

Dear B4Ukraine Coalition,

Thank you for your inquiry. Please find below the answer of OTP Bank Plc (hereinafter: “OTP Bank Hungary”):

OTP Group is committed to respecting sanction restrictions, complying with relevant EU and other mandatory rules.

We stress that JSC OTP Bank Russia (hereinafter: “OTP Bank Russia”) is a very small player in the Russian market with a **market share of 0.14%**, and represents less than 3% of the total loans of the international OTP Group.

Following the outbreak of war, OTP Bank Russia rapidly reduced its corporate lending activities, resulting an **85% decrease of corporate loans and 10% decrease of total loans** between 2021 and the end of 2023. OTP Bank Russia has cut its branch network by 25% in 2023, since 2021 the total branch network has decreased by 39% and the number of employees by a quarter. OTP Bank Russia severed its business relations with state-owned companies and institutions, and stopped distributing government bonds at international group level.

It is important to highlight that **the capital** of OTP Bank Russia was significantly **reduced** in 2023 by **dividend payment in worth of RUB 13.5 billion** (OTP Bank Russia has never paid dividend before since entering the Russian market in 2006).

OTP Bank Hungary significantly **restricted international money transfer** transactions and implemented a significant increase in commission. Unlike other European banks, we **no longer offer a USD transfer facility to and from Russia as of May 2023**.

OTP Bank Russia’s total income in 2023 was EUR 585.1 mln. Despite all the above steps taken to reduce non-retail activities, the total income and our profit increased in 2023 partly due to the write-back of provisions booked in previous years and partly due to the increase of deposits placed by foreign companies that – just like us - are stuck in Russia. Another reason of the increase in profits is the difference between low deposit rates and high central bank interest rates. (Please note that for commercial banks, looking at revenue is much less useful than looking at total income, and when analysing total income for each year, it is always appropriate to look at the exchange rate for that year.)

The total amount of tax paid in 2023 was EUR 90.3 mln. The increase in tax paid is not due to the increase in activity, but to the 'passive' profit discussed above and the one-off tax on capital withdrawal. 20% of the taxes paid in 2023 come from taxes on dividends, with the rest of the increase coming mainly from increased corporate deposit income and efficient retail lending activity. For a better understanding, it may be worth pointing out that 70% of the deposit growth comes from foreign (non-Russian) companies, as OTP Russia has become one of their preferred banks in a situation of uncertainty.

We emphasize that OTP Bank Russia does not provide loans to members of the Russian military and it does not operate in the occupied territories. These accusations had been initially disseminated by an individual who was later charged in Ukraine for treason and operating at the behest of Russian intelligence. These accusations have proven to be completely unfounded and false, that – following our negotiations – the NACP accepted and has removed OTP Bank Group from its List of International Sponsors of War.

We continue to explore all our strategic options in Russia. As part of this, we put a lot of effort into sale, for which we are currently using the services of the international investment advisory firm Rothschild Martin Maurel. Throughout the process, we are particularly careful to ensure that any future solution can only be envisaged within the framework of, and in compliance with, the applicable international and local regulations.

Currently, the Russian regulatory environment substantially limits our ability to sell the Russian subsidiary bank, as it is subject to a specific presidential authorisation.

The current rules significantly limit not only the chances of a sale, but also the sale price in the event of a sale. There is a local committee that would suggest the potential sales price which can't exceed 50% of the book value and this committee would decide on the potential buyer, too. **A sale therefore represents a one-off injection of hundreds of millions of euros into the Russian economy, likely to a business with close ties to the Russian government.** This procedure might also be rightly criticised.

Sincerely,

OTP Bank

Sándor Csányi
Chairman and Chief Executive Officer
OTP Bank Group
Nádor Street 16.
Budapest,
Hungary
H-1051

B4Ukraine 

August 22, 2024

RE: (1) Opportunity to respond before publication; and (2) Information on the growing risks of operating in Russia

Dear Dr. Csányi and OTP Team:

As [B4Ukraine](#), we write to provide you with an opportunity to: (1) comment on facts concerning OTP Bank Group's ("OTP") financial contributions in Russia that we intend to publish as part of an upcoming report; and (2) inform you of the growing landscape of financial, legal, and reputational risks your financial institution is facing by continuing its operations in the country.

B4Ukraine is a coalition of Ukrainian and international civil society organisations that works to curtail the financial resources enabling the Russian invasion of Ukraine. In the spirit of respect for the fundamental rights of all people, the rules-based international order, and a prosperous global economy, we expect companies to demonstrate public support for the people, democracy, and territorial integrity of Ukraine, opposition to Russia's war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights ("UNGPs").

1. Opportunity to Comment on Facts Concerning OTP's Financial Contributions in Russia

B4Ukraine, in collaboration with the Kyiv School of Economics, is planning to publish a report containing information regarding your company's financial contributions in Russia. We maintain high standards of information verification before publishing, and thus, would like to provide you with an **opportunity to respond** concerning the facts we wish to present in the report. Given the report's publication is imminent, we would request your response **by September 5, 2024**. If we do not receive a response from you, then we will indicate this lack of response in our publication.

First, we would like to formally enquire about whether the following information is correct:

- **Data shows that OTP paid \$69 million in profit tax to Russia in 2023.¹**
- **This data indicates that OTP is among the highest contributors of profit taxes in Russia in 2023.**

Second, we would welcome your clarification on the following questions:

- **What was the company's total revenue in Russia for the year 2023?**
- **What was the total amount of tax the company paid in Russia in 2023?**

¹ Data sourced from the Central Bank of the Russian Federation.

We would appreciate it if you could confirm the accuracy of this information or provide corrections if necessary, along with any supporting documents. Additionally, we would welcome any context or comments OTP wishes to provide regarding these figures and its operations in Russia.

2. Growing Risks of OTP Continuing to Operate in Russia

We would also like to formally notify OTP about the serious and increasing legal, financial, and reputational risks that the company faces by continuing its operations in Russia. Under some circumstances, operations that facilitate or support – including financially – human rights abuses and international crimes² committed by Russia in Ukraine may amount to complicity in these acts and could lead to liability under national and international laws.³ **Accordingly, we urge you to immediately:**

- Immediately cease all operations and presence in Russia and completely exit the Russian market;
- Refrain from any future business, trade, investment, or other financial services in Russia until Russia ends its war in Ukraine, territorial integrity of Ukraine is restored, and accountability imposed for war crimes and the destruction of Ukrainian infrastructure and property; and
- Establish and implement comprehensive human rights due diligence measures for any responsible exit from or re-engagement with Russia.

a. OTP's Ongoing Operations in Russia

It has been over two years since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law ("IHL") and international criminal law (war crimes and crimes against humanity) through attacks on civilians and civilian infrastructure (*e.g.*, mass executions, sexual violence, torture, and forcible transfer of civilians). More than 30,000 Ukrainian civilians have been killed or injured, and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times. In recognition of the severity of these abuses, in March 2023, the International Criminal Court issued an arrest warrant for Vladimir Putin for war crimes.⁴

In response to this unprovoked and unjustified war,⁵ many companies have already left Russia. According to the Kyiv School of Economics Institute's #LeaveRussia [company tracker](#), OTP has decided to stay while scaling back some of its business operations in Russia.

² Under the Rome Statute of the International Criminal Court, international crimes are war crimes, crimes against humanity, genocide, and the crime of aggression.

³ See, *e.g.*, [Judicial investigation of BNP Paribas \(France\)](#) (2020) (A judicial investigation was opened into the bank's alleged role in mass atrocities in Sudan before the financial crimes and war crimes units (*pôle crimes contre l'humanité, crimes et délits de guerre*). In 2019, two French civil society organizations and nine Sudanese victims filed a criminal complaint against the bank for its provision of financial services to the government of Sudan.); [In re Chiquita Brands International, Inc. \(US\)](#), Case No. 0:08-md-01916-KAM (2024) (A jury in a US federal court in Florida found the multinational fruit company liable for financing a brutal paramilitary death squad in Colombia).

⁴ International Criminal Court, ["Situation in Ukraine: ICC judges issue arrest warrants against Vladimir Vladimirovich Putin and Maria Alekseyevna Lvova-Belova,"](#) March 17, 2023.

⁵ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders."

In March 2022, OTP announced that its Russian subsidiary is operating in compliance with international sanctions, adding that OTP is: “winding down corporate lending, we do not invest in Russian government securities, and trading in such securities is suspended across the international operations of OTP Group. OTP Bank Plc. does not provide financing to its subsidiary in Russia.”⁶ The statement further clarifies that OTP is “constantly considering whether further changes are needed regarding OTP Group's presence in Russia”, including a possible withdrawal from the country.⁷

However, Russian OTP Bank remained a key player in the Russian market. According to OTP Group's 2021 financial report, the bank generated a net profit of HUF 37.6 billion, accounting for 7.6% of the group's overall profit. Financial records indicate that the Russian OTP Bank earned 113 million rubles in profit in 2020, contributing a substantial amount to the aggressor country's budget by paying around 190 million rubles in income tax. Additionally, media reports suggest that OTP Bank offers preferential lending conditions to the Russian military. As a result of these and other accusations, the NACP designated OTP as an international war sponsor in May 2023.⁸

Despite the pressures from the ECB to exit the Russian market, the Financial Times reported in April this year that OTP increased its profit, and by extension tax in the country. The FT reports that the OTP Bank saw a significant rise in profits from €128 million in 2021 to €338 million in 2023, alongside a notable increase in tax contributions from €26 million to €90 million in 2023.⁹

b. Expanding Universe of Risks for OTP

On September 21, 2022, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the more than 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.¹⁰ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

Furthermore, a decree, issued by President Vladimir Putin on March 3, 2023, enables the Russian government to suspend shareholders' rights and implement external management in companies that do not fulfil state defence contracts under conditions of martial law. In practice, the decree effectively creates an opportunity for “partial nationalization.”

With legislation introducing partial mobilisation, nationalisation, and potentially, martial law in Russia, it is highly likely that corporations will not be able to prevent or mitigate negative human rights impacts, as prescribed by the UNGPs. As such, continuing to conduct business in Russia entails

⁶ OTP Group, “OTP Group supports its Ukrainian bank,” March 17, 2022, https://www.otpbank.hu/portal/hu/Hirek/Az_OTP_Csoport_tamogatja_ukrainai_bankjat (accessed July 28, 2023).

⁷ Ibid.

⁸ NAZK, “They lend to the occupiers: NAZK included OTP Bank in the list of international war sponsors,” May 4, 2023, <https://nazk.gov.ua/uk/novyny/kredytuyut-okupantiv-nazk-vneslo-otp-bank-do-pereliku-mizhnarodnyh-sponzoriv-vijny/> (accessed July 30, 2024).

⁹ Euan Healy and Anastasia Stognei, “Western banks in Russia paid €800mn in taxes to Kremlin last year,” April 29, 2024, *Financial Times*, <https://www.ft.com/content/cd6c28e2-d327-4c2a-a023-098ca43eacfb> (accessed July 30, 2024).

¹⁰ Federal Law No. 31-FZ of February 26, 1997 “On mobilization training and mobilization in the Russian Federation” (as amended), <https://base.garant.ru/136945/> (accessed November 14, 2022).

serious and ever-increasing risks for companies, including potential legal liability under comprehensive sanctions regimes, anti-money laundering laws, and international criminal law. International companies remaining in Russia are now at a greater risk of violating sanctions regimes, as implementation of Russia's legislation will likely involve transacting with sanctioned individuals or entities.

Moreover, in recent years, multinational corporations, including financial institutions, and their directors and officers have faced criminal accountability in national courts, *e.g.*, under the principle of universal jurisdiction, for complicity in human rights abuses and international crimes (war crimes and crimes against humanity) committed abroad.¹¹ Many companies have also faced civil liability for these abuses and crimes, leading them to pay millions of dollars in compensation.¹²

In addition, financial institutions continuing to operate in Russia have added exposure under anti-money laundering and other financial crime laws,¹³ particularly in jurisdictions where international crimes are predicate offences to money laundering.¹⁴ A recent report shows that Russia poses a "real threat to global financial integrity, as well as to national security more broadly."¹⁵ President Putin has also confirmed that the notorious paramilitary organisation, the "Wagner Group", is funded by the Russian government. This fact brings to light further alarming risks for financial institutions, not only concerning money laundering but also terrorist financing.¹⁶ It is now a distinct possibility that financial institutions continuing their operations and paying taxes in Russia may be providing financial support to the Wagner Group.

Lastly, companies continuing to operate in Russia may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.¹⁷

¹¹ [Judicial investigation of BNP Paribas \(France\)](#) (2020) (A judicial investigation was opened into the bank's alleged complicity in genocide, torture, and crimes against humanity committed by the Sudanese government in Darfur.); [Criminal Case against Lundin Energy \(Sweden\)](#) (2023) (The oil company's former executives are being [tried](#) for complicity in war crimes in Sudan between 1999 and 2003.); [Judicial investigation and charging of Lafarge \(France\)](#) (2024) (In June 2024, the French Supreme Court confirmed the [charge of complicity in crimes against humanity](#) against the French cement manufacturer. Between 2012 and 2014, Lafarge allegedly paid up to 13 million euros to several armed groups in Syria, including the Islamic State, to keep its cement factory running in the midst of the Syrian civil war and its atrocities.)

¹² [In re Chiquita Brands International, Inc. \(US\)](#), Case No. 0:08-md-01916-KAM (2024) (A jury in a US federal court in Florida found the multinational fruit company liable for financing a brutal paramilitary death squad in Colombia); [Nevsun Resources Ltd. v. Araya \(Canada\)](#) (2020) (The Supreme Court of Canada held that a lawsuit against the Canadian company could go forward for violations of customary international law in Eritrea, including slavery, forced labour, cruel, unusual, or degrading treatment, and crimes against humanity.)

¹³ [Criminal complaint against Booking.com \(The Netherlands\)](#) (2024) (Four civil society organisations filed a criminal complaint to the Dutch Public Prosecution Service to hold Booking.com to account for profiting from the commission of war crimes in the occupied Palestinian territory.); [Application of World Uyghur Congress v. National Crime Agency \(UK\)](#) (2024) (UK Court of Appeal ruled that the National Crime Agency's refusal to investigate Uyghur forced labour cotton imported from China was unlawful; companies that knowingly, or with suspicion, import goods made in criminal circumstances could be prosecuted under the UK Proceeds of Crime Act for trading in criminal property); [Judicial investigation of BNP Paribas \(France\)](#) (2020) (In addition to investigating the bank for alleged complicity in international crimes, the French investigating judges are also investigating it for money laundering and concealment.)

¹⁴ See, *e.g.*, like the anti-money laundering laws in The Netherlands, France, and the UK.

¹⁵ Themis, "Russia; Country Risk Report," June 2023, <https://themisservices.co.uk/country-risk-report-russia> (accessed June 26, 2023).

¹⁶ Telegram, "Встреча Путина с военными и его заявления по поводу ЧВК "Вагнер," June 27, 2023, https://t.me/rian_ru/207202 (accessed July 3, 2023).

¹⁷ Venable LLP, "Do You Contract with State Governments? If So, Beware of Emerging State Sanctions' Obligations Related to Russia and Belarus," *JD Supra*, June 3, 2022,

c. Questions for OTP Regarding Its Ongoing Presence in Russia

Considering the aforementioned risks and the company's ongoing presence in Russia, we would like to pose the following questions to OTP and await your response **by September 5, 2024**:

1. Is OTP willing to provide details regarding its current position in Russia? Can OTP outline its current strategy and timeline for the complete exit from the Russian market?
2. Is OTP observing a conflict-sensitive, heightened human rights due diligence with regards to its continued operations in Russia? How is OTP ensuring that its practices are in compliance with the UNGPs, the OECD guidance, and other internationally recognised standards on business and human rights?
3. OTP has approximately 13,300 employees in Russia. How has the company applied heightened human rights due diligence to its operations in Russia considering the new Russian legislation requiring businesses to help conduct military registration, deliver the summons to its employees, and provide resources where required? Has OTP received any such requests, and if so, how has the company responded to them? What is OTP doing to safeguard its employees from mobilisation? Have any of your employees been mobilised and, if so, what was OTP's role in the process?

As mentioned above, B4Ukraine maintains high standards of information verification before publishing. As your enterprise is acknowledged worldwide, we draw your attention to Principle 17 of the UNGPs, which urges companies to conduct human rights due diligence in cases of actual and potential human rights impacts. This includes communicating how impacts are being addressed with relevant stakeholders.

We will be awaiting your response to our questions **by September 5, 2024**. If we do not receive a response from you, we will indicate the lack of response in our publication. Please respond to the B4Ukraine Coalition at contact@b4ukraine.org.

Finally, if representatives of OTP wish to discuss the aforementioned facts or concerns in more detail, we are open to scheduling an online call. Any such meeting would be held under Chatham House rules.

Please note that this letter and any response provided by OTP will be published on B4Ukraine webpages.

Sincerely,

The B4Ukraine Coalition