, IT, lifts etc.). In addition, solar power plant construction in Zadar was applied to the tender of the Environmental Protection and Energy Efficiency Fund which co-financed the project with maximum amount of HRK 97,657.60. Total investment into Zadar plant amounts to HRK 325,000 with return on investment in eight and a half years, which includes the Fund subsidy. Investment in Dubrovnik amounts to HRK 361,000 with expected return in 11 and a half years.

Interest in financing energy efficient real estate and environmental protection projects

Investing in renewable energy sources like solar power plants OTP banka directly contributes to environmental protection through the decrease of its carbon footprint. Construction was launched on bank's coastal locations with high insolation. With this kind of investment, OTP banka was the first among large companies and the first bank in Croatia using own energy in its offices and branches.



Sunny loans, housing loans for low energy homes and adaptation of real estates with a goal of improving energy efficiency, construction, completion or adaptation, or purchase of apartments or houses with B, A and A+ energy certificate, have been in the bank's offer since 2012.

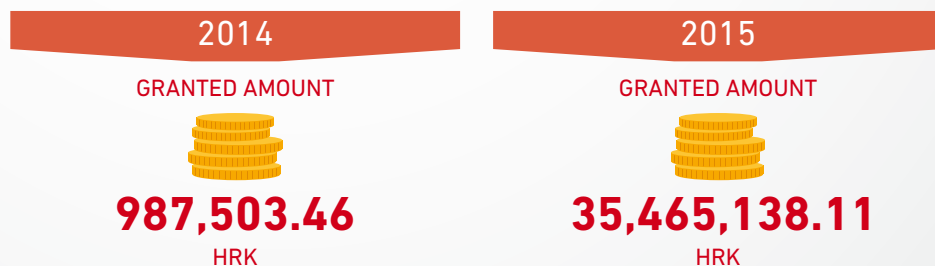
Besides housing loans, the bank also offers loans for improvement of energy efficiency by financing costs of projects, gas installing, water filtering systems, adjustments on real estate affecting energy consumption, purchase or installation of solar collectors for own needs or for electricity generation for HROTE, financing AC systems, installing outside joinery with insulation glass, thermo-facades, reconstruction of roofs, installation of wind generators and other similar works directed at energy and environmental efficiency.

Interest in Sunny loans grew since the beginning of this offer; in 2012, for example, three loans were granted in retail sector worth HRK 2.3 million, while in 2013 this number grew to 96 loans worth HRK 68.2 million. In 2014, citizens were granted 208 of these loans worth HRK 126.4 million and 207 loans worth HRK 119.8 million in 2015, when this offer included favourable interest rate.

On the other hand, although the demand for these loans grew since 2013 in MSE segment, offered as investment loans for the purchase and installation of solar systems based on contracts on the repurchase of energy with HROTE, so MSE clients raised a total of HRK 820,800 in 2014 (HRK 2.2 million in 2013/14), there were no new placements in this line in 2015. The reason for this was elimination of subsidies provided by the Government for the repurchase of electricity due to filled budget quota, which rendered investment in RES in this line unprofitable.

Segment for large companies does not offer Sunny loans; however, they offer a credit line of the Croatian Bank for Reconstruction and Development from the program of financing projects in the field of environmental protection, energy efficiency and renewable energy sources. Since 2011, HRK 91.6 million were granted from this credit line.

CBRD credit line



## Water sourcing and waste management

Similar to the consumption of energy sources in the bank, fluctuations of the sourced and consumed water, as well as waste generation and management in the bank were influenced by the merger of BPC network to the bank. Volumes of sourced water, after the decrease from 2013, increased in 2015 due to integration of former bank's branches.

| SOURCED WATER (m³) |        |
|--------------------|--------|
| 2012               | 9,020  |
| 2013               | 10,350 |
| 2014               | 9,018  |
| 2015               | 11,107 |

Concerning the amounts of collected and managed waste, they also increased from 2014 to 2015, due to write-off of a part of furniture from closed branches. All hazardous and

non-hazardous waste is handed to authorised collectors which treat it in accordance with regulations. Due to the nature of business, paper is the most significant waste in the bank and it is collected in special bins and recycled. In order to decrease consumption of paper, many of OTP banka's services are on offer online: internet, mobile and telephone banking lead in the direction of increasing online operations, while the bank also offers less usual contracting services via these channels, like contracting current account, certain types of cards and a loan.

There have been no fines for failing to hold up to regulations in the environmental protection segment in 2014 or 2015.

| TOTAL, HAZARDOUS AND NON-HAZARDOUS WASTE (kg) |           |
|---|-----------|
| 2014  | 38,494.40 |
| 2015  | 59,948.50 |

| TOTAL INVESTMENTS IN ENVIRONMENTAL PROTECTION (IN HRK) | 2014       | 2015      |
|--|------------|-----------|
| Total, hazardous and non-hazardous waste               | 20,692.94  | 23,228.13 |
| Energy certificates                                    | 0.00       | 29,450.00 |
| Education  | 0.00       | 3,000.00  |
| Dubrovnik solar power plant                            | 336,186.25 | 25,410.84 |
| Zadar solar power plant                                | 5,500.00   | 15,000.00 |



We want to manage  
our impacts on  
environment,  
economy and society  
more efficiently, as  
well as fulfil and  
overpass goals we  
set in the previous  
report

Report  
profile

Second Sustainability report issued by OTP banka presents its strategies and activities in reaching long-term sustainability in 2014 and 2015. It was written according to G4 Guidelines of Global Reporting Initiative, in accordance with core option and shows progress we intended to make in a challenging environment in which the bank operated during these years. Compared with our first report, we wanted to manage certain aspects of our impact on environment, economy and society more concretely, as well as fulfil and overpass goals we set in the previous report. We believe that this report can offer deeper insight not only in our business operations, but also in the way we think and see our vision of development. We thus invite you to send your comments and suggestions in order to help us improve every further report and help us focus more on materially important issues.

All questions and comments to this report and its comment can be directed to:

OTP banka d.d.  
Direction of Marketing and  
Corporate Communications  
Domovinskog rata 3  
23 000 Zadar

Reporting period: 2014/15

IN accordance option: core

Reporting cycle: two-year

Last report: 2012/13

## Sustainability indicators (GRI G4)

| General Standard Disclosures               |  |          |
|--|--|----------|
| Strategy and analysis                      |  |          |
| G4-1                                       | Statement from the CEO   | 5        |
| G4-2                                       | Key impacts, risks and opportunities   | 5, 12-13 |
| Organizational Profile                     |  |          |
| G4-3                                       | Name of the organization   | 2        |
| G4-4                                       | Primary brands, products and services  | 2        |
| G4-5                                       | Location of the organization's headquarters  | 2        |
| G4-6                                       | Number of countries where the organization operates, and names of countries where the organization has significant operations          | 2        |
| G4-7                                       | Nature of ownership and legal form   | 2        |
| G4-8                                       | Markets served by the organization   | 2        |
| G4-9                                       | Scale of the organization  | 3        |
| G4-10                                      | Total number of employees  | 3        |
| G4-11                                      | Percentage of total employees covered by collective bargaining agreements  | 27       |
| G4-12                                      | Organization's supply chain  | 21       |
| G4-13                                      | Significant changes during the reporting period regarding the organization's size, structure, ownership or supply chain                | 21       |
| G4-14                                      | Precautionary approach or principle  | 5        |
| G4-15                                      | Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes | 9        |
| G4-16                                      | Memberships in associations  | 9        |
| Identified Material Aspects and Boundaries |  |          |
| G4-17                                      | All entities included in the organization's consolidated financial statements  | 2        |
| G4-18                                      | Process for defining the report content and the aspect boundaries  | 11-12    |
| G4-19                                      | Material aspects identified in the process for defining report content   | 11-12    |
| G4-20                                      | Boundaries of material aspects within the organization   | 11-12    |
| G4-21                                      | Boundaries of material aspects outside the organization  | 11-12    |
| G4-22                                      | Effect of any restatements of information provided in previous reports   | 12       |
| G4-23                                      | Significant changes from previous reporting periods in the scope and aspect boundaries   | 12       |
| Stakeholder Engagement                     |  |          |
| G4-24                                      | List of stakeholder groups engaged by the organization   | 13       |
| G4-25                                      | Basis for identification and selection of stakeholders with whom to engage   | 12-13    |

|                             |   |              |
|-----------------------------|---|--------------|
| <b>G4-26</b>                | Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and indication of whether any of the engagement was undertaken specifically as part of the report preparation process | 12-13        |
| <b>G4-27</b>                | Key topics and concerns that have been raised through stakeholder engagement  | 13           |
| <b>Report Profile</b>       |   |              |
| <b>G4-28</b>                | Reporting period  | 45           |
| <b>G4-29</b>                | Date of most recent previous report   | 45           |
| <b>G4-30</b>                | Reporting cycle   | 45           |
| <b>G4-31</b>                | Contact point for questions regarding the report  | 45           |
| <b>G4-32</b>                | "In accordance" option, GRI Content index   | 45-49        |
| <b>Governance</b>           |   |              |
| <b>G4-34</b>                | Governance structure of the organization, including committees of the highest governance body   | 7            |
| <b>Ethics and Integrity</b> |   |              |
| <b>G4-56</b>                | Organization's values, principles, standards and norms of behaviour   | 8            |
| <b>Economic impact</b>      |   |              |
| <b>G4-EC1</b>               | Direct economic value generated and distributed   | 3, 16        |
| <b>G4-EC3</b>               | Coverage of the organization's defined benefit plan obligations   | 27           |
| <b>G4-EC5</b>               | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation  | 28           |
| <b>G4-EC6</b>               | Proportion of senior management hired from the local community at significant locations of operation  | 7            |
| <b>G4-EC7</b>               | Development and impact of infrastructure investments and services supported   | 37-39, 41-42 |
| <b>G4-EC9</b>               | Proportion of spending on local suppliers at significant locations of operation   | 21           |
| <b>Environmental impact</b> |   |              |
| <b>G4-EN3</b>               | Energy consumption within the organization  | 41           |
| <b>G4-EN6</b>               | Reduction of energy consumption   | 41           |
| <b>G4-EN8</b>               | Total water withdrawal by source  | 43           |
| <b>G4-EN23</b>              | Total weight of waste by type and disposal method   | 43           |
| <b>G4-EN27</b>              | Extent of impact mitigation of environmental impacts of products and services   | 42           |
| <b>G4-EN31</b>              | Total environmental protection expenditures and investments by type   | 43           |
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