

Corporate Governance Code

1. Objectives and basic principles

OTP banka d.d. (hereinafter: the Bank) as a credit institution is well aware of the importance of a responsible and ethics-based conduct of corporate entities as an essential prerequisite for developing high-quality relations and loyal competition between business partners as well as for efficient functioning of the market.

To this end, the Bank is developing its business activities and acting in accordance with the good corporate management practice.

Moreover, it is trying, by way of its business strategy, business policy, key internal acts and business practice, to contribute to transparent and efficient business activities and better-quality relations with its business environment.

Bank's adequate corporate management includes:

- clear organisational structure with well-defined authorisations and responsibilities;
- efficient activities for establishing, measuring and monitoring of the risks the Bank is or may be exposed to as well as related reporting activities;
- adequate internal controls mechanisms which also involve prudent administrative and accounting procedures, the strategies and the procedures for a constant assessment and review of the figures, the structure and the distribution of the internal capital required as coverage for current and future risks;
- fulfilment of general transparency requirements;
- meeting the obligations and the responsibilities towards the shareholders, the employees and other interested parties;
- safe and stable business activities in accordance with law and regulations.

It is considered that a vital segment of the Bank's identity is responsible management, therefore the Bank's view is that good corporate management is realised not just by fully meeting the regulatory requirements but that is also derives from the corporate culture prevailing in the Bank and personal integrity of all Bank's employees.

The Bank ensures that there is no discrimination against employees based on sex, race, skin colour, ethnic or social origin, genetic characteristics, language, religion or belief, political or any other opinion, belonging to a national minority, property, birth, disability, age or sexual orientation.

The Bank's policies (remuneration policy, employment policy, career development and succession plans, access to training and the possibility of applying for internal vacancies...) are gender neutral, and the Bank ensures equal opportunities for all employees, and in particular strives to improve the representation of the underrepresented gender in certain positions.

Basic corporate management principles of the Bank are the following:

- transparency of the business activities;
- clearly elaborated operating procedures;
- avoidance of the conflict of interest;
- efficient internal control,
- efficient responsibilities system.

Any interpretation of the provisions contained herein should be governed primarily by accomplishment of the mentioned objectives and adherence to the mentioned principles.

The goal of implementing the mentioned corporate values (prohibition of discrimination, gender neutrality of acts and equal opportunities for all employees) and principles is to improve the Bank's reliable management system and reduce the risks to which the Bank is exposed, especially operational and reputational risks. The bank is obliged to monitor compliance with corporate values and ensure that the employees are aware of that, and to designate a function responsible for monitoring compliance with the corporate governance code and assessing violations of the code, and to establish a procedure for resolving issues of non-compliance.

The Bank is obliged to oversee, following the implementation of the Group standards, the progress of the institution's ESG risk-related objectives and/or limits, coupled with an understanding of the distinct elements of ESG risks and a sufficiently long-term view of the financial risks that can arise beyond standard business planning horizons and it is necessary to integrate those risks in the Banks' business models and strategies.

2. Publication

In addition to the data the Bank publishes as it is required to do so by laws and other regulations, the Bank shall also publish and thus make available to any interested party, pertinent information on its work and activities which primarily refers to financial statements given that they are the most important and the most complete source of information on the Bank and the Annual Report, i.e. Annual consolidated Report.

If the Bank's shares are listed on the stock exchange and they are traded in on a regulated securities market, the Bank shall:

- give notice of any change to the rights under issued shares or other issued securities;
- publish any information it is familiar with in respect of the shares and other securities of the Bank that are owned by any member of the Supervisory Board or the Management Board;
- make public any other information that may be regarded vital in relation to the Bank, its financial standing, operating results, the ownership structure and management;
- publish all the information categories clearly and unambiguously and enable any interested party equal and timely access to such information;
- publish instantly any information that may have an impact on the making of decisions on investments into shares and other securities of the Bank, covering equally the positive and the negative aspects, with a view to allowing the investor to understand and correctly assess the Bank's standing.

Publishing of information is carried out in the manner laid down in law or the Bank's Articles of Association, whereas the Bank also ensures that pieces of information are published on own web pages and over the Internet.

3. Bodies of the bank

The bodies of the Bank ensuring that good corporate management practice is implemented are the ones stated below:

- General Meeting
- Supervisory Board
- Management Board

3.1. General meeting

The General Meeting is the body of the Bank whereby shareholders exercise their main management rights by passing decisions on the Bank's activities that fall under their competence.

The decisions passed by the General Meeting are laid down in law and the Bank's Articles of Association.

General Meetings are called when necessary, but at least once a year, and whenever the interests of the company require so.

General Meetings shall be called by the Management Board.

General Meetings may be called by the Supervisory Board in cases prescribed by law, and whenever the Supervisory Board deems it necessary.

The General Meeting shall also be called if so requested by shareholders who separately or together hold no less than 1/20 (One Twentieth) of the Bank's share capital providing that the Management Board has been notified about the reason of the General Meeting.

Shareholders decide on their rights and obligations at the General Meeting in accordance with law and the Articles of Association. Shareholders must meet the conditions prescribed by law and the Articles of Association in order to participate in the work of the General Meeting.

Each share, except for those not carrying the right to vote, entitles the shareholder to one vote, in proportion to the nominal value of each share.

The Bank issues shares made out to a name, and depending on the rights they carry they are either regular or preferential.

The Bank shall treat and accord equal conditions to all shareholders regardless of the number of shares they hold.

The Bank shall equally accord same treatment to the investors notwithstanding the nature of the investor i.e. individual or institutional investors.

The General Meeting shall make its decisions by votes given by the shareholders present in person or by proxy at the General Meeting.

The General Meeting shall have a quorum if shareholders representing at least 50% (fifty per cent) of the total share capital of the Bank are present (either in person or represented by proxy).

The General Meeting shall make decisions by a simple majority of the votes, except when deciding on the matters that require a certain necessary majority determined by law and the Articles of Association.

The right of a shareholder to participate in the General Meeting and exercise his/her voting rights may be realised by proxy, a legal entity or a natural person.

A power of attorney shall be issued and verified in the form prescribed by the Management Board and certified by a Notary Public.

3.2. Supervisory board

The Supervisory Board shall supervise the management of the Bank.

The competence of the Supervisory Board is laid down by law, the Articles of Association and other acts of the Bank.

It has authority to inspect the Bank's business books and all the Bank's documents and assets including cash and securities, which and when it deems necessary.

Supervisory Board members shall act in the Bank's interest, keep business and bank secrets and act with the due care of a good businessman.

The Supervisory Board members shall dedicate sufficient time to their obligations in the Bank and carry out activities based on complete and reliable information, whilst driven by good intentions.

On its meetings the Supervisory Board reviews the policies, discusses the key points with the Management Board, supervises the set targets and evaluates the management efficiency along with conducting the necessary changes.

The Supervisory Board consists of seven (7) members, of which two (2) members are independent, in accordance with the provisions of the Credit Institutions Act, the provisions of the Policy on the target structure of the Supervisory Board of OTP bank d.d. and the EBA guidelines on internal governance and the Joint EBA and ESMA guidelines for assessing the suitability of members of the management body and holders of key functions based on Directive 2013/36/EU and Directive 2014/65/EU.

The members of the Supervisory Board are elected by the General Meeting, after obtaining prior approval from the Croatian National Bank.

The General Meeting adopts the Policy on the selection and assessment of the criteria for the members of the Supervisory Board of OTP banka d.d. ensuring that at all times the Supervisory Board meets the suitability requirement for the relevant function.

The members of the Supervisory Board shall elect the Chairman and the Deputy of the Supervisory Board among themselves.

The mandate of each Supervisory Board member is three years from the date when the decision of the General Meeting on the election of the Supervisory Board member has entered in force.

The Supervisory Board members can be re-elected.

The Supervisory Board's activities are carried out at its meetings.

The Supervisory Board's meetings are chaired by the Chairman of the Supervisory Board or the Deputy.

The Supervisory Board shall make valid decisions at regular meetings if the majority of Supervisory Board members is attending the meeting and each member of the Supervisory Board has one vote.

The Supervisory Board can pass decisions at extraordinary or urgent meetings by voting by telephone, in writing, by fax, by using BoardPoint system or other similar specialized IT system, by videoconference or e-mail if none of the Supervisory Board

members objects to such manner of voting.

In case of objection by any member of the Supervisory Board, the proposal is included in the agenda of the next regular meeting of the Supervisory Board.

The Supervisory Board shall have its own Rules of procedure whereby the arrangement of meetings, decision-making process, position of the committees and their authorities shall be governed.

The Management Board can perform particular types of business activities subject to prior consent of the Supervisory Board.

3.2.1. Audit Committee

In accordance with law, the Supervisory Board establishes the Audit Committee and appoints its members.

The authority of the Audit Committee is laid down in the provisions of the Audit Act and the Credit Institutions Act. The work of the Audit Committee is laid down in detail in the Rules of Conduct of the Audit Committee.

The Audit Committee always consists of an odd number of members and must have a minimum of three members. At least one member of the Committee must have knowledge in the field of accounting and/or auditing, with regard that the majority of Committee members have to be independent.

3.2.2. Remuneration Committee

In accordance with law, the Supervisory Board establishes the Remuneration Committee and appoints its members.

The authority of the Remuneration Committee is laid down in the provisions of the Credit Institutions Act and the relevant decision of the Croatian National Bank.

The work of the Remuneration Committee is laid down in detail in the Rules of Conduct of the Remuneration Committee.

The Remuneration Committee consists of at least three members, with regard that the Chairman of the Committee and the majority of members have to be independent.

3.2.3. Appointment Committee

In accordance with law, the Supervisory Board establishes the Appointment Committee and appoints its members.

The authority of the Appointment Committee is laid down in the provisions of the Credit Institutions Act.

The work of the Appointment Committee is laid down in detail in the Rules of Conduct of the Appointment Committee.

The Appointment Committee consists of at least three members, with regard that the Chairman of the Committee and the majority of members have to be independent.

3.2.4. Risk Committee

In accordance with law, the Supervisory Board establishes the Risk Committee and appoints its members.

The authority of the Risk Committee is laid down in the provisions of the Credit Institutions Act.

The work of the Risk Committee is laid down in detail in the Rules of Conduct of the Risk Committee.

The Risk Committee consists of at least three members, one of whom is the Chairman of the Committee, with regard that the majority of the Committee has to be composed of independent members. The chairman of the Committee must be an independent member and must not be the chairman of the Supervisory Board or the chairman of another committee of the Supervisory Board.

3.3. Management board

The Management Board is responsible for conducting the Bank's business and it acts jointly.

The Bank is represented individually and independently by the president of the Management Board and Management Board members.

The Bank can be represented by procura holder providing that he/she acts jointly with a Management Board member.

The Management Board shall make valid decisions at regular meetings if the majority of Management Board members is attending the meeting and each member of the Management Board has one vote.

The Management Board can pass decisions at extraordinary or urgent meetings by voting by telephone, in writing, by fax, by using BoardPoint system or other similar specialized IT system, by videoconference or e-mail if none of the Management Board members objects to such manner of voting.

In case of objection by any member of the Management Board, the proposal is included in the agenda of the next regular meeting of the Management Board.

The Management Board consists of 2 (two) to 7 (seven) members appointed by the Supervisory Board, subject to prior consent for the appointment of the president or members of the Management Board of the Croatian National Bank and the Management Board must have a structure in accordance with the provisions of the Policy on the Target Structure of the Management Board of OTP banka d.d.

Any person who meets the requirements of the Companies Act and the Credit Institutions Act can be appointed a member of the Management Board.

Members of the Management Board are appointed for a period not longer than 5 (five) years and may be re-elected.

When appointing Management Board members, it shall be attempted that they possess the following characteristics:

- experience in banking operations management;
- developed organisational skills;
- experience in detection and monitoring of risks and dealing with crisis situations;
- knowledge of accounting and finance;
- familiarization with Bank's business scope;
- understanding of domestic and international money market;
- ability to incorporate all the interests within the Bank;
- personality that contributes to the realisation of the Bank's objectives;
- knowledge of good corporate management practice,
- strategic vision.

The Management Board shall unanimously adopt the Rules of Conduct of the Management Board, subject to prior consent of the Supervisory Board.

The scope of the Management Board's activities and responsibilities includes the activities in line with law, the Articles of Association and the Rules of Conduct of the Management Board.

With the purpose of preparing and implementing decisions made by the Management Board of the Bank within its competences, the Management Board has set up 11 Committees.

The Committees of the Management Board of the Bank are: Products Development & Pricing Committee, Credit Portfolio Monitoring Committee, QBR Committee, Workout Committee, Investments Committee, Operational Risk Committee, Asset & Liability Management Committee (ALCO), Ethical Committee, Sustainable Development Committee, AML Committee and Data Management Committee.

The organisation, the competence, the manner of operation, and the manner in which committee meetings are convoked and held are laid down in the Rules of Conduct of each particular committee adopted by the Board of the Bank.

During his/her term of office, no member of the Management Board shall without prior written consent of the Supervisory Board:

- take or have employment, mandate or engagement with any other company or bank, with an exception of a subsidiary company, in which case the Supervisory Board must be notified by the Management Board in writing at its first meeting following such appointment;
- in his/her own name and on his/her own behalf directly or indirectly be concerned or interested in business activities which are related to the Bank's business activities;
- take or have membership in any partnership/limited liability company,
- directly or indirectly own, conduct, contract, invest or acquire shares, engage or take part in some other way in any business activity or enterprise, which would represent competition to activities of the Bank.

During his/her term of office, no member of the Board shall without consent of the Supervisory Board participate in decision-making or a legal transaction if:

- he/she is a legal representative, procura holder or proxy of another contractual party;
- the other contractual party, or its legally authorised representative, legal representative, procura holder or proxy is

his/her blood relation in the direct line up to any degree, in a collateral line up to the second degree, or his/her spouse, common-law spouse, or in-law up to the second degree, regardless whether or not the marriage has been dissolved; or is an adoptive parent or child of the other contractual party, its legally authorised representative, legal representative, procura holder or proxy,

- there is a conflict of interest between a member of the Management Board and the Company relating to a legal transaction to be decided upon or concluded.

4. Relations between the management board, the supervisory board and the company

The Management Board and the Supervisory Board shall establish the strategic goals and the corporate values of the Bank and familiarize all the employees therewith.

The Management Board shall adopt the strategy and the Risk policy, subject to prior consent of the Supervisory Board.

The Bank shall ensure a reasonable, transparent and documented decision-making procedure and see to that assigning of responsibilities and competences within the Bank is clear.

The Bank shall clearly define in writing the powers and key responsibilities of the Management Board, the Supervisory Board, the employees, committees and advisory bodies in the Bank.

The Management Board and the Supervisory Board shall cooperate in the best interest of the Bank as well as negotiate and come to a mutual agreement on the strategic features of the Bank's business activities.

The members of both the Management Board and the Supervisory Board shall avoid conflict of interest or a potential conflict of interest, including also spending of company funds for personal purposes and abuse of power with regard to transactions with related parties.

The Management Board shall timely and in full report to the Supervisory Board on all the facts and circumstances that may have an impact on the business activities, the financial standing and the balance of the Bank's assets and shall grant access to all the required data and the documents necessary to exercise their powers.

Members of the Management Board and the Supervisory Board are entitled to remuneration for their work.

The Supervisory Board shall sign contracts with members of the Management Board in order to regulate mutual rights and obligations.

Members of the Supervisory Board shall receive reward for their work in the amount decided by the General Meeting. The reward may be different for each member of the Supervisory Board, depending on the duties entrusted to them.

4.1. Conflict of interest

Conflict of interest exists in a member of the Supervisory Board, that is, a member of the Management Board who is not neutral in respect of the matter to be decided or it can be assumed on the grounds of his connection with other companies, persons or deals that his interests and inclinations do not necessarily correspond to Bank's interests.

Members of the Management Board and the Supervisory Board shall not pass decisions based on personal interests or the interests of the persons they are closely involved with.

All the activities the members of the Management Board or the Supervisory Board or their related parties and the Bank or its related parties are engaged in shall be market-based particularly as concerns deadlines, interest, guarantees etc.

All the contracts or agreements between a member of the Supervisory Board or a Management Board member and the Bank are subject to prior consent of the Supervisory Board.

If there is a conflict of interest at the level of the credit institution, the Bank is obliged to estimate the significance of the conflict of interest and to select and implement appropriate measures for managing conflicts of interest or reducing them, among other things, in a way to ensure appropriate boundaries of duties or establish information barriers (e.g. physically separating certain business lines or units). The bank is obliged to document the measures taken with an explanation of their effectiveness.

4.2. Prohibition of competition

Members of the Management Board i.e. the Supervisory Board shall not, for own or someone else's account, personally or through third parties carry out the activities under the Bank's scope, nor shall they supply advice to the persons that may be deemed Bank's competition.

Moreover, members of the Management Board and the Supervisory Board shall not hold a significant stake in the companies that may be deemed Bank's competitors.

5. Independent external auditor

The Bank is aware of the importance and the role of the audit function for the success of the corporate management, the legality and the transparency in the performance of all business processes in the Bank.

One of the important corporate management factors is to contract an independent external auditor, which the Bank must do, with a view to ensuring that financial statements adequately reflect the actual and the overall situation in the Bank.

The external auditor and the Bank are signing the contract on annual audit of financial statements, which also contains provisions regarding ensuring independence of the auditor.

The external auditor shall be deemed any auditor who is not related to the Bank by ownership or interests and does not provide, on its own or through related parties, any other service to the Bank.

The independent external auditor shall, as clearly and unambiguously as possible, give own opinion on whether the financial statements prepared by the Management Board give a true and fair view of the financial position of the Bank, its financial performance and cash flows for a given period of time, in accordance with the applicable financial reporting framework.

6. Internal controls system

The Bank shall ensure an adequate internal controls system which enables it to timely monitor and detect any material risk the Bank is or may be exposed to in the pursuit of its business activities.

The Management Board is responsible for developing and maintaining the system which allows for efficient business activities, adequate risk control, reliability of financial and other non-financial information as well as compliance of the Bank's business activities with laws, regulations and Bank's internal acts.

In addition to the members of the Management Board and the Supervisory Board, employees and all organisational units of the Bank partake in the implementation of the mentioned control measures which are directly or indirectly integrated into the business processes.

Internal control system should ensure: efficient and effective operations, prudent management of operations, appropriate determination, measurement and reduction of risks, good administrative and accounting procedures and compliance with laws, other regulations, supervisory requirements and internal policies, procedures, rules and decisions of the Bank, and in the Bank, this is achieved through three mutually independent control functions:

- risk control function;
- compliance monitoring function,
- internal audit function.

When establishing the mentioned functions, the Management Board shall adhere to the following principles:

- all three functions must be co-independent;
- all three functions have to be independent from the business processes and activities which give rise to risks;
- avoiding conflict of interest;
- each function independently and directly reports on its work to the persons and/or bodies in line with laws, regulations and Bank's internal acts;
- the Management Board should employ sufficient number of the persons qualified to exercise the mentioned functions and the qualification of employees should be continuously maintained, so employees should undergo training as necessary,
- control functions should have enough resources.
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The independence of control functions exists if:

- their employees do not perform operational tasks within the activities that control functions should monitor and supervise;
- are organizationally separated from the activities they need to monitor and supervise;
- the person responsible of control functions is not subordinate to the person who is responsible for managing the activities that the control function monitors and supervises,
- the receipts of employees of the control functions are not related to the results of the activities that the control function monitors and supervises, and it is unlikely that their objectivity will be threatened in any other way.

6.1. Risk control function

The risk control function should provide relevant and independent information, analysis and expert judgment on risk exposure as well as advice on risk proposals and decisions made by business lines or internal units.

Regular and transparent reporting mechanisms should be established so that the Management Board, Supervisory Board, Risk committee, and all relevant units in the Bank are provided with reports in a timely, accurate, concise, understandable and meaningful manner and can share relevant information about the identification, measurement or assessment, monitoring and management of risks. The reporting framework should be well defined and documented.

The risk control function should have access to all business lines and other internal units in which risk may arise, as well as subsidiaries and affiliated companies, and at the same time should be independent in relation to the business lines and units whose risks it controls, but without preventing their interaction.

Employees of the risk control function should have a sufficient level of knowledge, skills and experience regarding risk management procedures and have access to regular training.

6.2. Compliance monitoring function

The compliance monitoring function should identify and assess the compliance risk to which the credit institution is or could be exposed and report the same to the Management Board and the Supervisory Board.

The compliance monitoring function advises the Management Board and the Supervisory Board on how to apply relevant laws, standards and rules, and if necessary, cooperates and exchanges information with the risk control function.

The compliance monitoring function advises the Management Board and the Supervisory Board on the measures that need to be taken to ensure compliance with laws, rules and other regulations and informs on estimated effect of changes in the legal or regulatory environment on the Bank's operations.

6.3. Internal audit function

The bank should ensure that the employees of the internal audit function have the appropriate qualifications, and that the resources, especially the tools and methods of risk analysis, are appropriate for the types, scope and complexity of risks.

The internal audit function should be independent in relation to the activities over which the audit is performed and should not be combined with other functions.

The internal audit function should estimate:

- appropriateness of the institution's management framework;
- suitability and compliance of existing policies and procedures with legal and regulatory requirements and the risk management strategy and its tendency to take risks;
- compliance of procedures with laws and decisions of the Management Board,
- the appropriateness, quality and efficiency of the controls and reporting, as well as the the appropriateness, quality and efficiency of risk control function and compliance monitoring function.

7. Business books and financial statements

The Bank keeps business books and other business documentation and records, evaluates assets and liabilities, prepares and publishes Annual Report, i.e. Annual consolidated Report which includes financial reports in accordance with the applicable regulations and professional standards.

The Bank keeps business books and other business documentation and records by applying a method by way of which it may be checked at any time whether the Bank operates in line with applicable regulations and professional standards.

8. Risks

The Bank manages risks by implementing the procedures and the methods for detecting, measuring i.e. assessing, controlling and monitoring risks and also by reporting on the risks it is or may be exposed to in its business activities.

The Bank prescribes procedures, criteria and methods for measuring, assessing and managing of risks in its acts, in accordance with statutory regulations, standards and rules of profession.

Risk management includes continuous detection, measuring, assessing and reporting on all materially significant risks the Bank is or may be exposed to, such as: credit risk, market risk, liquidity risk, interest rate risk, concentration and operational risk, information and communication technologies risk, reputational and legal risk, compliance risk, risk related to behaviour and compliance obligations in the area of prevention of money laundering and terrorist financing, environmental, social and governance (ESG) risk and strategic risk.

The risk strategy is connected to the Bank's strategy and encompasses defining of the type and the level of risk the Bank is willing to assume in order to reach its business objectives.

The Bank possesses written policies and procedures relating to risk management which are regularly updated and the implementation of which is controlled.

9. Business continuity management

The purpose of business continuity management is to reduce operational, financial, legal, reputational and other significant consequences in the event of a serious disruption of the Bank's operations, therefore, in order to ensure uninterrupted operations and limit losses, the Bank is obliged to establish a business continuity management plan and a recovery plan.

10. Transparent and timely reporting

The Bank publishes corporate management data and information which are based on statutory regulations and good practice.

The information being published must be true, relevant, timely and available so that all the interested parties' needs are met.

The Bank places special emphasis on transparent and timely reporting, to both the Bank's clients and the Bank's shareholders, as well as to any other interested party.

11. Statement on the application of the corporate governance code

The Bank's shares are not traded in on a regulated securities market, that is to say, the shares are not listed on the stock exchange, therefore the Bank is not obliged to include in its Annual Report a Statement on the Application of the Corporate Governance Code, as prescribed by Article 22 of the Accounting Act.

If the shares of the Bank are listed and traded in on a regulated securities market, the Management Board and the Supervisory Board of the Bank shall ensure that the Management Board publishes in a special section of the Annual Report the data laid down in Article 272.p of the Companies Act and article 22 of the Accounting Act.

Despite the above, in the Annual Report the Bank publishes information on the Corporate Governance Code that is applied in its operations, and within this information also provides a link to the Bank's website where the Corporate Governance Code is published.

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