

CORPORATE SOCIAL
RESPONSIBILITY
REPORT

2010



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INTRODUCTION BY THE CHAIRMAN

Dear Reader,

it is my firm belief that financial performance and responsible operation that shows sensitivity and commitment towards society and the environment are inseparable. For this reason I consider it important, in conjunction with the Annual Report, to also give an account of our non-financial performance. The diverse nature of corporate social responsibility is reflected in the topics of this report: for us, sustainability primarily means the responsible provision of financial services, which requires strict regulation and constant attention. I regard it as an outstanding achievement that OTP Bank finished second among the 91 European financial institutions that participated in the stress tests coordinated by the Committee of European Banking Supervisors – a result that clearly reflects our stability and resilience.

Ensuring a balance between protecting savings and providing the credit needed to stimulate economic growth has become more important than ever in the years of the crisis. Although in 2010 the countries in the region were already on the path to growth, borrowers remained in a difficult situation. This is what makes it so significant that the borrower protection programs and opportunities for providing assistance on an individual basis were available throughout the Bank Group; in Hungary, at the end of 2010, we eased the loan repayments of some 50 000 customers struggling with serious payment difficulties. We are preparing conscientiously for the lifting of the moratorium on evictions, working to find solutions which in all cases ensure that customers who have run into difficulties will have somewhere to live. Unfortunately, several serious disasters occurred in Hungary in 2010, and we too felt we had a responsibility to help: we made the largest single aid donation of recent years, of HUF 500 million, to assist those affected by the flooding, and we helped the victims of the red sludge spillage through the provi-

sion of support and the suspension or permanent waiving of loan repayments. I am proud of those colleagues who provided assistance to those in trouble, either by contributing their suggestions or through personal action. An important element of corporate social responsibility is strengthening the financial awareness of our customers and the public at large. We need to make best use of the opportunities presented by our direct relationship with over 13 million customers: at present our communication is focused on the importance of regular saving and financial self-provision, and we deploy numerous tools for helping customers choose the appropriate means of providing for their future. The OTP Fáy András Foundation, encouraging the active participation of youth, takes a new approach to developing financial skills and sophistication, besides offering career advice. In future we will place a greater emphasis on publicising the activities of the foundation, which have already received numerous accolades. In addition to this, we will continue to prioritise the development of financial literacy, and work with other organisations so as to reach as many people as possible. Drawing attention to the need for environmental awareness is an effective means of furthering the cause of environmental protection.

In a conscious effort to develop our CSR principles and practices, we are among the first to apply the ISO 26000 standard. A key strategic objective of ours is to strengthen customer focus, which means providing our customers with a service that is more flexible, quick and professional than ever, and that takes their interests into account as fully as possible, both before and during the sales process, and continuously thereafter. In many respects 2010 was a year of preparation; in 2011 we expect to see a return of growth to the region, which will create an opportunity to expand our business activity, and we intend to place a greater emphasis on micro, small and agricultural businesses.

I am confident that a growing number of people are learning about our activities and achievements in the area of sustainability, and I would like to also take this opportunity to encourage all of our readers to share their opinions with us!



Dr. Sándor Csányi

Chairman & CEO

WE BEAR A GREAT BURDEN OF RESPONSIBILITY BECAUSE, AS A REGIONAL PLAYER, WE HAVE A PRESENCE IN SEVERAL COUNTRIES OF CENTRAL AND EASTERN EUROPE, AND THE FOREIGN SUBSIDIARIES LOOK TO THE HUNGARIAN PARENT BANK FOR EXAMPLES OF CORPORATE SOCIAL RESPONSIBILITY.

In 2010 the OTP Group served the financial needs of more than 13 million customers in nine countries throughout the region.



he fact that the Bank Group's headquarters are located in Hungary not only secures our independence, but also entails a clear responsibility, since not only the implementation of strategies, but also determination of the directions for the group's development and social responsibility, are performed locally, thus ensuring that decisions of this nature are taken in the region where their impacts will be felt. Beyond the prestige value of the fact that the OTP Group is, even at regional level, one of only a handful of multinational corporations headquartered locally, this local corporate governance has an additional advantage: the OTP Group is a major employer and taxpayer, its management

takes a long-term approach in both Hungary and the region as a whole, and will not relocate its operations in the event of a change to the macroeconomic and social environment.

Vision

Our aim is, through dynamic growth, effective governance and operational management, and good corporate citizenship, to become Central and Eastern Europe's favourite banking group. Our success is assured by the expertise of our employees, our knowledge of the local and international markets, and our conscious efforts to continue developing our already excellent customer relationships.



Strategic directions in 2010

The year 2010 was much more predictable than the crisis years of 2008 and 2009. The Bank Group remained profitable in every quarter despite the special bank tax payment obligation, and its liquidity reserves provide ample coverage for the period ahead. In the increasingly stable environment, our primary objectives are to prepare for the higher rate of growth that is expected in the coming period on the one hand, and on the other to assist borrowers who have run into difficulties as a result of the crisis. We kept up our lending operations even over the past two years, and this made a substantial contribution to the fact that in 2010, adhering to the more cautious lending policy dictated by risk management considerations, we succeeded in substantially increasing our market share in respect of new loan placements. In addition to this we continued to focus on deposit collection, and on encouraging financial self-provision and saving in accordance with the interests of our customers.

Awards and accolades

We are proud of the fact that OTP Bank and its subsidiaries again won numerous awards in 2010, and we consider it important that besides those presented in recognition of our business achievements, several of them related specifically to our efforts associated with corporate social responsibility. In 2010 OTP Bank was once again included in the basket of shares that make up the Vienna Stock Exchange's CEERIUS (CEE Responsible Index Universe) sustainability share index. The index tracks the shares of those – stock exchange-listed – companies that receive the best ratings in the sustainability analysis conducted by the independent Austrian consulting firm RFU, by taking into account a variety of social, environmental and economic criteria. Following a review, the number of shares in the index's basket has been reduced from 16 to just 13; and we consider it an achievement that our Bank continues to have the highest weight in the basket, at over 20%. The index's initial value was set at 1 000 points at its launch, and on 30 December 2010 it stood at 1 305 points.

http://www.indices.cc/static/cms/sites/indices/media/de/pdf/download/rules/CEE_CIS_Index_Guide.pdf



index member of CEERIUS



The International Bank Group

OTP Group	OTP Banka Slovensko (Slovakia)	JSC OTP Bank (Ukraine)	OTP Bank Russia (Russia)
Branches	1 589	187	237
Employees ¹	38 292	3 902	18 238
Number of clients	~13.1 m	~0.3 m	~3.7 m
Total assets	HUF 9 781 bn	HUF 716 bn	HUF 664 bn
Taxes paid	HUF 128.5 bn		
Market share ⁴	2.6%	6.5%	~1.5%
Total spent on employee training	853 m		
Total amount of donation	~1 263 m		
Proportion of barrier-free branches	40.15%		
Per-capita energy consumption	40.2 GJ		
Per-capita water consumption	13.7 m³		
Per-capita CO ₂ emissions	1.76 t		
Total paper usage	5 080 t		
OTP Core ² (Hungary)	OTP banka Hrvatska (Croatia)	OTP banka Srbija (Serbia)	DSK Group (Bulgaria)
Branches	409	99	378
Employees	8 025	1 003	3 590
Number of clients	~4.6 m	~0.4 m	~3 m
Total assets	HUF 6 496 bn	HUF 485 bn	HUF 1 219 bn
Market share ³	27.4%	4.5%	29.9%
CKB (Montenegro)	OTP banka Srbija (Serbia)	DSK Group (Bulgaria)	OTP Bank Romania (Romania)
Branches	33	51	378
Employees	451	706	3 590
Number of clients	~0.3 m	~0.3 m	~3 m
Total assets	HUF 212 bn	HUF 115 bn	HUF 1 219 bn
Market share	23.8%	1.5%	29.9%
			3.1%



Data (audited, IFRS) as on 31.12.2010. On the map the year of acquisition is shown under the name of each bank.

¹ In all cases total employees includes full and part-time employees, domestic data only includes the data of OTP Core

² OTP Core: OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Factoring

³ The aggregate market share of the Hungarian group members within the banking system

⁴ In all cases the market share is the share of the market for retail loans (individuals, micro and small enterprises)

⁵ Includes the data for Omsk Oblast and the branches of DNB

⁶ Also includes the data of the agents employed by the bank, the number of part-time employees working less than 60 hours is 9 100 persons

OUR TASK IS TO INFORM OUR STAKEHOLDERS AS BEST WE CAN REGARDING OUR WELL-FOUNDED CSR ACTIVITIES CONDUCTED SO FAR, AND TO MAKE OUR EFFORTS VISIBLE.

OTP Bank aims to apply exemplary corporate social responsibility practices that fit in with the expectations of investors and society.



2.1 The meaning of responsibility



For the OTP Group, corporate social responsibility and sustainability primarily mean responsible financial service provision.

We see it as our objective and obligation to serve the financial needs of our customers – our deposit holders and borrowers – equitably, taking particular care to offer them products that are in keeping with their situation and individual characteristics. We proceed ethically not only in our

dealings with customers, but also with the other stakeholders collaborating in the provision of financial services, notably our employees, partners and suppliers. We feel we have a responsibility to support local communities and the needy; we keep sight of the need to safeguard our environmental heritage and make efficient use of resources in the course of both our core activity and the operation of our support infrastructure.

Sustainability challenges (Global approach)

Ensuring a bank sector that is sustainable over the long term (facilitating development, but avoiding excessive indebtedness, protecting deposit holders)

Disparities in economic and social development: growing number of disadvantaged persons, the widening social divide

Exhaustion of natural resources, climate change

The spread of diseases, preventive health

The spread of crime, the spread of extremism

The OTP Group's role and response

- responsible, prudent lending (strict, conservative credit assessment)
- ensuring the continuity of lending operations
- encouraging savings
- strict risk management
- borrower protection
- raising awareness of financial issues and promoting financial literacy
- improving transparency

- ensuring access to a broad range of financial services
- raising awareness of financial issues and promoting financial literacy
- responsible lending
- ensuring the availability of financial self-provision options
- widespread employment, in rural as well as in urban areas
- use of suppliers, through the placing of orders for their goods and services
- donation, sponsorship

- investigating the indirect environmental risks of financial services (legal compliance, risk management)
- reducing the environmental burden of operations (energy efficiency, reduction in paper usage)

- ensuring healthy working conditions and workplaces
- providing employees with assistance and information in relation to healthy lifestyles and the prevention of illness
- donation, community participation

- efforts to combat money laundering and the financing of terrorism
- strict bank security systems and risk management procedures (avoidance of external and internal fraud)

In the other sections of the report, we describe the challenges related to sustainability and the Bank Group's response to them in an order that reflects their relevance to the bank sector and the issues that it faces, which by necessity differs from the global approach, although even under this differing structure all issues are covered.

2.2 The framework for ensuring corporate social responsibility



CSR management


The procedures for coordinating corporate social responsibility (CSR) activities have not changed over the past year. These activities continue to be coordinated at group-level by the Marketing Directorate of OTP Bank, while all foreign subsidiaries have a designated manager with responsibility for CSR.

The frameworks for OTP Bank's corporate social responsibility are provided by the CSR strategy drawn up in 2007. Among the subsidiary banks, DSK Bank and OTP Bank Romania have their own CSR strategy.

The Corporate Governance and Subsidiaries Portal provides a means of sharing information related to CSR, and from 2011 onwards the system will also be suitable for the sharing of best practices and experience. Once a year a meeting is held at bank-group level for sharing experience in person.

CSR report

The OTP Group has published its annual Corporate Social Responsibility Report since 2006. As in previous years this report, on the year 2010, has been prepared in compliance with the GRI G3 guidelines, at application level B+. The Bank Group takes the compulsory disclosures based on the twenty performance indicators of the application level as

the minimum reporting criteria, and also discloses all other performance indicators that are relevant in terms of the Bank Group's operations, and which can be calculated based on reliable information. In the report we also give an account of the indicators specified in the sector supplement concerning Financial Services. Our plans are indicated with a  symbol. The report is made at group level, and the data applies to the OTP Group and/or OTP Bank. An exception to this is financial data, where we present the results of the OTP Group and OTP Core (core operations in Hungary – OTP Bank, OTP Mortgage Bank, OTP Building Society, OTP Factoring) in keeping with the financial report. When presenting non-statistical information and practices, we make reference to whether such information applies to the group, to OTP Bank or to another subsidiary. A list of the companies that are included in the group-level data is contained in the GRI Index. The report has been audited by the KÖVET Association for Sustainable Business Management, and the assurance certificate is displayed on the last page of the report.

In 2010 OTP Bank Romania also published an independent CSR report, fulfilling the requirements of application level B of the GRI G3 guidelines, on its performance in the previous year. The guiding principles for reporting are contained in the Annex.



CSR data gathering

Since 2010 CSR data gathering has taken place on an SAP basis via a system that was specially programmed in-house, which ensures the reliable storage of the data and the ability to monitor trends. The evaluation of the data is assisted by the reporting function that has also been operating since 2010. Some 150 people participate in the provision of data, and we are constantly working to ensure that the gathering of information in compliance with the GRI (Global Reporting Initiative) sustainability reporting guidelines is carried out as comprehensively as possible. The accuracy of data gathering is improving steadily; in other words, the range of information provided by the members of the Bank Group is continuously expanding. In several cases performance appears to show an unfavourable trend in comparison to the previous year (e.g. energy consumption, number of complaints); in certain cases – indicated in the report – this can be attributed to the fact that more companies provided data than in the previous year, rendering the aggregate data more accurate. (When aggregating data, we continued to use calculated averages in the cases of companies where no information was available.)



ISO 26000

The ISO 26000 corporate social responsibility standard introduced in November 2010 consolidates the latest international CSR guidelines, assigning new values to the existing norms and promoting corporate social responsibility as a best practice. OTP Bank – as a part of its efforts to gain a deeper understanding of the principles of corporate social responsibility and to develop its CSR activities – has decided to adopt the standard.

For the purpose of applying the standard, in 2010 we analysed the Bank's procedures, and an account of the main findings of this audit is given in the relevant sections of the report. In the interest of developing our corporate social responsibility activities, in 2011 we will also specify our future objectives with regard to the standard's application.

Financing from our Bank will enable the standard to be introduced in Hungary, and with our support 50 small and medium-sized businesses will be able to purchase it at favourable terms. We are confident that our assistance will effectively contribute to the widespread adoption of the standard in Hungary, by relieving the burden of translation and procurements costs (the standard does not require certification, so no further direct costs arise from its implementation).

2.3 Fulfilment of our commitments

2009 Our Commitments	2010 Our Results	2011 Our Future Commitments
Deepening awareness of the principles of CSR within our organisation and among our suppliers		
Ensure continuous group-level reporting, and encourage as many subsidiaries as possible to prepare an independent CSR report	➡ Our group-level report came second in the "Green Frog Awards". Among our subsidiary banks, OTP Bank Romania published an independent report in 2010. (1.)	Continue regular reporting with the involvement of the subsidiaries
Improve the accuracy of CSR data reporting, broaden the range of data provided	⬆ The range of information provided by the subsidiaries has broadened, and its reliability has improved. (2.2)	Continue to expand the range of quantifiable information provided, and perform the more structured gathering of information relating to changes in applied procedures
Strengthen CSR communication, hold another branch CSR competition	⬆ We conducted an internal promotional campaign, with its own distinctive logo and image, and the branch CSR competition was replaced by the OTP Volunteering Program. OTP Bank Romania has created its own CSR website. (5.4; 3.)	Continue the ongoing programs, further strengthen communication, launch the OTP Magazine, gain exposure for the Bank's CSR activities in social networking media
Enforce our "green" procurement principles throughout the Group	➡ Application of the principles has been partially achieved in respect of certain products and services. (5.3)	Take further steps to uphold our "green" procurement principles
Extend, to suppliers, the standardised guidelines for communication of the Ethics Statement and the Corporate Social Responsibility Report	⬇ Not implemented	Communicate, to the participants in the supply chain, the expectations regarding responsible operation, including those set forth in the Ethics Statement and the Corporate Social Responsibility Report
Security and risk management		
Improve the quality of data showing the losses arising from the materialisation of risks. Elaborate a key risk indicator system for the measurement of the most important, measurable operational risks	➡ The gathering of loss data is now comprehensive at group level, and the quality of the data has improved considerably. Certain key indicators have been defined. (4.4)	Measure the selected risk indicators in a pilot program, and regularly monitor the existing indicators. Determine the warning and critical levels of the indicators (where possible)
Review Business Continuity Planning operations for the management of emergency situations	⬆ The methodological review has taken place. (4.4)	
Continue the borrower protection program where necessary	⬆ We continued the program, constantly monitoring its operation and modifying it when necessary. (4.1)	Draw up a crisis communication plan for the foreign subsidiaries Continue the borrower protection program
Customer service		
Raise customer satisfaction, improve the quality of needs assessment work and customer service, and monitor the results through mystery shopping	⬆ The satisfaction of customers improved, and, based on the results of the mystery shopping surveys, so did the quality of customer service. (4.2)	Achieve further improvements in customer satisfaction, gain a better insight into customer requirements, underpinned by mystery shopping surveys
Raise the sophistication of the questionnaire used in the assessment of retail customers' needs	⬆ Development of the questionnaire, and its introduction at the foreign subsidiaries, has taken place. (4.2)	–
<p>⬆ Implemented ➡ Implementation is ongoing ⬇ Not implemented</p> <p>The sections containing more detailed information on the given topic are shown in parentheses.</p>		

2009 Our Commitments	2010 Our Results	2011 Our Future Commitments
Customer service		
<p>In the medium term, extend the use of the Intelligent Customer Orientation System to the busiest branches in Hungary</p> <p>Create 50 more children's areas in Hungary</p> <p>Officially link the Quality of Service Measurement System with performance evaluation, and in the medium term extend it to the foreign subsidiaries.</p>	<p>⬆ The Intelligent Customer Orientation System now operates in 20 branches. (4.2)</p> <p>⬆ The 50 children's areas have been created, meaning that 116 of OTP Bank's branches now have them. (4.2)</p> <p>⬆ The Quality of Service Measurement System is operating stably. (4.2)</p>	<p>Increase the number of bank branches with touch-screen queue management terminals to 220</p> <p>Create 150 more children's areas</p> <p>Develop indicators suitable for the evaluation of employees' performance, and in the medium term extend them to the foreign subsidiaries.</p> <p>In the interest of strengthening customer focus, establish customer relationship departments for the retail, micro and small enterprise segments</p> <p>Complete the consumer protection audit</p> <p>Review the language used in letters sent to retail customers, and make them more comprehensible</p> <p>Modernise OTP Bank's internet bank</p> <p>Assumption of a role by OTP Bank and OTP Hungaro-Projekt as aid intermediaries in the corporate advisory program for small and medium-sized enterprises</p> <p>Reduce the number of justified complaints and authority proceedings in which a penalty is imposed</p>
Developing financial literacy		
<p>Continue to inform our small investors about economic trends, the Bank's situation, and the finer points of stock-exchange trading</p> <p>Continue educating the public regarding finance and transactions, via the website</p> <p>Continue to train secondary school teachers, enabling them to pass on to their students the financial and career management skills necessary for making a start in life (OTP Fáy András Foundation, BASICS Program)</p>	<p>⬆ Besides our website, we informed our small investors at the General Meeting, and once again took part in the "Stock Exchange Day" organised by portfolio.hu. (3.4)</p> <p>⬆ We are using a variety of new tools to help the visitors to our website gain their bearings in the world of finance. (4.2)</p> <p>⬆ The training of the teachers participating in the first round of the program has taken place (34 persons). (4.3)</p>	<p>Innovatively expand our efforts to educate the public about finance, by modernising OTP Bank's internet banking system</p> <p>Advertise a new tender</p> <p>Support for the "Financial Navigator" program</p> <p>Redesign of "Bankó" magazine</p>
Products and services		
<p>Expand the range of products related to environmentally friendly technologies, and list these products at group level</p>	<p>⬇ Not implemented. (4.1)</p>	<p>Fulfil the original commitment.</p>
<p>⬆ Implemented ⬇ Implementation is ongoing ⬇ Not implemented</p> <p>The sections containing more detailed information on the given topic are shown in parentheses.</p>		

2009 Our Commitments	2010 Our Results	2011 Our Future Commitments
Make further improvements in the service provided to apartment houses, expand branch skills in this area, hold further professional conferences	<ul style="list-style-type: none"> ⬆ We have expanded branch skills related to serving the needs of apartment houses, and enquiries related to apartment houses are now responded to by specialists in this area. We participated in the conferences. (4.2) 	<p>–</p> <p>Develop products that fulfil the special requirements of the agricultural sector</p>
Employees		
Develop an HR web portal in the interests of improving group-level communication and sharing best practices	<ul style="list-style-type: none"> ➡ The HR portal is ready, and in 2010 we used it for the provision of HR data related to the regional talent program. (5.1) 	<p>Implement the medium-term HR strategy</p> <p>Launch a newsletter on the HR portal</p>
Regularly canvass employees' opinions, and evaluate the results of such surveys	<ul style="list-style-type: none"> ⬆ OTP Bank conducted an employee satisfaction survey, and continued to follow this practice at the Merkantil Group and the Croatian subsidiary OTP Banka Hrvatska. (5.1) 	<p>Establish a program for reduction of identified workplace stress</p>
Continue with the career management program	<ul style="list-style-type: none"> ⬆ The career management program has also been implemented at regional level. (5.1) 	<p>Continue the program, expand the rotation scheme</p>
Implement a mentoring scheme	<ul style="list-style-type: none"> ⬆ 110 mentors have been trained, and are now actively mentoring. (5.1) 	<p>–</p>
Development of a targeted scholarship program in conjunction with the City Centre Regional Integrated Vocational Training Centre (TISZK)	<ul style="list-style-type: none"> ➡ The guiding principles and requirements have been established. (5.1) 	<p>Launch a scholarship program in the City Centre Regional Integrated Vocational Training Centre</p>
Using professionally appropriate methods, identify atypical forms of employment.	<ul style="list-style-type: none"> ➡ As a part of the HR strategy, a working group has been formed for the development of atypical forms of employment. (5.1) 	<p>Facilitate atypical forms of employment</p>
Continue to keep employees constantly updated regarding CSR-related issues, and elicit their ideas and initiatives	<ul style="list-style-type: none"> ➡ With our "New sayings to live and work by" campaign, we sought to bring the ethos of corporate social responsibility closer to our employees. The OTP Magazine was launched in January 2011. (5.1) 	<p>Use the OTP Magazine to develop internal CSR communication</p>
Comprehensively develop internal communication systems and channels, and create an intranet-based online magazine	<ul style="list-style-type: none"> ➡ We prepared for the launch of the OTP Magazine in January 2011, and also at the beginning of 2011 the independent Communications Department was established. (5.1) 	<p>Radically improve internal communication through the OTP Magazine and the independent Communications Department.</p>
Introduce regular health screenings for the employees of OTP Bank, in keeping with the nature of their work	<ul style="list-style-type: none"> ➡ Numerous health screening tests continue to be made available, but no significant changes have taken place relative to previous years. We have begun to conduct a stress survey among our employees. (5.1) 	<p>Based on the results of the stress survey, implement the stress management program</p>
Our role in the community		
Further extend the scope of data gathering related to the extent of support for social causes	<ul style="list-style-type: none"> ➡ In the case of OTP Bank the quantification of support initiatives has taken place in respect of all important items. (5.4) 	<p>Share subsidiaries' practices</p>
Deepen cooperation with supported organisations, creatively leverage opportunities for symbiosis with banking operations	<ul style="list-style-type: none"> ➡ We held the OTP Creative Window Display competition in conjunction with the Budapest Spring Festival, assisted the victims of natural disasters by providing services free of charge, and took a complex approach to our sponsorship of the OTP Bank Budapest Horse Show. (5.4) 	<p>Continuation and expansion of creative, individual partnerships</p>
<p>⬆ Implemented ➡ Implementation is ongoing ⬇ Not implemented</p> <p>The sections containing more detailed information on the given topic are shown in parentheses.</p>		

2009 Our Commitments	2010 Our Results	2011 Our Future Commitments
Invite a new round of applications from civic organisations to accept online donations in collaboration with the NIOK Foundation	⬆️ Two rounds of applications were held, and at the end of 2010 more than 80 civic organisations had been given the opportunity to accept donations online. (5.4)	
Elaborate a corporate volunteering policy in relation to voluntary work performed by employees	➡️ We are not drawing up a volunteering policy, but after careful preparation we advertised the OTP Bank Volunteering Competition. (5.4)	Draw up and announce the OTP Volunteering 50 Program, for the implementation or support of 50 volunteering schemes
Environment		
Reduce per-employee carbon-dioxide emissions compared to the previous year, and identify, throughout the group, opportunities for the use of renewable energy sources	➡️ At group level the objective was not achieved due to the rate of paper consumption and the increased use of vehicles, but in the case of OTP Bank emissions decreased by 5%. The identification of opportunities for making use of renewable energy sources has not yet taken place. (5.2)	Reduce per-employee carbon-dioxide emissions compared to the previous year, and identify, throughout the group, opportunities for the use of renewable energy sources
Offer tips and advice to employees on how to reduce their carbon-dioxide emissions outside the workplace, expand the range of tools for shaping employees' attitudes	⬆️ Our "New sayings to live and work by" campaign encouraged environmental awareness at the office. (5.1)	Offer tips and advice to employees on how to reduce their carbon-dioxide emissions outside the workplace, expand the range of tools for shaping employees' attitudes
Comply with the Environmental Regulations on a continuous basis	⬆️ Implemented.	
Reduce the quantities of toner and ink cartridges used per employee	⬆️ The quantity of toner and ink cartridges used per employee has decreased by 0.1 kg. (5.3)	Reduce the quantities of toner and ink cartridges used per employee
Expand the range of marketing materials that use recycled paper, and conduct further analysis of the opportunities to use recycled or environmentally friendly paper for internal documents	➡️ The range of documents that use recycled paper was not expanded, but the quantity of recycled paper used did increase approximately six-fold. The use of environmentally friendly paper in the office is impeded by cost factors. (5.3)	Expand the use of environmentally friendly materials
Gradually expand the use of electronic processes, reduce paper usage	⬆️ Implemented, resulting in considerable paper savings. (5.3)	Further reduce paper use
Extend the scheme under which used computers are sent for reconditioning	➡️ Works successfully within OTP Bank; the subsidiaries have not joined the initiative. (5.2)	Further rationalise IT equipment, especially printers
Continue to make use of video conferencing suites	⬆️ More frequent use of video conferencing has contributed to a reduction in the number of airline trips, and carbon-dioxide emissions have decreased by around 700 tonnes as a result. (5.2)	Continue to make use of video conferencing suites
Make progress towards creating environmentally friendly offices	⬆️ Several members of the OTP Group have carried out developments with this purpose, bringing a reduction in negative environmental impacts. In OTP Bank's central buildings, selective waste collection and the installation of LED light bulbs has been implemented. (5.2)	Additional steps to make the office buildings more environmentally friendly. Extend the selective waste collection scheme and the use of LED light bulbs
Construct bicycle storage facilities, changing rooms and showers at several of the Bank's business sites, in accordance with requirements	⬆️ We have installed bicycle racks where possible, and in most of the central buildings changing and showering facilities are now provided. (5.2)	Introduce ISO 14000 at OTP Bank's Supply and Investment Directorate
⬆️ Implemented ➡️ Implementation is ongoing ⬆️ Not implemented The sections containing more detailed information on the given topic are shown in parentheses.		

"THE OTP GROUP IS COMMITTED TO TRANSPARENCY; WE KEEP OUR STAKEHOLDERS INFORMED REGARDING OUR PERFORMANCE AND BUSINESS RESULTS"

PRINCIPLES

- BALANCED INFORMATION THAT IS IN LINE WITH GENUINE REQUIREMENTS
- ALLOWING FOR DIFFERING EXPECTATIONS
- REPORTING OF BOTH FINANCIAL AND NON-FINANCIAL PERFORMANCE
- COMPREHENSIBLE PRESENTATION OF INFORMATION, IN THE APPROPRIATE CONTEXT

RESULTS

- SUCCESSFUL CRISIS MANAGEMENT IN THE PAST THREE YEARS
- THE RANGE OF DATA GATHERED AT GROUP LEVEL (COMPLAINTS HANDLING, LEGAL AND COURT PROCEEDINGS) HAS BEEN BROADENED, AND THE DATA HAS BEEN RENDERED COMPARABLE.
- A BROADER RANGE OF INFORMATION IS NOW PROVIDED TO ANALYSTS AND INVESTORS.
- OTP BANK ROMANIA HAS ITS OWN CSR WEBSITE.

FIGURES

- LAST YEAR'S CSR REPORT WAS READ BY 2,300 PEOPLE, AND OUR BROCHURE FOR CUSTOMERS BY 45,000.
- IN 2010 THE OTP GROUP PAID HUF 128.5 BILLION IN TAX.
- IN 2010 THE OTP GROUP PROVIDED HUF 1.3 BILLION IN DONATIONS.
- THE NUMBER OF JUSTIFIED COMPLAINTS DECREASED BY 3%.

COMMITMENTS

- IMPROVE THE TRANSPARENCY OF COMPANY MANAGEMENT DECISIONS
- COMPLETE THE INTERNAL CONSUMER PROTECTION AUDIT
- BROADEN THE RANGE OF OPPORTUNITIES FOR OUR STAKEHOLDERS TO GIVE FEEDBACK REGARDING OUR INFORMATION-PROVISION PRACTICES
- REDUCE THE NUMBER OF AUTHORITY PROCEEDINGS IN WHICH A PENALTY IS IMPOSED, AND REDUCE THE AMOUNT OF PAYABLE FINES
- REDUCE THE NUMBER AND PERCENTAGE OF JUSTIFIED COMPLAINTS
- CONTINUE TO REINFORCE PROFESSIONAL, OPEN COMMUNICATION

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he OTP Group is committed to transparency; we keep our stakeholders informed regarding our performance and business results.

Due to the Bank's economic weight and role in society, transparency is a basic expectation, and one that we strive to fulfil over and above the minimum statutory requirements, and at the same time – since a part of our activities are conducted in full view of the public – the implementation of transparency is to an extent unavoidable. Our aim is to strengthen transparency in relation to company management decisions. We know that our customers, our investors and shareholders, our employees and the civic sector all demand different information, and different forms of communication, and we do all we can to fulfil these differing requirements in our information provision. We aim to provide authentic, unembellished informa-

tion that makes it possible to draw comparisons both between companies in the OTP Group, and between us and our competitors. The CSR data gathering and the regularly published Corporate Social Responsibility Report fulfil an important role in the measurement and presentation of our non-financial performance.

We are pleased to note that in 2010 there was a substantial increase in the number of people downloading the report on our performance in 2009 as the Hungarian-language version was read by more than 1,400 people and the English version by 500 people, while stakeholders also received 400 copies of the printed edition. Some 45,000 copies of an abridged version of the report, aimed specifically at customers, were made available in the Bank's branches. For the presentation of its own corporate social responsibility activities, OTP Bank Romania has created a special website:

http://www.estedreptulmeu.ro

3.1 Economic and financial performance

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he OTP Group's economic performance should be evaluated not only in terms of the financial aspects presented in the Annual Report, but also in terms of the role it plays in the regional and the local economy. The Bank Group's economic performance mirrored the trends prevailing in the countries of the Central and Eastern European region, which is clearly over the worst of the crisis. The OTP Group and the Bank performed superlatively, remaining profitable throughout a year in which the bank sector as a whole was loss-making. The OTP Group continues to be a key player in the region, and in several countries the volume of our customers' loans and deposits is substantial even when measured against the local GDP. Similarly to the previous year, the gross customer loans and deposits of OTP Core in Hungary each amounted to almost 13% of Hungary's GDP. Our universal banking group continues to focus on the retail segment, as the majority of both loan and deposit customers are households and micro or small enterprises. The OTP Group's gross loans amounted to HUF 7 442 billion, and its deposits totalled HUF 5 793 billion, representing growth

of 9% and 3% respectively in comparison to the previous year.

We continued with the rationalisation of operating costs: as a result of the cost-cutting measures (e.g. operational development projects, optimisation of energy use, renegotiation of contracts with suppliers), according to our calculations we succeeded in saving almost HUF 14 billion, and thus material costs fell by 3%, while operating costs only increased by 1% over the year. The operating costs of OTP Core decreased by 0.6%.

The Bank Group's statistical employee headcount (full-time employees working over 60 hours a month) fell by 2%, but the number of part-time employees working less than 60 hours a month increased by almost 2,900 persons at the Russian subsidiary. These developments were accompanied by a 3% rise in personnel-related expenses. At OTP Core, personnel-related expenses decreased by 2%, while the number of employees remained essentially unchanged.

The OTP Group's donation expenditure rose considerably, primarily as a consequence of the support provided by OTP Bank for the mitigation of the flooding and red sludge catastrophes that occurred in Hungary.

Direct economic value generated and distributed in 2010

(based on the consolidated, audited, IFRS profit and loss account, HUF million)			OTP Core*	OTP Group
I.	Direct economic value generated	= 1	466 947	821 123
1.	Net income from sales	Interest income + non-interest income (incl. net fees) (adjusted)	466 947	821 123
II.	Economic value distributed	= 2+3+4+5	182 180	338 726
2.	Operating costs + payments to equity investors	Operating costs – Personnel expects – Depreciation – Taxes reducing the corporate tax base	76 303	144 535
3.	Employee wages and benefits	Personnel expenses	77 791	160 725
4.	Taxes paid	Total tax-payment liability (excluding employer's contributions on wages)	27 127	32 203
5.	Community investments	Donations	959	1 263
III.	Retained earnings	= 1–(2+3+4+5)	284 786	482 397

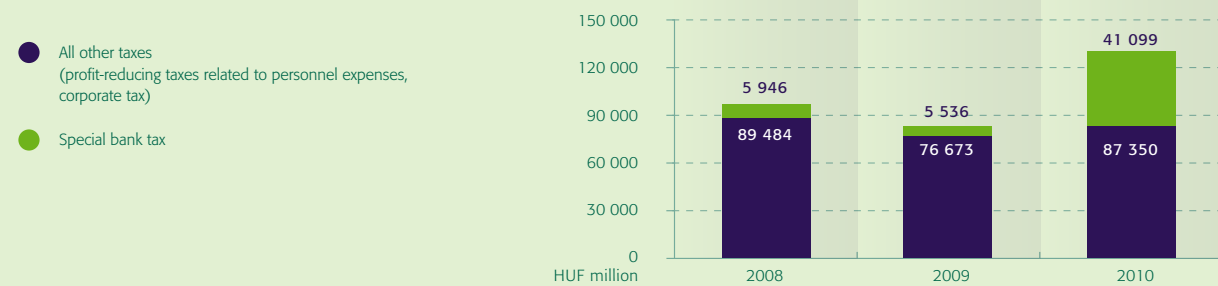
*The methodology for calculating the OTP Core and Corporate Centre results was changed in the second quarter of 2010. The allocation of results between the two economic units, as well as certain balance sheet items, and indicators, were changed. For detailed information regarding the changes, see https://www.otpbank.hu/static/portal/sw/file/OTP_20102Q_h_final.pdf, under the heading of Supplementary Data.

¹ Gross loans excluding bills-of-exchange and interest receivables related to loans; deposits excluding interest obligations

The OTP Group's **tax payment obligation** increased significantly in comparison to the previous year, by HUF 46 billion, which is equivalent to the annual budget of a city with a population of 200,000 (e.g. Debrecen). A relatively small part of the growth in the tax bill resulted from the Bank Group's higher

pre-tax profit, while the bulk of the increase was due to the special tax on financial institutions, introduced in Hungary in 2010. In Hungary, the Bank Group paid HUF 41 billion in extra bank tax. In 2010 the OTP Group paid a total of HUF 128.5 billion in tax.

The OTP Group's tax liability



The chart includes corporate taxes, taxes that reduce the profit, and contributions on wages; the data from previous years have been revised accordingly.



Among the members of the OTP Group, OTP Bank and OTP Fund Management received **tax discounts**, which totalled HUF 1,029 million and were related to the sponsorship of theatrical and film productions. Through this indirect form of sponsorship, provided in the framework of a co-operation agreement, we assist in the production of films made in Hungary. A few examples of the films sponsored in 2010: Üvegtigris (Glass Tiger) 3., Város születik (A Town is Born), Lottóházak (Lottery Houses). Under the system of tax discounts for theatre sponsorship, introduced in November 2009, we primarily sponsored those institutions with which we already had a relationship, but also added to the list of supported institutions (e.g. Madách Theatre, Vígszínház, Katona József Theatre, József Attila Theatre, Hungarian State Opera House). In the case of the provincial theatres, we entrusted the decision to the regions, with 2-3 theatres typically receiving support in each region. The Bank claimed a discount on innovation fund contribution payments in respect of the HUF 1,092 million spent on research and development, which represents a slight decrease in comparison to the previous year.

3.2 Legal proceedings, advocacy



he OTP Group's aim is to conduct its activities in keeping with the statutory regulations and the expectations of its customers.

Complying with the new and constantly changing regulatory requirements makes it necessary to review and amend our procedures almost on a continuous basis. The members of the OTP Group, in all the countries where we do business, are active participants in professional and advocacy organisations and banking associations. It is primarily through these organisations that we seek to engage in preliminary consultations with legislators, to ensure that we adopt the required practices and interpret the rules appropriately from the outset, and also to contribute our own experience in the interest of creating legislation that effectively fulfils its intended purpose. In Hungary last year, the practice under which proposed statutory amendments were submitted directly by individual members of parliament narrowed the opportunities for preliminary consultation. We present the breaches of regulations in summary form with a description of the typical problems, since every case is unique, and due to limitations of space a full description of the circumstances is not possible. We regard no fine or penalty as being so small as to be acceptable, if it was imposed due to a breach of the customer's interests.

Similarly to previous years, the authorities and supervisory bodies conducted investigations at our companies on several occasions, in some cases on suspicion of a practice that breached a statutory provision, and in others simply for the purpose of auditing a given aspect of our operations. In most cases the investigations found – at bank-group level – that the Bank's internal regulations are adequate, and instances of non-compliance arose from occasional errors on the part of customer service staff. In the interest of preventing breaches of regulations, we constantly work to improve the skills of our customer service staff, and to monitor compliance with the prescribed procedures more closely. The Hungarian Financial Supervisory Authority sanctioned OTP Bank the most frequently in relation to consumer protection issues, for neglecting its obligation to provide information and for missing the deadline for replying to complaints; in two cases fines were imposed, totalling HUF 5 million, for failures to comply with the Code of Conduct. A fine was also imposed on the Bank Group as a whole for a breach of consumer protection and taxation rules. The OTP Group was penalised once for a breach of competition law in 2010. The Competition Office (GVH) amended a previous decision, imposing a lower fine for OTP Bank in relation to a case dating back to 2007. OTP Bank has paid the HUF 100 million penalty in full.

Authority and other legal proceedings launched against the Bank/Bank Group, which were concluded in 2010

	OTP Bank						OTP Group*					
	Number of concluded proceedings		Proceedings concluded without exoneration		Amount of paid fine (HUF million)		Number of concluded proceedings		Proceedings concluded without exoneration		Amount of paid fine (HUF million)	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
due to alleged breaches of competition law (Competition Office)	6	2	4	2	321	100	n.a.	3	n.a.	2	n.a.	100
due to alleged breaches of consumer protection regulations (Consumer Protection Board)	1	0	0	0	0,1	0	n.a.	91	n.a.	82	n.a.	32,9
due to alleged breaches of equal opportunities regulations (Equal Opportunities Authority)	1	0	0	0	0	0	n.a.	0	n.a.	0	n.a.	0
supervisory proceedings**	0	17	0	12	0	16,5	n.a.	23	n.a.	12	n.a.	16,5
due to alleged breaches of taxation regulations	8	1	0	0	15,5	19,6	n.a.	17	n.a.	15	n.a.	32,6
other proceedings that may result in the imposition of a fine	18	33	14	31	5,1	6,4	n.a.	33	n.a.	31	n.a.	6,4
Total	34	53	18	45	342	143	n.a.	167	n.a.	111	n.a.	188

* Not including data from OTP Banka Hrvatska (data gathered in another system) and the data from OTP Banka Slovensko.

** In the case of OTP Bank, these also include proceedings launched by the HFSA in respect of consumer protection issues, which the HFSA has been authorised to conduct since 2010.

For more details of legal proceedings, see: <https://www.otpbank.hu/portal/en/Aboutus/CSR>

3.3 Complaints handling



he OTP Group's clear and primary objective is to serve its customers satisfactorily in every respect, without errors. We use various means of keeping our customers informed about their options lodging complaints, and the channels via which they may do so. **The procedure for handling complaints** is determined by two objectives:

- to resolve the problem that has arisen as quickly as possible;
- to make sure that the problem cannot arise again in the future.

The registration and handling of complaints takes place in accordance with procedures that are standardised within the individual banks if not throughout the OTP Group, but the principles and objectives are identical in all cases. At subsidiaries that are closely involved with OTP Bank's activities (OTP Building Society, OTP Mortgage Bank), complaints are handled by the parent bank.

Where possible we resolve the complaint immediately on the premises, and if the customer leaves satisfied we do not register the matter as a complaint. If – due to the required means of investigation, lack of requisite authorisation, the statutory

requirements or for other reasons – it is not possible to resolve the complaint within the normal time allotted for customer service, we attempt to solve the problem by our own deadline, which is stricter than the one prescribed by law. In the case of problems related to bank cards, which also involve the systems of partner banks, we provisionally credit the disputed amount to our customer's account, so as to avoid damages resulting from a protracted investigation. The complaints handling department takes particular care to comply with the rules on complaints handling, and this is monitored by the Internal Audit Directorate through the holding of specific-purpose audits. **To improve quality, in 2011 we will commence the monitoring of measures implemented in relation to individual errors (e.g. disciplinary measures, training).**

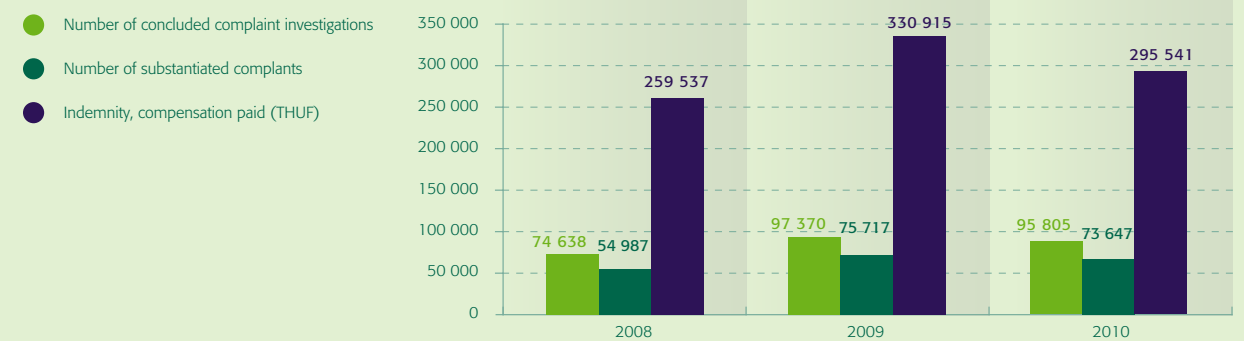
Based on an individual assessment, as a goodwill gesture, we make an effort to compensate our customers even in the case of unfounded or unprovable damage claims.

In the interest of **avoiding complaints** we regulate and continuously monitor the work of our customer service staff, and the feedback received. When providing information verbally, the objective of our employees

is to assess what information is relevant to the customer, draw attention to the salient points and share them with our customers; besides this they should provide information about where the full terms and conditions, and features, can be found. Minimum requirements are set with regard to the information that must be provided, and we monitor compliance with these. We constantly analyse the problems that arise, give feedback on our findings to the specialist departments and divisions concerned, and work to eliminate them through the development of processes and the training of customer service staff.

In the recent period both an increase in consumer awareness, and the negative impacts of the financial and economic crisis on customers, have led to an increase in the number of customer complaints. A favourable change in comparison to 2009 is that at OTP Bank the number of justified complaints fell by around 3% to 74 000, and the amount of damages and compensation awarded declined by 10%. With respect to consumer complaints submitted to the HFSA (Hungarian Financial Supervisory Authority), **the proportion of those made against OTP Bank** remained lower than OTP Bank's market share throughout 2010.

Customer complaints, OTP Bank



The number of justified complaints also decreased at the level of the overall Bank Group; however, due to the different means of recording complaints at the different subsidiaries, the data cannot be aggregated at group level. The increase, relative to 2009, in compensation paid by the Bulgarian DSK Bank resulted from a rise in the incidence of fraud; the most common abuses involved the use of forged identity documents, and bank card fraud. In every case the Bank fully indemnified customers, and thus the amount of damage compensation paid out

in relation to complaints was HUF 63.8 million. At OTP Bank Romania the rise in the number of complaints was caused by a statutory amendment. (In 2009 the number of completed complaint investigations was less than 800, while in 2010 it was over 4,000.) Under the new regulations, existing credit contracts also had to be amended, but the requirements were interpreted differently by the individual banks and the customers. The problem was resolved following clarification of the statute in question.

Customer complaints 2010

	OTP Bank	OTP Group
Damages, compensation paid (HUF)	296 million	398 million
Amount of damage compensation per complaint (HUF)	4 000	5 300

The investigation of suspected ethical breaches is strictly regulated at group level, and at OTP Bank the Customer Relations Department, jointly with the responsible manager, investigates the matter and

notifies the customer. If the customer does not accept the result of the investigation, the procedure is taken over by the independent Compliance Department and the Ethics Committee (or at the subsidi-

aries, the equivalent organisational units). Some 20-30 ethics procedures are typically carried out every year, the majority of which are initiated by customers, most frequently on the grounds of what they judge to be inappropriate conduct on the part of security personnel. In a substantial proportion of cas-

es the problematic situation is precipitated by the customer's behaviour (e.g. shouting, rudeness). In 2010 it was necessary to involve the Ethics Committee in one case. Based on an investigation we found the employee to be at fault, and that employee has since been dismissed.

3.4 Stakeholder communication

Transparency demands that we provide our stakeholders with a broader range of information, and accept their feedback via a greater number of channels. The various members of the OTP Group employ different communication practices, depending on the characteristics of the local culture and the sizes of the companies. In several countries the banks in the OTP Group – by virtue of their size, among other factors – have the power to shape opinions, and this carries a responsibility. Our primary objective is to ensure integrity and fairness, and to engage in communication that is appropriate in keeping with our activities and business results. One of our most important aims is to engage stakeholders in a constructive dialogue, and to this end in 2010 – among other initiatives – we developed the internal communication channels and launched a number of programs aimed at involving young people in financial activities. Through the communications unit established in 2011, both external and internal communication is taking on a strategic importance.

THE THREE KEY OBJECTIVES OF OUR COMMUNICATION ARE AS FOLLOWS:

- to understand and proactively serve the needs of our customers,
- to develop and offer professional solutions in every area of finance,
- to help provide for the future.

The network of stakeholder relationships is described in the Annex.

Our membership of organisations: <https://www.otpbank.hu/portal/en/Aboutus/CSR>

An overview of the development of dialogue with our customers and employees is given in later sections of the report, and we also give a separate account of the steps we have taken to promote financial literacy.

Within the Bank Group, the provision of information to investors and analysts is performed by OTP Bank. In recent years we have consistently placed particular emphasis on responding to the questions of these stakeholders; and we have expanded the range of information provided, proactively and in accordance with expectations. Our commitment to transparency remains unchanged, and we always disclose information that is considered to be important. We are virtually unique in the region in regularly reporting on the percentage of retail loans that have been restructured. Since 2010, in response to heightened interest, a greater emphasis was placed on presenting the macroeconomic environment and economic policy. In the past our Research Centre primarily performed analyses for internal use, but since the end of the year we have been increasing the range of publicly available reports. The range of information received our investors and the analysts monitoring the OTP Group via our website and at investor meetings becomes broader from year to year. (In 2010 OTP Bank participated in more than 15 investor conferences, roadshows and other events.) Besides our website, we inform small investors at the General Meeting, and in 2010 we again took part in the "Stock Exchange Day" organised by portfolio.hu.

Investors and analysts tend to focus primarily on financial and economic results and processes; however, requests from analysts for information relating to corporate social responsibility and sustainability are also becoming a regular occurrence.

The OTP Group's ownership structure is described in the Annex.

For more detailed investor information, see:

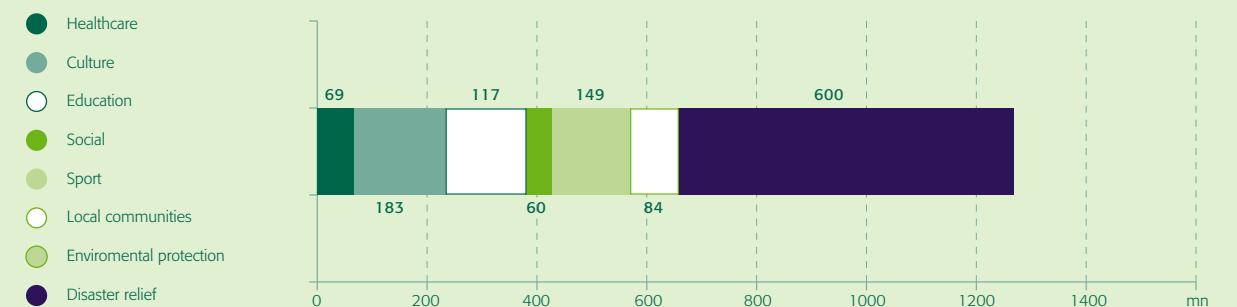
https://www.otpbank.hu/portal/en/IR_index_eng

3.5 Donation principles

The OTP Group feels that it has an obligation, beyond the provision of financial services, to contribute to resolving the problems and difficulties faced by the public and society as a whole. The bulk of the donations made by the Bank Group originate from the parent company. In our donation activities we seek to forge long-term cooperative partnerships, and therefore the majority of our donations (typically over 90%) go to assist the same organisations or programs from year to year. The members of the Bank Group provide assistance autonomously, in accordance with local needs, but share their best practices with each other every year. The international affiliates of organisations supported in Hungary, and their initiatives, are sometimes assisted by another member of the Bank Group (International Children's Safety Service). The process of making decisions relating to donations is centralised in the case of all member companies; in Hungary, donation is principally dealt with by the parent bank. Our donation activity traditionally focuses on the creation of equal opportunities and on community building, and this was especially true in 2010. In a year marred by catastrophe, we felt that we too had to play our part in repairing the damage and helping the victims.



Donation and sponsorship at the OTP Group, 2010



For more details about our commitment to social causes, see section 5.4.

For more details about the programs that we support, see:

https://www.otpbank.hu/portal/en/Aboutus/Social_participation

"THE OTP GROUP'S FIRST RESPONSIBILITY IS TO PROVIDE FINANCIAL PRODUCTS AND SERVICES THAT ENSURE LONG-TERM STABILITY AND DEVELOPMENT."

4.1 Banking solutions



Principles



The OTP Group's first responsibility is to provide financial products and services that ensure long-term stability and development. In its role as an intermediary between the depositors and borrowers of funds, the Bank has a responsibility to both sides.

We lend the money deposited with us in a manner that ensures its repayment, but also taking care that it does not serve purposes that are in breach of the law or run counter to the values of our society. We lend conservatively, and only with the appropriate collateral, willingness and ability to make repayments.



When providing the loans needed to facilitate growth, we ensure that the risks involved are known to our customers, and are within their means to bear. We aim to avoid excessive indebtedness, but at the same time it is in the interests of both our loan and deposit customers for us to offer help to those borrowers who have run into difficulties. We monitor our services following their sale, and when determining the terms and conditions we also take into account any changes in circumstances and the (possibly negative) impact that these may have on our customers.

Our strict internal regulations and procedures ensure that conservative risk management principles, the requirements of the Code of Ethics, as well as the applicable legal and compliance² expectations are all fulfilled.

The OTP Group seeks out opportunities to cooperate with state and international organisations, in the interest of expanding the range of safe funding sources available at favourable terms, in support of a specific objective or development area.

Actions and results

Maintaining stability

In 2010 we began to see signs of the economy's stabilisation and a return to growth; at the same time, in many areas events were still shaped by the crisis and its consequences. The OTP Group continued to apply the practices established in the past two years in the interest of maintaining stability and liquidity, and strengthening its capital position. We maintained our strict risk management principles, and developed the credit authorisation processes. We consider it an important achievement that OTP Bank consistently, and by a considerable margin, exceeded the minimum requirements in the European financial institution **stress test** coordinated by the Committee of European Banking Supervisors (CEBS). In the course of the test the credit institutions' likely capital adequacy was examined under three case scenarios. Our Bank came second among the 91 banks tested, and even in the worst case scenario its capital adequacy ratio would be more than four times the minimum prescribed by law. In a comparison with 2009, we expanded our lend-

ing operations to the extent permitted by the local market and economic opportunities. We continued making a concerted effort to ensure the availability of credit even during the crisis, thus helping to ensure the quickest possible economic recovery. In terms of the placement of new loans, we improved our market share in a number of areas. The Bank Group once again successfully rose to meet the challenges of the economic and financial crisis in 2010, and has laid down a stable foundation for the growth planned in the coming period.

Borrower protection program

Notwithstanding the positive changes observed in the economy, some of our customers – for reasons beyond their control – still struggled with financial difficulties in 2010. Unemployment was still typically higher than in 2009, and the exchange rates of local currencies generally weaker than they had been when the banks disbursed the majority of foreign currency loans.

Under these circumstances it is a particularly important achievement that our borrower protection program has, in our experience, been a success. Under the program, which was revised in the second half of 2009, by the end of 2010 more than 80 000 of OTP Bank's customers had already left the program and regained their ability to pay the instalments. The borrower protection programs were also continued in Ukraine, Romania and Bulgaria. The percentage of restructured retail loans was 8.6% at group level at the end of 2010. The proportion of performing restructured retail loans was at its highest,



² Compliance with the prevailing statutory, organisational and moral/ethical rules

26.9%, in Ukraine, while among those countries where a retail borrower protection program is in effect, this figure was at its lowest in the case of OTP Core (4.6%). In these two countries the proportion of performing restructured loans began to display a downward tendency by the end of the year, while in Bulgaria and Romania, for the time being, an increase is being observed.

Our customers also have an opportunity to make use of payment easing measures pre-emptively, before they fall into arrears with payments. We use various means of drawing our customers' attention to the borrower protection opportunities available, and encourage them to contact us as soon as possible if payment problems arise. We constantly monitor those aspects of our customers' financial situation that can be monitored, and their income received, and take active steps to contact the customer if we detect a negative change. In terms of effective assistance provision, it is important that at the end of 2010 more than 70% of restructured loans were less than 90 days overdue.

In 2010 we continuously monitored the borrower protection programs, and while it was not necessary to introduce new solutions, we did carry out some minor changes and fine tuning. We offer our customers three basic options, the specific terms of which differ from country to country:

- Term extension: a lengthening of the term of the loan stipulated in the loan agreement, normally remaining within the maximum term, but possibly up to five years in excess of this.
- Instalment reduction: a lowering of the repayment instalment stipulated in the loan agreement for a specified "grace period", in observance of the minimum restrictions.
- Combined solutions.

In the case of payment problems resulting from a high exchange rate, our customers can make use of payment easing for as little as 24 hours. In the event of an unavoidable foreclosure proceeding, we constantly keep open the option of payment in instalments.

In Hungary, the monthly repayment instalments of retail customers participating in the program decreased by an average of 50% in comparison to the original instalments, in the case of both mortgage and consumer goods loans (for customers brought under the program in the second half of 2010).

In response to the weakening of the forint, with

effect from 1 June 2010 we reduced the interest on Swiss franc-based home and mortgage-type loans by 0.75 percentage points, and the interest on Japanese yen-based loans of this type by 0.50 percentage points. This decision compensated for almost HUF 10 of the weakening in the exchange rate, in terms of its impact on repayment instalments, and thus for a household with a 20-year Swiss franc-based home loan of HUF 10 million the move resulted in a monthly saving of HUF 5 000. Also in June, we reduced the interest on certain other forint, euro and Swiss franc-based loans, by between 0.15 and 3.0 percentage points. In accordance with the Code of Conduct, our Bank constantly reviews the interest rates on its existing loans, and where possible continues to reduce interest; besides the above, further reductions were made in October 2010.

For OTP Bank's new and existing loans, Groupama offers repayment insurance policies under which the insurer, under certain circumstances, undertakes payment of the instalments or in certain cases assumes the entire outstanding debt. In 2010 repayment insurance policies were taken out on almost 50% of new loans.

We develop individual solutions to help customers struggling with difficulties in countries where the number of customers in trouble did not justify development of a borrower protection program. Debt consolidation loans enable customers with several loans to amalgamate all their debts, so they only have to pay instalments on a single loan.

We also use customised solutions to assist corporate customers, and aim to be flexible when it comes to restructuring loans. For micro and small enterprises facing difficulties in Hungary we offer the "Egyensúly" (Equilibrium) Loan, which provides an opportunity to settle an existing debt over a longer term, at lower monthly instalments. We are continuously monitor the effectiveness of this facility, and the requirements of the enterprises, and are even now in the process of refining the terms and conditions.

We are consciously preparing for the lifting of the moratorium on evictions that is currently in effect in Hungary. It is in the interests of the Bank, as well as its customers, to reach a satisfactory solution. Besides taking part in all consultations and discussions related to this issue, we are also preparing our own solution in cooperation with the state and the



various advocacy groups involved. We will seek to avoid auctioning off the properties, as a last resort, and to ensure that people have somewhere to live in all cases. At the same time, we believe the lifting of the moratorium is also necessary for the protection of our customers, because its maintenance would encourage even those customers who have not run into financial difficulties for reasons beyond their control to renege on their contractual obligations. The resulting deterioration in payment discipline could have unfavourable consequences not only for those borrowers who do keep up with their payments, but also for deposit holders.

Financial self-provision

Financial self-provision plays an important part in the creation of long-term financial security. **In 2011 a key element of our communication will be to raise awareness of the importance of secure and regular saving, and to draw attention to the value of financial self-provision.** The financial self-provision section of the Bank's website assists in choosing between the available products and services. Besides this, with a wide range of products we aim to cater to a variety of life situations and objectives, with safe products that fit in with the interests of our customers, and afford access to state benefits. For more details of OTP Bank's products, see:

➤ <https://www.otpbank.hu/portal/hu/Megtakaritas/Ongondoskodas>

An important aspect of financial self-provision is **saving for retirement**, and opportunities for this have been offered by members of the OTP Group for many years now, in keeping with local regulations. As regards the change in the private pensions system in Hungary, in order to help customers make a responsible decision we liaised continuously with the HFSA, and, going beyond our statutory obligations we collated all useful information and tasks related to the newly accepted act on pensions, and published them on our website. Customer service centres and bank branches remained open for longer to assist customers. As a consequence of the changes, the voluntary pension fund has taken on a more important role in financial self-provision, and we are drawing the attention of our private and voluntary pension fund members to this fact. With a total membership of 237 000, OTP Voluntary Pension fund is the largest voluntary pension fund in Hungary.

In Hungary, **saving exclusively for healthcare** is encouraged through the provision of state incentives, provided through the healthcare funds. OTP National Health Fund, with a membership in excess of 160,000 persons, is the largest healthcare fund in the country. As well as providing access to healthcare services at preferential prices, we offer our customers expert assistance in living a healthy lifestyle and raising their awareness of health issues.

The website of OTP National Health Fund:

➤ <https://www.otpbank.hu/portal/en/OTPGroup/NationalHealthFund>

Hungarian legislation, subject to the fulfilment of certain conditions, allows for tax-free or low-tax savings, and OTP Bank offers several products for making use of these opportunities. Long-term savings – and the attendant tax exemption or tax discount – are facilitated by the **Personal Retirement Savings Account (PRSA) and the Long Term Investment Accounts (LTIA)**. The differing terms and conditions ensure that a diverse range of customer requirements are catered for. Between its launch and the end of 2010 our customers opened 45 000 PRSAs, investing some HUF 112 billion, and the number of LTIA, launched in 2010, totalled 28 000 at the end of the year. OTP Bank is the market leader in respect of both types of products.

With regard to investments, OTP Bank promotes financial self-provision through a range of investment products combined with the life insurance products of Groupama Insurance. Regular saving is also supported by the option to set up standing orders for the purchase of securities, which was introduced in November 2010.

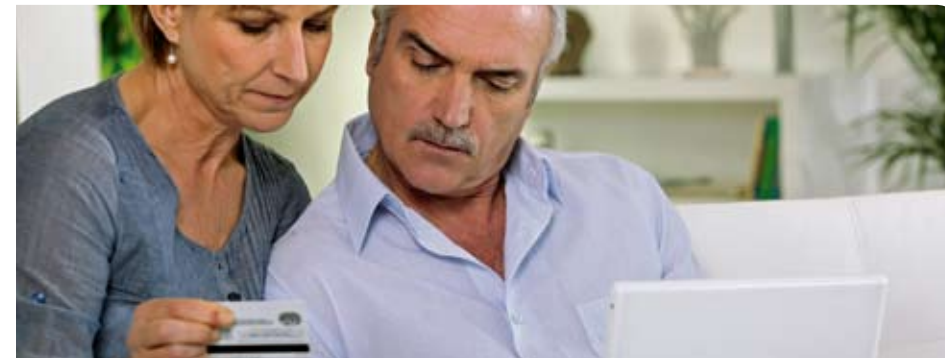
Our aim is to ensure that everybody has access to regular savings opportunities, and on World Savings Day we launched the OTP Savings account, which we offered at promotional terms to mark the occasion. The success of the campaign exceeded our expectations several times over, with 7 000 people opening accounts in a single day. The main advantage of the OTP Savings Account is that it also suitable for putting aside small sums.

The money set aside in home saving accounts, **which are encouraged through significant state support**, can effectively be used for all home-related expenditures, and for many years this means of saving has been one of the most successful forms of financial self-provision. To accompany this savings

facility, which offers significant financial benefits, our Bank also offers loans at favourable terms. At the end of 2010 at OTP Bank a total of 614,000 home savings contracts were in effect, and at the same time, in Hungary the approximately 10% penetration of this product is still considerably lower than in Germany or the Czech Republic.

Social benefits of retail products

The OTP Group offers preferential products catering to the needs of people in various different stages of life, and belonging to different groups within society. These products are primarily aimed at young people, home buyers and retirees. In the past few years, apart from a handful of new products, most of the products available were those developed in previous years.



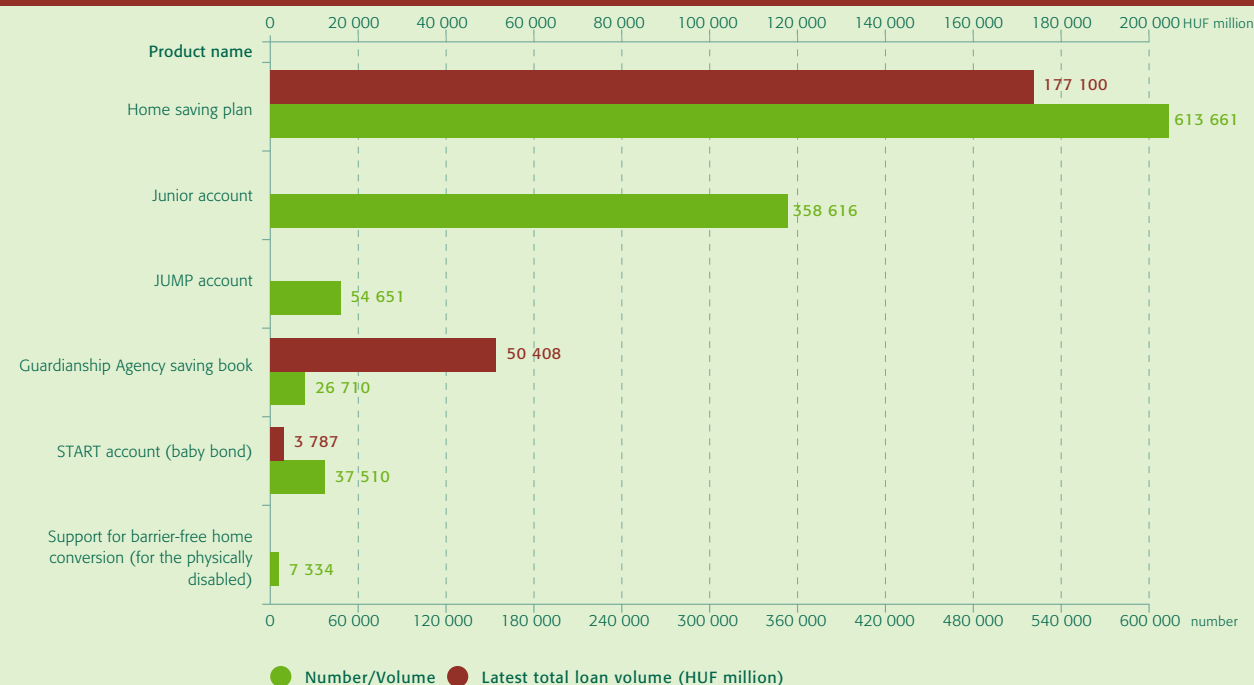
With respect to **children and youth**, we primarily emphasise the importance of laying the foundations for financial security, and learning to manage money responsibly. Most members of the Bank Group offer a separate product for parents and children. In the case of bank accounts for children we take age into account; in the interest of responsible money management only certain services are available to them. Besides bank account management, deposit, and for the older age groups, lending facilities, several products are related to study, encouraging and assisting this (e.g. Sapientia University Card, the "Osztálypénz" (Class Money) Account, student loans, and an account package that rewards good grades). Young people are important customers of all the banks in the OTP Group: some 10%, or more than one million, of our predominantly retail customers are below the age of 26, but this age group represents more than 30% of the customers of DSK Bank in Bulgaria and the Slovenian subsidiary OTP Banka Slovensko.

Since 2009, OTP Bank has focused particularly on young career starters. The JUMP account package developed specifically for them, in line with their patterns of money use, provides numerous discounted or free services that are suited to the life circumstances of young people. In 2010 our efforts were already proving successful, as the account package was exceptionally popular among the young.

The OTP Group is receptive to **cooperating with town authorities**. OTP Banka Slovensko introduced a loyalty card jointly with the town of Komárom as far back as in 2008, and then in 2010 joined the Bratislava City Card program. In Pécs, OTP Bank joined the TÜKE Card and Pécs Senior Citizen's Card initiatives, enabling the use of the latest technology: besides payment by bank card, we have also made it possible to pay using PayPass contactless technology. Making use of the available state assistance, or even without it, several members of the OTP Group offer preferential facilities **for home construction, purchasing or renovation**, to help people gain a foothold in the housing market. These products have not changed in comparison to previous years, and in some countries are only available to young people or those buying their first home. Several members of the OTP Group offer special products that are geared to the financial habits of senior citizens. Not every member company has precise information pertaining to its retiree customers, but they do represent a substantial proportion of our clientele.



Features of special retail products, OTP Bank (31 December 2011)



Social benefits of corporate and retail products

The OTP Group aims to provide a comprehensive service to non-retail customers, with a special focus on the needs of medium-sized and large corporations, micro and small enterprises, and municipalities. In 2010 we made preparations for the establishment of the Real Estate, Agricultural and Small Enterprise Financing Division, which indicates the level of our commitment to these segments.

Where possible, all members of the Bank Group seek to forge relationships with municipalities.

This sector is of key importance to OTP Bank. For our customers we have traditionally afforded access to **government and international funding**; indeed, in the case of government facilities we also try to participate in the development of the facilities by contributing our experience. For several years we have provided our customers with the facilities offered by the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), as we have with the Hungarian government facilities. Last year these discounted products represented an important source of funds for companies, and encouraged many firms to implement investment plans that had previously been put on

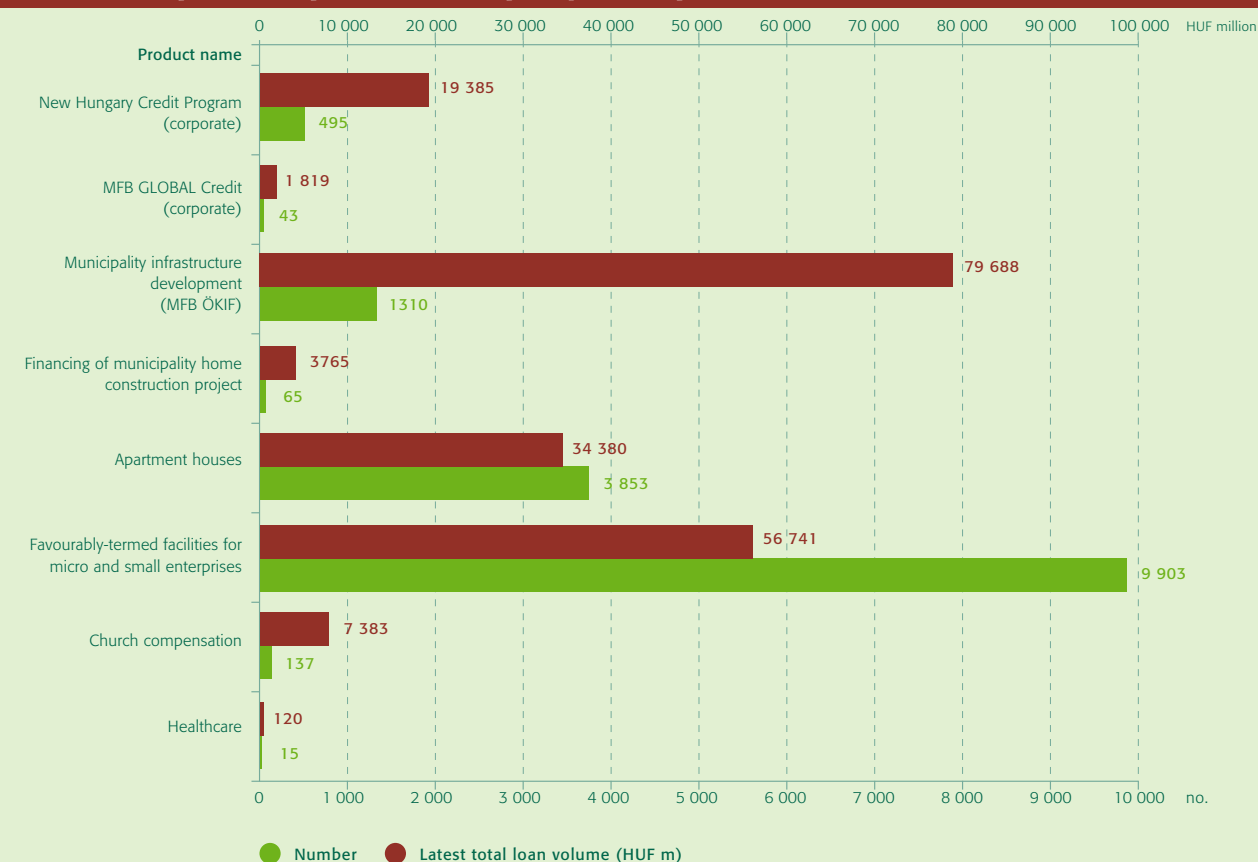
hold. Last year the range of available discounted loans did not change; these primarily assisted the operation and development of small and medium-sized enterprises. For municipalities, facilities of this type were primarily available for urban rehabilitation, the development of local infrastructure, the development of healthcare and social services, and for environmental projects. In Hungary, OTP Bank continued to play an important role in the placement of loans refinanced by the Hungarian Development Bank (New Hungary Credit Programs and the MFB Bank Guarantee Programs). By mid-year we had already reached the limit initially set for the Bank, and had to develop a new solution in order to ensure the continued availability of the loans. Among the banks providing the loans, OTP Bank was the only one to reach its individually set limit. It was our aim to increase the proportion of companies making use of these funds, but the municipalities continued to have a larger share. In Hungary, not just companies, but municipalities too have had to place their capital projects on hold, and therefore the availability of discounted lending programs represented an important opportunity. Our environmental protection objectives are described in a separate section.



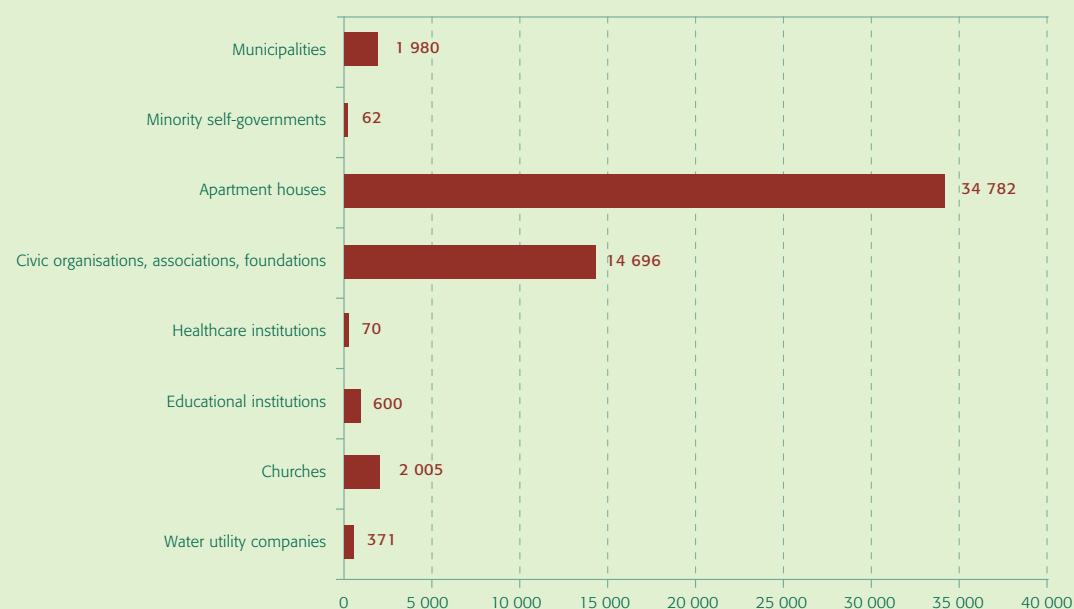
A transformation of the JEREMIE-funded New Hungary Micro Credit Program led to the creation in 2010 of the New Hungary Micro Loan, available for working capital financing and for capital projects. OTP Bank was one of the first banks to make this type of credit facility available. The Bank actively participated in the development of the New Széchenyi Program, launched in 2011. We felt it was important for the various loan types of differing purposes to be separately

featured in the program, because we believe it is essential for companies to use loans appropriately – capital investments, for example, should not be made from an overdraft, as this could lead to financing problems later on. The characteristics of the special-purpose and discounted loans provided by OTP Bank are shown in the chart below. Compared to the previous year, in the case of virtually all products the overall volume of credit decreased, in line with the number of loans – the enterprise loans provided under the New Hungary Credit Program were an exception to this.

Features of special corporate/municipality credit products, OTP Bank (31 December 2010)



Special corporate and municipality customers, OTP Bank (31. 12. 2010)



OTP Hungaro-Projekt Kft., which specialises in the provision of consulting services related to the use of EU funds, as well as its Romanian subsidiary OTP Consulting Romania and its Bulgarian subsidiary DSK Bul-Project, assist in corporate and municipality development projects through the drafting of project-preparation studies and funding applications, and the provision of project implementation support.

In 2010 OTP Hungaro-Projekt prepared funding applications for 17 municipal and 20 corporate entities and for one non-profit organisation. All of the assessed applications were granted funding support, and thus we helped our customers to secure a total of HUF 3.3 billion in financial support and carry out investments worth a total of HUF 5.6 billion. A further 15 of our funding applications are awaiting assessment. Most of the HUF 2.3 billion in funding support won by municipalities was intended for the improvement of sewage disposal and treatment, and development of the drinking water supply network, while the HUF 800 million granted to companies, the majority of which were small and medium-sized enterprises, was predominantly used for the development of company sites and related technological upgrades. The projects are predominantly being implemented in the Northern Plain and Southern Trans-Danubia regions.

OTP Bank Romania has developed a special loan facility aimed at regional administrative authorities, for the direct refinancing of their debts, and for the financing of public benefit and environmental projects, primarily in relation to investments that bring enhanced benefits for society and lead to an improvement in the standard of living. In 2010 the Bank provided funding for an education investment, a healthcare investment, and an investment related to sewage treatment and disposal, in a total value of some HUF 110 million. Previously eight municipal infrastructure development and four energy efficiency and energy rationalisation projects were financed. The volume of loans related to this totalled HUF 3.7 billion at the end of 2010.

OTP Bank offers preferential account packages and financial services that expressly serve the requirements typical of specific professions and sectors:

- Solicitors and lawyers, public notaries, court bailiffs, tax advisors and accountants
 - Pharmacies or those engaged in the retail pharmaceutical trade
 - Since 2010 an account package with a zero-forint account management fee has been available to non-profit organisations. We offer preferential facilities – on a case-by-case basis – to associations and foundations with a significant impact on society.
 - For churches we offer individual savings facilities designed to meet their particular needs.
- OTP Banka Slovensko provides special facilities for:
- health sector workers, and
 - churches and church organisations.



Products for residential communities

With a base of over 30 000 customers, OTP Bank is one of the leading financing partners to apartment houses. Apartment houses are also increasingly aware of the importance of financial self-provision. Our complex packages of services, besides account management, offer residential communities savings and loan products that are suitably differentiated in term of their intended purpose. The available facilities, for which state assistance is also available (building society savings schemes, grants provided under the “Successful Hungary” program) have not changed since the previous year.

We consider it an important achievement that OTP Bank's lending to apartment houses, following the substantial growth of 2009, increased by almost 50% again in 2010. We assist apartment houses not only by supplying them with our products, but also through the provision of supplementary services to assist them in their management and operation.

Among the foreign subsidiaries, both OTP banka Hrvatska and OTP Bank Romania have developed services aimed specifically at apartment houses, providing solutions for both account management and renovation. The statutory provisions in some countries still do not make it possible to treat apartment houses as autonomous legal entities, and to develop products accordingly.

The financing of agriculture and agricultural enterprises

Most of the banks in the OTP Group have supported the development and modernisation of the agricultural sector for years, affording businesses access to international and state funding sources, regardless of company size. Besides loans that can typically be used for both capital investments and production, OTP Bank also provides the enterprises with preferential account management services and area-based support. **From 2011 onwards OTP Bank intends to place a greater emphasis on the agricultural sector, for which purpose we have established the Agricultural and Small Enterprise Financing Division. Our plan is to develop products that cater to the special needs of the agricultural sector, allowing for the fact that agricultural production cycles do not follow the calendar year. We give preference to financing environmentally friendly processes, and when assessing credit applications we prioritise ecologically sound solutions.**

OTP Bank Romania finances the operation of agricultural producers, and credit facilities are designed to take into account individual requirements and production cycles. OTP banka Srbija is also placing a growing emphasis on serving the special requirements of the agricultural sector, and in 2010 began to develop its own agricultural strategy. Besides the above, the Bulgarian DSK Bank provides loans specifically for agricultural enterprises.

Products with environmental benefits

There are three main ways in which the OTP Group can further the cause of environmental protection:

- indirectly, through its services;
- by drawing the attention of the public and its customers to environmental issues, and strengthening their environmental awareness (for more details, see section 5.2);
- by mitigating the environmental impacts arising from its operation (for more details, see section 5.2).

This section concentrates on the first of these aspects. The world’s growing energy demand and the impacts of climate change are problems that need to be solved. The answer is to improve energy efficiency and make use of renewable energy sources, which the OTP Group helps to achieve through a number of financing facilities.

Investments in the use of renewable energy are increasing with each passing year. At the same time, the application of such technologies and the investments in them are greatly influenced by the regulatory environment. Our Bank Group is able to expand its operations in this direction in countries with a predictable and supportive legislative background; we finance systems that have already been proven in self-funded investments, and thus to date we have primarily undertaken a role in the implementation of investments in wind and hydroelectric power stations, and in Slovakia, the harnessing of solar energy. OTP Bank finances investments in electricity generation based on various renewable sources, and those aimed at the production of biofuels. In 2010 we had six such projects in our portfolio, with the original amount of the investment loans totalling some HUF 40 billion, while the total investment cost of the projects was HUF 47-52 billion. As a result of statutory amendments made last year, in 2011 the role of the Romanian and Bulgarian subsidiary banks in this sector is likely to strengthen.

OTP Bank plays an important role in the financing of energy projects in Hungary, and in 2010 energy efficiency projects received funding support even during what was a period of relatively restrained lending. We aim to ensure the use and availability of external sources of funding –

e.g. state aid – since these make it possible to develop more favourable financing structures. In 2010 OTP Hungaro-Projekt prepared seven funding applications for its corporate and municipality customers, in relation to projects that were aimed at improving energy efficiency.

PROMOTING GREEN BUILDINGS

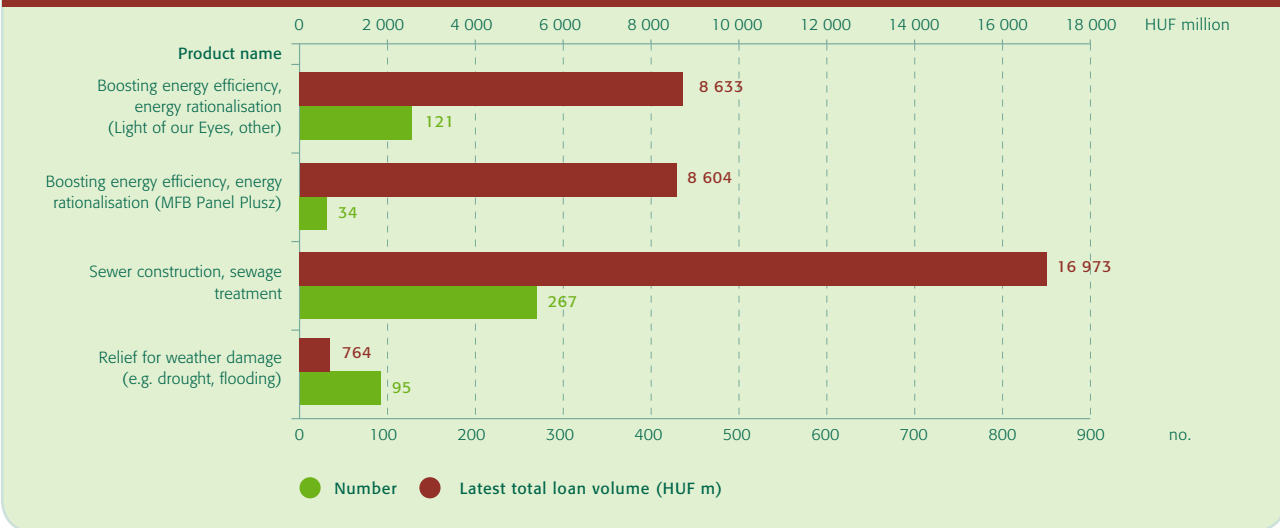
OTP Bank is a member of the Hungarian Construction Industry Association’s Complex Building Services and Climate Protection Working Group, which supports the work of the government and the ministries in fulfilling their energy saving commitments. We are working to develop a tendering and financing system that will provide effective assistance in the completion of building energy efficiency investments. We are confident that our efforts will yield tangible results in 2011.

The “Light of our Eyes” (Szemünk Fénye) program, launched in 2006, was continued in 2010 in the interest of promoting economic and rational energy usage. As a part of the program, so far the modernisation of lighting and heating systems in more than 1,900 public education institutions around the country has been carried out with the assistance of OTP Bank.

The Hungarian Development Bank’s “For a Successful Hungary” credit program, through the “Panel Plusz” scheme, makes credit available at preferential terms to residential communities and municipalities for the financing of the energy-saving investments

and developments of apartment blocks. OTP Bank provides applicants with credit to cover the internal funds necessary for participating in the program. The OTP Bank “For a Successful Hungary” Municipality Infrastructure Development Credit Program offers assistance for the achievement of other environmental goals. The objectives of the credit program also include supporting investments to improve the quality of drinking water, investments in sewage disposal and treatment, as well as investments related to floodwater and groundwater defences, or if necessary the management of solid waste. (These are not shown in the chart below, because the loan purposes are not differentiated within the credit program; the aggregated data is given in an earlier section of the report.) The characteristics of the environmental-purpose and discounted loans provided by OTP Bank are shown in the chart below. In comparison to the previous year, both the volume of energy efficiency and energy saving credit products and the number of customers making use of such facilities has grown; this was accompanied by a decrease in the volume of loans related to sewer construction and sewage treatment declined – since they are being phased out – as well as the number and volume of loans related to weather damage.

Features of special environmental credit products, OTP Bank (31 December 2010)



CLIMATE CHANGE FUNDS

Within the Bank Group, OTP Bank Hungary and OTP Bank Romania manage investment funds that make investments related to climate change and environmentally-friendly technologies. The open-end Climate Change Fund was launched at the beginning of 2008, and its assets under management amount to more than HUF 1.2 billion. Also in 2008 Groupama Insurance (then still known as OTP Garancia Insurance) developed the EURO trend products, incorporating three funds that are associated with sustainable development: the Climate Change and Renewable Energy Equity Fund; the Water and Environmental Protection Equity Fund; the Ageing Society Equity Fund – the latter is related to health and to life after retirement. OTP Bank is currently participating in the selling of these products.

The Romanian OTP Green Energy Fund, launched at the end of 2009, is the first closed-end capital protected fund in Romania offering an opportunity to invest in the market for renewable energy sources. The assets managed in the fund total almost HUF 600 million.

For more details about the fund, see:

➤ https://www.otpbank.hu/OTP_ALAPKEZELO/hu/A_klimavaltozas.jsp

➤ <http://www.otpfonduri.ro/ro/produse/fonduri-inchise-de-investitii/otp-green-energy/prospect-de-emisiune.pdf>



For regional municipal authorities, prior to 2010 OTP Bank Romania financed four energy efficiency and energy rationalisation projects. These loans currently amount to a total of HUF 1.2 billion. In 2010 the bank provided credit for wastewater purification and sewage construction purposes, with these loans amounting to HUF 28 million at the end of the year. OTP Bank Romania has made more than HUF 2.5 billion in EBRD and EU credit available for investments by companies in Romania, with the aim of improving energy efficiency, developing machinery and production lines, and modernising the insulation of buildings. Following completion of the investment, a portion of the costs can be reclaimed as aid. Through Tractabel Engineering, the bank also provides free technical advice.



4.2 Customer service, product sales



Principles

a basic prerequisite for responsible customer service is an understanding of the circumstances and needs of our customers. This applies equally to their financial means and goals as it does to their expectations related to customer service at the bank. It is essential for our customers and our staff to understand each other well; our employees should be able to offer professional help that is appropriate to the customers' situation, while our customers must understand the features and benefits of the products, and how to use them for their intended purpose. We help our customers to make well-founded decisions by providing them with the appropriate informa-

tion, and the means of choosing between the products. We only wish to offer our customers those products and services that they will find genuinely useful, and that in terms of risk are appropriate for them in their given situation; this is also important from the standpoint of the Bank's stability. To ensure an appropriate standard of service we constantly train our administrative staff and monitor their work, and our performance appraisal system also encourages this. Customer focus has taken on a greater importance in our strategy, and we also plan organisational changes to ensure that this is reflected in our practices. A knowledge of our customers' opinions is essential for development, and we also involve our customers in the process of developing our banking services.



Actions and results

Identifying customer needs

In recent years we have implemented numerous measures to gain a better understanding of customer needs; in 2010 we primarily continued to apply these, and worked on their further development.

- In 2009, at OTP Bank we introduced questionnaires to be completed **when opening accounts**, for the purpose of assessing customer needs. In 2010 we made further improvements to the questionnaires and now they are recorded in the Bank's central system as a part of the account opening process. We have also refined the questionnaire-taking process, and introduced it at our foreign subsidiaries. Our experiences have been positive, the recommending of accounts based on the needs assessment has become a matter of routine, administration has been speeded up as a result, and our staff are able to work more accurately. **Since 2011, with the assistance of IT back-office support systems, our counter staff have been able to provide customers with personalised offers and information related to bank products.**
- In 2010 OTP Bank's **proactive customer relationship management** began to yield results: In 2009 we began to identify potentially dissatisfied customers, based on their financial transactions and money management patterns. For this purpose, in the case of certain customers we examined whether there were any products or services that they had requested but were not using, and contacted them to try and remedy the situation before it gave rise to a specific complaint. Contact was made by telephone, and we also offered to meet them in person at the branch. As a result of these proactive measures, we succeeded in reducing the number of customers leaving our bank by 12% within the group of customers contacted.
- Since 2009 our customer service staff have used the **family budget calculator** when serving customers, **and in the future we intend to also make this available on our website.**
- We identify general customer requirements and expectations through **research**, and hold surveys into financial habits, besides which we continue to conduct needs analyses **based on the customer's life situation.**

- In the training of our counter staff weight is also given to the identification of customer requirements, while the system of **performance-linked remuneration encourages employees to address genuine customer needs, as it still only recognises the sales of products that are actually used.**

Keeping customers well-informed

We use a variety of means to help our customers understand financial products and make responsible decisions. Some of the informational tools are available on the Bank Group's website, and others in bank branches with the assistance of our counter staff. The **website and the internet bank** are increasingly important means of maintaining contact with our customers, and the immense level of interest that they generate is well-illustrated by the fact that OTP Bank's website is visited some 4 million times every month.

- We would like to make the convenience and simplicity of electronic services available to everyone, and for this reason we launched a pilot scheme under which "Direkt Pont" terminals have been installed on the premises of 15 bank branches around the country. Customers who enquired at a branch were guided step-by-step, by our staff, through the process of using the internet bank, helping them to perform the initial activation steps – naturally without compromising any confidential data. After conclusion of the contract for the use of electronic services, our staff contact the customers by phone to elicit their feedback and offer any further assistance if necessary. **Encouraged by the success of the project, we plan to increase the number of "Direkt Pont" terminals.**
- Since 2010, an Savings Navigator has been available on OTP Bank's website, which is a user-friendly graphical interface that helps customers to choose a means of saving that suits them by selecting options relating to their saving habits, objectives and plans. Based on site usage statistics we analyse the use of the interactive finder, and in the course of branch visits our counter staff also give feedback regarding their experiences and the opinions of customers.

The Savings Navigator:

➤ <https://www.otpbank.hu/portal/hu/Megtakaritas/Igenyfelmero>



- Choosing between the numerous available savings products is made easier by the **wealth planner**, which offers a personalised portfolio containing specific products, taking into account the customer's savings and investment habits. The wealth planner:
➤ <https://www.otpbank.hu/portal/hu/Megtakaritas/Vagyontervezes>
- To ensure that proper care is taken in the provision of information, with respect to certain topics (e.g. changes in the private pension fund system), we set up separate microsites, and use "tip" boxes to draw our customers' attention to useful information and opportunities. Our customers' knowledge and their understanding of our services is improved by the interactive guide, which is currently being used to help customers understand the information given in bank statements. **In 2011, together with a complete overhaul of the internet bank, we plan to expand the range of information provided in this way.**
- We have modernised the **branch locator on the website**, not only making it simpler to use, but also providing an opportunity to search on the basis of the services required.

OUR ROLE AS AN AID INTERMEDIARY

OTP Bank and OTP Hungaro-Projekt, in a consortium with the Hungarian Foundation for Enterprise Promotion (MVA) and the Federation of Merchants and Caterers (KISOSZ), will serve as aid intermediaries in the corporate consulting program to be implemented in the Central-Hungarian region. The objective of the program is to support the provision of consulting services in the SME sector – in the central region, over the next two years, **close to a thousand small and medium-sized enterprises will receive a total of some HUF 1 billion in non-repayable grants. We hope to also win the aid intermediation tenders announced in a further four regions of the country.**

Objectivity in the provision of information:

- For years OTP Bank has used the **Standard European Information Sheet**, prescribed in the Code of Conduct for banks, to provide information about its products, which not only helps customers to obtain information, but also makes it easier to compare our offers with those of other banks. We have expanded the information sheet in accordance with the statutory requirements, and given our foreign subsidiaries the opportunity to use it.
- A previously set objective of ours is to use **simpler, easy-to-understand language**, so in 2010 we re-

To ensure accurate and attention-grabbing provision of information:

- Our customer service staff regularly attend **training** courses. Once a year we also evaluate their knowledge with a skills assessment test. In 2010 we held a nationwide roadshow to expand the knowledge of our employees who deal with micro and small enterprises. In line with our plans, we have expanded branch skills related to serving the needs of apartment houses, and customer enquiries related to apartment houses are now dealt with by specialists in this area.
- We expect our customer service staff to ascertain which **information is relevant to customers**, and to inform them accordingly, showing them where to obtain comprehensive information about the applicable terms and conditions. We also draw our customers' attention to any risks. We assist our employees in their work – in the case of both retail and corporate relationship managers – with product information sheets and key phrases. In mystery shopping surveys, we pay special attention to checking the fulfilment of obligations to provide information.

viewed and simplified the wording of our contracts concluded with micro and small enterprises. **In 2011 we plan to review the wording of the letters sent out to retail customers.**

We make efforts to expand the knowledge of certain customer segments at special **events**:

- In what has become something of a tradition, every year OTP Bank holds conferences for municipalities at regional and county level, to ensure that local requirements and issues are properly addressed.
- For our corporate customers we held a conference jointly with several of the Hungarian subsidiaries, to discuss the opportunities for se-

curing funding in 2010, and tenders related to research and development.

- OTP Bank is an active participant in, and sponsor of, the road show coordinated by apartment building management trade journal “Társasházi Háztartás.” A series of conferences held at some 20 locations around the country offered

attendees a wealth of information related to the management of apartment houses.

- For our Private Banking customers we also hold an annual presentation on the capital market, on strategic investment thinking, and on changes in the market. Similar events were also held in a number of provincial towns.

OTP BANK APARTMENT BUILDING COMPETITION

In 2010, for the second time, we advertised the Apartment Building Competition for apartment houses that have a bank account contract with OTP Bank, to encourage a more attractive and tidy immediate environment, the creation and maintenance of community life, and developments that serve the security of residential buildings and their inhabitants. More than 640 entries were received from various locations in the country. As well as OTP Bank's specialists, the National Association of Apartment Houses and Apartment Building Managers also participated in the judging of entries. In addition to the total net financial assistance of HUF 5 100 000, the three prize-winners in each category received a publication containing legal advice, while the first 500 entrants had an opportunity to attend three of the Association's conferences, and received a trade journal subscription.

🕒 **In 2010 the competition was once again coordinated via the www.hazforum.hu website, and ensuring that this site remained active after the period for the submission of entries represents an additional task for us.**

A more convenient service

Besides doing business honestly and fairly, we aim to provide our customers with the most convenient and pleasant service we can. Many of our projects with this purpose were completed or launched in previous years. Accessibility is an important strength of the OTP Group. Modernising the network of 1,589 branches is an ongoing task, with 5% of the branches typically completed every year. The size of the branch network is proportionate to market share; in several countries members of the Bank Group have the highest number of branches in their respective markets (Hungary, Bulgaria and Montenegro). We constantly encourage our customers to make use of electronic channels, by working to make them as user-friendly as possible.

- At OTP Bank we have increased the number of branches equipped with intelligent, easy-to-use touch screen queue management terminals. In certain cases there is also an opportunity for the customer to be served by a dedicated relationship manager. The new queue management terminals are available in 90 branches, a figure that 🕒 **we plan to increase to 220 by the end of 2011.**
- We are constantly increasing the number of “advisor” positions within the OTP Group, to ensure a more convenient service and greater discretion.

🕒 **An objective for 2011 is – initially in a pilot scheme – to provide our customers with advice and information related to non-financial matters (e.g. drawing the attention of prospective home buyers to the importance of energy efficiency, offering concrete ideas and suggestions, and informing customers about the compulsory administrative tasks related to a home purchase).**

- In the course of the barrier-free conversion of branches, at group level we proceed in compliance with the statutory provisions, and in the case of new branches and branch renovations we always use barrier-free solutions. Currently 85% of OTP Bank's branch network is barrier-free, a figure that is close to 40% for the Bank Group as a whole.
- As a part of OTP Bank's volunteering program, one of the teams attended a basic sign-language course, supplemented with the basic signing skills related to banking. The use of sign language has been introduced in a pilot scheme at the Győr branch, making it easier for deaf customers to manage their finances.
- Encouraged by the positive experience of previous years, we fitted out children's areas in a further 50 branches of OTP Bank, and re-

duced the size of the play areas so they can now be created in the smaller branches too. Play areas can be found in a total of 116 branches of OTP Bank (almost 30%), and 42 branches of OTP Bank Romania (40%).

🕒 **In 2011 OTP Bank plans to establish the new type of children's area in a further 105 of its branches.**

Besides the physical conversion of the branches, we introduced numerous other innovations to show our customers that they come first.

- A key achievement in 2010 was the comprehensive introduction, at OTP Bank, of a new customer service model for micro and small enterprises. Previous research has clearly shown that although these business are prepared to make use of standardised products similar to those offered in the retail market, it is important for them to receive a personal service, outside the branch if needs be, and they prefer to receive information in the form of consultations regarding a number of banking products. The automation and provision of support for administrative tasks had already begun in 2009, to enable our staff to concentrate as much as possible on the customer, and we launched the new customer service model together with these measures. In parallel to this, a team of relationship managers was set up to provide service outside the branch, further improvements were made to branch operation and service, and the branch processes were simplified and speeded up. The pilot scheme launched at the end of 2009 was successful, and the new model has begun to be rolled out across the coun-



try. Teams of mobile relationship managers, a total of 35 employees countrywide ensuring a presence in every region, were selected and carefully trained, and the branches were also reconfigured. A number of developments were made to ease the work of the mobile relationship managers, such as the implementation of IT functions that support customer referrals and the tracking of work schedules. Our customers have welcomed our new approach as a step change in quality, and have expressed their satisfaction with the work of the relationship managers. 🕒 **In 2011 we are working to develop the system further, and to provide even more effective back-office support for the work of the relationship managers.**

- In what we see as an important achievement, we successfully reduced the approval time for simple loans to five days for retail customers, and three days for micro and small enterprises.
- A program for the development of customer relations at the commercial banking centres serving corporate customers was also launched in 2009. In 2010 we rescheduled and intensified customer relationship management, and we are assisting our relationship managers in their work through the provision of background information and guidance.
- We launched a project for the development of after-sales processes, in relation to which branch processes were reviewed from the customer's perspective, and the centralisation of complex processes began in 2010.

OTP FORUM PROGRAM

In response to the accelerated pace of change, in the interest of providing more effective, more convenient and easier-to-use banking services, in September 2010 we launched the OTP Forum Program. Our aim was to involve the general public and independent specialists in the development of banking services. The first project in the program was a competition that we ran for students at the Budapest University of Technology, in which they were invited to develop iPhone apps. Almost 100 entries were received, and were evaluated by a panel of judges based on the feasibility and originality of the concepts, and the thoroughness with which they had been developed. Each of the entries in the top three took a different approach: one presented a versatile mobile banking application incorporating high-quality security solutions, another placed the emphasis on convenience functions, while the other entry was a bar code-based bank payment method. The excellence of the entrants' work is demonstrated by the fact that we awarded an additional special prize, in addition to those originally planned. The almost astonishingly positive results of the program more than justify its future continuation.

➤ For more details of the program, see: <https://www.otpbank.hu/portal/hu/Rolunk/OTPFForum>

- On occasion we also involve a **broad cross-section** of our employees in the development of new services; we make the service or product available to them prior to the market launch, or in the initial period, in return for which we expect constructive feedback.
 - **Electronic bank statements** are available to all our customers, and this option is increasingly popular among our retail customers. The number of electronic statements at OTP Bank increased by 45% in 2010 in comparison to the previous year, with **530 000** customers having made use of this opportunity at the end of the year. Our corporate customers have had the opportunity to request electronic bank statements since the end of 2009. For companies, the authenticated electronic statements often replaced several paper-based statements every month, which makes them significantly easier to handle. The number of customers opting out of receiving paper-based statements is constantly growing, and by the end of last year our customers had requested e-statements related to 8 000 corporate bank accounts. As an incentive to request electronic statements, we offer them free of charge or at a discounted fee. They are available at all members of the OTP Group where the statutory provisions allow.
 - We previously launched a program to **balance out the workload at bank branches**. We have changed the opening hours, and in the branches we warn our customers of which days we expect to be busy, and offer the opportunity to make appointments in advance, to ensure a stress-free service with no waiting in line. In 2010 we contacted 747 000 customers and offered them this opportunity for a more convenient service.
 - For customers who wish to close their account temporarily for financial reasons, we offer **free account suspension** for up to 24 months, during which time any unexpected incoming payments continue to be credited, and the account can easily be reactivated.
- Even with all our developments and achievements so far, we know that we can still do more to provide a customer-centred service, in the interest of gaining our customers' full satisfaction.

To further this goal, **we are establishing separate customer relationship departments for the retail and the micro and small enterprise segments.**

Customer satisfaction

We consider it a key priority to canvass our customers' opinions and gauge their satisfaction, and this feedback serves as the basis for both the development of our processes and services, and for the evaluation of our employees' work. Besides regularly performing satisfaction and quality-of-service surveys, we are constantly developing the methods for doing so, in the interest of achieving more accurate results.

At OTP Bank, in 2009, we introduced the **Service Quality Measurement System**, which went into regular operation in 2010. The system measures levels of satisfaction with the branches and branch customer service, revealing the opinions of customers with regard to specific cases. In 2010 we canvassed the opinions of more than 25 000 customers. In our experience the new measurement system reflects the actual results achieved: correlations can be found between the customers' opinions and sales results. We evaluate performance in a branch-by-branch breakdown, while also determining the directions for development. To ensure that the results of measurements can be linked to the evaluation of employees' performance, we need to use indicators that not only provide information, but which also lend themselves to improvement. **In 2011 performance appraisals will be linked to the results of the Service Quality Measurement System, and we are planning to extend the system to measure the quality of the various banking channels (e.g. OTP Direkt, call centre). Introduction of the full system at the foreign subsidiaries will be possible once all the aspects of its application have been tried and tested in Hungary.**

Because of its broader survey sample and the information it yields about our competitors' performance, OTP Bank continues to conduct a **global satisfaction survey, among a sample of 1 800 persons, twice a year. The satisfaction of the customers of all six banks covered by the survey improved in 2010 in comparison to the previous**

year, which reflects the fact that the general animosity previously felt towards banks is subsiding. This tendency also applies in the case of OTP Bank, as we achieved an improvement in almost every area, with a significant change of 3-4 percentage points observed primarily with respect to our terms and conditions and in-branch customer service. Over the past year and a half, in terms of the simplicity of use of the internet bank and tel-e-bank, we successfully closed the gap between us and our competitors. However, several areas remain in which OTP Bank is perceived as lagging behind its competitors: telebank and branch waiting times need to be improved; the interest and yields on savings are also perceived as being less favourable than those of its peers. With regard to achieving a uniform standard of service, we view it as positive that there are no significant differences between the regions.

The members of the Bank Group apply different practices for canvassing their customers' opinions. In the case of OTP Real Estate Zrt. and OTP Travel Kft. – due to the nature of their operations – the categories examined also differ profoundly; at the same time, the satisfaction of OTP Real Estate Zrt.'s customers has been outstanding for many years, and in 2010 was 88-94%. In 2010 the foreign subsidiaries did not conduct their own satisfaction survey, but they did participate in the mystery shopping surveys performed at group level using a standard methodology. (Our Serbian and Montenegrin subsidiaries did not take part in the survey.) In the course of the **test purchases** we focus on how the customer service staff apply the prescribed standards in the course of the sales process. We conduct the mystery shopping survey using a standard methodology across the region, and examine the entire sales process. Among the subprocesses examined, the needs assessment and customer handling are the most closely associated with responsible customer service. In 2010 mystery shopping was not carried out at the Serbian and Montenegrin subsidiary banks.

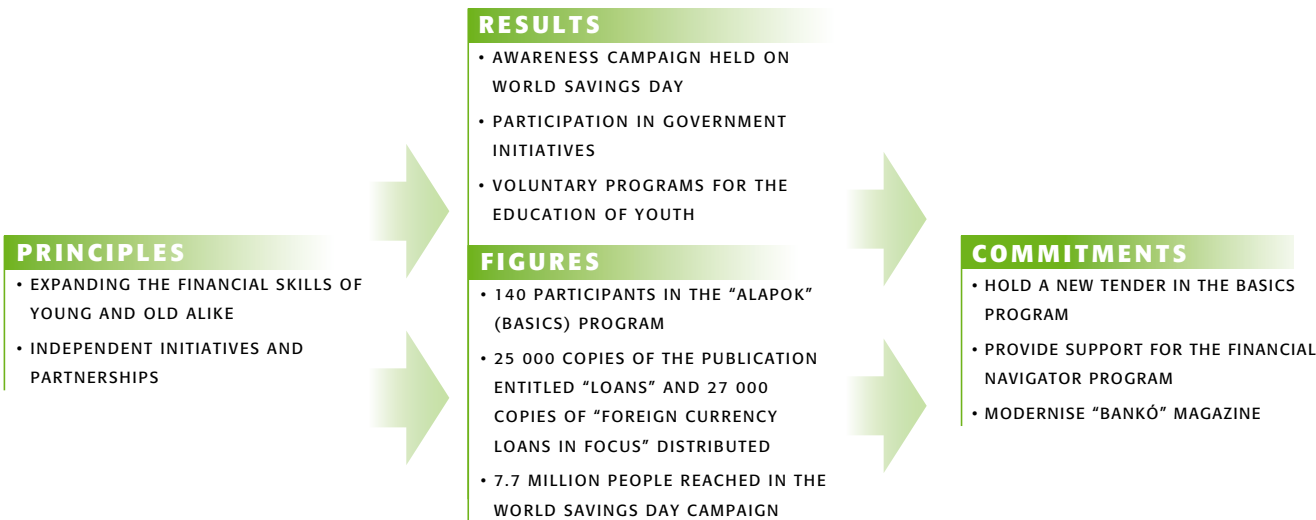
In a comparison with our competitors from the region, in 2010 the OTP Group achieved a middling (67%) result, which was nevertheless on a par with most of the other bank groups surveyed, and its performance improved as the year progressed.

The Bank Group's performance is more consistent at regional level than that of its competitors. The Croatian, Hungarian and Slovak banks improved their competitiveness relative to their competitors, while the performance of the Croatian, Ukrainian, Russian and Romanian subsidiary banks exceeds the average of their local competitors. Within the Bank Group, on average Hungary achieved the best result (70%), followed by Bulgaria and Croatia, both with the same score. The Romanian and Russian subsidiaries have the greatest need for a general improvement in the quality of sales work. At group level, the needs assessment remained at the same level as in the second half of 2009, **which indicates that this is the area most in need of future development.**

The most thorough needs assessments are performed in Hungary and Romania, while Ukraine and Russian leave the most room for improvement. The Croatian and Romanian subsidiary banks achieved the greatest improvement in performance relative to the previous year, but with the exception of the Bulgarian DSK Bank, progress was made everywhere. The Croatian, Romanian and Russian subsidiary banks displayed above-average performance in terms of their needs assessment work. In a positive development, the score for information provision improved by three percentage points in comparison to the previous year, with the Russia and Hungary showing the best performance, and Ukraine lagging farthest behind in this respect. Against the backdrop of a general improvement in the performance of the Bank Group as a whole, the Croatian and Romanian subsidiary banks achieved the greatest improvements in terms of the provision of information. Besides these two banks, the Russian and Ukrainian subsidiaries also exceeded the competitors' average. Of the sales skills examined, customer management was performed to the highest standard (80%) at group level, with the Ukrainian and the Slovak subsidiary banks achieving particularly notable results. The Bulgarian and Slovak subsidiaries displayed the greatest improvement in this area, but it is also noteworthy that the result of the Croatian subsidiary was 6 percentage points, and that of our Russian bank 25 percentage points better than the competitors' average.



4.3 Developing financial literacy



Principles

Developing financial literacy is an objective that we pursue in all countries where the OTP Group operates. It is easier for us to offer the appropriate banking services to a well-informed customer who is capable of properly weighing up the consequences of his or her decision; there is less scope for misunderstanding, and a higher potential for customer satisfaction. According to research, the financial skills of the general public are rudimentary, and typically a relatively small part of the population manage their finances deliberately and carefully, and few are prepared for any temporary worsening of their financial situation (e.g. due to unemployment). The burden of responsibility on the banks and the OTP Group is growing, however, since – according to a survey conducted

in Hungary by the Pénziránytű (Financial Compass) Foundation – the information received from the financial service provider is a prime factor influencing the use of financial products and services. Customers make their decisions primarily based on the information provided by bank staff, and secondarily based on the information materials available in the branch or on the internet. (Besides the above, the choice also tends to be influenced by the recommendations of friends and acquaintances.) Earlier in the report we described our efforts to provide customers with information that is appropriate given their financial awareness and requirements, while in this section we present the initiatives and programs promoting an improvement in general financial literacy.



Actions and results

The OTP Fáy András Foundation

The OTP Fáy András Foundation fulfils a key role in our activities performed in the interest of improving financial skills. The Basics Program, which provides training in economic, financial and career management skills, benefited secondary school students in Békés and Pest Counties in 2010. A total of 140 people took part in the two-day, tender-based program in 2010, and since its launch in 2006 some 1 200 students have received training under the scheme. As a result of the program’s expansion, which took place from 2009 onwards, in 2010 a total of 34 teachers – who had participated in the adult training course run under the Basics Program – passed on the skills they had learned to their own students at 27 educational institutions. In 2011 we are inviting applications from more teachers who wish to attend the training course.

We advertised a media competition in 2011 under the name of “Fáy Reloaded”, in which we awarded prizes in a total value of HUF 1.5 million to talented students in secondary and higher education. The themes that we specified in the competition, which were related to the economy and finance, clearly inspired the young entrants, who dealt with the issues in ways that were new and original even to us. The judging panel awarded prizes to 14 of the 37 entries received. In addition to this, six entrants received non-cash prizes based on the votes of the public.

We believe that we can most effectively reach out to young people through their fellow students, which is why we cooperate at a number of levels with the student journalists’ association, the DUE Media Network. We support the vocational training of young journalists, and in return we ask them to translate certain articles into the language of today’s youth.

(For details of the Foundation’s other activities, see section 5.4.)

The Foundation’s website: <http://otpfayalapitvany.hu>

The OTP Group’s other initiatives to promote financial literacy

OTP Bank has traditionally felt under obligation to draw the population’s attention, on World Savings Day, to the responsible management of finances, and the importance of saving money. In 2010, besides developing a separate savings product (section 4.1), we made an effort to reach as many people as possible with a wide-ranging communication campaign. For this purpose we organised a nationwide, week-long campaign, imparting the message of the importance of saving in a comprehensible and direct form.

– In collaboration with one of Hungary’s leading commercial radio stations we organised the OTP “Gazdálkodj Okosan” quiz (based on a popular financially-themed board game).
– We published articles on the importance of saving in widely read newspapers, and launched a quiz competition.

– Deputy CEO Antál Kovács gave interviews, primarily to the business and financial media.
– We timed the announcement of the tender held as a part of the OTP Fáy András Foundation’s Basics Program to coincide with World Savings Day. As a result of the campaign we reached around 7.7 million people in the various target groups.

Employees of several members of the OTP Group contact schools and offer to hold one-hour lessons for secondary school students, primarily with a focus on financial awareness. Just one example: as a part of OTP Bank’s volunteering program our employees gave the residents of a children’s home a fun and entertaining presentation on money and how to manage it responsibly.

Our plans include modernising “Bankó” magazine, which is available in branches of OTP Bank and via the website, expanding the range of general financial and money management information that it contains.

The Ukrainian JSC OTP Bank was exclusive sponsor of the “Path to Life” event, held to collect money in support of financial education. The Serbian OTP banka Srbija, as a part of the 2010 “Night of Museums” program, held an exhibition entitled “The History of Paper Money in Serbia” in one of its branches.

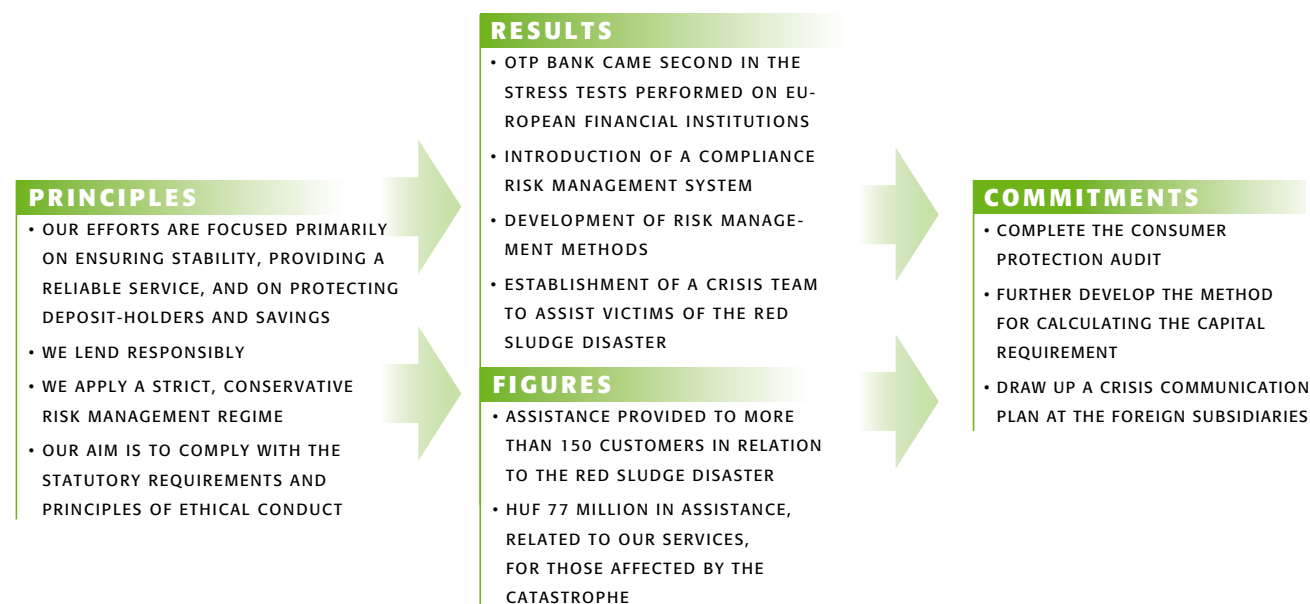
Participation in state-backed initiatives

OTP Bank participates in the programs serving to improve financial literacy, realised on the initiative of the National Bank of Hungary and publishing house Sanoma Kiadó. The information brochure entitled "Loans" was available in our branches, primarily to assist young people by giving them plain facts related to financial services. We printed a total of 25 000 copies of the brochure. We made available in our branches a total of 27 000 copies of the HFSA's publication entitled "Foreign Currency Loans in Focus", which contains information on consumer goods loans.

☞ We will support the Financial Navigator Program being launched in 2011, which tar-

gets a broad section of the population in a 15-month series of campaigns. We consider it important for all participants in the bank sector to work together to implement these initiatives. The Croatian Banking Association, in conjunction with the leading banks, regularly holds workshops for the general public in Croatian towns, providing assistance related to the management of personal finances, and to savings and investments. The Croatian subsidiary OTP banka Hrvatska has participated in the program from the outset, and the Bank's employees are among the speakers at the events.

4.4 The fundamentals of responsible banking



Principles

In the interests of long-term stability, a reliable service and the protection of our customers' interests – to uphold the above principles in relation to banking products and customer service – we enforce strict security and risk management principles. The practical application

of these principles needs to be regulated and controlled, and the Bank Group treats this as a priority. Besides protecting its own economic interests, the OTP Group regards risk management as one of its obligations towards society. Our traditionally conservative risk management principles and practices are consistent throughout the Bank Group.



We regard ethical business conduct as our moral duty, but it is also an expectation that is imposed on us from outside. We expect our employees to comply fully with the Code of Ethics. We familiarise our employees with the Code of Ethics, and regularly monitor the steps taken to prevent and eliminate conflicts of interest. Legal compliance is of fundamental importance to the OTP Group, and we consistently strive to meet the strictest possible requirements in all countries where the Bank Group does business. Our role in the market also motivates us to fulfil the changing statutory requirements, and to correctly interpret the laws, within the shortest possible time. We join agreements that facilitate ethically sound operation.

Actions and results

Compliance

In past years, with respect to the operation of banks and the regulation of their operations, consumer and customer protection issues have increasingly come to the fore. The various statutory obligations have been fully incorporated into internal processes at the Bank Group. Our customer service staff have a key role in implementing this, which is why we place particular emphasis on their training and preparation in this regard. In conjunction with the International Training Centre for Bankers we have launched a comprehensive consumer protection audit at OTP Bank, examining the suitability of regulations, the extent to which they are complied with, the training of customer service staff and the competence of our employees. ☞ Implementation of the resulting recommendations and proposed developments is scheduled to take place in 2011.

In response to changes in our statutory obligations, we developed our methods for the prevention and avoidance of money laundering and the financing of terrorism, making the procedures for screening out suspicious transactions more secure – by using lists, identifying typical habits, and training our customer service staff. The Bank Group's operation is strictly regulated. Compliance with regulations, and the execution of orders, is controlled and monitored by management, and audited by the Internal Audit department.

With regard to these issues we have what can be regarded as a highly developed corporate culture. The internal auditing schedules are approved at the highest level, by the Supervisory Board, which receives a quarterly report on the progress of internal audits. To ensure the objectivity of the audits, they are always performed by two persons, and we rule out the possibility of conflicts of interest in every respect. In addition to the corporate culture and the strict regulations, the motivation of our internal auditors is also boosted by their career model, which affords them excellent prospects for professional advancement. The internal auditors, throughout the group, work under a Professional Code of Ethics that is stricter than the general banking Code of Ethics. In the course of the internal audit special importance is accorded to the procedures for handling and protecting data and information. Besides ensuring compliance with the rules, our aim is also to improve the effectiveness of the regulations. The compliance risk management system was comprehensively introduced in 2010, and also extended to most of our subsidiaries. ☞ A task remaining in 2011 is to bring the smaller companies into the system. With our risk management system, we are constantly working to improve our ability to detect existing risks and identify potential new ones, and we typically manage identified risks through regulations or the implementation of controls.

Risk management

The Bank Group's guiding principles and basic practices related to risk management did not change last year, but we did refine the existing methods in every area. The crisis has brought the importance of risk management into sharp focus. For more details of our risk management practices, set:

➤ <https://www.otpbank.hu/portal/hu/Rolunk>

Lending plays an important part in the restarting of economic growth; however, it is just as important to ensure that access to financing is only granted to customers who are capable of repaying the loans. To this end, in the course of 2010 we refined our credit authorisation processes and databases, and closely monitored the latest macroeconomic trends. (The borrower protection program for our customers with payment difficulties is described in section 4.1.)

The OTP Group only wishes to do business with customers who engage in transparent business management and operations. We do not accept loan applications for purposes that constitute breaches of the law or criminal acts, and we do check compliance with statutory regulations and possession of the necessary permits. When placing loans, in every case the OTP Group checks for compliance with the environmental laws, typically with the assistance of an external consultant, and also complies with the expectations of the international institutions (e.g. EBRD, EIB) in this regard. (The latter expectations are not usually stricter than the Hungarian statutory requirements.) In addition to the above, the ISO 26000 audit has revealed further potential for improvements in relation to the investigation and reporting of the environmental and social impact of our services.

With respect to **operational risks**, in 2010 the impacts of the social crisis that followed on from the economic crisis were still dominant, with instances of fraud representing the most typical problem. Besides external fraud, at certain subsidiaries (the Ukrainian and Romanian banks) the incidence of insider fraud also rose, and we treated the detection, penalisation and prevention of this as a priority. We also drew up a plan for the elimination of typical problems arising from oversights on the part of customer service staff.

The Bank Group is constantly developing its methods for managing operational risk. As a result of the work of previous years **we now apply the standardised approach** determining the



minimum capital requirement for operational risk. (The capital requirement provides coverage for expected and unexpected losses.) Last year the HFSA approved our methodology, under which we deploy various risk management tools (loss data gathering, self assessment, etc.) in the interest of reducing operational risks or preventing them from materialising. We have passed an important milestone in that the gathering of loss data is now comprehensive at group level, and the quality of the data has improved considerably. In the second half of the year we began to develop the system of key risk indicators. The purpose of the indicators is to reduce or forecast the likelihood of risks materialising. With the encouragement of the HFSA, we are already preparing for the next stage: introduction of the advanced



measurement approach. Besides making the necessary preparations for the statistical analysis, another challenge is that we will also need to be capable of evaluating non-quantifiable events. As planned, we reworked our **Business Continuity Planning method**, examining whether the previously identified processes are still the critical ones. We have developed a manual and regulations for the handling of unexpected events, which provide a framework within which the subsidiaries can elaborate their own methods. The unfortunate disasters of the past year have focused even more attention to the importance of the **crisis communication** plan drawn up in the summer of 2010. The plan regulates external and internal communication, offers guidance with regard to the applicable procedures, and indicates areas of responsibility; we help ensure a rapid response to unexpected situations by preparing lists and templates. In 2011 the foreign subsidiaries will set up their own systems.

Helping the victims of the red sludge disaster

Coordination of the processes following the red sludge disaster, which were not in every case geared to dealing with the emergency situation, was immediately taken over in person by the head of the Credit Approval and Risk Management Division, Dr István Gresa. From that point on, action could only be taken with his knowledge. To handle the situation, which demanded a sympathetic approach and complex solutions, we set up a crisis team with the participation of a wide range of the Bank's specialist departments, from the Retail Division through the training department of the Human Resources Directorate. The members of the working group worked in exceptionally close cooperation with each other; we updated the task list on a daily basis, and placed special emphasis on external and internal communication, and its regulation. Due to their personal involvement, the on-site negotiation team did not consist of local employees. Our colleagues attended a four-day training course to prepare them for dealing with the sensitive situation. Temporarily, we granted payment easing to all customers with loans in the region. In November



2010 we waived the repayment instalments; for five months we did not charge default interest on arrears that had arisen earlier; the automatic reduction of overdraft limits was not carried out until 28 February 2011. We precisely identified the seriously affected customers and those that had not been seriously affected, and

- separately drew the attention of customers not affected by the disaster to the options available to them under the Borrower Protection program in the event of payment difficulties;
- in the case of moderately affected customers we credited the accumulated arrears and took over the loan repayments for a further three months;
- we waived the entire debt of seriously affected customers. (We did not have any customers whose house had been completely swept away by the sludge.)

The affected customers were dealt with by a five-strong team of dedicated customer relationship managers who, working on-site using a laptop computer or in a special room set aside in the local branches, assisted the customers using a simplified procedure. We set ourselves the objective of resolving the situation reassuringly for all concerned by Christmas, a goal that was achieved on 22 December.

We resolved the situation of a total of 68 seriously, and around 100 moderately/lightly, affected customers; the payment easing measures and waiving of loan debts entailed a HUF 77 million expense for the Bank. (The HUF 100 million in donations and other assistance that we provided is detailed in section 5.4.) Our customers took an unequivocally positive view of our procedure and conduct.

For our bank security principles, see:

➤ <https://www.otpbank.hu/portal/hu/Rolunk>
(under development)

"THE OTP GROUP HAS A PRESENCE IN 9 COUNTRIES AND AT THE END OF 2010 EMPLOYED 38 292 PEOPLE, WHICH CARRIES A WEIGHTY RESPONSIBILITY."

5.1 Our employees

PRINCIPLES

- RESPECT FOR OUR EMPLOYEES
- MAINTAINING THE COMMITMENT OF OUR EMPLOYEES
- CONSTANT DEVELOPMENT OF OUR EMPLOYEES
- PERFORMANCE-BASED, EQUITABLE REMUNERATION
- STRENGTHENING INTERNAL COMMUNICATION
- HELPING OUR EMPLOYEES TO STAY HEALTHY

RESULTS

- OTP BANK'S MEDIUM-TERM HR STRATEGY IS READY
- THE SATISFACTION OF OTP BANK'S EMPLOYEES HAS IMPROVED
- STAFF TURNOVER HAS DECREASED
- LAUNCH OF THE MENTORING PROGRAM
- FURTHER REFINEMENT OF THE TALENT MANAGEMENT PROGRAM
- INTRODUCTION OF THE WORK SCHEDULE PLANNING MODEL IN THE BRANCH NETWORK
- "NEW SAYINGS TO LIVE AND WORK BY" INTERNAL COMMUNICATION CAMPAIGN

FIGURES

- 38 292 EMPLOYEES
- 73% OF EMPLOYEES ARE FEMALE
- 62% OF EMPLOYEES ARE UNDER THE AGE OF 35
- 7% OF EMPLOYEES ARE ABSENT DUE TO CHILDCARE
- HUF 853 MILLION SPENT ON TRAINING
- 110 ACTIVE MENTORS
- 300 PARTICIPANTS IN THE TALENT MANAGEMENT PROGRAM
- 347 STUDENT INTERNS

COMMITMENTS

- RAISE THE SATISFACTION OF OUR EMPLOYEES
- REDUCE THE WORKLOAD OF BRANCH STAFF
- LAUNCH TRAINING PROGRAMS AIMED AT DEVELOPING A CUSTOMER-ORIENTED CORPORATE CULTURE, IMPLEMENT SCHOLARSHIP PROGRAMS
- EXPAND THE TOOLS FOR KNOWLEDGE SHARING WITHIN THE ORGANISATION
- FURTHER REFINE THE SYSTEM FOR NON-FINANCIAL RECOGNITION
- LAUNCH OTP MAGAZINE

Principles



We regard building up and retaining a talented and committed workforce as being of primary importance.

The OTP Group, while retaining traditional organisational values, is people-centred, and it seeks to develop a corporate culture that is supportive of cooperation and innovation, in which the employees represent the greatest asset. The first step in securing the loyalty of our employees is for them to identify with our values and corporate culture. In the interests of motivating our employees we prioritise the development of professional and in-

terpersonal skills, and the provision of fair, performance-linked remuneration and career opportunities. Ensuring a suitable working environment, and paying attention to ergonomic considerations, not only serves to protect the health of our employees, but also reflects the respect that we have for them and is an important part of creating a pleasant working atmosphere. Effective internal communication is an essential prerequisite for professional operation, besides being one of the means of building a close-knit community. Our aim is to engage our employees and encourage them to give feedback and share their suggestions.

Actions and results

The OTP Group's employees in figures

The OTP Group has a presence in 9 countries and at the end of 2010 employed 38 292 people, which carries a weighty responsibility. The employee headcount is closely correlated to economic activity; the stabilisation of the macroeconomic environment in 2010, and the tangible subsidence of the crisis, is also reflected in staff numbers. Last year the statistical employee headcount fell by 2%; however, this was not distributed evenly across the individual companies. The 6-10% reductions in staff numbers at the Montenegrin, Slovak and Serbian subsidiary banks were justified by market circumstances; the relatively small size of the companies meant that in total this

only affected around 160 persons. More extensive staff downsizing (15%) was necessary at the Ukrainian subsidiary, where branch closures also took place. We proceeded responsibly when determining who was to be affected by the headcount reduction, and where capacity requirements decreased we gave preference to solutions involving part-time employment.

At the other members of the Bank Group the number of employees remained stable, while OTP Bank Russia actually saw a considerable (22%) increase in the number of its staff. In Russia, in line with the standard practice in that market, around 50% of employees – 9 000 persons – work part-time for less than 60 hours a month.

Employee headcount data (number of persons, 31 December 2010)

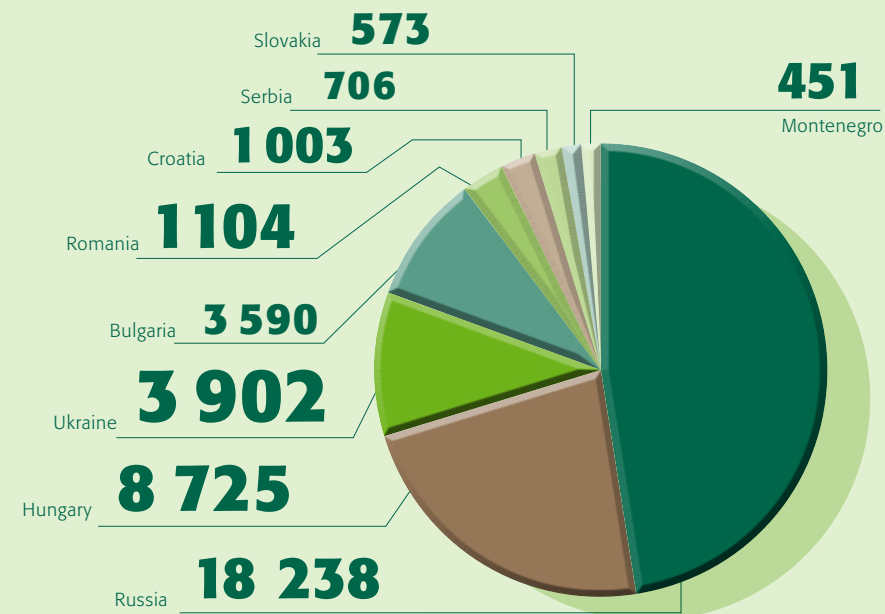
	OTP Bank		OTP Group	
	2009	2010	2009	2010
Full-time	6 586	6 575	27 996	27 612
Part-time, over 60 hours a month	1 166	1 175	1 665	1 520
Total statistical headcount	7 752	7 750	29 661	29 132
Part-time, under 60 hours a month	68	50	6 264	9 160
Total number of employees	7 820	7 800	35 925	38 292
Percentage of employees with a fixed-term employment contract	6%	6%	9%*	5%

* The data stated in the 2009 report has been corrected, since the previous data was incorrect due to the inaccuracy of data gathering.



In the Bank Group as a whole, an average of around 60% of employees work in the branch networks, while 40% work at the central offices. The largest employer in the OTP Group is OTP Bank Russia. Almost 33% of the full-time employees work at this subsidiary, while a further 27% are employed at members of the OTP Group in Hungary.

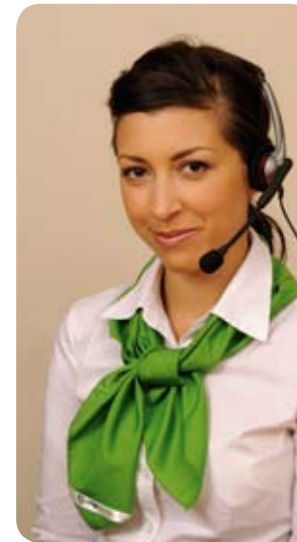
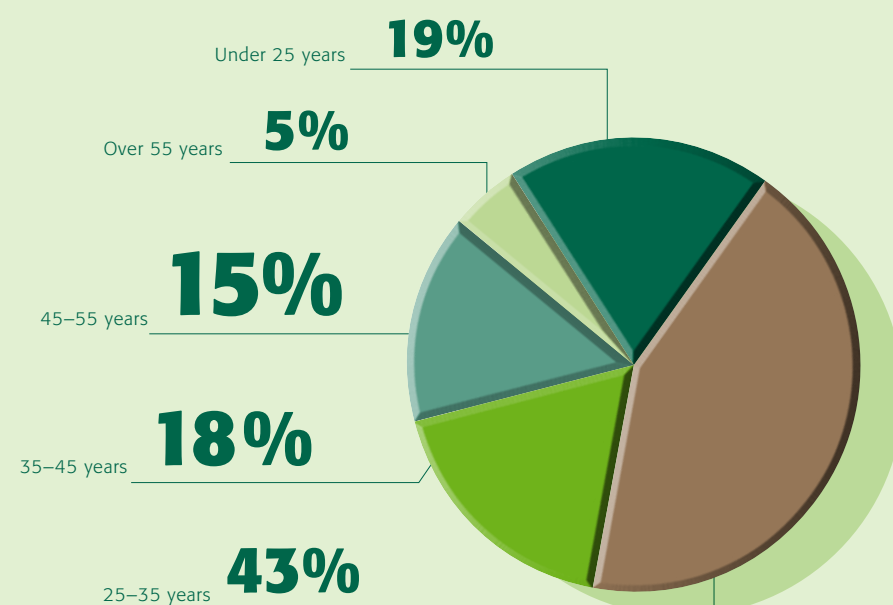
Distribution of employee numbers by country (number of persons, 31 December 2010)



The distribution of employees by gender and age was almost the same as in the previous year; the percentage of employees under the age of 35 was 62%, although there are significant differences between the group members. The Russian, Ukrainian

and Romanian subsidiaries have a great many young employees, while the number of workers in the older age group is higher than average at the Bulgarian DSK Bank, the Croatian OTP banka Hrvatska, and the members of the OTP Group in Hungary.

Distribution of employees by age, OTP Group 2010



Owing to the nature of our activities almost three quarters of our employees are female; however, the proportion of women in middle and senior management is only 61% and 29% respectively at group level. Owing to the high number of female employees it is important to mention employees who are on long-term maternity leave, the proportion of which was 7% in 2010, while 460 employees worked while claiming childcare assistance. (This is not permitted under the laws of every country.) The number of employees with disabilities remained essentially unchanged in 2010, with 335 such persons working at the OTP Group, typically in non-management roles. The ISO 26000 audit also showed that equal opportunities for employees is one of the areas where there is further scope for improvement, primarily through the employment of people with disabilities and the adoption of flexible working regimes. We are prioritising this issue in OTP Bank's medium-term HR strategy.

A great many students and career starters work within the OTP Group, primarily at OTP Bank and DSK Bank, and last year 462 interns gained work experience and 202 new employees began their careers at the Bank Group. Proportionately, the highest number of career starters work at the Montenegrin CKB Bank, where they make up 10% of the workforce.

More employee statistics are given in the Annex. Staff turnover fell considerably in comparison to the previous year. At the OTP Group the percentage of employees leaving the group was 12.6%, and at OTP Bank it was 9.5%. Although the majority of group members saw a decline in staff turnover, the proportion of employees leaving increased at the Bulgarian DSK Bank, OTP Bank Russia and the Ukrainian JSC OTP Bank, where the headcount reductions described earlier took

place. The Russian subsidiary bank is in a special situation due to the fact that in Moscow the average length of time spent at one employer is significantly lower (1.5-2 years) than in other countries, and as a consequence the rate of staff turnover at the Bank is typically higher. The decrease in staff turnover is related to the almost complete halting of involuntary layoffs. Our aim is to retain talented employees, which is why at group level we strive to reduce staff turnover, although we do consider a certain rate of employee replacement to be healthy in terms of maintaining organisational flexibility. More detailed staff turnover data is given in the Annex.

In 2010 it was not necessary to launch outplacement programs to provide organised job hunting support for leaving employees. In a positive practice, besides OTP Bank several of its subsidiaries in Hungary – the pension and healthcare funds³ and the Merkantil Group – are attempting, through training and counselling, to help employees coming up to retirement age to make the transition to a work-free life.

HR strategy

OTP Bank's human resource strategy, drawn up in 2010, defined six main focus areas in the interest of supporting business objectives:

- Establishment of a customer-oriented corporate and management culture, in relation to which we plan to develop the skills of customer service staff, as well as to carry out the expansion and organised transfer of management skills.
- We wish to improve OTP Bank's standing as an employer, by running scholarship and internship programs and by supporting professional competitions, among other measures.

We are proud to report that, not for the first time, OTP Bank was found to be among the 30 best companies to work for in the KarrierStart TOP30 survey conducted by Figyelő magazine and consulting firm Hewitt. The list contains the companies most attractive to career starters in 11 sectors of the economy, and was compiled based on opinions canvassed from 36 000 career starters, and on a survey of employers in Hungary.

³ OTP Healthcare Fund, OTP Voluntary Pension Fund, OTP Private Pension Fund, OTP Fund Services



- Our aim is to develop organisational flexibility and efficiency, for example by overhauling internal communication, or promoting atypical forms of employment, which require careful preparation and pose a considerable challenge. The necessary frameworks and requirements, and the solutions that are workable in the different areas of the Bank, are being introduced on an ongoing basis.
- A people-centred approach and opportunities for self-fulfilment were among the most important requirements revealed in the employee satisfaction survey, and we plan to respond to this by broadening the career management program and expanding the system of non-financial recognition.
- We intend to develop the performance appraisal and remuneration system, placing a greater emphasis on the assessment of competencies related to producing high quality work.
- Within the group-level HR management system we treat purposeful succession planning, and applying the tools and processes supporting the sharing of information and skills within the group, as key areas.

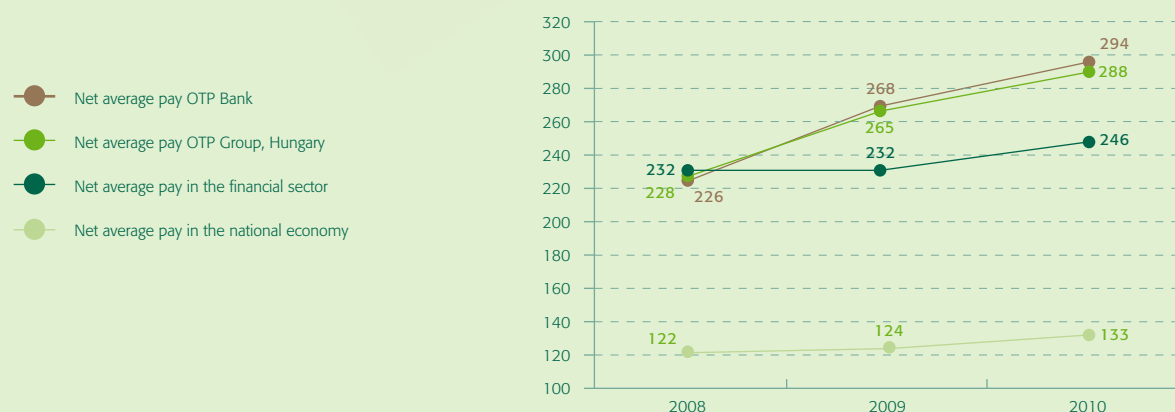
Recognising performance, benefits

The fundamental principles of the Bank Group's benefits policy remained unchanged last year; however, in order to comply with EU directives the remuneration of senior management was linked to the organisation's long-term profitability and the management of risks. A part of our em-

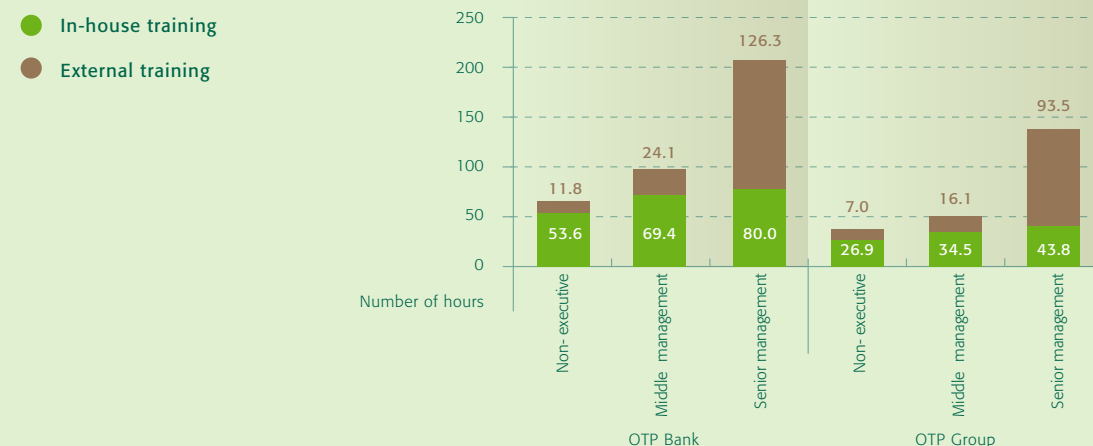
ployees' income continues to be directly linked to measurable performance: last year the proportion of variable-pay elements increased at virtually all the members of the OTP Group. The performance-based part of income amounted to almost 43% at OTP Bank, with the Hungarian and foreign subsidiaries typically applying a lower proportion than this. Evaluation of the performance of branch administrative staff is based on identical principles – in line with customer interests – throughout the group.

The employees' net average income at OTP Bank and the Hungarian subsidiaries is approximately twice the average income in the national economy, and slightly exceeds the income typical in the financial sector. It is primarily at the Hungarian companies that we assist our employees with healthcare fund and pension fund contributions over and above the minimum statutory requirements. At the foreign subsidiaries average net incomes significantly exceed the national average in almost every case – in Ukraine and Romania by a factor of 2.5 – but they do not typically match the average income in the financial sector. The development of real earnings differed markedly from one company to the next – in close correlation with the companies' financial results. A substantial fall in real wages took place at OTP banka Srbija, OTP Bank Romania and at the Merkantil Group, while real salaries rose in the case of JSC OTP Bank and OTP Bank Russia. At the parent company, real wages grew by an average of 4% in comparison to the previous year.

Net average pay, Hungary



Annual hours of training per employee in 2010



Overtime working is typical primarily in the case of branch staff. Aimed at alleviating the problem is the work schedule planning module introduced in 2010, which helps managers to plan employees' working hours more effectively. In our experience, at branches that use the module, the scheduling of work has become more efficient, and a slight reduction in the amount of overtime has been achieved. We expect the rationalisation of branch network processes, planned for the near future, to yield further results in this regard.

Training and education

To ensure a higher standard of customer service and efficient organisational operation, we continue to place great emphasis on the training and preparation of our employees. In the case of our customer service staff, however, it is at least as important to maintain the amount of training within the optimal limits. In the interests of reducing the workload and improving the efficiency of working, in 2010 we held a review to determine the number of training courses held in the branch network and the extent to which they were justified, and based on our findings we increased the time allotted for training in the headcount model. We ensure that branch customer service staff are

well-prepared by providing them with consistent, up-to-date information and segment-specific skills. **We plan to assess the results of the fine-tuned system in 2011.**

The change in the average quantity of training per employee, and the amount spent on training, differed from one group member to the next. At group level the total cost of the training courses rose by approximately 20%, primarily due to expenditure on in-house training courses. The OTP Group spent a total of HUF 853 million on training its employees (excluding OTP Bank Russia). OTP Bank's expenditure accounts for 43% of the total training costs, but at several foreign subsidiary banks the cost per employee exceeds that of the parent company. OTP Bank saw the steepest rise in the quantity of training per employee in comparison to the previous year, with the focus mainly on middle management. In 2010, in addition to the regularly held training courses, a comprehensive educational program was implemented in relation to the application of the Code of Conduct for banks.



MENTOR PROGRAM

Following careful preparation, in 2010 OTP Bank launched its mentor program to assist new employees joining the network. We provided the mentors with several days of training to prepare them for the role, and assisted them in their work by issuing them with a handbook covering both professional and methodological skills. We selected the mentors from among those experienced employees who have proven both their professional and interpersonal skills. In 2010 some 110 active mentors guided new employees through the 12-15-week orientation program. The success of the mentoring program is shown not only by the lower turnover of new employees, but also by the increase in the mentor's level of commitment. We are preparing for further cooperation with the bank training branch operating in the City Centre Regional Vocational Training Centre. ☞ In 2011 we plan to launch our scholarship program, to support students who achieve good academic results.

Career management program

To support the development and advancement of our talented employees, and to keep them motivated, we launched the career management program, which now also operates at regional level. Participating in the OTP Group's regional talent program is a total of 300 of the OTP Group's most talented employees, with whom we held individual career consultations in 2010. The participants have an opportunity to participate in individual and group training courses and skills development programs. The **rotation program**, launched as a part of the talent management program in 2009, continued last year. In 2010, for periods of 3-6 months, employees of five foreign subsidiaries of the Bank Group gained experience in the head office of OTP Bank, while three of our colleagues provided professional support at the Montenegrin CKB Bank. Based on our positive experience, in 2011 we are also involving the Serbian subsidiary bank in the rotation program. ☞ **To support the exchange of professional information related to the talent program, in 2010 we set up an HR portal at group level.** In 2011 we plan to launch a newsletter to keep bank employees regularly updated with the latest information.

Employee satisfaction surveys

A few of the companies in the OTP Group regularly hold satisfaction surveys among employees. In 2010, two years after its last survey, OTP Bank once again canvassed the opinions of its employees. We are happy to report that, based on around 2 000 responses, our colleagues' satisfaction has increased in comparison with 2008.

In the light of the results, in the Bank's medium-term HR strategy we are placing particular emphasis on the development of programs serving to raise the level of employees' commitment. We separately measure the satisfaction of customer service employees with the professional support they receive.

In 2010, besides OTP Bank the Merkantil Group and OTP Banka Hrvatska also conducted satisfaction surveys. The perception of the Croatian bank had improved considerably since the previous year, with more than 80% of the employees expressing their satisfaction with work safety and the working environment, the internal communication culture and the opportunities for training and development. The satisfaction of employees at the Merkantil Group became generally less favourable; but here too the highest scores were given for safety at work, the working environment and the corporate culture. The most profoundly negative change occurred in their perception of the work-life balance. The employees of both companies would like to see improvements in relation to the benefits package.

Internal communication, community building

The **sharing of experience within the group** is performed by the specialist departments on their own initiative and through their own channels. A good example of this is the internal newsletter published by the retail, micro and small enterprise divisions since 2009, and the annual conference held by the subsidiaries' marketing departments. Where necessary – e.g. in the case of Risk Management – such cooperation constitutes a part of the daily routine.

At several of our subsidiaries (OTP banka Hrvatska, OTP Bank Romania, etc.), **based on feedback from employees**, internal communication practices are exemplary. A central feature of the good practices is always the opportunity for employees to express their opinions freely, and the use of programs and platforms aimed at community building that goes beyond the mere exchange of professional information. Last year several of our initiatives were aimed at strengthening internal communication within the parent bank. With our **"New sayings to live and work by"** creative campaign we sought to bring the ethos of corporate social responsibility closer to our employees. Achieving responsible conduct is not a one-off task, but a habit that pervades our day-to-day activities. We sought to communicate this message to our employees effectively, in a direct and entertaining way, which is why we used a series of rhyming modern folk proverbs to draw our employees' attention to the importance of responsible conduct. Our aim is to encourage our staff to participate actively (e.g. volunteering, economy, selective waste collection), as well as to raise their awareness



of corporate social responsibility and the Bank's related activities. ☞ **In 2011 we are also seeking to engage our employees through the holding of games.**

During the year we prepared for the launch of OTP Magazine, which has been available to the employees of OTP Bank and three Hungarian subsidiaries via the intranet system since January 2011. ☞ **The initial feedback regarding the magazine had already been received by the time of writing this report:** our employees like the internal magazine, and the number of views and the size of its readership have exceeded our expectations. The

magazine is an important means of communicating our CSR-related operations to employees, and engaging them in these activities.

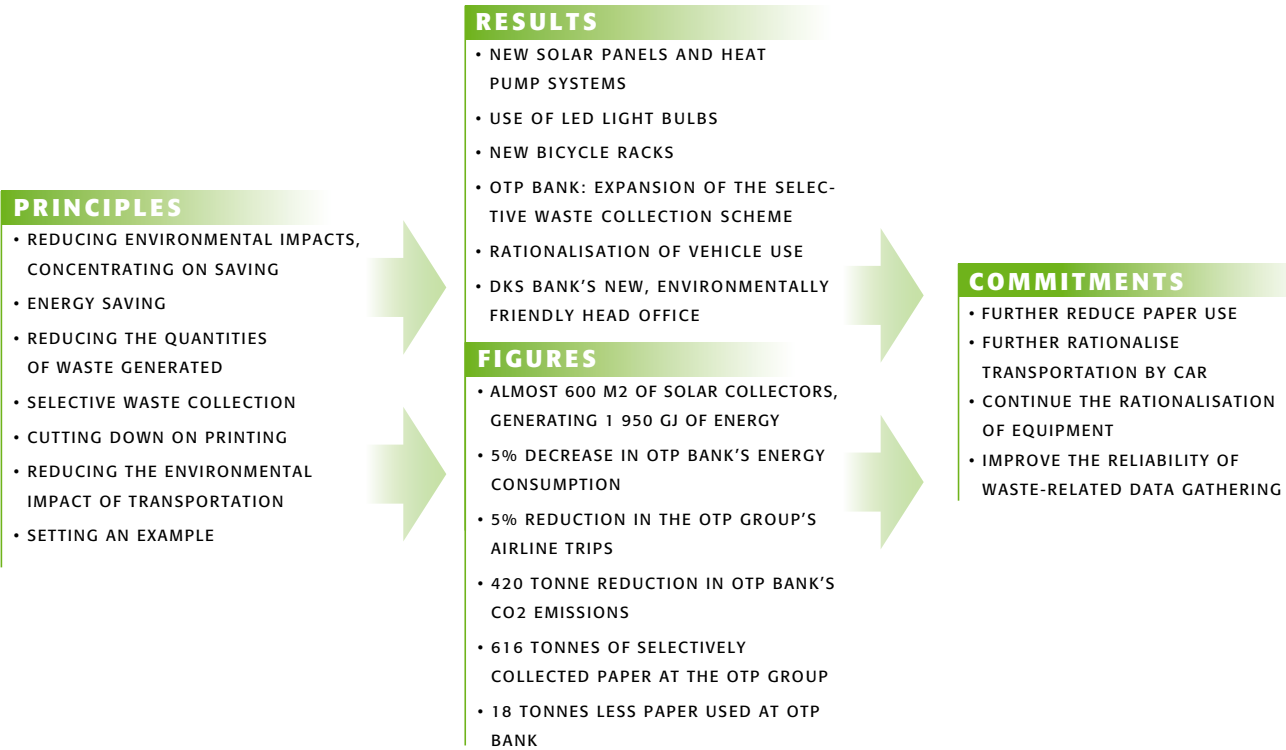
Several tools were introduced in 2010 with the aim of improving professional communication and the efficiency of information transfer, such as the newsletter and weekly summary for customer service staff, and the intranet pages adapted to suit their needs, through the creation of various specialised directories. ☞ **From the beginning of 2011, within the communications section a separate department is being created to develop the communication system within OTP Bank, and to improve the efficiency of information exchange.**

The OTP Group supports its employees **in the establishment of** advocacy organisations. The operation of trade unions complies with the local statutory provisions in all cases. Trade unions operate at only a few of the companies in the Bank Group, and 21% of employees were union members in 2010. More than half of OTP Bank's employees are trade union members. Some 36% of the OTP Group's employees work at a company where a collective bargaining agreement is in effect.

Ensuring a healthy workplace

The OTP Group takes an interest in the health of its employees. Besides creating safe working conditions, we also help our workers to remain healthy by providing them with advice and counselling, medical testing and preferential healthcare services. Each member of the Bank Group provides different services to its employees, while benefits that exceed the statutory minimum continue to be typically provided principally in Hungary, Romania and Hungary. The range of healthcare services provided to our employees remained unchanged in 2010; at the same time, we commenced a workplace stress survey of all employees at OTP Bank. ☞ **We plan to implement the programs for evaluation of the survey results and the management of stress in 2011.** More details regarding the healthcare services and absenteeism statistics are contained in the Annex. We provide our employees with numerous sporting opportunities, and at most of the companies in Hungary discounted vacation facilities are also available. Joint sporting events were organised at virtually all the members of the Bank Group last year.

5.2 For the environment



Principles

Reducing our environmental footprint makes sense not only because of the savings resulting from more restrained consumption, but also due to the finite nature of environmental resources, and the irreversible consequences of environmental pollution and climate change. Although the impacts of a single employee or branch of the OTP Group may not seem significant – being comparable to those of a member of the population, or a household – the size of the Bank Group means that the overall environmental impacts are tangible, and as such we need to address them. The direct environmental impacts of the OTP Group's operation mainly result from the use of water, energy, paper and office equipment, and the emissions that are associated with these:

scrapped equipment, waste management and carbon dioxide. Our efforts are also concentrated in these areas. In several cases the use of environmentally friendly materials is prevented by cost considerations and in others by the technological conditions, which are not always fully in place, so at present we are continuing to focus on making savings and reducing consumption. Through our employees and customers especially, we are in daily contact with a great many people – more than 10 million at group level – and thus our practices inevitably shape attitudes and serve as an example. We do all we can to meet this responsibility and make the most of the opportunity it presents, by putting in place the conditions for environmentally aware conduct, and through our own activities, suggestions and ideas.



Actions and results

Resources used

The majority of the OTP Group's employees perform their work in a total of 1 589 branches, but the central offices also employ more than 10 000 people, and provide the Bank Group with its robust information technology support. Besides the computer equipment, the lighting, cooling and heating of the branches and office buildings also require a substantial amount of energy, besides which the travelling needed to maintaining contact between member companies and with customers should also be taken into account. Last year we continued with our energy-saving initiatives, which primarily focused on those major sources of energy consumption, the central office buildings:

- We increased the efficiency of the heat recovery system installed at OTP Bank in 2009, channeling the heat generated as a by-product of computer operation into the building's heating system. We also apply the successful practices at our foreign subsidiaries: we plan to install a similar system in the computer room of the Ukrainian JSC OTP Bank.

- We continued to replace traditional closed combustion chamber gas boilers with more efficient condensing boilers, which generate lower harmful emissions. The replacement has been completed at OTP Bank's two largest consumption sites, the central building, and the holiday facility in Békásmegyér.
- In a further improvement to the energy-saving lighting system, at several of OTP Bank's sites with high energy consumption we installed LED light bulbs, and this technology is now used to light the office areas of the central building, which has the highest concentration of employees, and the exterior areas of three buildings. We began to examine the possibility of using LED lighting in areas that require constant illumination.
- We continued the process of networking our printers in the interest of reducing the number of electronic devices and the volume of printing.
- OTP Bank Romania began to procure desktop PCs and laptops with reduced power consumption. Where its financial resources and the environmental conditions allow, OTP Bank makes an effort to use renewable energy sources.

DSK BANK'S NEW OFFICE BUILDING

The listed building housing DSK Bank's head office has been extended with a new, modern wing. The building, with its distinctive blend of glass and exposed concrete, was designed by the well-known Bulgarian architect Georgi Fingov. The interior design is more evocative of a hanging garden than a bank building, a central feature being the plants hanging down into the atrium. The air conditioning system of this architecturally outstanding building is one of, if not the most modern and energy efficient in Bulgaria; there is no need to purchase thermal energy for heating. The design of the building ensures that every one of the 480 workstations is naturally lit. The new office building has been entered in the "Building of the Year – 2010" competition. The Bank's headquarters have been moved out of the listed building, which is being renovated.



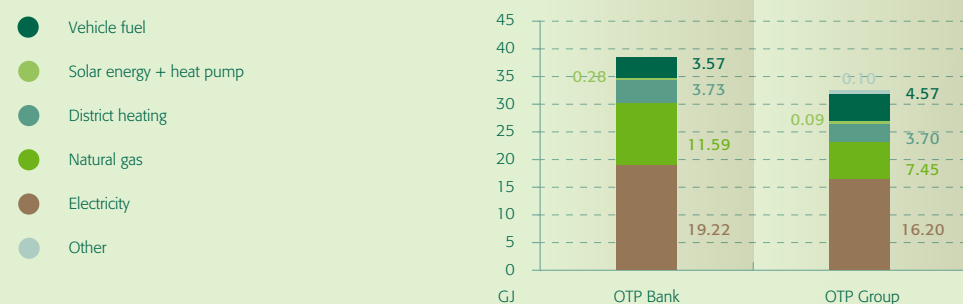
- The solar collector systems that have been expanding continuously since 2003 gained a further 120 m² in surface area at the Békásmegyér holiday facility in 2010. We continue to use the solar collectors installed in the office buildings and holiday facilities for the production of hot water and for auxiliary heating. In 2010 the almost 600 m² of solar collectors generated a total of 1950 GJ of energy.
- Our central archive was supplemented with an additional 15 000 m² in 2010, enabling it to also serve the archival needs of the Hungarian subsidiaries. The energy requirements of the new building, similarly to the existing one, are served by a heat pump, which generated 772 GJ of energy in 2010. (The older of the buildings was not featured in last year's Corporate Social Responsibility Report because at that time it was not operated by OTP Bank.)

Energy consumption (GJ)

	OTP Bank		OTP Group	
	2009	2010	2009	2010
Electricity	154 440	149 508	504 336	483 050
Natural gas	96 277	90 113	239 441	222 125
District heating	31 752	29 000	76 959	110 163
Solar energy	1 840	1 950	1 840	1 950
Heat pump	–	772	–	772
Other	–	–	245	3007
Vehicle fuel	23 260	27 796	96 681*	136 120
Total energy consumption	307 569	299 139	919 502*	956 415
Consumption per employee	38.56	38.47	30.89*	32.08

* Data retrospectively corrected following the issue of the report.

Energy consumption per employee, 2010

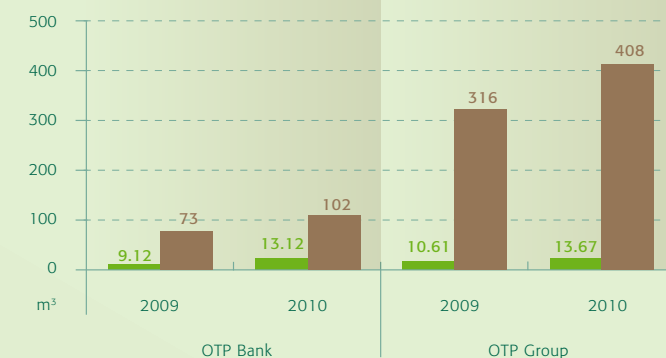


Our initiatives aimed at reducing energy consumption have yielded visible results: last year the use of energy – apart from vehicle use – decreased at most members of the OTP Group. In the case of OTP Bank this consumption dropped by almost 5%, while consumption per employee declined by 2.5%. At the subsidiaries consumption per employee showed a greater change, and companies where relatively major (5-10%) headcount reductions took place saw an increase in per-capita consumption. Consumption per employee decreased substantially, however, at OTP banka Hrvatska (9%) and DSK Bank (23%). The extent of energy consumption excluding vehicle use declined by 0.5% at Bank-Group level, both in total and per employee. Car use increased at all member companies, virtually without exception.

The OTP Group's annual energy requirement is equivalent to the annual average consumption of approximately 13 700 Hungarian households. The Bank Group is not a heavy consumer of water. The water used is basically drawn from the municipal water main, and disposed of via the communal sewage network. In 2010 the water consumption of both the OTP Group and OTP Bank increased. In the case of the OTP Group the increase is primarily the result of statistical anomalies, as it results from more accurate data provision, and stems only partly from an actual rise in consumption. At OTP banka Hrvatska and JSC OTP Bank, total water consumption decreased substantially, by a total of more than 4 000 m³ at the two companies combined, which is equivalent to the annual water consumption of around 3 300 households.

Water consumption at the OTP Group

- Consumption per employee
- Total consumption (1000)



The OTP Group's per-employee water consumption is typically lower than that of other participants in the sector. (At the same time, it should be noted that the available international data is principally from developed countries.) OTP Bank's consumption figures are not higher than those of its competitors in Hungary.

Travel

Last year we continued our initiatives with regard to reducing the number of trips related to business and the performance of work. At OTP Bank we rationalised transportation by car, by managing and coordinating transportation with a shared interface. By eliminating parallel journeys and making use of return loads, in the space of six months the number of kilometres travelled by the departments involved decreased by 15%, and we also cut down on the use of external transportation firms. **In 2011 we plan to bring more divisions into the system.**

The number of journeys made by car increased in line with the growth in business activity; however, the rise in the number of kilometres travelled and fuel consumption is due not only to this, but also to the more accurate reporting of data. The restructuring of OTP Bank's micro and small enterprise customer relationship management system also led to an increase in the amount of travel. Travel to and from work by the employees at the central document archive in Páty is managed centrally, with two buses laid on in the morning and two in the afternoon.

Liaison between the members of the Bank Group also give rise to the need for journeys by air, but at the same time we have made use of video conferencing opportunities for years now. Air trips between the headquarters of the parent company and the subsidiaries are the most common, while in certain countries, due to the geographical features, domestic flights are predominant. The number of OTP Group's airline journeys decreased by some 5%, to 4 140, in comparison to the previous year. In the future no substantial reduction in the number of journeys is to be expected. In 2010 we installed numerous bicycle racks at OTP Bank's central buildings and in front of the busiest bank branches. At most of the central buildings we also provided our employees with shower and changing facilities. The bicycle racks were requested by our employees; we are happy to note how positively they have been received, and how well-used they are.



Carbon-dioxide emissions

Carbon-dioxide emissions are closely related to energy usage, travel, and materials usage. Some of the emissions are generated directly at the Bank Group, and some at the energy supplier or manufacturer.

OTP Bank's carbon-dioxide emissions – as a result of the favourable consumption and usage tendencies described above – decreased by a total of 3%, or 422 tonnes.

With a considerable expansion in the number of videoconferencing suites, and in the extent to which they are used, we prevented the emission of some 700 tonnes of carbon dioxide in 2007. At OTP Bank around 20 sites offer facilities for re-

mote conferencing, and during the year we also fitted out conferencing suites in Hungary's regional centres, while the opportunities for maintaining contact with subsidiaries in this way were already in place. In 2010 the video-conferencing facilities were used on more than 1 300 occasions.

OTP Bank's total carbon-dioxide emissions fell by 420 tonnes, which is equivalent to the average annual emissions of around 60 Hungarian households. At group level, carbon-dioxide emissions appeared to rise (by almost 10%); however, due to the improvement in the accuracy of data provision it is difficult to judge the precise extent of the increase.

The OTP Group's total CO₂ emissions (t)

		OTP Bank		OTP Csoport	
		2009	2010	2009	2010
Direct	Vehicle emissions	1 684	1 987	6 515*	9 789
	Related to air travel	719	595	1 348	1 486
	Resulting from electricity consumption	4 719	4 568	15 410	14 760
Indirect	Resulting from natural gas consumption	4 684	4 384	11 649	10 807
	Resulting from district heating	1 603	1 465	3 886	5 563
	Resulting from paper usage	1 054	1 042	2 582	2 956
Total		14 463	14 041	41 391*	45 361
Per employee		1.82	1.81	1.39*	1.52

* Data retrospectively corrected following the issue of the report. The table contains the most important, identified CO₂ emission items. The CO₂ emissions values have been calculated in accordance with the relevant statutory provisions, based on industry estimates and official emissions data.

Distribution of per-employee CO₂ emissions



Due to the lower level of consumption, carbon-dioxide emissions per employee are also lower than at other participants in the sector, based on the available information. The average carbon-dioxide emissions per employee amount to one fifth of the total annual emissions of an average Hungarian resident.

Waste management

We are working to reduce the amount of waste generated by cutting down on printing and by rationalising procurements, and in addition to this we are making an effort to send the highest possible proportion of waste for recycling.

In 2010 OTP Bank began to implement a major program of **equipment rationalisation**, under which the number of computers was reduced by more than 4 000 in the course of the year. We pass the scrapped computers on to an external company.

Following the secure deletion of the stored information, the computers are restored to working condition, and sold on to users with less exacting requirements. **In 2011 we plan to continue the project, and extend it to include printers.**

For several years we have donated IT equipment that is no longer usable to the Hungarian Maltese Charity Service, which employs people with disabilities to dismantle them and separate the recyclable materials.

Within the Bank Group the **selective collection** of paper and PET bottles is the most prevalent form of recycling, in the extent permitted by the infrastructure available in the given country. We perform the separate collection of hazardous waste

in accordance with the relevant statutory provisions. In 2010 OTP Bank made considerable progress in developing its selective waste collection regime. In the second half of the year, in the central buildings, as well as office paper waste we also facilitated the selective collection of general paper waste and the paper towels used in washrooms. Separate bins were also provided for the selective collection of packaging waste (glass, plastic, metal and drinks cartons). **In 2011 we will examine the possibility of extending selective waste collection to the regional centres, and through the establishment of 29 battery collection points around the country we will begin to put in place a system for the recovery of used dry cells and batteries.**

We have drawn our employees' attention to the importance of using these.

The quantity of selectively collected paper waste increased at all members of the Bank Group where the facilities for selective collection are in place, with the exception of OTP Bank. The OTP Group sent a total of 616 tonnes of paper for recycling. At most members of the Bank Group the quantity of selectively collected PET bottles remained unchanged, except at OTP Bank where a significant increase was observed.

Unfortunately, the data pertaining to communal waste at Bank Group-level is still incomplete, and therefore it is not possible to present this information, so in future **efforts will be made to improve the reliability of the data gathering process.**

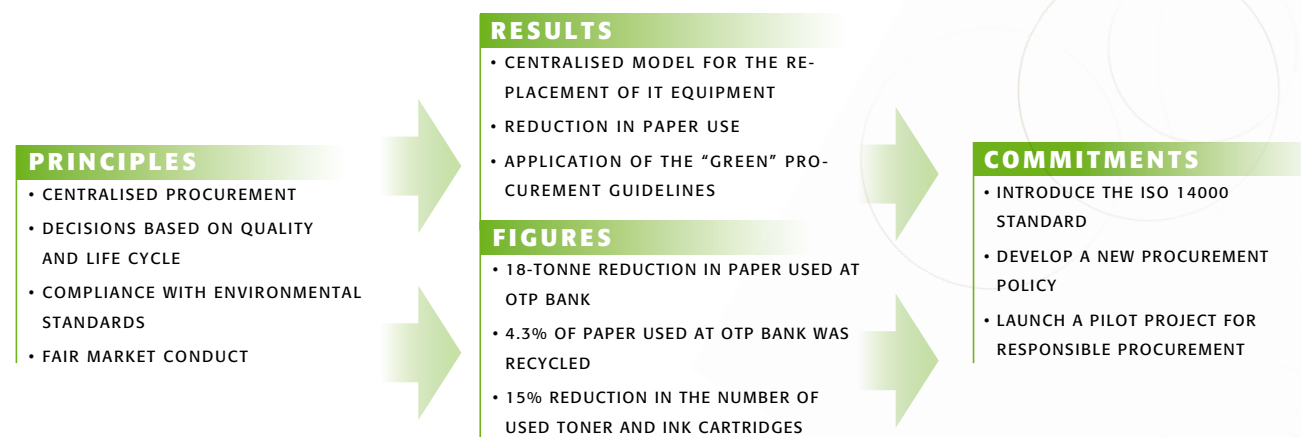
Quantities of waste generated

	OTP Bank		OTP Group	
	2009	2010	2009	2010
Communal waste (t)	2 252	2 562	n.a.	n.a.
Quantity of communal waste per employee (kg)	291	328	n.a.	n.a.
Selectively collected paper waste (t)*	579	518	711	616
Selectively collected PET bottles (kg)	1 370	4 707	1888	5013
Selectively collected hazardous waste (kg)**	1 759	239	14 584	1 409

* The 2009 data is partly based on estimates, while the 2010 data is accurate.

** The 2010 data is not comparable with the 2009 data. The 2010 data does not include electronic data storage devices because these are not classified as hazardous waste.

5.3 Our procurements



Principles

The OTP Group’s procurements are largely centralised in order to improve the efficiency of supplier selection, and to leverage the economies of scale resulting from the group’s size. We make an effort to procure standardised items that are interchangeable within the bank and the group, in the case of both IT devices and office equipment. In the years of the crisis the OTP Group imposed strict cost controls with respect to procurements. We select suppliers, products and services on the basis of quality criteria, and price and life-cycle cost. When selecting suppliers we adhere to the principles of fair market conduct and equal opportunities. Our procurement regulations stipulate that suppliers must comply with the statutory provisions on environmental protection.

Actions and results

Owing to the nature of the Bank Group’s activities, besides the high volume of services, the bulk of its procurements are of IT equipment and related materials, paper, office branch fixtures and fittings, and vehicles. In 2010 we finished developing our **central model for the replacement of IT equipment**, which determines the optimal replacement interval for the individual devices, taking into consideration their functionality, the costs and environmental impacts. We have determined what quantities of the various devices (e.g. printers, computers) are needed; and to achieve this quantity items are scrapped on an ongoing basis while devices that break down in the meantime are replaced from existing stocks.

Last year we did a great deal to **reduce paper usage**:

- We reviewed the range of information that it is compulsory to print out, and reduced it to the minimum required by law. The use of network printers makes it possible to monitor printing by employees.
- We have expanded the use of electronic data storage.
- Where possible we use thinner paper.

The range of information that it is compulsory to provide to customers on paper is determined by law; at the same time, the increasingly widespread use of electronic bank statements is leading to a considerable reduction in paper use (see section 4.2).

The OTP Group’s paper usage increased by approximately 700 tonnes; however, the growth is probably only illusory, and attributable to an improvement in the accuracy of data gathering. OTP Bank’s total paper usage decreased by 19 tonnes in comparison to 2009, and 4.3% or 74 tonnes of all the paper used was recycled. With the use of recycled paper we saved around 1 260 trees and a considerable quantity of electrical energy and water, and avoided the creation of a substantial amount of waste. It is primarily document folders, dossiers, and the prospectuses and leaflets found in branches that are made of recycled paper.

Typical materials use and procurement data at the OTP Group

	OTP Bank		OTP Group	
	2009	2010	2009	2010
Number of branches	405*	403*	1 653*	1 589*
Percentage of total branches renovated in the course of the year	5%	5%	4%	3%
Number of computers	Approx 13–14 000	Approx 9 000	n.a.	n.a.
Replacement interval	Average of 4 years			
Number of ATMs	1 995	1 995	4 083	4 107
Number of POS terminals	34 270	39 231	51 506	57 650
Weight of ink and toner cartridges used (kg)	5 095	4 350	24 979**	26 527**
Weight of CD and DVDs used (kg)	103	116	289**	338**
Quantity of office paper (t)	1 003	1 038	2 839***	3 173***
Quantity of office paper used for filing and packaging (t)	27	29	112***	1 131***
Quantity of paper used indirectly (t)****	725	670	1 755***	2 436***

* This figure includes points of sale that do not operate as independent branches, and therefore it differs from the figure stated in the Annual Report. In the case of OTP Bank Russia the group-level data also includes DNB and the branches in the Omsk district.
** Estimate: data extrapolated on a pro-rata basis from actual data, with a reliability of approx. 80%
*** In the case of paper usage at the OTP Group the reliability of the data is lower.
**** e.g. marketing publications, letters posted by subcontractors

At OTP Bank, at countrywide level, **we have introduced the use of remanufactured** toner cartridges. The use of ink and toner cartridges within the bank fell by some 15% last year, in comparison to 2009. The OTP Group is the owner of some 1 000 cars; among the member companies OTP Bank has the largest fleet, consisting of 370 vehicles. The largest procurement of cars last year was the purchase of around 30 automobiles, which was necessary due to the introduction of OTP Bank’s new micro and small enterprise customer relationship management model. When procuring

cars priority is given to price and quality, and fuel consumption is an important consideration, but our decisions are also influenced by the length of the period of reliable use, and by safety aspects. Our new vehicles are rated as being highly environmentally friendly, and our vehicle fleet is constantly becoming more ecologically sound. The proportion of diesel-powered vehicles is higher at the Hungarian companies than at the foreign subsidiaries. The **“green procurement”** guidelines form a part of OTP Bank’s Environmental Regulations;

however, environmental factors usually represent a supplementary consideration in the course of making purchases. The Supply and Investment Directorate, which is responsible for a wide range of OTP Bank's procurements, **plans to introduce an Environmental Management System (ISO 14000) in the near future.** The ISO 26000 audit revealed that we only make limited use of the opportunities to encourage suppliers to display responsible conduct, so **in future we plan to step up our efforts to do so in respect of the products and services that we procure, partly by effectively communicating our expectations to suppliers.**

We use a variety of marketing tools to inform our customers and partners about our commitment to environmental protection and responsibility. For several years now, marketing publications and the prospectuses provided to customers have been printed on recycled paper. We also print promotional gifts on recycled paper, and in 2010 we recycled banners to make sports bags, and as the main sponsor of the 2010 Triathlon World Championship we supplied the event with fully recycled and reusable cups. An increasingly wide range of the gifts we give to partners are responsible products, such as useful items made by people with disabilities, or handicrafts made from ecologically sound materials.

5.4 For communities

- PRINCIPLES**
- CREATING OPPORTUNITIES AND COMMUNITY BUILDING
 - CONCENTRATING THE RESOURCES AVAILABLE FOR SUPPORT
 - FORGING LONG-TERM PARTNERSHIPS
 - MONITORING RESULTS
 - INCREASING THE DIVERSITY OF ASSISTANCE THAT WE PROVIDE
 - ENCOURAGING VOLUNTARY WORK

RESULTS

- WE SUPPORTED THE VICTIMS OF NATURAL DISASTERS IN A VARIETY OF WAYS AND WITH CONSIDERABLE RESOURCES
- WE EXPANDED THE RANGE OF BENEFICIARIES OF SUPPORT
- THE OTP BANK VOLUNTEERING COMPETITION WAS HELD
- THE RANGE OF DONATIONS-IN-KIND EXPANDED

FIGURES

- HUF 1 263 MILLION IN DONATIONS
- DONATIONS-IN-KIND MADE UP APPROX. 4% OF ALL DONATIONS
- HUF 824 MILLION IN SPONSORSHIP
- 634 OF OTP BANK'S EMPLOYEES GAVE BLOOD 1 127 TIMES
- 49 TEAMS, CONSISTING OF ALMOST 500 PERSONS, ENTERED OTP BANK'S VOLUNTEERING COMPETITION

COMMITMENTS

- CONTINUE THE OTP BANK VOLUNTEERING COMPETITION
- CONTINUE WITH IMPLEMENTED, SUCCESSFUL PROGRAMS
- EXPAND THE FORMS OF ASSISTANCE RELATED TO CORE ACTIVITIES

Principles



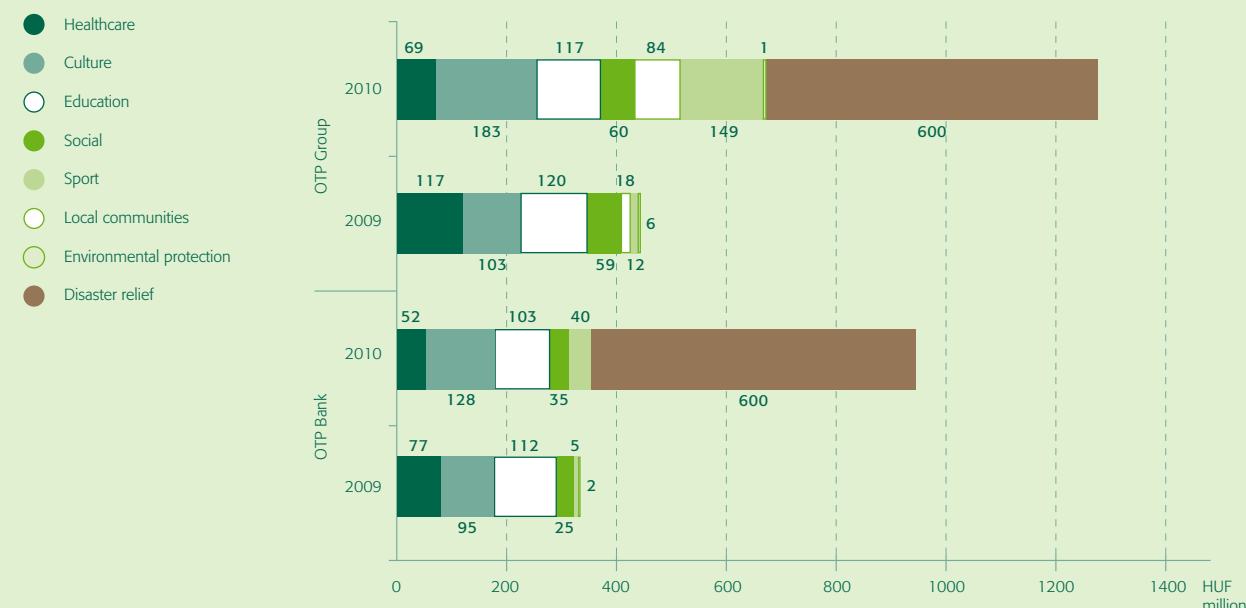
As a major bank group in the region we feel obliged to assume an active role in assisting the communities of the region, supporting programs that are focused on creating equal opportunities and on community building. We help those groups within society that have to overcome some kind of disadvantage. We strive to achieve a genuinely productive and ongoing partnership; in the interest of providing effective assistance, we consider it important to concentrate the resources available for support, and monitor the results. The members of the OTP Group principally provide support in the areas of education, health-care, sport, culture and art. Since 2009, in our donation and sponsorship activities we have gone beyond the simple provision of financial support: rather, we take a complex approach both in terms of the form of the support and with regard to selecting initiatives that can be linked to our core activities. We create opportunities and incentives for our employees to offer voluntary assistance, and it is our belief that volunteering also contributes to the forging of a cohesive community in the workplace.

Actions and results

In 2010 the OTP Group provided support in a total of HUF 1 263 million, which is approximately 2.5 times the amount of the previous year. The reason for the increase was the extra assistance provided in relation to the flooding and the red sludge disaster. Approximately 10% of the donations were associated with the foreign subsidiaries, with patronage at these companies primarily, and in some cases exclusively, taking the form of sponsorship. The Bank Group's sponsorship costs in 2010 were HUF 824 million, which is 18% lower than in 2009. At the same time the amount spent by OTP banka Srbija on sponsorship increased substantially: In 2010 the Bank implemented no major product campaigns, but it did sponsor cultural events and made use of the related opportunities to gain media exposure. As regards our donation activities, financial contributions are the dominant form of assistance (96%), but the significance and the amount of contributions-in-kind is also growing. A particularly important non-financial donation in 2010 was the HUF 47 million worth of equipment given away by DSK Bank. The Bank's headquarters were moved into the new head office building, and the previous premises had to be vacated prior to the scheduled renovation of the previous, listed building. The Bank offered up all the IT and office equipment from the old building to the local communities. OTP Bank's non-financial donations valued HUF 33 million in total, the bulk of which was associated with blood-giving drives. OTP Bank also supports the creation of opportunities for charitable giving in the context of its cooperation with the Non-profit Information and Training Centre (NIOK) Foundation. In 2010 we held two more rounds of tenders in the interest of enabling even more civic organisations to accept donations online, by bank card, via NIOK's website. As a result of the tenders, at the end of 2010 more than 80 organisations were given the opportunity to do this, and the system is in the process of being developed at the 30 winners of the second tender.



Donation and sponsorship at OTP Bank and the OTP Group



Of the members of the OTP Group, OTP Bank, OTP banka Hrvatska and OTP Bank Romania have formally defined a strategy for their contribution to social causes.

The parent company's donation objectives continue to be creating opportunities for the disadvantaged, especially youth, supporting community initiatives that create value for society as a whole, and works of art, as well as focusing on sports that require endurance, concentration and precise teamwork.

OTP banka Hrvatska supports initiatives related to the "Green Light for Knowledge" program. The Bank's sponsorship gives a green light to children and youth, education, a healthy lifestyle and recovery from illness, encouraging enterprises, and sport.

OTP Bank Romania supports social causes in the context of the OTP Equal Opportunities Program, the OTP Community Building Program and the OTP Sport Program. Among the companies in the Bank Group, the Romanian subsidiary has joined the most environmental protection initiatives. The Bank's role in the community is realised through sponsorship.

The Bank Group supports an exceptionally high number of initiatives and organisations, so in this report we only present the typical forms of support provided and one or two of the specific programs. All members of the OTP Group make their contributions in the context of long-term partnerships, and in many cases the supported programs are repeated annually.

CREATIVE WINDOW DISPLAY COMPETITION

In 2010 OTP Bank held a competition, jointly with the Budapest Spring Festival (BSF), for the dressing of bank branch window displays. The submitted entries, in keeping with the mission of the 30-year-old BSF, had to highlight the importance of supporting culture. We allocated window displays of varying sizes at different locations to the applicants, by drawing lots. The general public also had the opportunity to vote for the 25 special competition entries, which were on view for a month. The innovative, high quality window displays captured the imagination of our customers and our employees alike. ☑ In 2011 we will be holding the competition again.

Volunteering for the community

We are happy to report that volunteering is playing an increasingly important role in the OTP Group's social commitments. We are attempting to create an increasing number and diversity of opportunities for volunteering, for which our employees are rewarding us with additional ideas and with their committed participation.



OTP BANK'S VOLUNTEERING PROGRAM

In 2010 we developed a tendering system to support the volunteering programs, providing a HUF 100,000 budget for the implementation of each winning program. The criteria for judging applications included: sustainability, engagement (number of volunteers, response to the needs of the local community), measurability and impact.

The competition prompted an exceptional response from our employees, with a total of 49 teams applying, consisting of almost 500 people; every application exuded enthusiasm and commitment. We rewarded 10 outstandingly creative applications, which took a complex approach to providing assistance. To cite just a few examples: our volunteers held a story-writing competition addressing the issues of difference and disability; another team helped in the disaster zone following the red sludge catastrophe, while others provided fun and entertaining training in basic financial skills in a children's home.

☑ In 2011 we plan to continue the program, and will launch the OTP Volunteering 50 Program, under which we plan to implement or support a total of 50 voluntary programs in the course of the year.



Among the Bank Group's voluntary activities giving blood is the most well-established, with OTP Bank and OTP Bank Romania organising blood-giving sessions several times a year. In 2010 634 of OTP Bank's employees gave blood 1 127 times, while approximately 170 employees took part in OTP Bank Romania's blood-giving sessions. OTP Bank rewards voluntary blood-donors with a day off work.

Volunteering programs were run at almost all the members of the OTP Group, so we will only highlight a few of these below:

- OTP Bank Romania held numerous volunteering initiatives. In its "Adopt a Tree" program held twice in 2010, some 75 members of staff planted a total of 5 200 trees, and collected two tonnes of paper. The Bank joined the national "Let's Do It Romania!" campaign, as a part of which 70 employees collected some 360 sacks of rubbish, thereby helping to eliminate illegal waste tipping sites. In the context of the "Zoom on Romania" campaign the Bank's employees collected a tonne of foodstuffs for 300 families

in an isolated settlement, and also organised an assistance campaign for people living in Moldova. We rewarded the outstanding work of five teams or individuals, with a Volunteering Prize.

- The Montenegrin CKB Bank and 266 of its employees jointly bought an ECG machine for the hospital in Pljevljam, besides which the employees held a Christmas collection for the children's home in Bijela.
- The staff at Bulgaria's DSK Bank provided assistance to the seriously ill.
- In the context of its "Big Family" program OTP Bank Russia supports orphans and large families, and besides the donations it makes its employees also regularly collect money and books for the needy.
- Staff at a branch of the Ukrainian JSC OTP Bank donated a day's wages towards renovation of the operating theatre at the local medical university.
- For a second time, OTP Bank in Slovakia participated in the "Bratislava, Our City" voluntary program, helping to make the city a more pleasant place to live.

- OTP Fund Management organised voluntary programs on two occasions, in both cases helping to smarten up educational institutions.
- On occasion, OTP Bank's employees use their team-building exercises as an opportunity to do voluntary work. In 2010 two programs of this type were implemented.

Helping in the face of catastrophe

2010 was a year of environmental disasters in Hungary. With the intermediation of the Hungarian Red Cross, OTP Bank provided HUF 500 million in support for the victims of the flooding, pre-financed the donations received by the National Assistance Line Foundation, and took over the costs of running the Foundation's account. OTP Bank Romania assisted the victims of the flood in Romania. CKB Bank donated more than HUF 8 million in support for those affected by flooding in Montenegro.

Our Bank contributed to the setting up of the Hungarian Damage Mitigation Fund, created to support the victims of the red sludge disaster, for which it provided account management services free of charge. As a form of rapid assistance we initially donated HUF 50 million, then in a doubling of donations from the public, provided an additional HUF 50 million to the victims. Our employees were also united as one in supporting those affected by the disaster, holding numerous collections, while two groups of volunteers even assisted on the ground in person. (The assistance provided in relation to financial activities is presented in section 4.3.)

For knowledge and learning

Supporting academic study is a part of corporate social responsibility throughout the OTP Group:

- A central element of OTP Bank Romania's support was the "Right to Read" campaign launched in 2010, through which by the end of the year 53 school libraries had been expanded with more than 30 000 volumes, bringing the joy of reading to almost 11,000 children. The collection of the books takes place throughout the Bank's branch network and in certain bookshops; the Bank ensured that they reached disadvantaged, rural elementary schools with the assistance of the Ministry of Education and Research.

- A popular program run by the OTP Fáy András Foundation for many years now is the "Book-wave" scheme, under which every year the Foundation supports the development of 150 secondary-school libraries, supplying each with a HUF 140 000 package of books and DVDs, as well as subscriptions to academic journals. When judging the approximately 600 bids submitted at annual level, the factors considered include the number of students, the size of the library, and whether the institution is located in a disadvantaged area. In order to provide the most effective possible assistance, we liaise continuously with representatives of the schools, **in 2011 we plan to increase the budget and expand the list of selectable publications.**

- In the work of the OTP Fáy András Foundation a growing emphasis is being placed on career planning, which is also assisted by the "mileszel.hu" (what will you be?) website and program launched in 2010. Not only does the site offer students interactive assistance – including the possibility of personal advice from an online career advisor – but we also attempt to answer the questions that arise in the first stages of entering the world of employment (e.g. preparing for job interviews). The latest news, career selection and personality tests are also available on the website. Although the internet is one of the main sources of information for people of secondary school age, we consider it important for mileszel.hu to also maintain a presence at career-related events, providing the young with advice in person. We participated in the Education Fair, and the EFOTT and VOLT music festivals. We are proud to report that our efforts have proven successful: In December 2010 some 53 000 people visited the site in the space of a month, while over the year as a whole more than 17 000 downloaded the tests available on the website. At the 2010 Education Fair we won the Creative Stand, Creative Promotion award which, among this generation, we regard as a particularly great honour.
- Since 1994 OTP Bank has been the main supporter of the National Children's Safety Service. In 2010, in addition to what can be regarded as our traditional programs, we participated in the Safer Internet Day conference, where children had the opportunity to listen to a presen-



- tation on safe internet use and online banking.
- OTP banka Hrvatska provides scholarships to support the studies of students from impoverished backgrounds in Zadar, Istria County Sisak.

Creating opportunities

- For many years now, OTP Bank has supported the Hand in Hand Foundation, which assists people with intellectual disabilities. In 2010 we once again took on an active role in implementing the "Accept Them, Accept Me!" Family Day and the opinion-shaping roadshow that followed it, in order to draw attention to our fellow human beings who live with disabilities.
- We supported the Hungarian Special Olympics Association's "Get into it!" program, launched to promote the acceptance of people with intellectual disabilities.
- OTP Bank became the main sponsor of the OTP Bank Budapest Horse Show, which was held for the fourth time last year. As a part of the event we also made traditionally elite equestrian sports accessible to those from disadvantaged backgrounds. Thanks to our support, 12 000 children attended the show, supplemented with the 2nd Budapest Children's Horse Show, free of charge. Besides this, we drew attention to the benefits of equine therapy with a charitable T-shirt design competition. The revenue from sales of the T-shirts was used by the Hungarian Therapeutic Horse Riding Association to assist in the development of children struggling with intellectual and physical disabilities, and with learning and socialisation problems.
- We have supported the Hungarian Triathlon Association for many years; in 2010 Hungary hosted the Dextro Energy Triathlon ITU World Championship, of which we were the main sponsors. At the event environmental protection received particular emphasis, focusing on generating the least possible waste and making use of recycled and recyclable materials. We are happy that besides sponsoring such a prestigious event, we were also able to contribute to protecting the environment; OTP Bank supplied the event with recycled, reusable plastic cups. We supported the Hungarian Special Olympics Association (MSOSZ), in the interest of enabling sportspersons with disabilities to take part in the Triathlon World Champion-

ship in Budapest. As well as the above, with the use of social networking media – linking the amount of funding to the number of fan communities – we financed the participation of MSOSZ's sportspersons in the Summer European Games.

- One of the most important causes supported by the Bulgarian DSK Bank is assisting children and the seriously ill. In 2010 the Bank helped to organise the local Christmas charitable program aimed at assisting children who need special medical treatment or come from a disadvantaged background. With support from the Start Foundation the Bank helps to expand the artistic abilities of young people with disabilities, and in 2010 the international music festival, held for the fourth time, gave these young people an opportunity to prove their equality.
- OTP banka Srbija, through its support for the "Tolerance Camp", drew attention to the importance of accepting our differences and being tolerant towards one another. The Bank continues to provide assistance to institutions working to achieve better healthcare for youth and children.
- The Ukrainian JSC OTP Bank participated in the organisation of numerous programs on World Aids Day, and once again supported a number of orphanages and children's homes.
- OTP Bank Romania collaborates with a number of child protection organisations in order to assist disadvantaged children. Among other initiatives, it supported the "Baby-Friendly Hospital Initiative" launched by UNICEF.

Community building

Owing to their sheer numbers, it would be impossible to list all the initiatives that the Bank Group supports in the interest of promoting culture, the arts and cohesion between communities. Below, we highlight just a few of these:

Support for cultural and musical festivals and events:

- OTP Bank is known for its support of the VeszprémFest, an event held for lovers of classical, jazz and world music, and of the Veszprém Street Music Festival.
- OTP Bank Romania, as a part of its Community Building Program, supported numerous cultural

and community happenings, theatre productions and artistic events. An example of these was the performance of “The Wizard of Oz” at the Braov Cultural Centre, and the exhibition entitled “Masterpieces of 19th Century Hungarian Painting”, held in Miercurea Ciuc (Csíkszereda).

- OTP banka Srbija was the chief sponsor of concerts given by the “Pami Valjak” bands in Belgrade and Novi Sad (Újvidék), and also contributed to the International Jazz Festival also held in Novi Sad.
- OTP banka Hrvatska sponsors the Croatian Baroque Ensemble, which performs at numerous international festivals, perpetuating the rich heritage of Croatian baroque musical culture. In keeping with its traditions, the Bank contributed to the holding of numerous drama premiers at the Dubrovnik Summer Festival.
- JSC OTP Bank was a sponsor of the “Cherkasy Jazz Days”, helping the city of Cherkasy to become one of the cultural centres of the nation. The Bank was the principal financial supporter of the Hungarian Contemporary Film Festival, and the 21st International Peace Student Festival.

Support for museums and cultural institutions

- We supported the international showcasing of Hungary’s most valuable works of art in an exhibition held at the Royal Academy of Arts in London, and entitled “Treasures from Budapest: European Masterpieces from Leonardo to Schiele.
- Continuing its traditions of previous years, OTP Bank contributed to the operation of several theatres (e.g. the State Opera House, Vígszínház Theatre, Miskolc National Theatre). For many years now we have supported the regular Thursday extension of opening hours at the Museum of Fine Arts (Museum+ program).
- In 2010 OTP Bank Romania once again sponsored the Csiky Gergely State Hungarian Theatre, the Csíki Székely Museum in Miercurea Ciuc, and its programs. Through the “Nyilas Misi” Talent Nurturing Association we granted scholarships to talented students.

Support for the preservation of local customs

- In Hungary we participate in numerous events intended to preserve or create traditions, with some of the more prominent of these being: the Csango Festival, the Csaba Sausage Making

Festival, the Halas Lace Festival, the Jassic World Festival, the Szekszárd Grape Harvest and the National Táncház (Folk Dancing) Festival.

- OTP Bank Romania contributed to the holding of the “Snow Celebration” in the village of Comandu (Komandó).
- OTP banka Hrvatska offered a prize to the winner of a race held to preserve the traditions of 17th century knights.
- The Ukrainian JSC OTP Bank supported programs held to celebrate the 578th anniversary of the city of Khmelnytsky.

In the interests of a more pleasant local environment

- The Ukrainian JSC OTP Bank launched the “Flower City” program jointly with the local municipality and businesses, to capture the imagination of the local population and encourage them to make their environment more pleasant and tidy.
- OTP Bank Romania contributed to the “Clean Cities – Green Day” program held in the county of Mures (Maros), aimed at drawing the attention of the local population to exhibitions, programs and competitions related to environmental protection.

Support for sporting events, competitions and sports clubs

- OTP Bank continues to be a sponsor of the Hungarian Triathlon Association, the Győr ETO handball team and the Budapest Horse Show.
- In 2010 OTP Bank Romania supported the Charity Sports Ball held by the “Partium” University Sports Association, and sponsored numerous sports clubs, such as the Csíkszereda Hockey Club, the Soimi Buzau Football Club and the Mures Basketball Club.
- OTP Bank Hrvatska contributed to the 20th National Skateboarding Competition in Split. It sponsored the Benkovac Football Club, and the holding of the Dalmatian Athletics Championships held for children.
- The Ukrainian JSC OTP Bank was the organiser and sponsor of the OTP Bank Cup tennis championship, and it also sponsored the arm-wrestling and tennis championships held in Ternopil.

For more details of OTP Bank’s sponsorship and donation activities, see:

➤ <https://www.otpbank.hu/portal/en/Aboutus/CSR/Sponsorship>



A BASIC PRINCIPLE IS THAT THE REPORT SHOULD FOCUS ON THE MOST IMPORTANT IMPACTS AND ACTIVITIES, AND THOSE THAT ARE CLOSELY RELATED TO THE BANK GROUP'S CORE BUSINESS.



The reporting principles

- The report focuses on our performance and initiatives in the reporting year. To ensure the relevance and **timeliness** of the information, we disclose facts that are known at the time of writing the report.
 - We avoid restating previously disclosed information and data, since the CSR Reports for preceding years are also available via our website.
 - A wide range of information regarding the company's governance and sponsorship activities is already available on our website, and with regard to many other topics (such as awards and membership in organisations, etc.) a medium that can be regularly updated is a highly effective means of disseminating information.
 - When presenting our performance and results, we continuously evaluated the data in the light of the following:
 - It was one of our guiding principles that the Corporate Social Responsibility Report should focus on impacts and activities that are closely related to the Bank Group's core activities. In the case of these **material** areas of operation, we made every effort to ensure completeness. This information is disclosed in the main body of the report (the previous sections).
 - The GRI reporting principles and indicators define in detail the means and depth of presenting the information, thereby ensuring the **report's** integrity.
 - The **reliability** of the data is assured by the method of report preparation, and by the CSR data gathering tool introduced at the organisation. The basis for the data measurement techniques and calculation methods was provided by the GRI guidelines; and we have indicated the methods applied alongside the specific items of information.
 - In the GRI Index, and on our website, we have made available information that is necessary in order to comply with the above criteria, but which at the same time is only of interest to a smaller group of stakeholders.
 - When describing the Bank Group's performance we also take the aspects of **sustainability** into consideration.
 - To ensure **balance**, besides giving an account of the results achieved, we present the future challenges and directions for development. Objectivity and **comparability** are facilitated by the use of statistical data, spanning a period of several years.
 - One of the greatest challenges in writing the report is to word it **clearly** and concisely, thereby ensuring both transparency and the required depth of information for stakeholders, and presenting our performance in a manner that is professionally sound yet comprehensible even to the layperson.
- Determination of the key issues (sections) of this report was based on:
- the findings of the **stakeholder** forums;
 - the **characteristics of the economic and social environment**, and changes thereto;
 - a study of the **Bank Group's activity**; and
 - analysis of internationally accepted reporting practices.
- We have **limited the length of the report in order to keep it straightforward**; however, we are making more active use of other channels for the dissemination of information.
- We regard all practices and aspects of performance as being material and worthy of disclosure if they:
- **help stakeholders to form a judgement of the economic, environmental and social impacts of the company group as a whole** – taking into account the Bank Group's size and business profile;
 - stand as **good examples** of initiatives that are characteristic of a narrower cross-section of the company group.



In terms of the **order** in which the issues are presented in the report, we have progressed from general topics towards more specialised themes, gradually going into more depth regarding the various aspects of the Group's activities. The order in which the issues are dealt with was also influenced by the interest displayed in them by stakeholders.

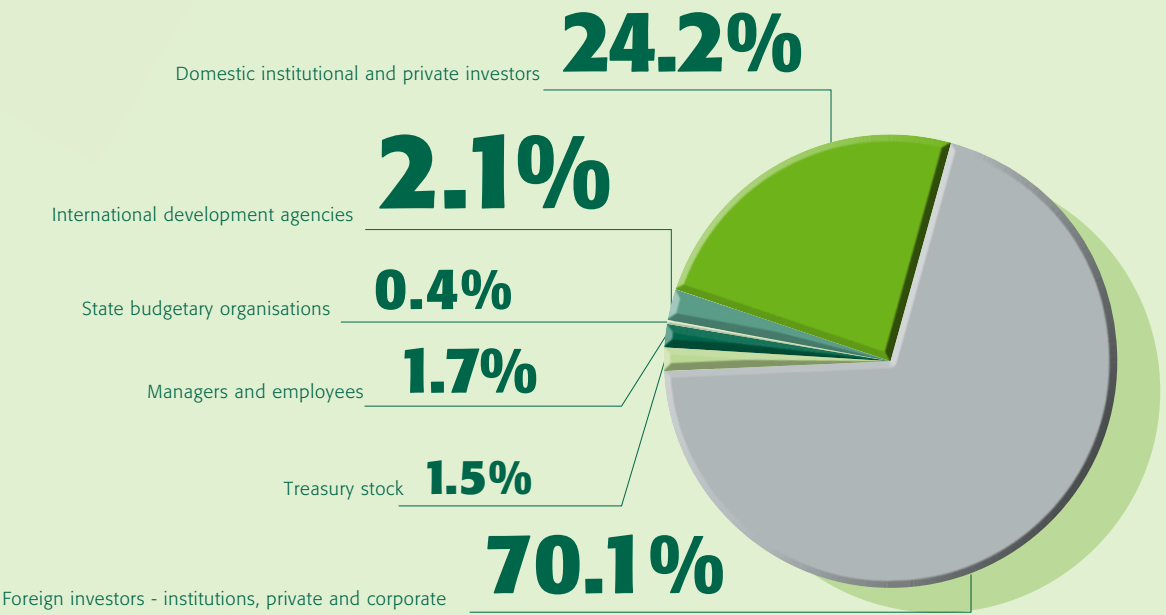
The report gives an account of the company's economic, social and environmental performance at group level – including the results of OTP Bank's major Hungarian and foreign subsidiaries. The **group-level** presentation requires members of the group to provide substantial quantities of information, a task for which not every subsidiary is yet fully geared up to perform. In the absence of group-level data, for the purpose of drawing comparisons with previous years, certain data and information is provided in respect of both OTP Bank and the OTP Group.



Ownership structure of the OTP Group

The proportion of foreign investors decreased slightly in comparison with the previous year, while the percentage of domestic institutional and private investors increased. As in previous years the state holds no shares.

Ownership structure based on shareholding (31 December 2010)



Shareholders (with a shareholding of more than 5%), 31 December 2010

	Shareholding	Share of votes
Megdet, Timur and Ruslan Rahimkulov	9.00%	9.13%
Hungarian Oil and Gas Company (MOL) Plc.	8.57%	8.70%
Groupama Group	8.31%	8.43%
Lazard Asset Management	5.89%	5.98%

Means of engagement and topic of communication

Shareholder group	Annual reports, interim reports	CSR report, short CSR report	Website	Research papers	Intranet	Customer magazine	Internal newsheet	Code of Ethics, Ethics Statement	Customer service (branch, call centre)	Customer satisfaction surveys, market research	Employee satisfaction surveys	Media reports	Advertisements	Information and training materials	Information provided in relation to services (e.g. account statements)	Stakeholder forum	Cooperation with subsidiaries	Membership of advocacy groups and other organisations
Shareholders and investors (including analysts)	x	x	x	x								x					x	
	The group's business results, outlook; means of achieving the results; compliance with statutory requirements and local and international standards																	
Customers		x	x			x			x	x		x	x	x	x	x		
	Information pertaining to service, the quality of service (customer service, access, charges, product features, complaints management), corporate image																	
Employees	x	x			x		x	x			x	x		x			x	x
	Information pertaining to the working environment and the performance of work, satisfaction with managers, motivation, balance between work and home life, performance appraisal, organisational units, cooperation between subsidiaries																	
Local municipalities*		x										x					x	
	Role as employer, provision of access to financial services, compliance with local ordinances																	
Non-governmental organisations*		x	x					x				x	x	x			x	x
	Ensuring access to financial services, equal opportunities, means of service provision, environmental and social impacts, compliance with statutory requirements and local and international standards																	
State and regulatory bodies*	x	x	x	x		x			x			x	x	x	x			x
	Means of service provision, fair market competition, abuse of market dominance, ensuring access to financial services, equal opportunities, role as employer, role as market intermediary, statutory compliance																	
Competitors	x	x	x	x						x		x	x					x
	Joint advocacy, interpretation of statutory provisions																	
Media	x	x	x	x		x				x		x	x					x
	Customer service, compliance with statutory requirements and local and international standards, fair market competition, abuse of dominant position, equal opportunities, environmental and social impacts																	
Sponsored/assisted organisations		x	x									x						x
	Contribution to social and environmental causes																	
Educational and research institutions	x	x	x									x	x					x
	Terms and conditions of services and service provision, and the development thereof																	
Suppliers	x	x						x				x						x
	Terms and conditions for suppliers and ordering, abuse of dominant position																	

*Representing individual groups within society, or stakeholders with no other representation: the environment, future generations

For the purpose of compiling the 2010 Corporate Social Responsibility Report, we held consultations with specialist consultants and stakeholders in order to identify the expectations with regard to reporting and to the CSR activities of OTP Bank and the OTP Group.

- The stakeholders involved in the consultation clearly expect to see corporate social responsibility activities and reporting that focuses on our core activities – banking services, financing practices – and they regard the indirect social and environmental impacts, and the com-

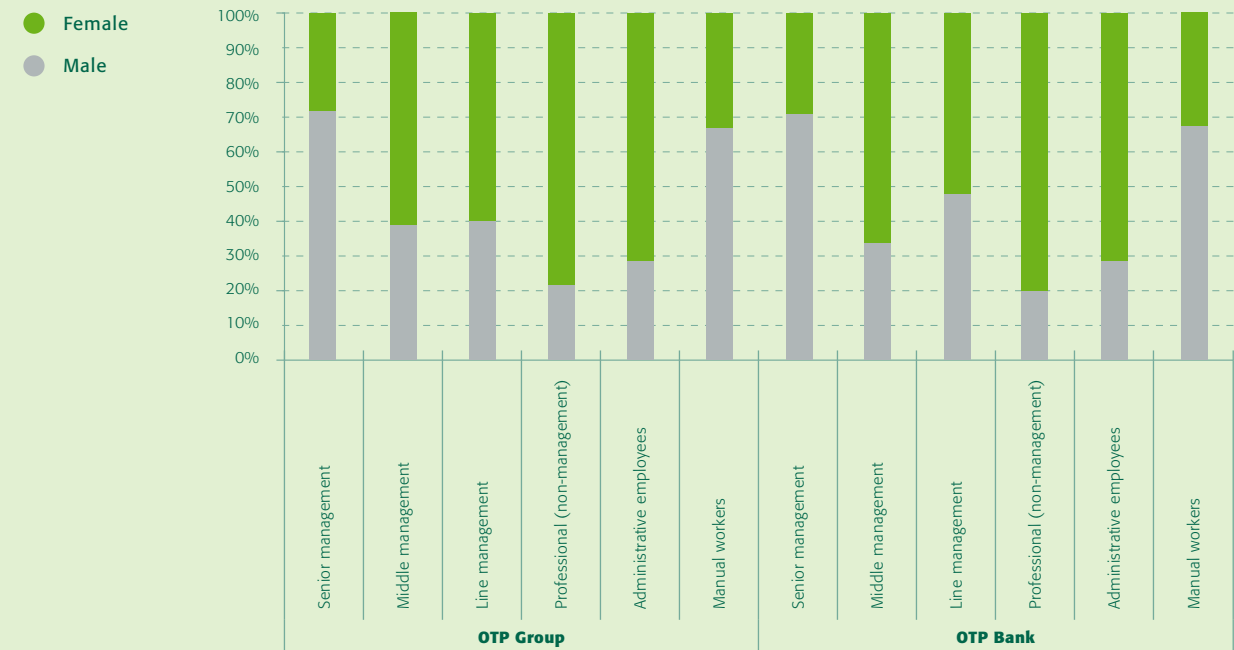
plaints handling procedure, as being among the important issues.

- The need for transparency and accountability was a dominant theme, making it essential for the organisation to report data that is suitable for comparison with its own performance (over time) and that of other organisations. The stakeholders want sincere communication, and also expect us to give an account of any failures.
- Due to the market role of OTP Bank and the OTP Group, there is an expectation that the Bank should also fulfil a leading, proactive role in terms of CSR.

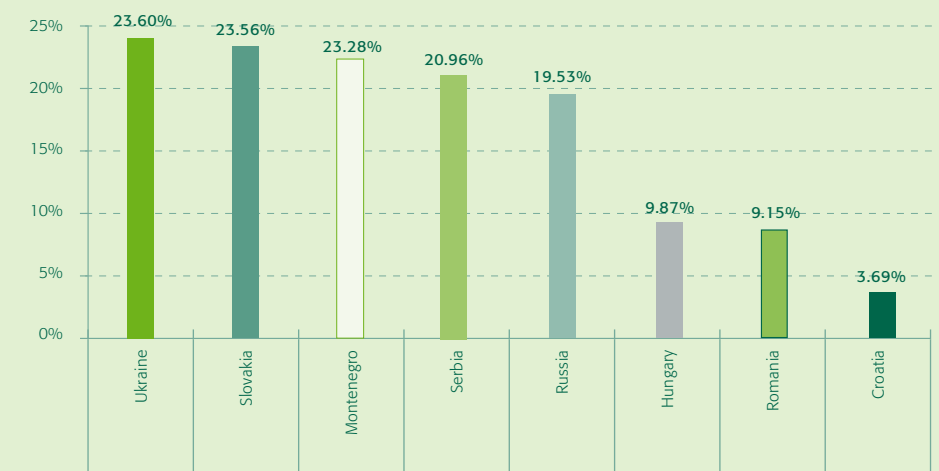
The OTP Group provides support for its employees in relation to health risks and illnesses, provides them with counselling and information, and assists in the prevention of illnesses.



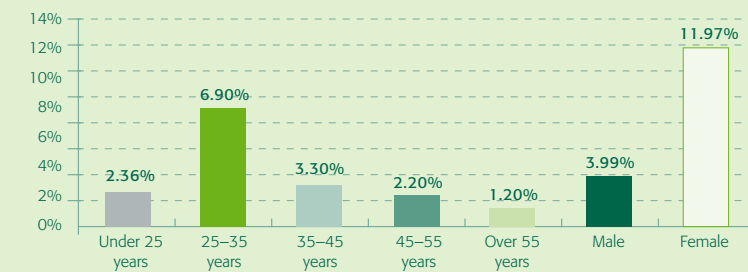
Distribution of employee categories by gender (31 December 2010)



Distribution of employees leaving the group, by country, OTP Group (31 December 2010)



Distribution of employees leaving the group by gender and age-group, OTP Group*



* Each category relative to the total employee headcount 31 December 2010

Programs for skills management and lifelong learning in 2010

	OTP Bank	OTP Group
In-house training courses	Yes	Usually
External training courses or financial support for study	Yes	Usually
Time off for study with guaranteed retention of position	Yes	Usually
Pre-retirement planning for those close to retirement	None	Not usually
Further training for those who would like to continue working after retirement	None	In part
Severance pay	Yes	Usually
Age of employee taken into consideration if the organisation provides severance pay	No	In part
Length of service taken into consideration if the organisation provides severance pay	Yes	Usually
Job search assistance for dismissed employees	None*	Not usually
Assistance in the transition to a work-free life	Yes	Not usually

* Redundant employees are assisted by outplacement programs.

Weighted average of employees.

Not usually: at less than 50% of group members.

In part: at 51–70% of group members.

Usually: at 71–99% of group members.

Support provided in connection with serious illnesses, 2010	Employees		Employees' families		Members of the local community	
	OTP Bank	OTP Group	OTP Bank	OTP Group	OTP Bank	OTP Group
Education/training regarding the prevention or treatment of a specific disease	Yes	Not usually	None	Not usually	None	No data available
Sickness-related counselling	Yes	Not usually	Yes	Not usually	None	Not usually
Activities aimed at preventing or curbing the spread of illness	Yes	Usually	Yes	Not usually	None	Not usually
Treatment	Yes	Usually	None	Not usually	None	Not usually
Weighted average of employees. Not usually: at less than 50% of group members. Usually: at 71–99% of group members.						

Absenteeism due to illness, accidents				
	OTP Bank		OTP Group	
	2009	2010	2009	2010
Absenteeism due to illness (number of days)	81 034	70 666	411 993	424 569
Rate of absenteeism	4.38%	3.92%	10.89%	12.11%
Sick leave (number of days)	36 831	30 247	164 003	127 462
Sick pay (number of days)	42 299	38 776	243 731	293 314
Accident pay (number of days)	1 904	1 643	4259	3 793
Number of accidents	16	11	32	37
Accident rate	0.0010%	0.007%	0.0010%	0.004%
Number of days lost due to accidents	523	455	555	490
Percentage of lost workdays	0.0280%	0.005%	0.0160%	0.014%



THE GRI REPORTING PRINCIPLES AND INDICATORS DETERMINE IN DETAIL THE MEANS AND DEPTH OF PRESENTING THE INFORMATION, THEREBY ENSURING ITS VALIDITY.



Determination of the application level as per the GRI G3 guidelines

Application level /reporting criteria	C	C+	B	B+	A	A+
G3 profile disclosures	1.1; 2.1-2.10; 3.1-3.8; 3.10-3.12; 4.1-4.4; 4.14-4.15	Report Externally Assured	Full presentation	Report Externally Assured	Full presentation	Report Externally Assured
Management approach disclosures	Not required		Report on all indicator categories		Report on all indicator categories	
Performance indicators	Report on a minimum of 10 indicators, including at least one indicator from each of the following categories: social, economic and environmental		At least 20 indicators, including at least one from every category		All basic indicators	

Indicator number	Description of indicator	Page number	Notes
Strategy and analysis			
1.1	Statement of the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	7	
1.2	Description of key impacts, risks, and opportunities	13; 16–19; 20; 28; 41; 48; 50; 54; 62; 68; 70–71; website	www.otpbank.hu/portal/hu/Rolunk
G3 profile disclosures			
2.1	Name of the organisation	93	
2.2	Primary brands, products, and/or services	28–40; website	https://www.otpbank.hu/portal/hu/fooldal
2.3	Operational structure of the organisation, including main divisions and subsidiaries The following organisational units, performing central governance functions, play a key role in responsible company operation at OTP Bank: – Bank Security Directorate – Investor Relations and Capital Market Operations Department – Independent Compliance Department – Procurement and Investment Directorate – Human Resource Management Directorate – Legal Directorate – Commercial Banking Division – Risk Management, Risk Analysis and Regulation Directorate – IT Logistics Directorate – IT Operations Directorate – Marketing Directorate – Retail Banking Division – Strategic Planning and Controlling Directorate The other members of the OTP Group members apply differing organisational structures, but the above functions are provided for at these companies too.	87; website	https://www.otpbank.hu/portal/hu/IR_Tarsasagiranyitas/SzervezetiAbra
2.4	Location of the organisation's headquarters	93	
2.5	Locations of the company's operation	11	
2.6	Nature and legal form of ownership	80–81; website	https://www.otpbank.hu/portal/en/Aboutus/History
2.7	Markets served, broken down by sector and geographic area	11	More detailed information is contained in the Annual https://www.otpbank.hu/portal/en/IR_Annual_Reports
2.8	Scale of the reporting organisation	11; 21; 54–55	

2.9	Changes in the organisation during the reporting period	88; website	Information regarding the changes – governance, subscribed capital, overall capitalisation – is contained in the Annual Report. https://www.otpbank.hu/portal/en/IR_Annual_Reports
2.10	Honours and awards received during reporting period	10; website	https://www.otpbank.hu/portal/hu/Rolunk/Dijak/2010

Report parameters			
3.1	Reporting period	14	
3.2	Date of most recent report	88	We published our last CSR report in respect of the year 2009
3.3	Reporting cycle	88	Annual
3.4	Contact point for questions regarding the report or its contents	93	
3.5	Process for defining report content	14; 79–80	
3.6	Boundary of the report	14	
3.7	Specific limitations on the scope or boundary of the report	88	No such limitations, but we are continually adding to the range of information to be included in the report
3.8	Joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could significantly affect comparability from period to period and/or between organisations. The report contains information pertaining to the most important members of the OTP Group, namely OTP Bank, all its foreign subsidiary banks, and the following subsidiaries in Hungary: OTP Mortgage Bank, OTP Building Society, OTP Factoring, OTP Flat Lease, Merkantil Group, OTP Life Annuity, OTP Private Pension Fund, OTP Voluntary Pension Fund, OTP Health Fund, OTP Fund Services, OTP Real Estate, OTP Real Estate Fund Management, OTP Fund Management, OTP Hungaro-Projekt, OTP Travel. The report does not include the data of companies with revenue of less than HUF 100 million.	11; 88	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	15; 79; 88	And in the relevant sections
3.10	Reason for the re-statement of any information already published in earlier reports	79	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	15	
3.12	Table identifying the location of the Standard Disclosures in the report	87–91	We also use the table for disclosing information
3.13	Policy and current practice with regard to seeking external assurance for the report	14	

Governance, Commitments and Engagement			
4.1	Governance structure of the organisation	website	https://www.otpbank.hu/portal/en/IR_Corporate_Governance
4.2	Indication of whether the Chair of the highest governance body is also an executive officer	website	Board of Directors, Supervisory Board, Executive Board and Management, Corporate Social Responsibility Report 29.04.2011
4.3	If the organisation has a unitary board structure, the number of members of the highest governance body that are independent and/or non-executive members	website	
4.4	Mechanism for shareholders and employees to make recommendations or direction to the highest governance body <i>Act IV of 2006 on Companies</i>	88	
4.5	Linkage between the compensation of members of the highest governance body and senior managers and the performance of the organisation The guiding principles for the evaluation and remuneration of the management's work continue to be drawn up by the Board of Directors, while the terms of the share option scheme developed as an incentive to management performance are approved by the General Meeting.	58; 88; website	https://www.otpbank.hu/portal/en/IR_index_eng – Corporate Social Responsibility Report 29.04.2011
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided The Bank's employees must declare that they have familiarised themselves with the rules pertaining to conflict of interest.	88	

4.7	Process for determining the qualifications and expertise of the members of the organisation's highest governance body for guiding the organisation's strategy on economic, environmental and social topics No such strictly set criteria, it is primarily economic experience and qualifications that are required	88	
4.8	Internally developed statements of mission, values, codes of conduct and principles relevant to economic, environmental and social performance Code of Ethics: Valid in respect of the entire Bank Group; application of the Code is compulsory for our employees, and training has been provided to support its assimilation by staff. Organisational and Operational Regulations: Each member of the Bank Group has its own Organisational and Operational regulations; however, the fundamental principles are consistent at group level. All employees are obliged to familiarise themselves with and apply the Regulations. Group Management Regulations: Regulates the principles and practices of corporate governance at group level, in order to ensure efficient operation and clearly defined fields of responsibility. Collective Bargaining Agreement: The companies in the Bank Group conclude separate collective bargaining agreements; however, not every company has a trade union and a collective bargaining agreement. All employees are party to the Collective Bargaining Agreement if one is in effect at the given member company, regardless of whether the employee is a union member. Environmental Protection Regulations: The Environmental Protection Regulations define the frameworks for environmental protection activities at the parent company. Its purpose, beyond compliance with the minimum statutory requirements, is to instil a commitment to environmental protection and incorporate environmental factors into business operations. Donation policy: sets out the guiding principles of OTP Bank's donation and sponsorship activity, specifying the areas to be supported and the related expectations.	89	
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	89	No change compared to previous year
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	89	No change compared to previous year
4.11	Explanation of whether and how the principle of precaution is addressed by the organisation in the context of its <i>core business</i>	51–53; 89	
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	30	
4.13	Membership in associations and/or national/international advocacy organisations	website	https://www.otpbank.hu/portal/en/OTPGroup
4.14	List of stakeholder groups engaged by the organisation	81	
4.15	Basis for identification and selection of stakeholders with whom to engage	26	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	26; 81	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to these (including through its reporting).	26; 81	

Core Performance Indicators	21–22; 27–28; 50; 53; 68; 70
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Economic performance		
EC1	Direct economic value generated and distributed	21
EC4	Significant financial assistance received from government	22

Market presence			
EC7	Procedures for local hiring, and the proportion of senior management hired from the local community at significant locations of the organisation The OTP Group does not have a comprehensive policy and procedure for ensuring that local applicants receive preference when hiring staff; however, the majority of applicants for positions are typically local residents. Locals also tend to be predominant among the employees of OTP Bank's foreign subsidiaries. At the majority of the subsidiary banks the chief executive is local, and locals are also in the majority on the Board of Directors. The proportion of Hungarians sitting on the Supervisory Boards is higher. The composition of the executive bodies depends on local characteristics.	89; websites of companies in the Group	No change in comparison with the previous year. https://www.otpbank.hu/portal/en/IR_Corporate_Governance ; https://www.otpbank.hu/portal/en/OTPGroup

Environmental Performance – the indicators have been designed primarily to suit the characteristics of manufacturing companies, and therefore the definitions and requirements are not always relevant to the OTP Group.		38; 53; 62; 67	
Materials			
EN1	Materials used by weight or volume	69	
Energy			
EN3	Direct energy consumption by primary energy resource	64	
EN4	Indirect energy consumption by primary energy resource	64	
EN7	Initiatives to reduce indirect energy consumption, and reductions achieved	64–65	
Water			
EN8	Total water withdrawal by source	65	
Gas and liquid emissions and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	66	
EN21	Total water discharge by quality and destination	66; 90	The quantity of water discharge matches consumption
Labour Practices and Decent Work		54–55	
Employment			
LA1	Total workforce by employment type, employment contract and region	55–57	
LA2	Total number and rate of employee turnover by age group, gender and region	57; 83	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees In terms of eligibility for benefits we do not discriminate based on the number of hours worked or the type of employment contract. There are no benefits that cannot be granted to temporary or part-time workers.	58; 90	
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements At those members of the OTP Group where a collective bargaining agreement is in force, all employees are party to the collective bargaining agreement. With regard to employee advocacy no changes have occurred; the OTP Group continues to assure the representation of its employees interests in accordance with the laws and statutory requirements.	61; 90	
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	84	
LA8	Education, training, counselling, prevention and risk control programs in place to assist workforce members, their families, or community members regarding serious disease	84	
LA10	Annual average number of training hours per year per employee by employment category	59	
Training and education			
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	83	
LA13	Composition of governance bodies and breakdown of employees by gender, age group, minority group membership and other indicators of diversity	55–57; 90; website	https://www.otpbank.hu/portal/en/IR_Corporate_Governance In keeping with the statutory requirements we do not record information pertaining to ethnic identity
Diversity and equal opportunity			
LA14	Ratio of basic salary of men to women by employee category No difference. At group members where a Collective Bargaining Agreement is in effect, the salaries of employees are regulated in the Collective Bargaining Agreement. Remuneration for overtime working takes place in accordance with the statutory regulations.	90	
Human Rights		23–24; 25–26; 61	
Prevention of discrimination			
HR4	Total number of incidents of discrimination, and actions taken	90	No such incidents have occurred

HR6	Risk of child labour and the measures taken to prevent it	90	The bank does not use forced labour or child labour
HR7	Risk of forced or compulsory labour and the measures taken to prevent it	91	The bank does not use forced labour or child labour
Social performance indicators		22; 26; 50–52; 70–71	
Anti-competitive behaviour			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions	91	The OTP Group does not make contributions to such organisations and persons
SO7	Total number of legal actions in relation to anti-competitive behaviour, anti-trust and monopoly practices, and their outcome	23–24	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	23–24	
Product responsibility		28–29; 50–51	
Product and service labelling			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	46–47	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	24	
Sector supplement indicators			
FS2	Procedures for assessing and screening environmental and social risks	51–53	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	16–19; 45–46	
FS7	Value of products and services designed to deliver a specific social benefit, by purpose	32–37	
FS8	Value of products and services designed to deliver a specific environmental benefit, by purpose	38–40	
FS13	Access points in low-populated or economically disadvantaged areas, by type We maintain no separate statistics in this respect; in terms of the density of access points (bank branches, ATMs), members of the OTP Group lead the way in several countries of the region.	69; 91; website	https://www.otpbank.hu/portal/en/Branch_locator (A list of the foreign subsidiaries' branches can be found on their respective websites.)
FS15	Policies for the fair design and sale of financial products and services	28–29; 41	
FS16	Policies for the fair design and sale of financial products and services	48–50	

KÖVET Association for Sustainable Economies (KÖVET) was commissioned by OTP Bank to verify OTP Group's 2010 Corporate Responsibility Report. KÖVET made a commitment as an expert, third-party and non-profit organization to verify the company report and evaluate OTP Bank's sustainability performance based on that report and several interviews with employees of the company, as well as the involvement of external stakeholders.

Verification of the Corporate Responsibility Report of OTP Group

Methods and tools for verification

- random check of reported data,
- interviews with employees of the company,
- an assessment of the report content in terms of the most important economic, environmental and social performance indicators contained in the GRI Guidelines* (on the basis of the GRI G3 version published October, 2006),
- recommendations made by KÖVET and other stakeholders (June 16, 2011 – Report Evaluation Forum).

Report Evaluation Forum

Twenty-eight representatives from stakeholder organizations (clients, authorities, suppliers and civil and professional organizations) were invited to attend the Report Evaluation Forum; nine of them participated actively.**

KÖVET publicly verifies that OTP Bank provided an opportunity for its national stakeholders to express their opinions about the report before publishing took place. Changes were made in the 2010 Corporate Responsibility Report, or will be made in the next report, based on the proposals received. KÖVET accepted OTP derogations from unrealistic proposals.

Opinion

Based on the above details, KÖVET can state that OTP Group's 2010 Corporate Responsibility Report is of a high standard from professional, content and outlook points of view. Reporting experiences of the last few years have been flexibly implemented in the document and moreover the Bank has endeavoured to report data extensively at a Group level. Many departments from the company and the affiliates actively took part in the preparation of the report. It is praiseworthy that the company introduced a centralised CSR data collection system which standardises the data collecting process as well as ensures data reliability.

KÖVET verifies that the data collection procedures of the Group are reliable and that data analyzed during the data verification process and the interviews are credible. Based on the detailed indicators described within the document, the report satisfies the B+ level of the GRI G3 Guideline.

Recommendations for OTP Bank to improve the report

- strive to consolidate and present a more extensive overview of data from affiliates;
- try to avoid banking jargon and simplify the report language in order to facilitate legibility.

Evaluation of OTP Bank's sustainability performance

OTP Bank is a prominent part of the Hungarian and Central European economy and plays a central role in the banking sector, thus its level of responsibility is commensurately high towards its stakeholders. OTP Bank achieved 2nd place in the EU-wide stress test exercise of the Committee of European Banking Supervisors, which is a sign of the stability of the Bank. In 2010, Hungary suffered

from several catastrophes. OTP Bank gave substantial help through donations and other complex forms of aid to people who suffered.

The company is among the most attractive employers in the country; this is shown by Karrierstart TOP 30 research. As a responsible employer with more than 38 thousand employees, OTP Bank has to endeavour to assure equal opportunities, a good work/private life balance and extensively utilize atypical employment models.

We appreciate that more and more employees are coming to understand the company's responsible activities regarding society and the environment. The strengthening of internal communication on CSR was a good start for introducing OTP Bank's volunteer program. OTP's improvement in the protection of the environment is praiseworthy (for example, reducing the environmental effects of transportation) but more expensive environmental protection solutions have been left in the background.

Despite the fact that it has specified fields of donation, OTP Bank's sponsoring practice is not transparent due to the lack of a tendering system. OTP Bank is involved in several good initiatives concerning developing financial literacy (e.g. joining Pénziránytű Foundation's projects), but this area still needs improvement.

Through becoming acquainted with the performance of OTP Bank, with the co-operation of the Report Evaluation Forum representatives we evaluated the company's own sustainability and its role in sustainable development using KÖVET's sustainability ranking scheme***. We evaluate OTP Bank as being 'public spirited' from economic and social points of view, and 'appropriate' from an environmental point of view.

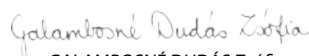
Main recommendations for further improvement

OTP Bank's sustainability performance can be improved if the company ...

- integrates CSR strategy into company business strategy and allows access to stakeholders to the main content of these CSR planning documents;
- communicates more with Hungarian regional centers and affiliates on CSR issues;
- extends the opportunities of regional centers to become involved in donating;
- reviews and improves working conditions by taking environmental and ergonomic features of the workplace into consideration;
- conducts a survey on equal opportunity practices, organises employee training events about equal opportunity issues and broadens its scope of activities by taking equal opportunity issues into consideration;
- organises environmental training events for employees every year;
- develops a methodology for evaluating the indirect impacts of banking products, as well as introducing measures for analysing the social and environmental effects of products and services;
- takes a more active role in developing financial literacy;
- makes its donating/sponsoring practices more transparent (e.g. through introducing a tendering system).

By implementing the suggestions listed above, OTP Bank can step forward on the road to sustainable development.


BODROGHELYI Csaba
Executive Director


GALAMBOSNÉ DUDÁS Zsófia
Project Manager

Budapest, July 6th 2011

KÖVET verifies the sustainability – economic, environmental and social – performance of OTP Bank as follows

Sustainability Ranking of Organizations		score	Local Economic Role	Environmental Impacts	Social Responsibility
Sustaining		22-25	Economically exemplary, altruistic, growth is not its aim. Implements programs with long-term perspective (>10 years) and rate of return. Its closure would be a loss for the local community.	Tends to eliminate local environmental damages. Its activity and products establish values and improve conditions of the local environment.	Leaders and owners live near to the activity. Socially pioneering, a "jackpot" for all workers and stakeholders (not only financially), extraordinary help to the local community.
Public-spirited		18-21	Has local control. Economically exemplary, viable in the long term (through generations), with excellent products and a beneficial role on the market. Economically strengthens the local community.	Environmentally outstanding, "over-fulfils" requirements, the utilized technology, products and transportation are environmentally friendly. Its raw material is transported only from within the continent it is based on.	Socially outstanding, its activity and products are beneficial for all stakeholders, significant efforts for the local community.
Compliant		13-17	Economically average, but only a few owners and customers make a profit, not a completely alien body in the local community.	Environmentally appropriate, fulfils requirements. Cost efficiency is the biggest motivation for economizing with resources, more expensive solutions are kept in the background. There are projects for general improvement.	Socially acceptable, makes significant efforts to do good for people, but its situation (basic activity, size) raises question marks.
Self-interested		8-12	Economically viable in the short term, but its activity is unjust, creates faceless products, disproportionately few people make profit.	Environmentally irresponsible, activity and products unnecessarily burden the natural environment and human health.	Socially irresponsible, impairs workers and customers, contributes to social conflicts and injustice.
Destructive		4-7	Economically not acceptable, or completely non-viable, destroys the local economy or illegal activity.	Environmentally hazardous and illegal, severely detrimental to human health and natural ecosystems.	Socially not acceptable, exploitive, its activity and products are destructive for people and it is seen as a trouble maker. Leaving would be a relief to the community.

* Global Reporting Initiative (GRI - Initiative for standardisation of sustainability reports)

** Participants of the Report Evaluation Forum: Zsuzsa Herbertrné dr. Pápay (private client), Gábor Fekete (Central Bank of Hungary), Zsuzsanna Fried (Alapítvány a Pénzügyi Kultúra Fejlesztéséért), Zsuzsanna Győri (Corvinus University of Budapest), Tamás Loós (Pénzügyi Szervezetek Lakossági Figyelője Közhazsnú Egyesület), Gergely Radácsi (CEU Business School), Balázs Selmeçli (Fogyasztóvédő és -Érdekszövetség Alapítvány), Katalin Ujhelyi (Association of Conscioius Consumers), Zsófia Galambosné Dudás (KÖVET), Mónika Lontayné Gulácsy (KÖVET) – in written form Judith Molnár (Óko-Trend Association, Romania)

*** Further information: sustainability ranking of organizations, www.kovet.hu

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We look forward to receiving your feedback!

In the interests of ensuring the Bank's sustainable development we are keen to

hear your opinions; please share your views with us by writing to csr@otpbank.hu!



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