



April 27, 2007

## Report on Corporate Governance

The Board of Directors of the OTP Bank Plc. (the "Company") hereby makes the following statement and provides the following information<sup>1</sup> on behalf of the Company:

### 1. In respect of point 1.1.2. of the Recommendations:

The responsibilities of the Board of Directors extend to the areas specified in this point.

Yes

*The Board of Directors does not only approve risk management guidelines, but in addition to these, it approves a set of detailed risk management rules.*

The Board of Directors possesses a set of procedural rules.

Yes

### 2. In respect of point 1.2.2. of the Recommendations:

The Supervisory Board possesses a set of procedural rules and a work schedule.

Yes

### 3. In respect of point 1.3.2. of the Recommendations

Minutes are taken of the meetings of the Board of Directors and the Supervisory Board, and the resolutions of these meetings have been documented.

Yes

### 4. In respect of points 1.6.1. and 2.1.6. of the Recommendations

The Board of Directors has prepared guidelines for evaluating and rewarding the management's work.

Yes

The Board of Directors has published the guidelines for evaluating and rewarding the management's work.

No

*However, the conditions of the stock option scheme, a key component of the management remuneration system, were approved by the Company's general meeting. Furthermore, the Board of Directors provides information on the annual and mid-term targets constituting the basis for evaluation at the annual general meeting.*

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<sup>1</sup> based on the Corporate Governance Recommendations (December 8, 2003) published by the Budapest Stock Exchange

**5. In respect of point 1.7. of the Recommendations:**

There is an independent internal audit team operating at the Company.

Yes

The independent internal audit team has an annual audit schedule approved by the Board of Directors or the Supervisory Board.

Yes

**6. In respect of point 1.10. of the Recommendations:**

The Board of Directors has informed the Company's general meeting and Supervisory Board of any other notable assignment given to the independent auditing company.

There was no such assignment.

**7. In respect of point 2.1.1. of the Recommendations:**

The Company has prepared its reporting guidelines.

No

*The Company rigorously observes the reporting regulations set out in Act CXX of 2001 on the Capital Market and in the relevant Regulations of the BSE, these being legal sources available to the public. The Company possesses its own internal regulations providing for the observance of the reporting obligations, representing the tasks and obligations resulting from the provisions of the Act and the BSE Regulations for all of the Company's bodies, organisations and employees concerned. Based on the above-specified regulations, the reporting obligations can be fully met, without the need for any separate guidelines.*

**8. In respect of point 2.1.4. of the Recommendations:**

The Board of Directors has published the currently applicable business strategy objectives.

Yes

*The Board of Directors provides information at every Annual General Meeting on the business strategy objectives for the given year. The proposal prepared for the general meeting is published on the website of the BSE.*

**9. In respect of point 2.1.6. of the Recommendations:**

In line with point 2.1.6. of the Recommendations, the Company has published the information relating to the professional careers of members of the Board of Directors, the Supervisory Board and the management.

Yes

*The careers of members of the Board of Directors and the Supervisory Board are presented on the Company's website and in the Annual Report.*

**10. In respect of point 2.1.7. of the Recommendations:**

In line with point 2.1.7. of the Recommendations, the Company has published its risk management guidelines.

No

*The Company as a credit institution not only possesses risk management guidelines, but also highly detailed risk management rules extending to every area of risk, which are based on the*

*public regulations pertaining to prudent banking operations. The adequacy of these rules, and the Company's operation in accordance with these rules, is supervised by the Hungarian Financial Supervisory Authority. Publication of these rules could, in certain circumstances, adversely affect the Company's competitive position.*

**11. In respect of point 2.1.9. of the Recommendations:**

The Company has published its guidelines pertaining to insider trading.

No

*Act CXX of 2001 on the Capital Market contains detailed rules pertaining to insider trading, and stipulates the various restrictions and prohibitions in this regard. The Act is accessible to anyone; the rules concerning insider trading are publicly available without any restrictions. Accordingly, the Company has not drafted guidelines, but instead, detailed internal regulations – covering insider persons and those who may potentially be insiders – to ensure observance of the obligations, as well as the restrictions and prohibitions, stipulated in the said Act.*

**12. In respect of point 2.1.10. of the Recommendations:**

In line with point 2.1.10. of the Recommendations, the Company has published the information concerning relations with third parties of the Board of Directors and the management.

Yes

*The Company publishes the amounts of any loans that have been provided to persons in management positions, and to enterprises wholly or partially owned by them, in its Annual Report.*

**Information and other notes:**

**1. In respect of point 1.3.1. of the Recommendations:**

The Board of Directors held 8 meetings in the business year 2006 with average attendance of 95%.

The Supervisory Board held 7 meetings with average attendance of 87% in the business year 2006.

**2. In respect of point 1.5.2. of the Recommendations:**

The ratio of independent (non-executive) members of the Board of Directors compared to the total number of members is 36%.

**3. In respect of point 1.5.5. of the Recommendations:**

The ratio of independent (non-executive) Supervisory Board members compared to the total number of members is 60%. (Supervisory Board members representing the Company's employees are not regarded as independent members.)

**4. In respect of point 1.8. of the Recommendations:**

There are no special corporate committees as defined in the Recommendations operating at the Company. Some of the functions and responsibilities of the audit committee are performed by the Supervisory Board under the specific regulations governing financial institutions, and by the independent internal audit apparatus – subordinated to it by the Credit Institutions Act (Act CXII of 1996). The duties of the other committees are performed by ad hoc committees that can be (and have been) set up in line with the procedural rules of the Company's Board of Directors.

**5. In respect of point 3.1.4 of the Recommendations:**

In preparing and holding its general meeting, the Company took the relevant recommendations of the Budapest Stock Exchange into consideration in the past business year of 2006.

Yes

*The recommendations under points 1.1. – 1.9, 1.12, 2.1. – 2.7. and 2.9., as well as 3.1. – 3.3., were taken into consideration.*

**6. The Company has its own corporate governance code of practice:**

No

*The Company's internal regulations (particularly the procedural rules of the various governing bodies, the Organisational and Operational Regulations, the special conflict-of-interest rules relating to banking operation, and the regulations containing the related prohibitions and restrictions) cover the areas otherwise regulated by a corporate governance code of practice.*

**7. The Company has a code of ethics:**

Yes

**8. The post of Chairman & CEO is occupied by one person at the Company.**

Yes

*The Company's internal regulations describe the duties associated with these two functions.*