

2009

corporate social responsibility report



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ABOUT THIS REPORT

As a leading banking group in the Central and Eastern European region, our operations and achievements attract a great deal of interest, which is why we find it so important to keep our stakeholders informed and ensure the transparency of our business.

This report gives an account of the Bank Group's performance in 2009 from the perspective of sustainability and corporate social responsibility. This document describes our responses to the challenges of the past year, and is structured along the lines of the various areas of CSR. We have made an effort to include in the report all information that is material and of interest to our stakeholders, while at the same time keeping it straightforward and comprehensible.

Our aim is to provide an improved Corporate Social Responsibility Report every year, presenting the Bank Group's relationship with sustainability from a different angle each time. Parallel to our ongoing internal development, efforts to gain a deeper understanding of the issues related to CSR (Corporate Social Responsibility) and the constant expansion of the scope of our data gathering, we also continuously monitor international trends in reporting and CSR, and work to incorporate them in our own procedures.

Your opinion is important to us in our endeavours to improve sustainability and strengthen our corporate social responsibility, so please share them with us by sending your comments to csr@otpbank.hu.

Boundaries of the report

The report covers all the significant companies in the group. Our new data gathering system has enabled us, in a continuation of our efforts in previous years, to broaden the range of data presented at group level.

In the report "OTP Group" refers to the Bank Group as a whole, including all significant subsidiaries; "OTP Group Hungary" means OTP Bank and its subsidiaries in Hungary*; "OTP Bank" shall mean the parent company only. Information not specified this company pertains to the entire Bank Group.

GRI compliance and rating

Our report continues to be made in accordance with the GRI (Global Reporting Initiative) guidelines, in conformity with the requirements of application level B+. As in previous years, the report has been audited by the KÖVET Association for Sustainable Business Management. The audit certificate is included on the last page of the report.

Further information

More information about our activities and results is available on our website (which was redesigned in 2009) at https://www.otpbank.hu/portal/en/Aboutus/Social_participation. The website contains more detailed information about the general characteristics of the Bank Group's operations, the principles underlying them, our philosophy and policies.

* When presenting financial data – in line with our Annual Report - the term "OTP Core" refers to the consolidated result of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Factoring.

12 million

clients in Central and Eastern Europe

42

new children's areas at branches of the OTP Group,
in Romania

346 000

bank statements downloaded electronically at OTP Bank,
as 38 666 customers switch to "green" statements during
an awareness campaign

35 925

full and part-time employees in Central and Eastern Europe

804 million Ft

spent on the training and education of our employees

350

participants in the regional talent management program

82 208 million Ft

in taxes and contributions paid into public finance systems
in the region

453 million Ft

donated to charitable causes in the countries of Central and
Eastern Europe

711

tonnes of selectively collected paper waste

400

tonnes of carbon dioxide emissions prevented through
the use of video-conferencing technology

120 000 kWh

of energy saved in a single month by turning off computers
at OTP Bank

O T P G R O U P I N N U M B E R S

INTRODUCTION BY THE CHAIRMAN

Dear Reader,

This is the fourth time we have published our Corporate Social Responsibility Report. Expanding from one year to the next, this year's report now covers the entire OTP Group, giving an account of the economic, social and environmental aspects of our corporate social responsibility.

In 2009 OTP Bank marked its 60th anniversary in an environment that was severely impacted by the financial and later economic crisis that broke out in 2008. With the hindsight of more than a year, in my view, the stabilisation efforts, our responsible financial conduct and operation have borne fruit, enabling us to retain our position as market-leader in Hungary and a key player in the region's financial markets. The most important challenges of last year were to reliably manage the retail loan portfolio and financing operations in the corporate segment, and to responsibly make best use of the human and natural resources at our disposal. Furthermore, particular task for OTP Bank was to govern and support our subsidiaries operating in the various economies within the region. Meanwhile, in addition to the changes in the economic environment, changes to the form and content of direct communication, which resulted from the rapid spread of the internet and a growing level of consumer awareness, represented another challenge to us.

The crisis has also shown us aspects of responsible corporate governance that have genuinely become integral to our operations. OTP Bank continued to place emphasis on retaining the trust of its customers, remaining profitable and ensuring the transparency of its operations. As dictated both by our own guiding principles and the external environment, the most important element of our responsible operation was the development of our financial services. This report gives a detailed account of the steps we have taken in the areas of responsible lending, encouraging savings and borrower protection. We have paid closer attention than ever before to the needs of our customers, taking their expectations into consideration when developing numerous products, drafting contracts, fitting out and renovating branches, simplifying the language used in our customer information

and developing our website and customer service procedures.

We also treated the professional development of our employees as a priority. The standardised performance appraisal system and the career management program are being extended to a growing number of subsidiaries in the OTP Group, and a whole range of best practices are becoming widely known and applied within the Group. In addition to this, we have also made progress in our efforts to incorporate sustainability data into the corporate reporting system, thus ensuring a more accurate picture of our operations both for us and for our external stakeholders.

Creating equal opportunities and community building continue to play an important role in our CSR activities, and we are happy to report that a growing number of our employees are taking on active role in these programs.

We are proud of the fact that our work has been recognized by the banking sector, as in 2009 we received awards in several categories in the *MasterCard® – Bank of the Year* competition including, besides the "Bank of the Year" award itself, the title of "Bank to Have Best Managed the Crisis". For young people, we are one of the most attractive workplaces in Hungary.

In the future we will continue to place particular emphasis on shouldering the economic and social responsibilities arising from our core business, through our risk management policy, products and customer service. The development of future generations is especially important to us, which is why we work to strengthen our relationship with them through a range of banking products and services, as well as our Fáy András Foundation. In the course of our sponsorship and donation activities we seek opportunities for cooperation in the form of joint programs and initiatives. Over the decades, we have become a defining participant in the economy and society, as have many of our subsidiaries. It is of key importance to us that many of our stakeholders understand of our operations as possible.



Dr. Sándor Csányi
Chairman & CEO



The OTP Group

The OTP Group is the largest independent banking group in Central and Eastern Europe, providing universal financial services to over 12 million customers in nine countries of the region, through a network of 1 650 branches, more than 4 000 automated teller machines (ATMs) and a variety of electronic banking channels.

Our strategic objective

Our objective is to achieve outstanding results even when measured against the best European banks. By strengthening our innovative capabilities, we endeavour to continuously develop services that suit the requirements of individual customer groups. We regard the rationalisation of operational processes and the leveraging of synergies within the group as being of key importance both in Hungary and internationally. A key component of the Bank Group's strategy is to build up and maintain a well-qualified and loyal body of staff and to retain talented professionals.

Strategic adaptation to the economic crisis

In response to the financial crisis and a recession that was taking on global proportions, the Bank Group focused on maintaining secure operation and implementing a prudent provisioning policy, and adapted its strategy to the changing operat-

ing environment. Since mid-2008, OTP Bank categorises its foreign subsidiary banks along the lines of their strategic and portfolio investments, and the allocation of resources also takes place according to these categories.

The first half of 2009 was characterised by restrained lending activity, placing deposits and other fundraising products in the focus of operations. For customers facing payment difficulties, we offer a new improved borrower protection scheme. In the second half of the year, as the funds at our disposal grew, our lending activities also recovered momentum. This was made possible by capital adequacy ratios at our subsidiaries that were typically well above the regulatory minimum, as well as by our abundant liquidity reserves.

We are especially proud of the fact that besides numerous other accolades, OTP Bank was awarded the title of the "Bank to Have Best Managed the Crisis in 2009" in the *MasterCard*[®] – *Bank of the Year* competition.



The international bank group

OTP Group

Branches	1 653
Employees*	35 925
Number of clients	~12,2 mn
Total assets	HUF 9 755 bn
Total amount of taxes period	HUF 82 bn
Total cost of employees trainings	HUF 805 bn
Total amount of donation	HUF ~433 bn
Proportion of branches made accessible	47%
Energy consumption per capita	31,78 GJ
Water consumption per capita	10 m ³
CO ₂ emission per capita	1,34 t
Total paper used	4 304 t

OTP Core** (Hungary)

Branches	405
Employees	8 033
Number of clients	~4,6 mn
Total assets	HUF 5 805 bn
Market share**	28.4%

OTP banka Hrvatska (Croatia)

Branches	105
Employees	1 003
Number of clients	~455 000
Total assets	HUF 469 bn
Market share	4.4%

CKB (Montenegro)

Branches	40
Employees	507
Number of clients	~320 000
Total assets	HUF 235 bnt
Market share	26.1%

OTP Banka Slovensko (Slovakia)

Branches	77
Employees	607
Number of clients	~188 000
Total assets	HUF 375 bn
Market share	2.9%

JSC OTP Bank (Ukraine)

Branches	206
Employees	4 550
Number of clients	~282 000
Total assets	HUF 711 bn
Market share	6.4%

OTP Bank Russia (Russia)

Branches***	278
Employees****	14 984
Number of clients	~2,56 mn
Total assets	HUF 580 bn
Market share	~1.15%



OTP banka Srbija (Serbia)

Branches	40
Employees	507
Number of clients	~320 000
Total assets	HUF 235 bnt
Market share	26.1%

OTP banka Srbija (Serbia)

Branches	50
Employees	781
Number of clients	~356 000
Total assets	HUF 127 bn
Market share	1.5%

DSK Group (Bulgaria)

Branches	386
Employees	3 601
Number of clients	~2,97 mn
Total assets	HUF 1 207 bn
Market share	29.3%

OTP Banka Romania (Romania)

Branches	106
Employees	1 094
Number of clients	~206 000
Total assets	HUF 366 bn
Market share	2.3%

Data (audited, IFRS) is relevant for 31.12.2009. On the map you can see the year of acquisition after the name of the bank.

* In all cases total employees and domestic data only contain the data for OTP Core

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

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

**** In all cases the market share is the share of the market for retail loans

***** Data also includes agents employed by the Bank; the number of part-time workers employed for less than 60 hours a week is 6 127 persons

The role of OTP Bank and the Bank Group in the economy

The OTP Group fulfils an important role in the economy of the Central and Eastern European region. The Bank Group's total gross volume of customer loans exceeded HUF 6 800 billion at the end of 2009, while customer deposits amounted to HUF 5 600 billion. By way of comparison: the volume of loans was equivalent to 26% of Hungary's GDP for last year, while deposits were equivalent to 22%. The gross customer loans and customer deposits of OTP Core in Hungary amounted to almost 13% and 13.4% of Hungary's GDP respectively. Households and small businesses make up an important segment of the Bank Group's clientele,

as almost two thirds of the loans placed last year served the financing of the retail, micro and small enterprise sector, while almost three quarters of deposits also came from this segment.

The figures for economic value generated and distributed shed light on the movements of funds between stakeholders, showing the proportions and recipients of the distributed revenue. In comparison to the previous year revenues increased both at OTP Core and the OTP Group, due to the rise in net interest income. Net fees and commissions declined due to a drop in business volumes and transaction-related revenues, as did other non-in-

terest revenues. In 2009 the Bank Group focused particularly on rationalising its operational processes and boosting cost-effectiveness, as a result of which both operating costs and personnel-related expenditures were reduced. At group level, material expenses fell by 6% and personnel-related expenses by 7% in comparison to 2008, primarily due to a lay-downs, the halting of branch network expansion, and, in certain countries, branch closures. At

OTP Core there was a slight increase in personnel and material expenses. The total amount spent on donation and sponsorship rose at both OTP Core and Bank Group level; however, the extent of this rise was negligible in comparison to the group-level drop of expenses. (For more detailed financial and economic data, see our annual report, which is available for download from: https://www.otpbank.hu/portal/en/IR_Annual_Reports.)

Generated and distributed direct economic value in 2009			OTP Core*	OTP Csoport
<i>(based on the consolidated, audited, IFRS profit and loss statement, HUF million)</i>				
I.	Generated direct economic value	= 1	445 574	786 084
1.	Net income from sales	Interest income + non-interest income (incl. net fees) (adjusted)	445 574	786 084
II.	Distributed economic value	= 2+3+4+5	190 460	325 089
2.	Operating costs + payments to equity investors	Operating costs – Personnel expects – Depreciation – Taxes reducing the corporate tax base	76 912	117 735
3.	Employee wages and benefits	Personnel expenses	79 567	155 516
4.	Taxes paid	Total tax-payment liability (excluding employer's contributions on wages)	33 175	50 376
5.	Community investments	Donation and sponsorship	806	1 462
III.	Retained earnings	= 1-(2+3+4+5)	255 114	460 995

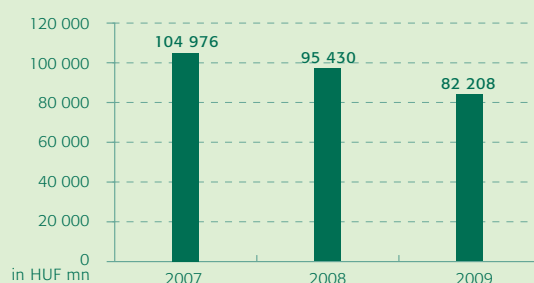
*Based on the financial statements of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Factoring

Due to a significant rise in the cost of risk, the OTP Group's pre-tax profit declined by 31% in comparison to the previous year. Primarily for this reason, the Bank Group's tax payment obligation fell in 2009; however, the OTP Group continues to be a major taxpayer in the Central and Eastern European region.

OTP Bank made use of HUF 1 355 million in R&D (Research and Development) assistance in 2009, and received a tax discount of HUF 170 million, which (as in previous years) was related to film sponsorship. The discount is claimable by companies that provide financial support for film

production. Our contribution principally supported the production of documentaries and educational films, children's movies and animations, although we also assisted in the making of experimental films (e.g. Kezeden a tudás, A magyar korona évszázadai, Főszerepben a tűzok, Egyenlő esélyeket mindenkinek!) The Hungarian and foreign subsidiaries do not typically make use of state assistance; however, the data provided by the subsidiaries in this respect is not complete. Among the subsidiaries, OTP Real Estate received state assistance in a total of HUF 3 million.

The OTP Group's tax liability



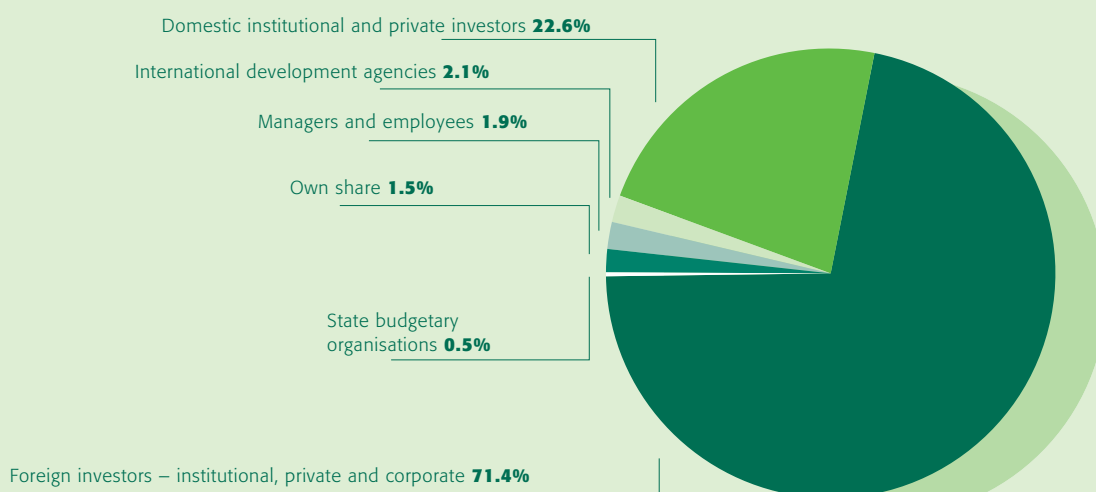
The figures of the chart include corporate taxes, taxes that reduce the result, and employer's wage-related contributions; the data from previous years have been revised accordingly.

Shareholders

In 2009 the OTP Group's ownership structure underwent a slight change in comparison to the previous year. The weight of foreign investors further declined; however, the share of domestic investors – private individuals and institutions – grew. Communication with investors and analysts took on a greater importance. We aim to satisfy the demand for information to the highest possible standard, to this end we gave priority

to holding consultations with analysts and providing comprehensive and authoritative information. In the interests of keeping our expanded of base domestic investors informed, the Bank gave a presentation in the "Stock Exchange Day" event organised by portfolio.hu. Senior management also assumed an active role in our communication with investors.

Ownership structure by shareholding (31 December 2009)



* No shares are held by the state.

Shareholders (with a stake of more than 5%)

Shareholders (with a stake of more than 5%)	Stake	Share of vote
Groupama Group	9.16%	9.31%
Megdet, Timur and Ruslan Rahimkulov	8.74%	8.87%
Hungarian Oil and Gas Company (MOL)	8.57%	8.70%

THE VIENNA STOCK EXCHANGE'S SUSTAINABILITY SHARE INDEX

At the beginning of 2009 the Vienna Stock Exchange launched its CEERIUS (CEE Responsible Index Universe) sustainability index, which at the end of the year had a basket of 16 shares. The index tracks the shares of those – stock exchange-listed – companies that were awarded the best rating in the sustainability analysis performed by the Austrian independent consulting firm RFU (Reinhard Friesenbichler Unternehmensberatung), taking into consideration a variety of social, environmental and economic criteria.

At the end of 2009 OTP Bank had the highest weight (at over 20%) in the index, which is calculated in Euro. The index's starting value was set at 1000 points at its launch, and on 31 December 2009 it stood at 1439 points.



2

Sustainability and Corporate Social Responsibility at the OTP Group

For the OTP Group sustainability means the provision of financial services that fit in with the needs of its customers – protecting their savings and ensuring their financial security – in a manner that is ethically sound with regard to the society and the environment. As a result of the economic crisis, the relationship between banks and sustainability has come into focus.

Tasks related to Corporate Social Responsibility and sustainability

From the outset, the OTP Group has always dealt with the issue of sustainability in the context of its core business, focusing on those aspects of the three main areas of CSR (economy, society and the environment), on which its activities have a significant impact.

The challenges related to sustainability, the various global social and environmental conflicts, also represent a task for the OTP Group. We seek the solutions to these challenges primarily through the process of financial service provision, besides which we assist in resolving problems through sponsorship and donation.



The challenges of sustainability	The OTP Group's role and response
Financial and economic crisis	<ul style="list-style-type: none"> – responsible, prudent lending (strict, conservative credit appraisals) – ensuring the continuity of lending operations – encouraging savings – strengthening risk management – borrower protection – raising financial awareness and sophistication – improving transparency
Disparities in economic and social development: rise in the number of disadvantaged persons, the widening social gap	<ul style="list-style-type: none"> – ensuring access to a broad range of financial services – raising financial awareness and sophistication – responsible lending – ensuring the availability of financial self-provision options – widespread employment, in rural as well as in urban areas – use of suppliers by placing orders for their goods and services – donation, sponsorship
Exhaustion of natural resources, climate change	<ul style="list-style-type: none"> – investigating the indirect environmental risks of financial services (legal compliance, risk management) – reducing the environmental burden of operations (energy efficiency, reduction in paper usage)
The spread of diseases, preventive health	<ul style="list-style-type: none"> – ensuring healthy working conditions and workstations – providing employees with assistance and information in relation to a healthy lifestyle and illnesses – donation, community participation
The spread of crime, the spread of extremism	<ul style="list-style-type: none"> – efforts to combat money laundering and the financing of terrorism – strict bank security systems and risk management procedures (avoidance of external and internal fraud)

Stakeholder relations

In our dealings with all stakeholders we uphold the principles of fair, honourable business conduct, which is assured by the Code of Ethics, internal regulations, and our corporate culture. We make effort to consider the rights and reasonable expectations not only of those stakeholders with a direct interest in our services and activities, but also of those having an indirect effect on our operations.

The Bank Group's relationships with individual stakeholder groups are defined by the organisational attributes of its member organisations, and the characteristics of the stakeholders themselves. (For more detailed information on stakeholder relations, see section 7.4)

PUBLIC INTEREST IN CORPORATE SOCIAL RESPONSIBILITY

We regularly monitor the volume of traffic received by the section of our website devoted to our CSR activities. In 2009 more than 6 100 people visited our Hungarian-language site, while almost 1 300 people browsed the English-language version. The Corporate Social Responsibility Report for 2008 was downloaded 1 150 times.

OUR CUSTOMERS' MOST IMPORTANT EXPECTATIONS OF A RESPONSIBLE BANK

- fair terms and conditions related to products and services;
 - the provision of appropriate, credible and comprehensible information;
 - accessibility, a smooth service;
 - a relationship in which customers are treated as equal partners (including the provision of financial advice);
 - conveying an environmentally aware attitude in communications with customers/the general public;
 - social participation (donation and sponsorship).
- These expectations were identified in the course of stakeholder forums held with retail customers.

Every year OTP Bank holds 2-4 stakeholder forums in connection with the report. The aim of these is to map out the CSR-related expectations of a given stakeholder group with regard to the bank sector as a whole and OTP Bank.

The place of CSR within our organisation

The Social Relations Department of OTP Bank's Marketing Directorate is responsible for coordinating corporate social responsibility operations at group level. OTP Bank employs an environmental consultant. Issues related to environmental protection are primarily dealt with by the Procurement and Investment Directorate and the IT

Logistics Directorate. All foreign subsidiaries have a designated manager with responsibility for CSR. The Corporate Governance and Subsidiaries Portal, which is also accessible to the subsidiaries, serves as a channel for the sharing and gathering of CSR-related information. The organisational units most heavily involved in the implementation of CSR initiatives provide data using the CSR data gathering system. The range of information collated has been determined in accordance with the GRI sustainability reporting guidelines, and it therefore creates an opportunity for the objective evaluation of our CSR performance. Some 150 employees participated directly in the data reporting at Bank Group-level in 2009.

AMONG THE FRONT-RUNNERS IN CORPORATE SOCIAL RESPONSIBILITY

CSR 24/7

This regional survey of CSR performance examined the corporate social responsibility practices and transparency of the companies in Bulgaria, Poland, Romania and Hungary with the highest sales revenue. OTP Bank, with a 73% score, came second in the ranking after Magyar Telekom. The survey was based on publicly available information.

According to the evaluation, OTP Bank's successful showing was primarily due to its efforts to achieve sustainability over recent years: it implements its programs from one year to the next according to a well-considered strategy, giving an account of the results in a report.

Award for an Innovative Approach to CSR

*The fee, which is awarded by the journal *Pari*, was presented to DSK Bank. Despite the crisis, the Bank was highly successful in its efforts to raise the financial awareness of the public and was also exemplary in the responsibility it displayed towards its customers and employees.*

Best Foreign Bank in Terms of CSR

*The Ukrainian *Gvargiya Magazine* evaluated the openness and CSR activities of foreign-owned companies, based on the information provided by entrants. OTP Bank JSC, which came 7th in the overall ranking, was the only financial institution to make the list.*





Fulfilment of Our Commitments and Our Future Objectives

2008 Our commitments	2009 Our achievements	2010 Our future objectives
Deepening awareness of the principles of CSR within our organisation and among our suppliers		
Continuous group-level reporting, and, at DSK Bank, the preparation of an independent CSR report	✓ In addition to the group-level report, the Bulgarian, Croatian, Slovak and Romanian subsidiary banks published an independent CSR report.	Continuous reporting
Regular CSR data provision	✓ The CSR data gathering system has been developed.	Continuous data provision, broadened range of data provided, improved accuracy
Focus on the widespread communication of our corporate social responsibility activities	⇒ An excerpt from the CSR report is available at bank branches. We participated in a number of conferences and professional events. OTP Bank held a CSR competition among its branches. (6.2)	Strengthened CSR communication, call for a another branch CSR competition
Put the "green" procurement guidelines into practice	⇒ Application of the guidelines was achieved partially, in the case of certain products and service. (6.3)	Enforcement of our "green" procurement principles throughout the Group
Extend the standardised guidelines for communication of the Ethics Statement and the Corporate Social Responsibility Report.	* No progress.	Fulfil the original commitment
Security and risk management		
List the losses arising from the materialisation of risks	✓ Data gathering has begun. (4.4: Development of operational risk management)	Improved data quality. Elaboration of a system of key indicators for the measurement of risks that are difficult to quantify
Development of a borrower protection program	✓ The reworking of the Borrower Protection program was completed in Hungary, and similar programs were introduced at the subsidiaries. (4.1: Crisis communication)	Review of Business Continuity Planning operations for the management of emergency situations Continued borrower protection program, as necessary
<p>✓ Fulfilled ⇒ Ongoing implementation * Not fulfilled The number and subtitle of the section containing more detailed information regarding implementation of the given initiative are shown in brackets.</p>		

2008 Our commitments	2009 Our achievements	2010 Our future objectives
Customer service		
Publication of information regarding the available Borrower Protection opportunities	✓ Leaflets have been produced and made available at the branches. (Widespread communication of the opportunities is no longer necessary.) (4.1: Crisis communication)	
Reinforcement of the sense of an equal partnership in our relationships with customers	✓ Our set objectives were fulfilled (simplification and incorporation of customer regulations and their incorporation into contracts). (4.1: Financial and consumer awareness)	Raising customer satisfaction, improving the quality of needs assessments and customer service, and monitoring the results through mystery shopping
Improvement of the comprehensibility of information provided	✓ OTP Bank has signed the Banks' Code of Ethical Conduct, and complies with its provisions. Our commercial communication is straightforward and concise. (4.1: Financial and consumer awareness)	Increasing the sophistication of the questionnaire used in the assessment of retail customers' needs
Extension of the Intelligent Queuing System to additional units	⇒ The Intelligent Customer Orientation System now operates in 20 branches. (5.2: Accessibility)	In the medium term, extending the use of the system to the busiest branches in Hungary
Reducing branch waiting times, providing customer information regarding the busiest times at branches, and recommending times for branch visits.	✓ The provision of information and extension of the appointment system have been achieved. (5.2: Accessibility)	
Introduction of a comprehensive quality-of-service measurement system in the branches of OTP Bank	✓ Fulfilled; the one-year testing period has been completed. (5.2: Customer satisfaction survey)	Officially linking the system to performance evaluation and in the medium term extending it to the foreign subsidiaries
Continuing the Branch Renovation Program	✓ The rate at which renovations are carried out has slowed due to the economic crisis. (5.2: Accessibility)	Continuing the Branch Renovation Program with respect to the financial means at our disposal
	✓ OTP Bank Romania has fitted out 42 children's areas at its branches. (5.2: Accessibility)	Creating 50 more children's areas in Hungary
Developing financial literacy		
Informing our small investors about economic trends, the Bank's situation, and the characteristics of stock-exchange trading	✓ OTP Bank took part in the "Stock Exchange Day" event organised by portfolio.hu. (1: Shareholders)	Keeping up the provision of information
Publishing explanations of basic financial and economic concepts on our website	⇒ We present the most important information related to bank statements in an interactive manner, enabling customers to learn the exact meanings of expressions in an "entertaining" way. (5.2: Assess and fulfil customer needs)	Continuing the education of the public regarding finance and transactions, via the website
Providing secondary-school teachers with training in financial and career management skills necessary for making a start in life, that they can pass on to their pupils (ALAPOK Program)	✓ Fulfilled, through the Fáy András Foundation. (6.2: Raising financial awareness)	Continuing with the program, passing on a growing body of knowledge
Products and services		
Develop a deposit product that invests in the shares of companies engaged in the harnessing of alternative energy sources	✓ A fixed deposit of this type was launched at the beginning of 2009. (5.1)	Expanding the range of products related to environmentally friendly technologies, listing these products at group level

2008 Our commitments	2009 Our achievements	2010 Our future objectives
<p>Development of a debt consolidation scheme for micro and small enterprises</p> <p>Ensuring widespread access to the non-profit account package, through the use of the appropriate communication channels and further refinements to the product</p>	<p>✓ Fulfilled; the product is available. (4.1: Crisis communication)</p> <p>✓ Fulfilled; the account package is available on an ongoing basis. (5.1: Responsible corporate banking products, services aimed at specific professional groups)</p>	<p>Making further improvements in the service provided to condominiums, expand branch skills in this area, hold further professional conferences</p>
Employees		
<p>In response to the economic crisis, preserving jobs, or, in the case of any redundancies that do become necessary, providing assistance in finding new employment</p>	<p>⇒ In the course of all unavoidable lay-offs, the OTP Group was supportive towards its employees. (6.1: Supportive lay-off)</p>	
<p>Regular polling of employee opinions and evaluating the results of such surveys</p> <p>Selecting employees to participate in the career management program at the foreign subsidiaries</p>	<p>⇒ Only a few of the companies in the Group conducted employee satisfaction surveys last year. (6.1: Internal communication, community building)</p> <p>✓ Selection of the 350 participants in the program has taken place. (6.1: Career management)</p>	<p>Developing a HR web portal for improving group-level communication and sharing best practices</p> <p>Instigating the regular holding of satisfaction surveys</p> <p>Continuing with the career management program</p>
<p>Keeping employees informed regarding CSR-related issues and elicit their ideas and initiatives</p>	<p>✓ We keep our employees informed regarding the supported programs via the intranet, and create opportunities for them to participate. CSR-related issues are part of the agenda at major events that we hold for employees. We invite ideas and suggestions through the designated CSR officers. (6.1: Internal communication, community building)</p>	<p>Implementing a mentoring system, developing a scholarship system</p> <p>Using professionally appropriate methods, identify atypical employment opportunities</p> <p>Providing information on an ongoing basis</p>
<p>Expanding the range of internal communication channels</p>	<p>⇒ We have assessed internal communication requirements and the existing means of communication. (6.1: Internal communication, community building)</p>	<p>Comprehensively developing internal communication systems and channels and creating an intranet-based online magazine</p>
<p>Introducing regular health screenings for the employees of OTP Bank, in line with the nature of their work</p>	<p>⇒ The range of screening types was not expanded last year. (6.1: Health and recreation)</p>	<p>Introducing regular health screenings for the employees of OTP Bank, in line with the nature of their work</p>
Our role in the community		
<p>Overhauling the donation policy and putting the new policy into practice</p> <p>Extending the continuous monitoring and quantification of support for social causes to the OTP Group as a whole.</p> <p>While continuing with the existing donation programs, launching new initiatives: development of a tendering system for the assistance of small-scale and new programs, further involvement of our employees</p>	<p>✓ We have reviewed our donation strategy and - in keeping with the new sponsorship strategy - supported initiatives are now implemented in the context of the "Esély" (Opportunity) program. (6.2)</p> <p>⇒ The scope of data collection and quantification has widened considerably. (6.2: Spending on donation and sponsorship)</p> <p>✓ Alongside our existing regular donations, we also supported the implementation of new programs. We analysed the feasibility of the tendering system, and ultimately decided against its introduction. The number of our employees participating in charitable activities has risen. (6.2)</p>	<p>Further extension of the scope of data gathering</p>

2008 Our commitments	2009 Our achievements	2010 Our future objectives
<p>A new call for applications from civil organisations to accept online donations in collaboration with the NIOK Foundation.</p> <p>Extending the scheme to hold team building exercises involving a good cause</p>	<p>✓ The latest round of tendering has been completed (6.2)</p> <p>✗ Due to the cuts made necessary by the crisis, this commitment was not fulfilled; a situation analysis was prepared (6.2: Voluntary work by our employees)</p>	<p>Deepening cooperation with supported organisations, innovatively leveraging the opportunities inherent in their relationship with the bank's operations.</p> <p>Continuing the operation of the tendering system</p> <p>Elaborating a volunteering policy pertaining to the voluntary work performed by employees</p>
Environment		
<p>Reduction of per-employee carbon-dioxide emissions, relative to the previous year</p> <p>Offering employees tips and advice on how to reduce their carbon-dioxide emissions outside workplace</p> <p>Application of the Environmental Regulations, starting in 2009</p>	<p>✗ Not fulfilled (6.3: Carbon-dioxide emissions)</p> <p>✗ Not fulfilled (6.3: Carbon-dioxide emissions)</p> <p>✓ We now apply the Regulations (6.3: Organisational management of environmental issues)</p>	<p>Reducing per-employee carbon-dioxide emissions; Group-level exploration of, opportunities for the use of renewable energy sources</p> <p>Expanding the means of forming employees' attitude</p> <p>Compliance with the Regulations on an ongoing basis</p>
<p>Reduction of the quantities of toner and ink cartridges used per employee</p> <p>In the case of marketing materials, expanding the range of materials that use recycled paper in 2009, and, in the case of internal documents, conducting further analysis on how to use recycled or ecologically friendly paper</p>	<p>✗ Not fulfilled (6.3: Materials and equipment used)</p> <p>⇒ The scope of recycled paper usage has not been expanded. Studies have shown that due to costs and the paper requirement of IT equipment, the use of recycled paper cannot be substantially increased (6.3: Materials and equipment used)</p>	<p>Reducing the quantities of toner and ink cartridges used per employee</p> <p>Continuously monitoring recycling opportunities</p> <p>Gradually expanding the use of electronic processes, reducing paper usage</p>
<p>Widespread use of standby mode in the case of IT equipment and the implementation of other initiatives</p> <p>Steadily increasing the proportion of waste collected selectively and sent for recycling by putting in place the necessary infrastructure</p> <p>Promotion of further use of the video-conferencing suites</p>	<p>✓ Fulfilled; this measure has resulted in considerable savings (6.3: Attitude-forming)</p> <p>✓ Fulfilled; the quantity of selectively collected waste has increased substantially (6.3: Waste management)</p> <p>✓ Fulfilled; by using of video conferencing technology we managed to prevent some 400 tonnes of carbon dioxide emissions at group level (6.3: Carbon-dioxide emissions)</p>	<p>Extending the scheme under which used computers are sent for reconditioning</p> <p>Continuing to make use of video conferencing suites</p>
<p>Making progress in creating environmentally friendly offices</p>	<p>⇒ Establishing the infrastructure for selective waste collection has begun (6.3: Waste management)</p>	<p>Making progress in creating environmentally friendly offices</p>
<p>Examining the opportunities for a bicycle-friendly infrastructure</p>	<p>✓ We have identified the opportunities for establishing cycling infrastructure. (6.3: Attitude-forming)</p>	<p>Constructing bicycle storage facilities, changing rooms and showers at several of the Bank's business sites, in accordance with requirements</p>
<p>✓ Fulfilled ⇒ Ongoing implementation ✗ Not fulfilled</p> <p>The number and subtitle of the section containing more detailed information regarding implementation of the given initiative are shown in brackets.</p>		



4

A Responsible Approach to Managing the Crisis

Challenge, opportunity	Solution
Retaining trust	Ensuring stable operation Providing information and transparency Low-risk transactions
Avoiding panic	Maintaining lending operation
Ensuring the repayment of loans	Borrower protection program
Raising funds	Deposit collecting, refinanced loans
Maintaining cost-income ratio	Cost reductions

With the economic crisis becoming worse in the second half of 2008, 2009 witnessed a changed market and social environment, which, even as the crisis eases, will have a lasting affect on our operations in the long run. The Bank Group responds to the challenges immediately and continuously, keeping sight of the best interests of its customers, shareholders and employees. Owing to our prudent and conservative risk management procedures, the group's stability and financial equilibrium has been outstanding. By 2009 the conditions for stable operation had been established, and the group conducted its operations accordingly in the course of the year.

The crisis demanded a higher degree of responsibility from the members of the Bank Group, as we, too, had to assume a role in assisting our customers facing difficulties. Governments – in those areas where the Bank Group operates – primarily attempted to improve the situation by tightening restrictions on lending, and strengthening consumer protection. The Bank Group placed particular emphasis on reinforcing relationships in which customers are treated as equal partners, and to this end (among other initiatives), in 2009, new general terms of contract, individual regulations and the amended rules on customer information were already being applied. The Bank Group assists its customers at all levels, from the simple provision of information through assisting in the stabilisation of their financial situation. Gaining a better understanding of our customers, helping them to make more responsible financial decisions, and improving risk management tools and methods are all considered achievements as with great benefit to the OTP Group and its customers, both now and in the future.



4.1 Customer Relations

Crisis communication

Due to the increased instalments payable by foreign-currency borrowers, the dramatic fall in yields on investments and the uncertain economic environment, customers contacted companies of the group more frequently than before. Although the depth of the crisis differed from one country to the next, and our customers' reactions also varied, the subsidiary banks consulted with each other on a regular basis. The most intensive crisis communication was conducted in Ukraine, Bulgaria and Hungary.

In all cases we supported the work of our customer relationship officers through situational role playing exercises, information packs and explanatory materials. Besides this, in March 2009 we launched a crisis communication program at the parent company, to ensure our ability to handle customers with the required professional expertise and empathy. Our employees are assisted by a general crisis communication handbook, as well

as a body of information covering all the professional aspects of managing the crisis, which they can access at any time. The assimilation of these skills was also supported through training. Customers experiencing difficulties only came into contact with customer relationship officers who had a high tolerance for the psychological burden that this task entailed; and branch managers received special training on how to support their staff. Feedback from employees and customers has shown that the program provided effective assistance for customer communication and the resolution of critical situations. As well as providing general information, where possible our employees suggested potential solutions to customers, with regard to both the restructuring of loans, investments and the day-to-day management of their finances. The household expenses calculator helps in assessing the customer's outgoings, in order to identify cost items that are less essential in times of financial hardship.

NEW BORROWER PROTECTION PROGRAM

Due to the economic crisis, the repayment of loans caused difficulties for many of our customers. For those facing financial problems, assistance had to come from the Bank Group; among the countries in which we do business, state assistance was available only in Hungary, but only a narrow group was eligible to receive this. To protect the interests of our loan and deposit customers, in Hungary we reworked our Borrower Protection Program and also extended it to the subsidiary banks.

Borrower protection program

Help is most effective if provided immediately, which is why we regarded it as important to offer potential solutions as soon as a customer began to experience payment problems.

On a case-by-case basis, all subsidiaries in the OTP Group allowed (and continue to allow) the restructuring of loans; and we set up dedicated Borrower Protection programs in those countries where payment problems arose on a mass scale.

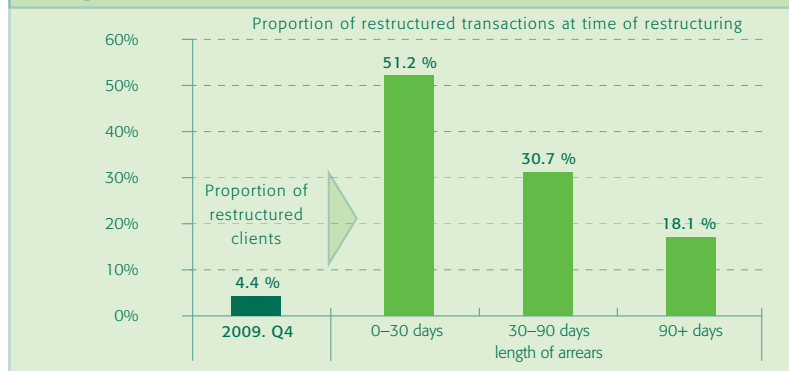
The Borrower Protection programs were developed following the same guiding principles, but in keeping with local requirements. The basic types of loan restructuring are as follows:

- 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

Through analyses and forecasts we attempt to identify at-risk customers even before they begin to default on payments, and use a variety of means to draw our customers' attention to borrower protection opportunities. In this way, the restructuring of loans usually takes place before significant arrears have been accumulated. (Up-to-date information was only available for the last two months of 2009: at the time of applying for the assistance of our Borrower Protection program, 45-50% of personal loans, and

Proportion of restructured transactions



approx. 30% of property-backed loans were free of arrears.) We use a variety of means to provide information regarding the available options; besides the detailed information provided by customer service staff, we have also prepared a brochure giving an overview of the scheme. In Hungary, the overhaul of the Borrower Protection program took place in the third quarter of 2009. Among the countries in which the OTP Group has subsidiaries, the scheme was first launched in Ukraine, followed by Romania, then Hungary and Bulgaria. The initial program entailed a six-month easing for borrowers; then – depending on the capacity of customers and the economy to perform – in some countries we launched additional phases of the program. Besides retail customers, the Borrower Protection programs were also available to micro and small enterprise customers. In Hungary, for example, we contacted customers in arrears of 45 days or with an expired overdraft facility, with a proposed solution, primarily involving the provision of the “Egyensúly” (Balance) loan, which was developed specifically for this purpose. Our aim was to involve as many clients in difficulties as possible in the program, so we made it available to virtually all of our customers, while borrowers also had considerable freedom to choose between the various options. However, in an examination of our customers’ conduct and ability to pay, we observed a strong tendency of short-term thinking, as the majority selected a reduction in the instalment accompanied by a lengthening of the term, with less consideration given to the future burdens of repaying the loan. In the following phases of the program

– in the interests of strengthening payment discipline – we imposed stricter conditions with regard to both the group of eligible customers and the choice of solution; however, for customers having lost their jobs the more relaxed conditions remained in effect. It is our aim that loan repayments should not represent an impossible burden for our customers, but that they nevertheless responsibly fulfil the obligations they have undertaken.

The proportion of rescheduled retail loans within the overall retail portfolio at the end of 2009, in terms of the Bank Group as a whole, was 6.5%. In Ukraine 38.5%, in Romania 7.6%, in Bulgaria 6.2%, in Hungary – in the case of the Bank – 4.4% of the loans (approximately 33 000 contracts) were restructured. The extent of restructuring at the other subsidiaries was negligible. In Hungary, the weight, within the banking sector as a whole – excluding OTP Bank – of loans restructured under the retail borrower protection program was 2.1%, while the number of contracts managed under the borrower protection scheme came to 59 000; the rate of participation by customers in OTP Bank’s Borrower Protection program was higher than the Bank’s market share. Even at the level of the overall banking sector, only a slight proportion of the restructured loans were restructured pursuant to the recently enacted law on providing assistance for foreign-currency debtors.

The number of people making use of Borrower Protection solutions is declining in all cases, although at different rates in different countries, due to a fall in the number new of requests and restoration of the original repayment plans. Nevertheless, we continue to monitor the Borrower Protection programs on an ongoing basis, analysing their efficiency and working to develop new phases. In a favourable trend, in all countries – at a faster or slower rate – the number of people making use of Borrower Protection solutions is declining due to a fall in the number of new requests and the restoration of the original repayment plans.

Financial and consumer awareness

A positive side-effect of the financial and economic crisis has been a considerable improvement in the financial sophistication and awareness of households and businesses. With regard to both deposits and other savings, situations arose that had, until then, only existed as hypothetical scenarios. Only a few customers had taken seriously the risks described in contracts and brochures, or by customer relationship officers, and these risks had only been a minor factor in their decisions. The changed situation demanded of customers a deeper understanding of the issues involved, and an overview of the financial interrelationships. A grasp of increasingly complex banking products, the ability to select services suited to the individual's aims and needs, and to make carefully considered decisions will continue to represent an advantage in future.

The increasingly tangible nature of certain processes (e.g. the incurring of costs) and the general deepening of financial knowledge, have led to a rise in the number of complaints. This process was characteristic of the entire financial sector, and as such, it also affected the OTP Group. Based on the complaints management reports

published by the Hungarian Financial Supervisory Authority (HFSA) in respect of 2009, the percentage of overall consumer complaints directed against OTP Bank was lower than the Bank's market share. Last year none of the HFSA investigations into the appropriateness of information provided to customers led to the imposition of sanctions on the Bank. In 2009 the number of completed complaint management procedures rose in comparison to the previous year, accompanied by a corresponding rise in the number of complaints that were found to be substantiated. The average amount of compensation paid per complaint decreased slightly (to HUF 4 400). (For more detailed information on customer complaints, see section 7.1)

In the interests of avoiding customer complaints we have fulfilled our objectives aimed at ensuring that customers are treated as equal partners. Among other measures, we revised the provisions of our general customer regulations and incorporated them into contracts. Besides this, OTP Bank is a signatory to the Code of Conduct, a set of guidelines pertaining to financial institutions' fair conduct towards their customers. Recognising the importance of a consistent interpretation of the regulations and the sharing of best practices throughout the bank sector, in 2010, at the initiative of OTP Bank, an independent compliance committee will be established within the Banking Association.

THE OBJECTIVES OF THE CODE OF CONDUCT

The purpose of the voluntary Code of Conduct is to strengthen the trust that is essential between retail borrowers and lenders. By signing the Code of Conduct, lenders undertake to display transparent and responsible conduct towards their customers both when granting credit and throughout the term of the loans taken out, as well as in their procedures to be followed in the event of payment difficulties.

Code of conduct

The signatories to the Code of Conduct are expected to adhere to the following principles:

- the principle of transparency, according to which clarity and transparency must be enhanced and access to necessary information must be granted in retail lending,
- the principle of normativity, according to which creditors describe their practices in the form of regulations, in accordance with the statutory regulations and requirements that promote good practices,
- the principle of symmetry, according to which the creditor must reflect positive, as well as negative changes to conditions or circum-

stances, in the fees, charges or costs payable by customers.

Lenders, who sign the Code of Conduct, agree to comply fully with the principles of responsible lending, especially in view of the fact that one of the sources of funding for the loans they provide is the deposits placed with them by their customers in savings. They bear in mind that responsible lending requires mutual responsibility caution on the part of both the lender and the borrower. In the course of providing information and communicating with customers, the Lenders use the means at their

disposal to assist their customers in making a responsible decision. In the course of their procedures, besides aiming to place loans, lenders also regard the long-term retention of the customer, and successful repayment of the loan, as their objectives.

The lenders agree to only amend contracts unilaterally upon occurrence of the causes defined in the Code of Conduct:

- a change in the legal and regulatory environment,
- a change in money market conditions and the macroeconomic environment,
- a change in the risk assessment of the customer.

In most areas of its operation OTP Bank's existing practices had fulfilled the expectations of the Code of Conduct, even before it was drawn up. The only significant change was the

public disclosure of the permissible grounds for unilateral contract amendment. OTP Bank also complies – voluntarily – with the Code of Conduct in the micro and small-enterprise segment.

Naturally, the Bank Group adapts continuously to the ongoing changes and continued tightening of consumer protection regulations. The imposition of stricter rules governing the provision of information serves to improve the transparency and comparability of products, a goal that the Bank has always worked towards through its internal regulations and by adopting the Code of Conduct. (The Bank signed the European Code of Conduct on Home Loans at the beginning of 2008.)

We have begun to prepare for compliance with the new provisions of the Consumer Protection Act, which is due to take effect in the second half of 2010.

4.2 Funds collection

The role of funds collection, which forms the basis of banking operations, has taken on a heightened importance in the financial crisis*. The OTP Group placed particular emphasis on collecting deposits, besides which it gave priority to searching** for refinanced funding sources and participating in state-backed and EU programs.

In order to coordinate these efforts, in 2009 we launched retail funds collection projects at group level. The primary objective of these projects was to develop products and processes that focus on the changed customer requirements arising from the crisis, thereby encouraging retail customers to save, and to strengthen efforts to secure the retail funds that are essential for stable banking opera-

tions. We did all we could to propagate the best practices available in countries where the Group has subsidiaries.

We regard the substantial improvement in the loan-deposit ratio, which is one of the keystones of secure operation, as an important achievement. The loan-deposit ratio for the OTP Group as a whole was 108% at the end of 2009, which represents a 20-percentile reduction in comparison to the previous year. In the case of Hungary and Croatia, this figure was below 100%.

The security of our deposit-holders and their deposits is guaranteed by the Bank Group's responsible lending policy.

* The securing of funds, both from interbank sources and the international bond market, presented difficulties.

** In the case of a refinanced loan the bank does not lend its own funds, but mediates funds received from another financial institution.

4.3 Loans and Lending

Change in lending practices

Lending operations were defined by two parallel processes. One of these was the imposition of stricter credit appraisals, which served the interests of both the Bank Group and its customers while maintaining the continuity of lending. (For more information, see section 4.4). The other was the growing caution on the part of customers when it came to applying for credit, as the retail, corporate and municipality sectors alike concentrated on managing the challenges of the crisis and maintaining stability, while developments and larger-scale investments were shelved.

Even in the tough economic environment the Bank fulfilled its most important mission of acting as an intermediary between participants in the economy. In 2009 OTP Bank granted a total of HUF 248 billion in loans to domestic small, medium-sized and large companies, with the result that the portfolio of loans to micro and small businesses grew by around 5%, loans to medium-sized and large corporations by 8% in comparison to 2008 (exchange-rate adjusted data), while the total volume of loans in the Hungarian banking system declined by 8%.

In March 2009 the Hungarian state provided OTP Bank with a EUR 1.4 billion loan, in two instalments and at market interest, for the purpose of supplying Hungarian businesses with an addi-

tional funding at the lowest point of the global financial crisis. The Bank repaid the loan in full in two instalments, made in November 2009 and March 2010, despite the fact that under the original terms repayment of the loan would only have been due from February 2010.

Since the credit fees and term of the enterprise loans supported by the state loan were only suitable for a part of the enterprise sector, the Bank satisfied a broader range of needs from its own reserves.

Overdue loans

The proportion of loans in arrears can serve as a barometer of the severity or the easing of the economic crisis, and also as an indicator of the effectiveness of our risk management operations and Borrower Protection programs.

The proportion of loans more than 90 days overdue was 9.8% at the end of 2009, and although this figure rose throughout the year, a slowing in the rate of this increase from the third quarter onwards gives cause for optimism.

Hardest hit by the crisis was the micro and small-enterprise segment, mainly because it was this group that tended to have the least slack in its finances.



4.4 Risk Management

As a result of the economic crisis the role of risk management has grown considerably. Alongside our efforts to identify in good time those customers who are likely to experience financial difficulties, another challenge was to map out the low number of potential new customers who could still be regarded as creditworthy, while the risk of fraud increased in several areas. Beyond the need to protect its economic interests, the OTP Group regards risk management as one of its obligations towards society.

In all cases, the purpose of risk management is to ensure the Bank Group's secure and prudent operation, and to safeguard its financial strength and reputation. Our traditionally conservative risk management principles are consistent throughout the Bank Group. These principles did not change in the course of 2009; however, in several areas of operation the methods of applying them were refined.

The OTP Group regards as desirable those 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 the possession of any necessary permits. Forbidden areas of business include illicit arms dealing, unlicensed gambling, the narcotics trade and all forms of illegal activity (money laundering, illicit trade, etc.); and loans may not be granted to customers whose operations can be assumed to breach generally accepted moral standards or social values.

As a part of our assessment of business risk factors we examine whether the environmental impacts of our operations are compatible with long-term expectations relating to environmental-protection and sustainability.

Within the banking sector, there are four types of risk in relation to the operations of banks:

- Liquidity risk: the danger that the bank may not, in future, be capable of fulfilling its obligations in a timely manner. Due to the economic crisis, this type of risk has come into the focus of attention in the banking sector. Owing to the OTP Group's conservative lending policy, in 2009 we continued to maintain a strong liquidity position. With a liquidity reserve in excess of EUR 6 billion, the OTP Group is capable of settling all its outstanding external obligations.
- Market risk: the threat of damages arising from fluctuations in the financial markets (e.g. interest rates, currency exchange rates, or the credit, derivatives and equities market). In response to the global recession both market regulation and regulation within the Bank Group were tightened.
- Lending risk: the risk of non-repayment of loans. Lending risk has risen, and this justifies a separate description of the measures implemented as a response, such as the introduction of stricter credit appraisals, and the borrower protection programs. The OTP Group places particular emphasis on minimising this type of risk, and on responsible lending.
- Operational risk: the possibility of losses arising from human error, flawed systems or processes or external events. The risks arising from external fraud and crime have increased, and we too have been compelled to respond to this situation.

Changes in the management of lending risk

The mitigation of lending risks is possible partly through the development of risk-management tools and the avoidance of riskier transactions, and partly through restrictions on loan placements. The OTP Group regards the development of risk management tools (e.g. the screening out of overly indebted applicants and transactions in which payment difficulties are being experienced) as being more effective and beneficial from the perspective of both the economy and customers; and therefore we make an effort to reflect this philosophy in our actions, and wherever possible to influence the regulatory system in this direction.

The following measures served to reduce the risks of the customer and the bank, and to prevent excessive debt:

- a tightening of lending terms and a reduction in the loan-deposit ratio;
- a reduction in the ratio of the loan to the value of collateral;
- the discontinuation or limitation of loan structures that have become risky (e.g. yen-based and Swiss franc-based loans);
- new products aimed at eliminating currency risk, e.g. forint loans pinned to BUBOR*.

As the crisis eases, in certain areas the stricter credit appraisal procedures will also be relaxed to a certain degree; however, we will continue to apply the more advanced risk management methods in the future.

Development of operational risk management

The Bank Group aims to apply the standardised approach – which is more advanced than the currently applied procedure – for calculating the minimum capital requirement, in compliance with the relevant requirements of the Basel II Accord. The two essential prerequisites for effective operational risk management are the performance of self assessments and the gathering of loss data to the appropriate degree of accuracy and completeness. Since operational risks primarily manifest themselves in processes, we have chosen to map them out using a process-based approach. In 2008 we performed the first risk self assessment of all processes, and made recommendations regarding the measures to be implemented. In 2009 we began to use loss data-gathering software, which is also used by the foreign subsidiaries and those in Hungary that are required to do so by the Hungarian Financial Supervisory Authority. Reporting processes and data quality are being continuously improved.

A significant proportion of the risks are related to the unfavourable economic situation arising from the crisis; at the same time, the risks differed to a certain extent between the various members of the Bank Group. The most typical risk was that of credit fraud perpetrated using forged documents and bank cards, attacks on ATMs and problems related to foreclosure, performance of payments and process management.

In order to effectively ensure the continuity of banking operations in the event of unexpected incidents and the disruption of normal banking procedures, in 2010 we plan to review and develop the practices related to Business Continuity Planning.

The Bank Group's advanced risk management operations made an important contribution to ensuring the stability of the Bank Group throughout the economic crisis.

* Budapest Interbank Offered Rate. This is a benchmark rate determined by the National Bank of Hungary (MNB), taking into account bank interest rates and published on a daily basis.



5

Responsible Financial Service Provision

Challenge, opportunity	Solution
Facilitating economic development and prosperity	Products and services that conform to standards of business ethics
Maintaining stability	Strict credit appraisals
Preventing excessive debt	Careful and comprehensible provision of information
Protecting depositors	Improving financial literacy
Managing risks	Effective risk management

To be an ethically sound and sustainable financial service provider, a bank must fulfil two basic requirements:

- the development of responsible products – these should fulfil genuine customer needs and manage risks appropriately and with due caution (conservative risk management), while being fairly priced;

- responsible service provision – this should ensure the identification and fulfilment of the customer’s actual needs (at the time of the sale and in the period that follows), as well as the provision of appropriate customer information and the availability of the service.

5.1 Responsible Products

The OTP Group also applies conservative principles in its product development, enforcing compliance with the Code of Ethics during the creation of all new products, while keeping a watchful eye on changes in the social and economic environment.

Our aim in continually developing our products and finding new solutions is to serve our customers and fulfil their expectations as comprehensively as possible. We offer a range of successful and popular products throughout the region, with the result that several of our subsidiary banks are renowned for their innovative products.

We promote the transfer and exchange of experience and best practices not only with regard to products, but also in the area of regulation. We enforce the stricter statutory regulations at all of

our subsidiary banks, since we also aim to ensure consistency in terms of our internal regulations. When adapting our regulations, we actively cooperate with the International Banking Association. We give priority to ensuring that our contracted agency partners also conduct themselves responsibly. To keep their skills up-to-date, we hold regular training courses related both to processes and to the prevailing legal and statutory requirements, and also provide them with information on a continuous basis through the internet and printed materials. Besides this we prepare sales guides and crib-sheets to assist them in identifying customer needs. We constantly monitor our agents, and in the event of any anomalies we immediately make contact with the partner concerned.

PAYPASS

The PayPass card is the first bank card of its kind in Hungary, permitting the holder to make contactless payments under HUF 3 000. Through the use of RFID technology with a range of a few centimetres, purchases can be made far more quickly than with other types of bank card. For higher-value purchases, the card is used in the same way as a traditional bank card.



Responsible retail products

The OTP Group offers promotional products targeting the needs of various groups within the retail segment, taking into account their age and living circumstances. In terms of their objectives and target groups, our products have not changed over the past year; however, we continue to assign particular importance to offering preferential financial solutions and affordable state-subsidized facilities.

All members of the Bank Group give priority to forging relationships with youth, the upcoming generation. Besides offering a preferential range of products specifically geared to the needs of young people, attention is also focused on instilling a culture of financial responsibility, an objective that is served by a variety of informative materials, visits to schools, the holding of events and provision of savings incentives.

Several companies in the Bank Group offer savings schemes specifically for children:

- OTP Bank's Start Deposit Account, besides serving as a means of depositing state assistance offered under the "Baby Bond" program, also offers a special rate of interest on payment made into the account by parents or the local municipality;
- OTP banka Hrvatska encourages regular monthly savings by offering a favourable rate of interest, and not only the parents but the children themselves can deposit funds and receive their own bank card (however, they are not permitted to withdraw cash or initiate transfers);
- DSK Bank offers two deposit schemes, one for people under 18 and the other for those between 18 and 25. As a part of the savings

package offered, a credit facility named "Starting School Together" can be requested at preferential terms.

Virtually all members of the OTP Group offer bank accounts to young people at discounted fees, offering a different package of services to each age group. In some cases they are the only bank to do so in their country. In addition to the above:

- OTP Bank in Hungary and DSK Bank in Bulgaria offer a bank card that also serves as an international student card. The fee for the issue of the student identity card is reduced, while the card issued by OTP Bank is also suitable for making internet purchases.
- OTP Bank in Romania offers cards for students and teachers at Sapientia University.
- OTP Banka in Slovakia rewards good school reports with account bonuses twice a year, while older students can enter prize draws to win places on language courses abroad.
- the Bank helps finance study costs by providing student loans.
- OTP Bank in Hungary offers the "Osztálypénz" (Class Money) account for managing money collected for the expenses of a school class, such as school trips.
- In 2009, OTP Bank developed a preferential package of products aimed at young career starters (aged 24-28). The package offers a number of services free of charge or at discount prices, in line with the given customer's living circumstances. These may include, for example, access to electronic channels, travel discounts, preferential home loans and home savings schemes, healthcare and pension fund allowances or even gifts.



ISIC BANK CARD

OTP Bank is the first in Hungary to offer the MasterCard online ISIC card, which, in addition to its banking functions, can also be used as an international identity card. Besides the wide-ranging benefits of a student identity card, the related account-management and bank-card functions are also offered at special low rates to customers in the junior age group.

Constructing, buying or renovating a home is a momentous event in a young person's life, for which the Bank Group provides support in cooperation with the state wherever possible. We do not offer high-risk foreign currency loans, and primarily extend credit either in Euros or in the local currency.

– In Hungary, our Bank offers loans that can be requested with a low initial repayment instalment, combined with home savings schemes supplemented with substantial state subsidies as an incentive.

Home saving schemes that are not tied in with loans make it possible for those with modest incomes to save money for home-related purposes, thus also improving their quality of life. State-assisted forint loans are also available for the purchase, construction or renovation of a home.

– OTP Bank Romania provides credit for the purchase of a first home under state-backed schemes offering preferential rates of interest or state guarantees.

– OTP Banka Slovensko offers mortgage loans for young married couples and life partners at interest of 0.2% below the market rate.

For young people, in the context of a state-backed scheme, a 2.5% discount on the market interest rate is provided jointly by the state (1.5%) and the Bank (1%) in the case of loans provided for the purchase, construction or renovation of a home.

– OTP banka Hrvatska also offers home loans at preferential interest rates for young people aged under 35.

– OTP banka Srbija provides home purchase loans at an interest rate significantly below the market rate, as part of a state-guaranteed mortgage loan scheme.

Several members of the OTP Group also have a high proportion of retirees among their customers. The different expectations and financial habits of senior citizens makes it necessary to develop special products for them. OTP Bank Romania offers fixed deposits at special high rates of interest, while the "Senior" packages of both CKB in Montenegro and OTP banka Hrvatska provide a service with preferential charges, and DSK Bank holds prize draws to encourage bank card and ATM usage among its retired customers. OTP Life Annuity Zrt. continues to offer its life annuity program to existing elderly customers, thus providing them with the opportunity of a secure income and livelihood.

The range of available financial self-care options differs from country to country, but the OTP Group has offered its pension funds for many years now. In Hungary, individuals also have access to a health fund.

In addition to the usual range of special products, the individual banks offer a number of products at favourable terms, which have been adapted to suit specific local needs and expectations:

– Bulgaria's DSK Bank, and OTP banka Hrvatska, both offer loans to professional mariners at favourable terms.

– DSK Bank provides preferential credit for energy efficiency investments, and for the installation or modernization of gas heating systems.

– The Hungarian and Slovak banks in the group offer preferential schemes for workers in public services and government administration.

– State subsidies are also available in Hungary for the barrier-free conversion of buildings.

– OTP Bank has a tradition of offering special products for managing the finances of persons under legal guardianship. From 2009, deposits may be fixed at varying terms or linked to a home savings account.

– The range of public utility bills that can be paid via ATM is also being continuously expanded in Hungary.



PROFIT DEPOSIT 3

In the beginning of 2009, OTP Bank offered a fixed deposit paying interest partly at a fixed rate and partly at a rate dependent on the performance of a basket of shares in companies with interests in gold and alternative energy. Most of the energy companies operate in the solar energy sector.



INVESTMENT FUNDS AGAINST THE CLIMATE CHANGE

OTP Fund Management Zrt. currently manages six funds related to climate change and environment-friendly technologies. Five of these are closed-end, capital-guaranteed schemes investing in pioneering companies that are involved partly or wholly in the generation and utilisation of energy from alternative sources.

The Climate Change 130/30 Fund is an open-end equity fund that invests not only in renewable energy sources but also in several other industries, such as drinking water purification technologies or the production of lithium for electric car batteries. The assets managed by the fund amount to over HUF 1.3 billion, and for the time being it is mainly popular among institutional investors.

Through its own investment fund, OTP Asset Management Romania will also offer the chance to invest in the renewable energy market beginning in 2010. At the end of 2009, OTP Bank Romania created a savings scheme incorporating the prospective new fund.

Responsible corporate products

In the case of corporate products, we make every effort to satisfy our customers' individual requirements. In the case of medium-sized and large companies and municipalities we literally tailor products to meet the needs of a given customer, while in our dealings with smaller enterprises and businesses, we attempt to respond to the specific characteristics of individual sectors, for example offering services that take into account the various financial and financing practices of agricultural enterprises and pharmacies.

The changes made in the year 2009 focused on internal operations as we launched a special project aimed at raising the standard of service in the micro and small enterprise segment, in response to customer demand.

In the wake of the economic crisis, in the case of our corporate customers the emphasis shifted from new investments and borrowing towards the repayment of loans. The Bank Group focused on ensuring the safe management of finances and on restructuring the loans of customers faced with repayment difficulties.

Last year particular emphasis was also placed on ensuring access to funding sources at favourable

terms and the scope of cooperation with state and international institutions was expanded. The Bank Group constantly and proactively seeks opportunities for cooperation, carrying out negotiations at group level wherever the opportunity arises (e.g. with the European Bank for Reconstruction and Development). State-subsidised loans are available primarily to small and medium-sized enterprises, supporting their growth and operations and helping to improve their liquidity and solvency.

Small and medium-sized enterprises

In Hungary, OTP Bank plays a key role in the New Hungary program, which has been accessible for a number of years through refinancing by the Hungarian Development Bank (MFB). OTP Bank has established an excellent relationship with the MFB, and participates in the planning of future schemes in order to ensure that they assist enterprises as effectively as possible. The following schemes are available through the intermediation of our Bank:

- a broad range of refinanced loans for developments and related procurements: the New Hungary Small and Medium-Sized Enterprise Credit Program, the New Hungary Enterprise Development Credit Program;
- MFB working capital loan programs for small and medium-sized enterprises operating in the manufacturing, service and trade sectors, and the MFB Economic Stimulus Bank Guarantee, applicable to working capital loans, for companies primarily engaged in manufacturing.

Under the German start loan scheme, Deutsche Ausgleichsbank (DAB) offers refinancing resources for the establishment of small and medium-sized enterprises.

Among micro and small enterprises, we have set out to achieve a situation in which, instead of the freely usable, short-term current account overdraft facilities prevalent in the market, which are available with high credit limits without any account turnover, the terms and conditions of borrowing are dependent on the size of the given enterprise, the purpose of the financing and the expected time needed for repayment, thus avoiding undesirable excessive lending.

OTP Bank Romania provides assistance in procuring resources from the EBRD and European Union: the Bank's advisors help customers apply for loans for the financing of investments and working capital.

The Bank concluded a partnership agreement with the National Credit Insurance Fund for Small and Medium-Sized Enterprises, allowing SMEs to apply for collateral or supplementary coverage for their loan application.

With the intermediation of OTP banka Srbija, customers have access to the credit line offered by the EIB (European Investment Bank). The purpose of these credit facilities is to provide project financing and working capital for small and medium-sized enterprises; to finance small and medium-sized infrastructure projects for municipalities; and to assist companies working in the knowledge economy, energy, environmental protection, healthcare, education, industry, tourism and other service sectors.

The purpose of loans subsidized by the Development Fund is to secure export financing or operating capital, and sustain liquidity.

OTP Banka Slovensko also provides its customers with subsidized loans to promote exports and EBRD credit aimed at supporting small and medium-sized enterprises.

OTP banka Hrvatska offers preferential loan opportunities to a broad range of businesses in cooperation with the Ministry of Tourism and the Croatian Bank for Reconstruction and Development (CBRD). Besides this, the CBRD also supports micro-lending, the development of islands, export activity, the development of corporate infrastructure, and the rehabilitation of war-stricken areas.

Tourism is a key area of development in Croatia. Accordingly, an important role is accorded to improving the range of accommodation opportunities, for which purpose the Bank has created a special range of preferential loan products.

Agriculture, agricultural enterprises

Most banks in the OTP Group provide support for the development of the agricultural sector, the modernisation of farming and for marketing activities, often with opportunities to gain EU and state funding. Credit is typically available for the financing of investments and production alike.

OTP Bank manages accounts at preferential rates for agricultural enterprises, and has offered products for the pre-financing of normative (land area-based) subsidies for many years now. Similarly to SMEs, MFB resources are also available to the agricultural sector, under the MFB New Hungary Agricultural Working Capital Credit Program, the New Hungary Grain Working Capital Credit Program, the MFB Food Industry Bank Guarantee Program, and the New Hungary TÉSZ*. Land development credit for the purchase of arable land is also available with a state interest subsidy.

The Romanian subsidiary bank provides agricultural loans to support production, while operating capital and investment loans are available in Serbia. The loans offered by DSK Bank are used to finance equipment purchases and production, while schemes run jointly with the EBRD are also accessible. In Slovakia, subsidised loans are available for the procurement of machinery.

* Producer Marketing Association Credit Program

Helping to make use of EU funds

Three subsidiaries of the OTP Group – the Hungarian OTP Hungaro-Projekt, Bulgaria's DSK Bul-Project and OTP Consulting Romania – assist enterprises and municipalities in making use of EU development funding, by providing a range of project development, tender writing and project management consulting services.

The preparations for local government projects have continued unabated despite the economic crisis, while in the case of small and medi-

um-sized enterprises advertisers of tenders have simplified the process in countless ways, so that bidders can continue to secure funding for developments. As a result of this, the clientele of the consulting firms expanded considerably in 2009. Slovakia's OTP Banka offers consulting services to its customers through its own organisational units, promoting the use of European Union funding by preparing projects and providing pre-financing and co-financing facilities.

OTP HUNGARO-PROJEKT

The company helped entities in the local government and corporate sectors gain access to assistance totalling HUF 6.3 billion in 2009. Of the 90 projects with a total budget of HUF 14.3 billion, some 26 were aimed at local government developments, primarily related to wastewater drainage and purification, the supply of drinking water, and the rehabilitation of villages. Several projects targeted the development of educational institutions. The 54 tenders assisting small and medium-sized enterprises served to modernise the premises and technologies of the SMEs concerned, while seven projects helped the development of large companies. In three cases the company prepared the ground for projects by non-profit organisations, aimed at the development and beautification of villages or the holding of public energy-saving awareness campaigns. In 2009, OTP Hungaro-Projekt organised a conference for its local government clients, to keep them informed of the latest tender opportunities.



Local Governments

The weight of local governments within the clientele varies between the different members of the OTP Group. The parent bank maintains contact with more than 2 000 local governments, giving this sector a key role. In Bulgaria, however, co-operation is prevented by legislation, since local governments are not permitted to take out loans from commercial banks. The contribution of this sector is also smaller in the case of banks with lower market shares in their respective countries; however, all group members are working to forge new relationships with the sector.

By means of its state-subsidized loans, OTP Bank offers local governments a variety of favourable financing opportunities. Some 78% of the MFB-refinanced credit taken out at our Bank was used by local governments.

The Bank has participated in the "For a Successful Hungary" Local Government Lending Program

for several years. As in previous years, in 2009 the scheme continued to provide funding for environmental protection, urban rehabilitation, public education, culture and sport, the development of healthcare services and assistance for IT infrastructure investments. The renovation of prefabricated apartment blocks to improve their energy efficiency, provision of co-financing for subsidy applications and the construction of local government housing are all objectives supported under separate schemes.

OTP Bank Romania offers a special loan scheme for local regional administrative units for the financing of public benefit and environmental investment projects, primarily in the context of investments that increase social advantage and standards of living, as well as for the refinancing of the direct debts of local governments.

“LIGHT OF OUR EYES” (SZEMÜNK FÉNYE) SCHOOL LIGHTING PROGRAM WINS EUROPEAN SUSTAINABLE ENERGY PRIZE

Under this program launched in 2006, lighting and heating systems have been modernised in some 1 400 schools across the country. OTP Bank is involved as a member of the consortium implementing the scheme, by ensuring the necessary financial backing. (For further information, see www.szemunk.fenye.hu)

By presenting an award in recognition of the program's efforts, the European Commission has reaffirmed the importance of this exemplary energy-saving initiative, which earlier won the Covenant of Mayors' prize for "reference funds of distinction", announced by the Commission in 2009. This title is awarded to outstanding examples of the urban application of world-class sustainable energy technologies.

Condominiums

The OTP Group aims to retain its position as the partner of choice for condominiums and housing associations. The most sophisticated facilities available to condominiums are offered by the parent bank (not every country's legal regulations permit the creation of shared condominiums as legal entities), although services geared specifically to this segment are also available in Slovakia and Croatia.

OTP Bank offers complex packages of account management, savings and financing services to condominiums and housing associations. As well as traditional savings schemes, these customers are also entitled to benefit from state-subsidised home savings services for renovation purposes, as well as long-term investment accounts that could even offer a means of saving that is exempt from the tax on interest.

The Bank provides condominiums with both state-assisted and non-subsidised loans. These may be used for the modernization of apartment buildings without the need for real estate collateral, and with minimal levels of co-financing. Schemes linked to the "For a Successful Hungary" program provide preferential funding for interior and exterior renovations and modernisations, while also facilitating improvements in energy efficiency. Loans are available to both prefabricated apartment blocks and apartment buildings constructed using traditional technologies. Lending to condominiums at OTP Bank grew by 75% last year.

OTP Banka Slovensko offers a range of services similar to those of the parent bank, while in Croatia OTP banka Hrvatska offers loans at favourable terms for the renovation of common areas of apartment buildings.

Services aimed at specific professional groups

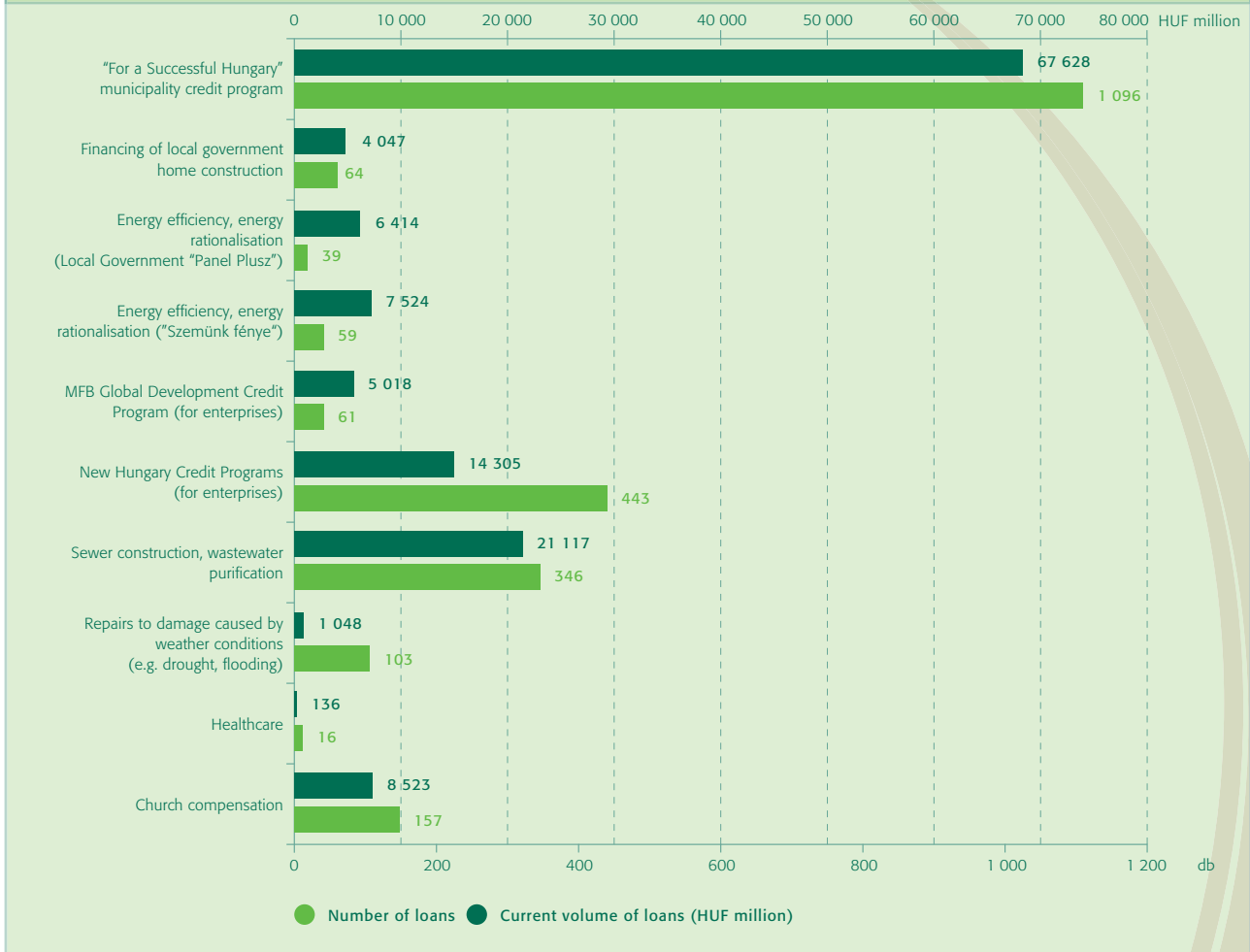
Having assessed the types of businesses and related financial habits and demands of various trades and professional groups, OTP Bank and OTP Banka Slovensko decided to create account packages to suit the needs of specific professions. OTP Bank:

- offers an account package with preferential bank transfer fees for solicitors and lawyers, public notaries, court bailiffs, tax advisors and accountants; and
- similarly favourable account packages to pharmacies or those engaged in the retail pharmaceutical trade.
- The account package developed for non-profit organizations has been designed primarily for organisations that perform few transactions. Besides low fees, we also provide these customers with the most important banking services, while offering preferential schemes – on a case-by-case basis – to associations and foundations with a significant impact on society.
- Churches are traditionally valued customers of OTP Bank, which counts more than 2 400 faith communities and church organisations among its customers. We endeavour to create packages that conform to the demands of these organisations, which typically have savings at their disposal.
- We continue to cooperate closely with water utilities, providing continuous financing for investments aimed at developing public amenities. Due to a steady improvement in the water and sewage networks, financing demands and the volume of loans have decreased.

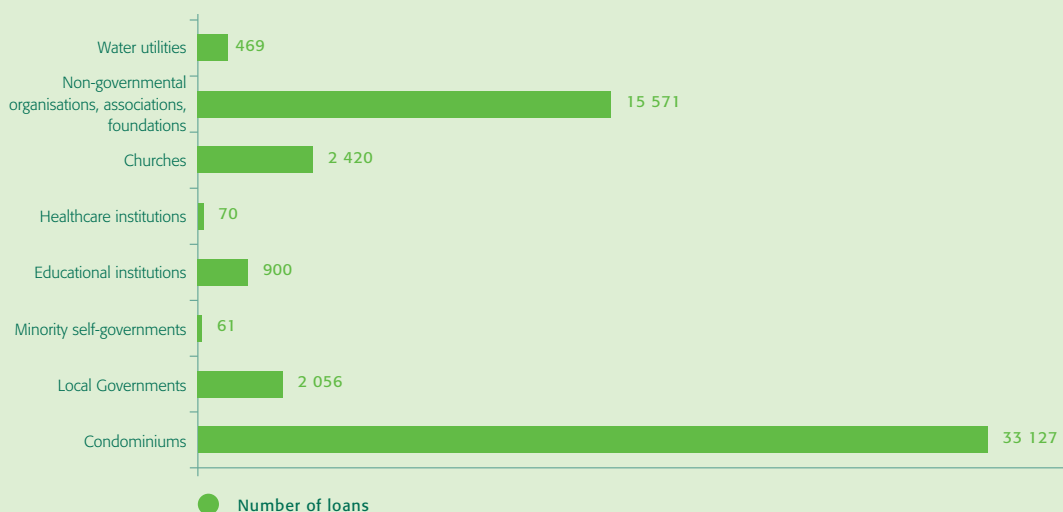
OTP Banka Slovensko:

- provides preferential account management and savings accounts for workers in the healthcare sector (doctors, pharmacists and their enterprises), while offering favourable loan opportunities to newly qualified doctors and pharmacists entering private practice;
- provides a complex package of services for the efficient management of liquid assets for churches and church organisations.

Special corporate/local government lending products (OTP Bank, 31 December 2009)



Number of special corporate and local government customers (OTP Bank, 31 December 2009)



5.2 Responsible Customer Service

Looking beyond the products offered, responsible banking is fundamentally defined by the means of selling and the nature of customer relationships, both of which require commitment on the part of the entire Bank Group.

Accessibility

Besides the increasingly important role played by electronic channels in serving our customers, the importance of the **branch network** remains indisputable. The OTP Group serves its customers at 1 653 branches throughout the region. The process of rationalisation carried out in the past year necessitated the transformation or downsizing of the branch network in certain countries, with a total of 79 branches closed primarily in Serbia, Ukraine and Slovakia.

In shaping and operating the bank branch network, we do all we can to fulfil the diverse expectations of our customers.

- Close to 50% of the branches in the Bank Group as a whole are fully obstacle-free, while in Hungary and Romania almost all branches

are wheelchair-accessible. The provision of access for the disabled is generally compulsory by law, but when carrying out renovations or designing new branches we have always gone beyond our legal obligations in order to ensure a fully obstacle-free environment. The OTP Bank website also provides information on obstacle-free branches.

- The changes in operations at our branches are motivated by a better understanding of the needs of our customers, and what they regard as convenient. We aim to provide customers in our branches with the opportunity to not only administer their banking affairs, but to also request advice and suggestions related to the management of their finances. Accordingly, **advisor's desks** are being installed in the majority of our branches. These areas of the branch, where a member of staff is always on hand for an informal chat, give our customers a sense that they are being treated as equal partners.
- We have considerably **expanded the range of services** available in all or most of our bank branches, thus making our more complex financial services more accessible.

As the result of a project implemented in the micro and small business segment, we are now able to satisfy the demands of our customers to a higher standard. We have made products available through several channels simultaneously, while processes have become quicker and more straightforward. In 2009 we elaborated a new, more efficient system for serving micro and small businesses at our branches, and we provide advice and consulting services in respect of a broad range of our products. Introduction of the new method in Hungary is scheduled for completion in the first half of 2010. Through these developments, financial services have been brought closer and made more quickly accessible to companies, thus aiding the growth of small enterprises.

- The reduction of administration and waiting time at our branches has long been a key objective, and we have achieved significant results in this area over recent years. The increasingly widespread practice of making appointments in advance helps to even out the flow of customers, not only providing an opportunity for our staff to prepare for dealing with specific customers, but also eliminating waiting time.
- The opening time of our branches in small provincial settlements are adjusted to local demands. When planning the changes, we consulted with local councils and the larger companies in the given communities, in order to ensure that opening time suited local habits and opportunities for doing business.
- The Intelligent Queuing System (a queue management system with automatic ticket dispensers) is already in operation in 20 branches. Through its simpler operation and a new range of options the system directs customers to the appropriate member of staff, or, in certain cases to their dedicated personal customer relationship manager. We plan to employ the system more widely in our busiest branches.

- The children's areas have deserved to become one of the bank's recent success stories, worthy of continuing. In 2009, encouraged by the success of the Hungarian project, OTP Bank Romania created children's areas in a total of 42 branches, or close to half its branch network, complete with toys and other activities to keep children occupied. The parent company plans to introduce children's areas in a further 50 branches in 2010.

Identifying and serving customer needs

Besides the need to fulfil the requirements of the customers themselves, it is also in the long-term interests of the Bank Group to sell products that genuinely meet the needs and achieve the satisfaction of the customer.

Last year we introduced a number of measures aimed at strengthening the partnership between the Bank Group and its existing and prospective customers.

- Knowing our customers enables us to offer them the most suitable financial solutions, and for this reason we have worked hard in recent times to discover the needs of individual clients. We monitor transactions and analyse the banking and financial habits of our customers, which enables us to detect, before any actual complaints have arisen, when they decline to use certain services or possibly when their expectations have not been met, so as to make contact with them in the interests of offering a service that better corresponds to their needs.
- The questionnaires we use when a customer opens an account help to reveal the needs of customers and, in some cases, their hidden expectations. Besides assisting our staff in their work, the questionnaire holds up a mirror to the customers, affording them a clearer view of their own needs, making it easier for both parties to make an appropriate and responsible decision. Based on the success of this initiative to date, we plan to expand the questionnaire in 2010 in order to gain a more complex assessment of our customers' financial needs.

DEVELOPING THE FINANCIAL SKILLS OF LEGAL GUARDIANS

Besides expanding guardianship schemes, we made efforts in 2009 to improve the financial awareness of legal guardians. OTP Bank provided educational materials and gave informative financial lectures at a conference of legal guardians, while also making a financial contribution to support the organization of the event.

MIFID (EU MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE)

Going beyond the minimum statutory requirements, OTP Bank applies the Suitability and Appropriateness Test to all its services, ensuring that it has an appropriate depth of information regarding the customer's knowledge of the given transaction or financial instrument, their risk-bearing capacity and income situation, thus enabling us to recommend the most suitable service for the given customer

In order to better serve the needs of condominiums and residential communities, we aim to expand the expertise in this area at our branches, increasing both the base of skills related to serving condominiums, and the number of available experts.

We regularly hold conferences and professional discussions for our corporate and local government customers. Conferences revolving around a current theme are organised twice a year, while more exclusive discussions among bankers, besides playing an informative role, also offer an opportunity for giving individual advice.

As the largest account manager for apartment buildings in Hungary, OTP Bank places importance on dialogue with its customers. In cooperation with the National Association of Condominiums and Condominium Managers, the Bank organized a series of professional background discussions at several locations in the country.

WWW.HAZFORUM.HU

OTP Bank set up an interactive website for apartment blocks and housing cooperatives. The site contains current information, articles and news of tenders related to the administration, management and renovation of shared apartment buildings. Applications in the Apartment Block Tender may also be submitted through the site. We awarded a total of HUF 5 million in subsidies in the tender, which was held for the first time in 2009. The funds provided went to help investments in environmental protection, community-building and improvements in the quality of life. Our objectives for the future include expanding the content and functionality of the website and announcing another tender.

The growing demand for more transparent information and changes in the statutory provisions confirm that we are on the right track, and independent initiatives of our Bank were taken in the right direction. In 2009 we reviewed our general terms of business in order to make them more comprehensible, and incorporated them into contracts.

In our marketing communications and advertising, we make an effort to use straightforward, clearly understandable expressions. We only provide the most essential information, and in order to avoid misunderstandings data expressed in writing and verbally must always match.



USE OF LANGUAGE

To ensure the correct and comprehensible use of the Hungarian language, from 2009 OTP Bank has all customer communication and information (e.g. brochures, website, key phrases used by staff, correspondence) linguistically reviewed.



OTP Bank's website was redesigned in 2009. When designing the new layout, the main consideration was to ensure user-friendliness and make it easy to find important, frequently sought information as quickly as possible. Our website has won a number of prizes. For example, the Hungarian Content Association awarded our company the title of "User-Friendly Website." In the Website of the Year 2009 competition, we received Quality awards in the "Service" and "Electronic newsletter" categories.

Blind and partially sighted customers can access the most important content via a version of the site optimized for their benefit. From 27 July 2009 up to the end of the year, the site was viewed by more than 12 000 visitors.

The role of our staff in providing the appropriate information is essential. A system of prearranged appointments and advisor's desks create the conditions for relaxed and in-depth discussions, and we also place emphasis on developing the customer handling skills of our staff to ensure that they can relate to customers both on a personal and a professional level, strengthening their empathetic capabilities and ability to react appropriately to customer behaviour.

Besides our bank staff, our network of agents also regularly takes part in our training programs. In addition to product-centred training, we consider it important to pass on an understanding of the skills and expectations necessary to provide customers with the appropriate information, while in 2009 we also offered training program to bring agents up to speed on recent changes related to the Bank Code of Conduct.

Customer service cannot be separated from staff motivation and the incentives system. The goal of the stakeholding system employed is for the interests of staff, the bank and the customer to coincide and lead in the same direction. A stakeholding system based on the same fundamental principles is applied across the entire Bank

Group, although the means by which performance appraisals are linked to motivation and the specific methodology may differ. OTP Bank's practice is the most advanced in the field, and the aim of our incentives system is reward the selection of services that satisfy genuine needs, and to ensure that sales staff are only motivated to sell products that will be actually used by customers. Our staff are provided with sales support materials that assist them in selecting the appropriate products and gauging the living circumstances of customers, while trainers help them further develop their skills. After a sale, we check whether the customer is actually using the given service, and, based on this assessment our staff members, will be rewarded proportionately to their performance.

Customer satisfaction survey

A cornerstone of responsible customer service is customer feedback and the measuring of customer satisfaction. The practices employed for the canvassing of customer opinions are not standardised throughout the Bank Group, but in all cases we seek to establish systems that promote development.

In several countries the general level of satisfaction with the banking sector has fallen due to unfavourable events (e.g. rising amount of instalments, negative yields on investment funds, etc.) and a rising level of consumer awareness. In Hungary, those surveyed assessed their bank as being 3–5 percentiles weaker in virtually all areas, irrespective of who they banked with. In most of the cases it was clearly not the standard of the bank's service that had deteriorated since, for example, business hours had remained unchanged almost everywhere, but this was also an area in which customer satisfaction decreased. In line with the general trend, the perception of OTP Bank has deteriorated in the average extent, as

satisfaction with the organization was 62% overall. Taking a nationally representative sample, we polled the opinions of 3 600 customers by telephone over the course of the year.

Within the OTP Group, a particularly high level of customer satisfaction was achieved by OTP Bank JSC, OTP Real Estate Zrt. and OTP Hungaro-Projekt Kft. Satisfaction at the Ukrainian bank was 92%, and even topped 99% in some regions of the country. (The survey was conducted by phone, among 1 200 private banking customers.) Satisfaction among the customers of Hungaro-Projekt Kft. customers was also over 90%. The company elicits feedback from all customers upon completion of assignments. With regard to the activities of OTP Real Estate Zrt., customer satisfaction was measured at 88% overall in the past year, with customers giving their most favourable assessment to its property sales service. (The company elicits feedback from its customers following every home sale.)

The difficult year endured by OTP banka Srbija was also felt by its customers, as the necessary profile cleaning, and branch closures had a negative impact on its reputation, leading to a sharp drop in customer's satisfaction with the bank. The individual services, however – loans and savings – were assessed considerably more positively than the bank as a whole. One of the important aims of the restructuring and rationalization was to bring about a sustainable increase in customer satisfaction in the medium term.

Mystery shopping surveys conducted using the same methodology across the group enable us to assess our performance both in comparison to our competitors and to other units within the OTP Group. The results provide a more objective picture of the quality of customer service than it is possible to obtain through telephone research, and this allows us to screen out the unfounded negative feelings arising as a general consequence of the economic crisis. At group level the best results were achieved by OTP banka Srbija, OTP Bank and DSK Bank, with the Bulgarian and Serbian subsidiaries also outperforming their competitors. During the sales process, the companies of the Bank Group achieve the highest standard of customer services (with average performance among members of the group

measured at almost 80%). Research conducted both in the regional banking market and at group level gave the most unfavourable assessment to efforts on the part of banks to identify customers' needs. Although a number of developments have targeted this area in recent years, this remains a direction of future improvement for the OTP Group. (The Montenegrin and Russian subsidiary banks did not participate in the biannual survey in 2009, while the Ukrainian subsidiary was only partly included.)

OTP Bank established a complex Quality-of-Service Measurement System in 2009. Following the trial period, we plan to make the branch-level quality measurement system officially a part of the performance appraisal and incentives system from 2010. Quality measurement provides more detailed and reliable results in comparison to the customer satisfaction testing methods employed to date. We illicit the opinions of customers in relation to specific cases, comprehensively analysing their experiences related to the given service, for by example asking questions about the adequacy of information provided, or the layout of a bank branch. In order to measure the performance of individual branches, a substantially higher number of customers need to be surveyed. We work with samples of 14 000–15 000 people. The mystery shopping surveys already employed at group level constitute a part of the quality measurement process, as do objective indicators of the bank branch's performance, which can be determined even without the input of customers.



6

Responsible Operation

Challenge, opportunity	Solution
Efficiency, cost-effectiveness	Economical resource usage
Minimising our ecological footprint	Environmentally friendly operation
Ensuring a well-trained, talented workforce	Valuing employees
	Talent management
	Providing a healthy working environment
Reducing social conflicts	Participating in the community
	Improving financial literacy

The Bank Group's responsibility extends not only to its financial services, but also to a diverse range of related activities and a broad base of stakeholders. The OTP Group provides work and a livelihood for more than 35 000 employees. We have a responsibility to protect these jobs; however, this report cannot neglect to mention the supportive downsizing that took place last year. At the same time our talented and loyal workforce represent one of the cornerstones of the OTP Group's success, so it is also in the Bank Group's best interests to live up to the expectations of its staff and offer a genuinely attractive workplace. This is just one reason why we are proud of the fact that OTP Bank has, for several years, been rated highly in surveys conducted among graduates and young entrants to the labour market, and according to a study performed by AIESEC Hungary and Develor Zrt., in 2009, the Bank was regarded as the third most attractive employer among students of

economics. Besides its commitment to its employees and customers, the Bank Group is also committed to assisting and supporting more broadly-defined groups within society. We believe that we have an obligation to assume a role in creating opportunities for the disadvantaged and supporting initiatives that offer assistance to those in need. Although viewed individually the energy consumption or water usage of each branch may seem negligible, with a total of 1 600 bank branches, central buildings that several thousands of people and house major IT systems, and the various processes involved in its operation, the Bank Group has a considerable environmental impact. Besides our efforts to minimise our environmental footprint, our ability to shape the attitudes of others is also by no means insignificant, and we are constantly seeking ways to make the best use of this opportunity.

6.1 Our Employees

Our human resource management policy was also fundamentally defined by the economic crisis in 2009. Coping with the situation represented a challenge for all our employees, and the rapidly changing processes demanded an ability to flexibly adapt and assess the situation. Our principal task was to support the work of our customer relationship officers, in the context of the crisis communication program.

The drop in market activity in certain areas, and the profile cleaning that became necessary, gave rise to a need for layoffs, which we had to carry out as a responsible employer.

While basic human resource management processes continued uninterrupted, the rationalisation and cost-reductions naturally also affected the HR department, with a shift in focus away from the launch of new initiatives, towards the completion of existing developments. We regard as a success the fact that implementation of OTP Bank's career management program, which has 90 participants, has progressed to a new phase, and its scope has been broadened to encompass six foreign subsidiaries besides the parent bank.

KARRIERSTART TOP30

A survey of 36 000 students and experienced professionals conducted jointly by Figyelő magazine and Hewitt revealed that for young people, besides the remuneration package (61%), the balance between work and private life, security, stability and opportunities for professional advancement were the most important factors in their choice of employer. According to the evaluation of the results, the TOP 30 employers offer more than their competitors in terms of career opportunities and the recognition and rewarding of performance. In the financial category, OTP Bank was among the three most attractive financial institutions.

Employee headcount, profile of the workforce

The employee-related data show that the OTP Group's employee headcount – despite the headcount rationalisation that became necessary in several cases – rose slightly overall. This increase was due to the growth in staff numbers at the Russian subsidiary, while significant downsizing took place at the Ukrainian, Hungarian, Slovakian and Serbian banks.

In the interests of preserving jobs we made an effort to increase the prevalence of part-time working. The number of part-time employees grew by

more than 50% at OTP Bank, and by over 32% at the group as a whole. OTP Bank Russia has the highest proportion of part-time employees, at around 40%, in keeping with the norms prevalent in that country.

The drop in the percentage of employees with fixed-term contracts gives employees a heightened sense of job security. It also reflects the fact that we achieved the headcount reduction in part by the non-renewal of fixed-term contracts on their expiry.

Employee headcount data (number of persons, 31 December 2009)

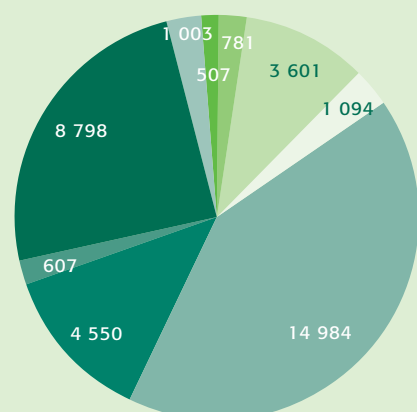
	OTP Bank		OTP Group Hungary		OTP Group	
	2008	2009	2008	2009	2008	2009
Full-time	7 498	6 586	8 547	7 470	29 500	27 996
Part-time, over 60 hours a month	691	1 166	717	1 192	883	1 665
Total statistical headcount	8 189	7 752	9 264	8 662	30 270	29 661
Part-time, under 60 hours a month	108	68	110	136	5 097	6 264
Total number of employees	8 297	7 820	9 374	8 798	35 367	35 925
Percentage of employees with a fixed-term employment contract	9%	6%	8%	7%	21%	12%

The distribution of employees by country shows a similar structure to the previous year; the proportion of employees at the Russian subsidiary – within the full-time workforce – is 30%, and more than 40% of the total employee head-

count. The Hungarian group accounts for around a quarter of the Group's employees, in addition to which the Ukrainian OTP Bank JSC and the Bulgarian DSK Bank are also major employers.

Distribution of employees by country

- Russia
- Hungary
- Ukraine
- Bulgaria
- Romania
- Croatia
- Serbia
- Slovakia
- Montenegro

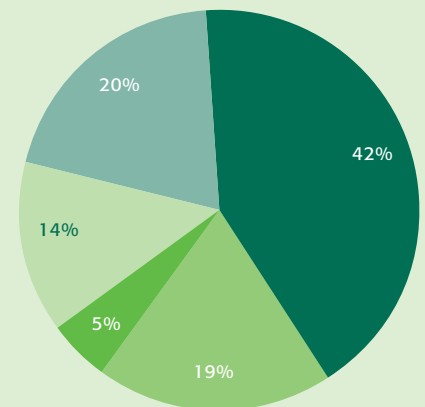


The distribution and diversity of employees in terms of sex and age was essentially the same as in the previous year. Owing to the nature of operations, the proportion of female employees is over two thirds. Close to 4% of employees are on long-term maternity leave. Senior ranking employees continue to be predominantly male; the proportion of women in senior management is highest at OTP Bank Hrvatska and DSK Bank. (For more details, see section 7.2)

In terms of age, employees are evenly distributed. In comparison to the previous year the proportion of young employees under 35 rose slightly. The ratio of employees in the 45-55 age group declined, primarily due to members of staff taking early retirement. The proportion of employees over 45 is higher than average at the Group's Hungarian subsidiaries, DSK Bank and OTP banka Hrvatska.

Age-based distribution of employees (OTP Group 2009)

- under 25 years
- 25–35 years
- 35–45 years
- 45–55 years
- above 55 years



Almost 350 employees with some form of disability work at the OTP Group, the majority at the Ukrainian subsidiary OTP Bank JSC. The subsidiary also complies with its statutory obligations when employing persons with handicaps, who primarily perform administrative tasks that do not require physical exertion. The Ukrainian bank pays attention to the development of its employees with disabilities, and takes steps to provide more favourable working conditions for them in accordance with their particular needs, including the provision of opportunities for part-time working. OTP Bank plans to make more widespread use of atypical forms of employment (e.g. part-time, telecommuting, etc.). To this end it is taking part in a program organised by the European Union, the aim of which is to train and prepare the organisational specialists necessary for overseeing this form of employment.

As a result of the economic crisis, changes in staff numbers were predominantly linked to the headcount reduction, and the incidence of employees leaving voluntarily fell significantly. The average rate of staff turnover – including layoffs – was

16% at group level. Retaining employees became easier even at those companies where the headcount did not change significantly over the course of the year. Nevertheless, staff turnover continues to be higher in the younger age groups. (For more details, see section 7.2)

Supportive headcount reduction

The OTP Group uses complex capacity management tools and headcount models for determining its labour requirements. Last year the market environment, and the decline in business activity in certain segments of the market, made it necessary to downsize the workforce. In the course of rationalising the headcount, priority was given to retaining talented employees. We made use of the opportunities presented by the institution of early retirement (OTP Bank Hungary), and also made efforts to increase the number of people working on a part-time basis. OTP banka Hrvatska encouraged voluntary redundancies by offering a severance package, which was successful in a number of cases.

While responsibly selecting the employees affected by the headcount reduction, we also provided assistance to those leaving the company. With the involvement of an external consulting firm, OTP Bank supported its employees concerned through the running of **outplacement schemes**. The outgoing staff were assisted by e-learning courses in managing the situation arising from the redundancies, while training in how to write a successful covering letter and CV, and coaching in interview techniques, helped them in their search for a new job, while they also had the opportunity to register on the job search website of the consulting firm.

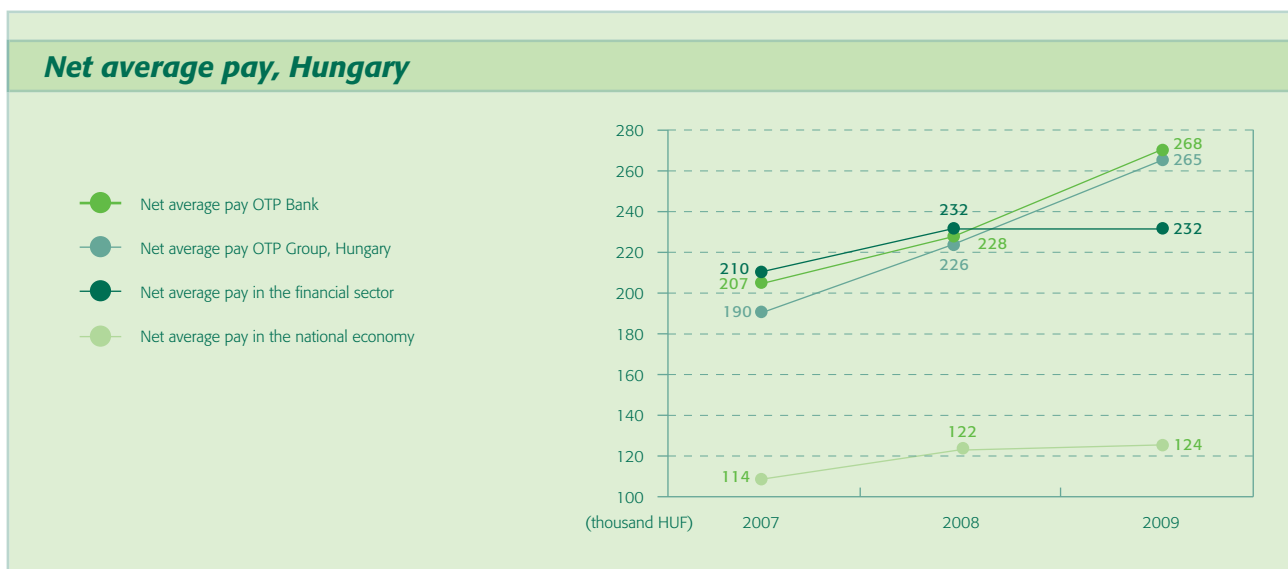
Benefits policy

The compensation paid to our employees signifies our appreciation for their performance, but pay is also indisputably an important factor in the retention of our staff. The OTP Group continues to uphold the **principles of fair, performance-based remuneration**. Last year saw no significant changes in OTP Bank's benefits policy; we effected a slight reduction in performance-related pay, accompanied by an increase in fixed salaries, in line with changes in the labour market. The performance-related remuneration system applied by the Bank (in a greater extent than by our competitors) is regarded positively by our employees. The proportion of performance-related pay within overall earnings is 37% at OTP Bank, while at the subsidiaries this figure is higher in some cases and lower in others. At virtually all of the foreign subsidiaries, the ratio of fixed salaries is higher.

As before, at four foreign subsidiaries of the OTP Group the evaluation and recognition of performance takes place in accordance with the same principles as at the parent company, while a further four subsidiaries apply their own system. The performance appraisal system applies to some 25% of employees at the OTP Group in Hungary. In 2009 OTP Bank introduced an IT-supported worktime planning system in the interests of ensuring that the allocation of duties fits in better with peak working times, thus reducing the number of overtime hours worked. The evaluation of the system's operation is currently in progress. The OTP Group provides its employees with a net average income that often exceeds average earnings in the given national economy by two or three times, and approximates to the salaries customarily earned in the financial sector.

Real wages at OTP Bank rose by 11.4% last year, while the national economy as a whole saw a 4% reduction, and the financial sector an average fall of 6% relative to the year 2008. The rises in average incomes at the Bank, and consequently the increase in real wages, were due to the carried-over effects of measures introduced in 2008, as well as the fact that the headcount reduction affected workers in the lower earnings bracket. The change in real incomes was positive in the case of virtually all the foreign subsidiaries.

The amendments to tax laws with regard to benefits-in-kind also affect our operations, and in 2010 we are introducing the "cafeteria" system, which allows employees to choose between a selection of fringe benefits.



Career management

As the Bank Group expands, it is increasingly important for OTP Bank to identify the potential of talented employees, retain them and strengthen their loyalty towards the Bank Group. This prompted the launch of the Bank's career management (CARMA) program in 2007, and then concurrently with this, from 2008, the development of a talent management system at regional level.

In 2009 the parent company's career management program had 72 active participants. In the past two years almost 20% of participants were promoted, while a further 6% were posted to other companies within the Bank Group. Within the overall program our employees were particularly positive in their appraisal of the professional training courses, skills development sessions and networking opportunities.

In 2008 we began extending the program to other units in the Bank Group, primarily with the aim of establishing an effective talent nurturing and succession planning system. Last year some 350 persons were selected to take part in the program. These participants had to fulfil entry criteria

related to both their competence and professional skills. The talent nurturing process began in 2009, through a series of programs organised at local and Bank Group level. Particular emphasis was placed on the providing practical experience, a means of which was rotation within the Bank Group. The feedback related to this was exceptionally positive.

Training and education

The Bank Group gives priority to developing the professional and interpersonal skills of its employees. In our training activities over the past year we placed much emphasis on developing our employees' crisis communication skills. All the subsidiaries developed and implemented their training programs related to the crisis individually, but the methods applied were similar to those used at the parent company. At the Bank, comprehensive training was provided in the application of the Banks' Code of Conduct, in order to ensure our fullest compliance with the expectations stated therein.

The Comenius Medal

OTP Bank's internal e-learning package entitled "Corporate Social Responsibility" won a Comenius Coin and the Comenius Medal, awarded to the best course in its category, at the international e-learning festival in Berlin. The award is presented to publishers, organisations and educational institutions that develop and distribute exemplary multimedia products.

All of our employees participated in the online CSR training program that was completed in 2009.



OTP Bank is committed to supporting the development of vocational skills, through training programs organised within the Bank and externally. A special means of providing such support is the training branch established within the City Centre Regional Vocational Training Centre (TISZK), which we also used as a testbed in the process of developing our mentoring system to assist in the orientation of new employees.

In 2009 we elaborated a bank-specific educational module for final-year students at the City Centre TISZK, and our plans for the future also include the establishment of a scholarship system. Every year a total of more than 500 career starters and interns begin work or gain professional experience at the OTP Group, with DSK Bank and OTP Bank at the forefront of running such programs.

Closer cooperation with Corvin University, Budapest

Under a three-year agreement the Bank supports development of the university's educational activities through vocational training contributions and by placing orders that give rise to innovation; besides which it sponsors events and publications.

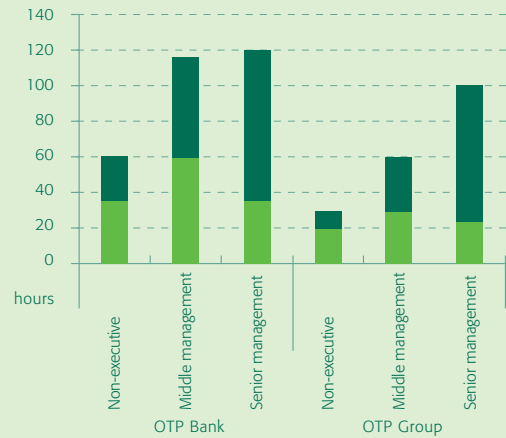
The Bank creates an opportunity for students nominated by the university to gain professional experience in preparation for their thesis.

In 2009 the value of those training courses at the OTP Group that could be quantified amounted to HUF 804 million, of which OTP Bank accounted for 45%. This substantial outlay is reflected in the number of training hours, while the quantity of

training courses held at the parent company, partly due to the widespread use of the e-learning system, approximately doubled. (Not all of the subsidiaries were able to provide comprehensive training costs data.)

Hours of training per employee, based on the form of training (2009)

- In-house training
- External training



Internal communication, community building

Internal communication has a profound effect on the working atmosphere, and thus also on employee satisfaction. Effective communication is a complex task, and a major challenge for a multicultural corporate group operating in several countries with a high number of employees both at the individual subsidiaries and in overall terms. The subsidiaries implement their company-level internal communication in accordance with their own procedures.

In the past year we launched several initiatives with the aim of engaging our employees, and reinforcing efforts to shape opinions and elicit feedback. In order to lay the foundations for a comprehensive overhaul of internal communication, we assessed the currently applied methods and requirements. The highly successful CSR competition held in the branch network revealed that there are already a number of initiatives and established practices at local level, which help to improve the standard of professional work, and promote a good working atmosphere and cohesion.

Partly due to the economic crisis, only a few members of the group conducted employee sat-

isfaction surveys last year; however, feedback was elicited in relation to specific programs. Among the foreign subsidiaries, OTP banka Hrvatska and OTP Bank Romania conducted satisfaction surveys. In the case of the Croatian bank it is possible to compare the results with those of the previous year: the opinions of employees reflect the negative consequences of the crisis, which were also detrimental to the fulfilment of the previously made commitments. The Croatian employees remain the most satisfied with the internal communication culture and see remuneration as the area where a change would be most desirable. The employees of OTP Bank Romania were extremely positive in their assessment of the internal communication culture (95%) and the working environment. They too would like to see improvements in the remuneration package. Staff at the Merkantil Group regarded the balance between work and private life the most favourable, while they consider corporate social responsibility as an area where more progress could be made. Trade unions have an important role in officially representing the interests of our employees. Their operation is regulated by the local statutory pro-

visions, and they work to forge cooperative relationships with the members of the Bank Group, in which the appropriate provision of information plays an important role. Only few companies within the Bank Group give place to trade unions or apply collective bargaining agreements (covering approximately 50-70% of the overall workforce). The number of trade union members in the Bank Group is 8153.

Health and recreation

No significant changes occurred to healthcare-related practices and the recreation opportunities available within the OTP Group over the past year. The health care provided by group mem-

bers are set out in the relevant laws, while health-care benefits in excess of the statutory minimum are primarily offered in Hungary, Romania and Bulgaria. 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. Last year several companies provided vaccination against H1N1 influenza, or information about the disease.

We also promote a healthy lifestyle among our employees by offering leisure, sport and vacation opportunities. Joint sporting events were organised at virtually all the members of the Bank Group last year.

Absenteeism due to illness or accidents (2009)

	OTP Bank		OTP Group
	2008	2009	2009
Absenteeism due to illness (number of days)	96 543	81 034	411 993
Rate of absenteeism	5.08%	4.38%	10.89%
Sick leave (number of days)	39 793	36 831	164 003
Sick pay (number of days)	54 475	42 299	243 731
Accident pay (number of days)	2 275	1 904	4 259
Number of accidents	13	16	32
Accident rate	0.0007%	0.0010%	0.0010%
Number of days lost due to accidents	656	523	555
Percentage of lost workdays	0.0345%	0.0280%	0.0011%



6.2 Our Role in the Community

As one of the leading corporate groups in the region, we cannot ignore the problems and difficulties experienced by those living here. Over and above our financial service provision, we consider it important to contribute to the running of programs that serve the interests and needs of society as a whole. The OTP Group gives priority to assisting groups in society that need to overcome some form of disadvantage in order to achieve success, or who are still only at the beginning of the path to self-fulfilment. We aim to provide assistance using the means, and in the areas, where we can achieve the most effective results. In the interests of improving the effectiveness of our support activities we remain committed to the following:

- concentrating the resources available for support;
- creating long term shareholder value;
- monitoring the results of support provided;
- increasing the variety of the forms of assistance we provide.

In line with the donation and sponsorship practice of previous years, in 2009 equal opportunities and community building lay in the focus of our contributions to social causes, with special attention paid to helping future generations. Besides this, we supported cultural and artistic activities, sporting associations and events that create value for the society as a whole. We regard it as important to take on an active role in local communities, which is why we support local events with financial contributions, and often through voluntary work.

The members of the Bank Group typically perform their donation and sponsorship activities independently of each other, in accordance with local needs. In Hungary, donation and sponsorship activities continue to be mainly concentrated at the parent bank. The making of decisions regarding support is centralised in the case of all the companies.



BRANCH CSR COMPETITION

OTP Bank held a CSR competition among its branches in 2009. The invitation to submit examples of successful initiatives in the "Social Responsibility" and "Outstanding Community" categories prompted an exceptional response from branches. The more than 70 submitted projects presented so many excellent practices and communities in the true sense of the word, that in addition to the winners three other applicants were awarded special prizes. The winner of the Social Responsibility category was the Jászberény branch, whose staff participated in or organised numerous events in the town. To cite only two examples: for many years the branch has held an event entitled "Bank in the Park", making use of the dental screening bus of the National Children's Safety Service. The all-day happening offers children a whole host of activities including drawing and handicrafts. The branch has adopted "Huncutka" the bear cub at the local zoo, where it has also held its team building sessions. The prize in the exemplary community category went to the Vecsés branch, which has organised numerous cultural programs among its staff in the interests of strengthening cohesion and a good working atmosphere. The employees take care of their physical and mental well-being through - among others - joint yoga sessions and massage therapy, as well as a "book exchange". They augment professional training courses with their own situational role playing exercises, tests and joint discussions. According to the feedback received, the branches are looking forward to the next CSR competition, planned for 2010.

Clearly defined directions for donation and sponsorship activities have been declared by OTP Bank in Hungary and by OTP banka Hrvatska. The parent company's social participation is centred on three programs:

- The **OTP Esély (Opportunity) Program** places the emphasis on supporting initiatives to assist in the healing of disadvantaged, sick children, the social inclusion of the physically and mentally disabled and the education of youth.
- In the context of the **OTP Híd (Bridge) Program**, we back community initiatives, cultural programs and outstanding works of art which serve to create value for society as a whole.
- Through the **OTP Lendület (Momentum) Program** we sponsor sporting associations, prestigious local and international sporting championships, and popular branches of sport that demand physical and intellectual stamina, a high degree of concentration and precise teamwork.

From 2009 our donation activities are performed in the context of the OTP Esély Program, while the OTP Híd and OTP Lendület programs remain the vehicle for our sponsorship activities.

We are working to bring our support activities

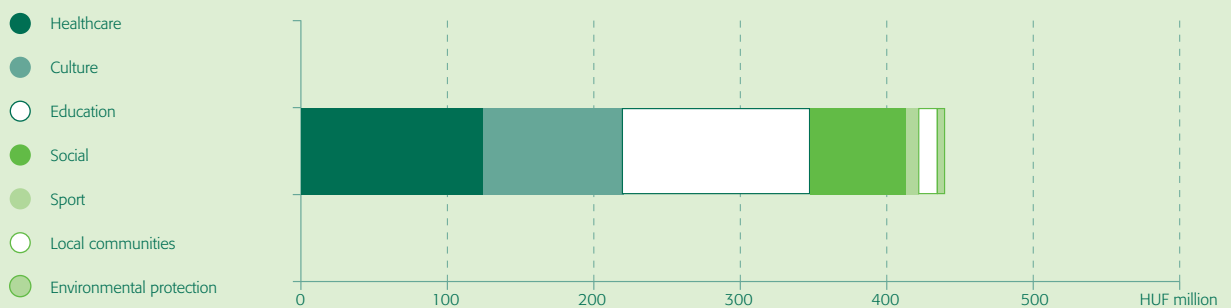
closer to our banking operations. Besides offering financial assistance, we try to forge genuine partnerships and seek new points of contact between our operations and social causes. The first examples of such initiatives are our cooperation with the Non-Profit Information and Education Centre (NIOK) Foundation, and the competition that we organized for students at the University of Fine Arts.

Spending on donation and sponsorship

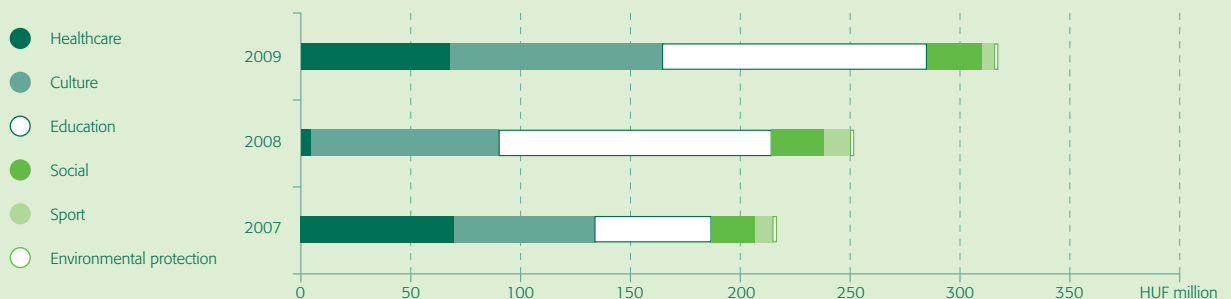
The OTP Group donated HUF 453 million in 2009, around a quarter of which was attributable to the foreign subsidiaries. Donations by the subsidiary banks rose by 17% in comparison to the previous year; however, the social participation of the subsidiaries continues to typically primarily take the form of sponsorship, the value of which exceeded HUF 520 million at group level.

OTP Bank also increased its spending on donations by around 20% in 2009 in comparison to the previous year, and besides its financial donations the value of contributions-in-kind amounted to HUF 17 million.

Donation and sponsorship at the OTP Group (2009)



Donation and sponsorship at OTP Bank (2009)



The websites of companies in the Bank Group give detailed descriptions of their donation and sponsorship activities, and therefore in this report we only present a selection of the initiatives implemented in 2009, to give a sense of the diversity of the programs undertaken.

Creating opportunities

International Children's Safety Service

Since 1994 OTP Bank has been the main supporter of the National Children's Safety Service. The Bank primarily supports the Service's health-care programs: giving financial help for the examination, treatment and surgery of disadvantaged and impoverished children.

The Bank also provides assistance for the Service's foster parenting program, as well as its events: at the Children's Day in Városliget (City Park) organised by the Budapest Metropolitan Council we greeted children with a variety of programs and games and donated toys at the "Christmas for Everyone" event organised for the benefit of large families.

Since 2006 OTP Bank Romania has also worked in partnership with the International Children's Safety Service and other child protection agencies, with the aim of improving the quality of life for disadvantaged children. The Bank assists the Service in delivering medical instruments to the locations where they are needed, and also contributed to the conversion of the Children's Centre in Sânmartin (Csíkszentmárton).

Equal opportunities

For many years OTP Bank has constantly striven to help people with disabilities to live a full life and integrate with society and to gain acceptance. The Bank has long been involved in the Dressage Competition and Handicapped Riders' Horse Race, organised by the Hungarian Equestrian Therapy Association. The Hand-in-Hand Foundation, with the support of OTP Bank, conducted its "Accept them, accept me" awareness-raising campaign for the fourth time in 2009. Besides this,

OTP Bank is a key sponsor of the Hungarian Special Olympics Association, which creates an opportunity for the intellectually disabled to live a full life.

OTP Bank Russia has a long tradition of providing support for large families, and last year saw a continuation of its fundraising activities and financial donations.

Every year the Bulgarian DSK Bank supports the charitable initiative known as Balgarska Koleda (Bulgarian Christmas), which provides special, costly treatment for children suffering from severe illnesses.

The Serbian subsidiary OTP banka Srbija assisted the Dr. Milan Petrovic special school in Novi Sad (Újvidék), which is concerned with the rehabilitation and social integration of children and adults with disabilities – a total of 1 200 persons. The bank purchased items made by students at the school: bags and boxes made from recycled paper for its own use and ceramic gift items for its business partners. The boxes were used for the packaging of scrapped computers, which the Bank donated to other organisations for charitable purposes.

Helping others to give

The OTP Group feels it has a responsibility to strengthen and support the non-profit sector in the Central and Eastern European region. The NIOK Foundation was established to promote the development of Hungary's culture of charitable giving. With the help of OTP Bank it is now possible to make donations online using a bank card via the www.adhat.hu website, which offers guidance and easy access to information for charitable organisations and potential donors alike. Besides this, OTP Bank assists in the donation process by reducing the transaction costs, and provides financial support for the upkeep of the website.

At OTP Bank Romania, education is the top priority in terms of donation activities, and accordingly it provides assistance to secondary schools and supports universities. The year 2009 saw the launch of the "Joy of Reading" campaign, the aim of which was to donate more than 10 000 books, collected from the general public, to primary schools in rural areas.

MUTUAL BENEFITS – a competition for students at the University of Fine Arts

When redesigning its “junior” product image, OTP Bank took an innovative approach. At the end of 2009 it announced a competition for students of the Museum of Fine Arts, to develop the new image. The prize will be received jointly by the students and the university, so through the holding of the competition the Bank is also supporting artistic education.

Community building

Museum of Fine Arts

In 2009 OTP Bank was happy to lend its support to the Museum+ program, under visitors had an opportunity to view the permanent collection and temporary exhibitions of the Museum of Fine Arts during extended opening hours.

Cultural events

The Bank Group places a special emphasis on activities that further the cultivation and protection of community values, national heritage and traditions.

The events that OTP Bank supported in 2009 for this purpose included the following: the Veszprémfest, the Operalia World Opera Competition, the Veszprém Street Music Festival and the National Táncház Festival and Fair.

In 2009 the Bank was once again the main sponsor of the Budapest Spring Festival a diverse and high quality series of events showcasing a variety of musical, dance, theatrical and other artistic productions. Our aim in the future – while con-

tinuing to provide financial support – is to launch special joint projects that create value and tie in with the sponsored programs.

The foreign subsidiaries also treat supporting local culture as a priority. OTP Bank Romania has assumed a role in the financing of museums and various cultural events. OTP banka Hrvatska in Croatia made a financial contribution to the premier performance of Vojnovič’s drama entitled “On the Terrace”. OTP Bank Russia supported a puppet theatre and a literary institution, while the Serbian subsidiary provided assistance for the local event known as the “Night of Museums” last year.

Sporting events, sports clubs

Sport is another area of sponsorship that is common to all the companies in the Bank Group.

OTP Bank has a long tradition of supporting equestrian sport. From the time of its inception, it has been the name-giving sponsor the OTP Bank Budapest Horse Show. In 2009, together with the organisers, we expanded the program with the 1st National Children’s Horse Show, with the result that with the collaboration of NIOK and the National Federation of Large Families, around 3 000 disadvantaged children, 300 from large families, were treated to an unforgettable experience. Besides patronising equestrian sport, for over ten years the Bank has been involved in the sponsorship of triathlon, as well as pentathlon events. OTP Bank Romania mainly promotes sport and a healthy lifestyle through the financing of sports clubs, while the Croatian subsidiaries sponsor sports clubs as well as sporting events and championships. OTP Bank Russia’s initiative aimed at providing the disadvantaged with sporting opportunities is exemplary.



Voluntary work by our employees

We involve an increasingly broad cross-section of our employees in our **charitable programs**. Their high sensitivity to social issues and their desire to help is reflected in the fact that volunteering is the most common means of **contributing to local events**. The voluntary work is performed at the initiative of a given branch or organisational unit, outside of working hours.

The employees at several of our foreign subsidiaries also provide personal assistance to people in need. In Ukraine, the staff at OTP Bank pledged a day's wages to support Lviv Medical University. Employees of OTP Bank Slovensko spent two days at the weekend participating in the "Nasa Bratislava" (Our Bratislava) project, which aims to assist the disadvantaged. The workers at DSK Bank devoted time to helping seriously ill people. Staff at the Romanian subsidiary bought 60 dolls from Unicef, to support the giv-

ing of Christmas gifts to those in need. Our Romanian colleagues are also to be commended for their tree-planting initiative, carried out near to Bucharest.

Most of our **employees give blood**: the blood-giving day held every few months is something of a tradition at OTP Bank, and similar events are also held regularly by OTP Banka Slovensko and OTP Bank Romania. OTP Bank's employees gave blood 861 times, while at OTP Bank Romania 240 members of staff took part in the voluntary blood-giving.

Under a scheme introduced a few years ago, **team-building exercises** are combined with voluntary work in a good cause, for example painting a school, tidying up a public park or building a playground etc. The economic crisis and rationalisation led to a reduction in the number of team-building exercises; however, we aim to further expand charitable initiatives of this type in future.

OTP BANK'S EMPLOYEES LEAD THE WAY IN VOLUNTARY WORK

This year was the fourth in which the Hungarian Donors' Forum conducted a survey of the charitable giving habits of Hungarian corporations. Employees of OTP Bank performed the most voluntary work among companies in Hungary, according to the study. The research only took into account work performed by the company's employees during working hours, the costs of which were paid by the company.

Raising financial awareness

The economic crisis once again brought into focus the importance of financial education and the raising of awareness. The OTP Group concentrates primarily on improving the financial literacy of those in the younger age bracket, with virtually all the companies in the group having launched initiatives for this purpose.

Our participation in World Savings Day is traditionally a special event, which OTP Bank celebrated in 2009 with a nationwide series of programs. Specialists from the Bank, manning a total of 31 OTP "Észpénz" (Smart Money) kiosks, offered savings tips and advice to passers-by who showed an interest, while the www.eszpenz.net website gave practical, straightforward advice for the day-to-day management of finances, with new savings ideas every day and an online

household expenses diary with costs calculator. DSK Bank also treated raising the public's financial awareness as a priority, using seminars, conferences and brochures to promote a culture of financial sophistication among its customers, while the Bank's position statements and press conferences were aimed at the entire population. The Bank's unmatched and persevering work was also recognised by the newspaper *Pari* in the form of its CSR award.

The Serbian subsidiary OTP banka Srbija sponsored "VOSZ's Program of Trainings and Consultancy for Entrepreneurs from Vojvodina", in which businesses received assistance in overcoming their early-stage difficulties, and were provided with useful financial skills in the interests of improving their future competitiveness.

THE OTP FÁY ANDRÁS FOUNDATION

In 1992, OTP Bank established the OTP Fáy András Foundation, which, as a public-benefit organisation (through a system of tendering) helps future generations to understand the world of finance and economics, and develop their skills in this regard. Over the past years, keeping step with the changing requirements of society, the Foundation has redefined its activities and now concentrates on economic and financial education, career and life management counselling and skills transfer.



Esélyt a jövő generációjának!

ALAPOK (BASICS) program

The ALAPOK Program provides secondary school students with training in special economic and career-related skills. OTP Bank has also had the Program's adult training course accredited, which enabled the training of secondary school teachers to get under way in the 2009/2010 academic year. The purpose of the training scheme is to equip teachers to continuously impart to their students, in their own classrooms, the basic day-to-day financial, economic and career-related skills needed for starting out in life and beginning work.

The students are assisted in their day-to-day living and academic studies by the following initiatives:

Library development program

Since the program's launch in 2006 more than 100 000 students have gained free access to economic, professional, literary and language-learning books, CDs and DVDs. In the space of four years the Foundation assisted schools with donations totalling HUF 73 million in value, consisting of 22 000 books, 100 computers and laptops, and more than 900 years of subscriptions to periodicals.

The Foundation places particular emphasis on supporting young people who are talented but lacking in financial means:

Student journalism competition

In 2009 the Foundation announced its second "Student Journalists Wanted!" competition for secondary school students. This time we also invited applications from budding video journalists. Based on the received works, the Foundation concluded scholarship agreements with three student journalists and two student video reporters.

Art and literature competition

At the end of 2008 the national fine-art and literature competition was announced (with total prize money of HUF 5.6 million), in which a record number of applications – more than 500 – were received.

Summer Sports Day

This all-day sports competition and cultural event was held for the first time in 2009 with the participation of six schools in the town of Jászberény.



6.3 Our Environmental Impact

For many years we have endeavoured to comprehensively assess the environmental impacts of OTP Bank and the Bank Group as a whole, and to improve the variety and reliability of the data used for this purpose, because we believe this to be a part of corporate social responsibility for a banking group. To this end, in 2009 we again implemented a number of measures and investments aimed at reducing our environmental footprint and strengthening environmental awareness, both within the Bank Group and among our stakeholders.

We are proud of the fact that OTP Bank was listed among the “Most Trusted Brands” from an environmental perspective by the readers of Readers Digest in 2009.

The main environmental impacts arising from the Bank Group’s operation – not from the provision of financial services – are as follows:

- energy consumption, water consumption – operation of buildings, IT equipment, transportation;
- carbon-dioxide emissions – energy consumption, transportation;
- waste generation – paper use, IT equipment, office and branch installations.

Organisational management of environmental issues

Environmental protection is an issue affecting several areas of operation even for a financial service provider, which represents a relatively small direct environmental burden.

Among the companies in the group with a financial profile, OTP Bank employs an environmental specialist and has Environmental Protection Regulations, while OTP Real Estate Zrt. has its own environmental protection unit. With the introduction of OTP Bank’s Environmental Protection Regulations in 2009, the management of environmental tasks were standardised and formalised throughout the Bank, we began incorporating environmental considerations into business processes, thus taking our commitment towards the environment to a higher level.

OTP Real Estate Zrt.’s enterprise resource planning system incorporates an environmental management system, through which environmental targets are set on an annual basis. Last year the company fulfilled all of its commitments in this respect.

Materials and equipment used

Due to the nature of its operations, the bulk of materials used by the OTP Group consist of IT equipment, paper, toner and ink cartridges, but the quantities of office furniture and branch equipment are also considerable.

In several cases the use of environmentally friendly materials is prevented by cost considerations and the technological conditions, so at present we are focusing on making savings and reducing consumption. Considerable savings can be achieved through tighter controls on material use and equipment purchases, as well as by analysing and changing habits, which is why we plan to extend the use of these methods.

- Reductions in paper use are primarily achieved through the sending of “green” bank statements and the replacement of manual processes with electronic ones; the latter is being steadily implemented across the retail, micro and small-enterprise division. The use of folders and dossiers that are mostly made from recycled paper also helps to lower the volume of paper used.
- To reduce the quantity of ink consumption, less ink is used on company envelopes and stationery, while printing is steadily being centralised. In 2010 we plan to launch a pilot scheme involving the use of refilled toner cartridges, which will also reduce the burden on the environment.
- We have begun developing models for the replacement of IT equipment: for each type of device (computer, printer, etc.) we plan to determine the optimal interval for replacement, taking into consideration functionality, costs, and the environmental impacts.

Data on typical materials used and procurement at the OTP Group

	OTP Bank (2008)	OTP Bank (2009)	OTP Group (2009)
Number of branches	403*	405*	1 653*
Percentage of branches renovated every year	12%	5%	4%
Number of computers	Approx. 16–18 000		n. a.
Replacement interval	Average of 4 years		
Number of ATMs	2 015	1 995	4 083
Number of POS terminals	34 012	34 270	51 506
Weight of ink and toner cartridges used (kg)	5 010	5 095	24 979**
Weight of CD and DVDs used (kg)	139	103	289**
Quantity of office paper (t)	n. a.***	1 003	2 839****
Quantity of office paper used for filing and packaging (t)	n. a.***	27	112****
Quantity of paper procured indirectly (t)	n. a.***	725	1 755****

* 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.

** Estimate: data extrapolated on a pro-rata basis from actual data, with a reliability of approx. 80%

*** The range of materials covered the data gathering has expanded significantly, so a reliable comparison cannot be drawn with the previous year's data.

**** In the case of paper usage at the OTP Group the reliability of the data is lower.

In the interests of raising efficiency, procurements continue to be performed centrally. When selecting suppliers and products, besides quality and cost, we also take factors such as durability and after-sales service into consideration. We are continuously expanding the scope of application of our green procurement principles; in the case of a narrow range of products (e.g. the use of recycled paper in marketing materials and advertising merchandise) environmental aspects are a primary consideration, while in the case of others they are usually a supplementary factor.

tral buildings, as well as energy and water demands at the individual units in the branch network. For this reason it is primarily necessary to make savings and introduce environmentally friendly solutions in the central buildings.

The Bank is constantly seeking to identify new opportunities and apply innovative solutions. In 2009, in the two buildings of the parent bank with the highest energy consumption, the heat generated by the computer cooling systems was harnessed to provide heating. We also began preparations for the use of energy-saving LED light bulbs.

Resource usage (energy and water)

The Bank Group's energy and water usage is characterised by major consumption at the cen-

SOLAR COLLECTORS AT OTP BANK

OTP Bank has installed solar panels at four of its premises with a total area of 460m² to harness the energy of the sun. At Balatonszemes the solar collectors have been in operation since 2003, while in 2009 new systems were installed at two office buildings and the holiday facilities in Mátraszentimre. From spring to autumn the solar collectors provide nearly all the hot water required, while in the winter season the Bank uses the free capacity to boost the performance of the heating system. In 2009 the solar collectors generated a total of 1840 GJ of energy.



We regard it as an important achievement that the gathering of consumption data has become

more reliable, largely due to the improvements in reporting by foreign subsidiaries.

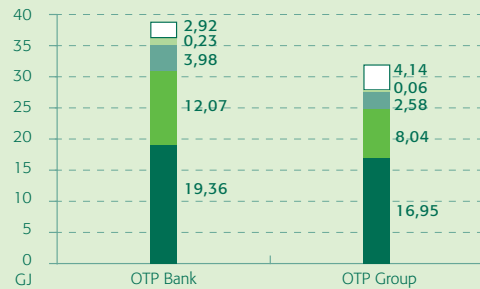
Energy consumption of the OTP Group (GJ)

	OTP Bank			OTP Group
	2007	2008	2009	2009
Electricity	153 225	150 624	154 440	504 336
Natural gas energy	92 953	103 714	96 277	239 441
District heating	n. a.	25 366	31 752	76 959
Solar energy	802	800	1 840	1 840
Vehicle fuel	n. a.	n. a.	23 260	1 18 638
Total energy consumption	246 980	280 504	307 569	941 459
Consumption per employee	n.a.	34,06	38,56	31,78

Fuel energy requirement data for vehicles is only available in respect of the year 2009, and is not included in the per-employee energy requirement for 2007 and 2008!

Energy consumption per employee (2009)

- Vehicle fuel
- Solar energy
- District heating
- Natural gas energy
- Electrical energy



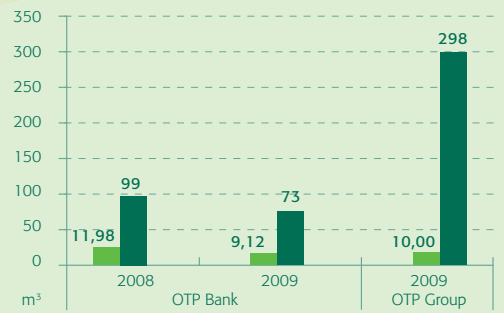
OTP Bank's overall energy consumption remained more or less unchanged over the past year, while the figure per employee rose by approximately 5%. (Excluding the fuel consumption energy requirement, since information in this regard is not available for previous years.) The decrease in natural gas energy consumption was largely due to the solar panels installed at the beginning of the year. The increase in electricity consumption reflects the expansion of the scope of data gathering, which now also includes the energy consumption of ATMs and advertising media. Using the same base for comparison as the 2008 data, consumption declined due to the successful project aimed at encouraging the shutting down of computers when not in use, and other energy saving measures implemented on an ongoing basis. The Bank Group's energy consumption per employee is some 22% lower than that of OTP

Bank, due to differences between the levels of advancement in the various countries, and the energy saving measures applied at what are typically smaller organisations. The Group's annual electrical energy consumption per employee is roughly equivalent to the average electricity consumption of a four-person household in Hungary; in other words the Group's total electrical energy requirement is equivalent to that of more than 31 000 households – the same as a small town.

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. OTP Bank's water consumption decreased substantially last year. The reason for the difference in consumption between OTP Bank and the Bank Group is the same as that described in the section on energy consumption.

Water consumption at the OTP Group

- Consumer per employee
- Total consumption (1 000)



Waste management

In our waste management operations we apply the following order of priority: prevention of waste, reuse, recycling and disposal. In 2009, both the per-employee and overall quantity of waste generated fell substantially, by almost a quarter of the previous year's volume. Last year OTP Bank made considerable progress in reducing the amount of electronic waste generated. Machines and monitors earmarked for scrapping are passed on to an external company, and then, after being repaired or reconditioned, the computers are sold to users with less exacting demands. Our contracted partner also guarantees the secure handling and deletion of data stored on the machines. Last year the Bank sold more than 1000 computers in this way, and, based on the favourable results we plan to extend the practice to include the subsidiaries of the Bank Group, as well as other IT equipment. Implementation of the selective waste collec-

tion scheme has been under way for several years. The most widespread practice within the Bank Group is the selective collection of paper waste, a procedure that is applied at around half of the Hungarian and foreign subsidiaries. The conditions for the selective collection of communal waste are not the same in every country, but where the infrastructure is in place, we make an effort to separate the different types of waste. Employees at several members of the Group have a personal commitment to selective waste collection; at OTP Bank it was our staff that first initiated the selective collection of PET bottles. The Serbian subsidiary leads the way in the selective collection of plastic bottles. Unfortunately, the data pertaining to waste management at Group level is still incomplete, and in future efforts will be made to improve the reliability of the data gathering process.

Quantities of waste generated

	OTP Bank		OTP Group
	2008	2009	2009
Communal waste (t)	2 977	2 252	n. a.
Quantity of communal waste per employee (kg)	356	291	n. a.
Selectively collected paper waste (t)	1 070*	579	711
Selectively collected PET bottles (kg)	705	1 370	5 888
Selectively collected hazardous waste (kg)	2 449	1 759	14 584

* Includes paper from external sources (e.g. brochures, leaflets)

Company vehicles, business travel

The regional scope of our operations and the extensive branch network make frequent business trips unavoidable. In the case of our vehicle fleet the principles we apply are that same as for other equipment and installations: when making purchasing decisions priority is given to price and quality, while other important considerations are a long period of reliable use, good fuel consumption and safety. We aim to determine the optimal usage period from the perspective of maintenance and safety. Our new vehicles are rated as being highly environmentally friendly. We are constantly increasing the proportion of lower-emission diesel-powered cars within our fleet (all of which are fitted with particulate filters). In the premium car category the number of hybrid vehicles is steadily rising. Our vehicle fleet is constantly becoming more environmentally friendly. The majority of our air travel is related to trips between companies within the Bank Group. At the same time, the Group makes more and more frequent use of video conferencing technology to cut down on the number of flights. The overall extent of travels by plane in 2009 was similar to that of 2007; in 2008 the number of trips was lower.

Carbon-dioxide emissions

Carbon-dioxide emissions can serve as a suitable indicator for the summary estimation of the Group's environmental impact. CO₂ emissions can be attributed to numerous sources, and arriving at a figure that has been carefully determined, taking into consideration all the relevant factors, presents a major challenge. Calculating indirect emissions is made even more difficult by the fact that in many cases the precise impacts are not known. We are constantly developing our calculation methods, expanding the range of activities taken into account, and clarifying the base data. The fact that this year we can now give an estimate of emissions for the entire Bank Group is an important achievement. The higher carbon-dioxide emissions do not reflect an increase in the quantity of pollutants emitted, but an improvement in the reliability of the estimate. As well as raising the accuracy of our calculations, we also aim to measure the impacts of the measures implemented:

- The carbon-dioxide emissions saved through the use of video-conferencing amount to some 350-400 tonnes at Bank Group level; without the video conferencing the emissions related to air travel would have been 25–30% higher.
- The newly installed solar collectors have contributed substantially to reducing the use of natural gas and the related carbon-dioxide emissions. Their use has led to an approximately 300-tonne reduction in CO₂ emissions, which represents 6% of OTP Bank's total emissions arising from natural gas.

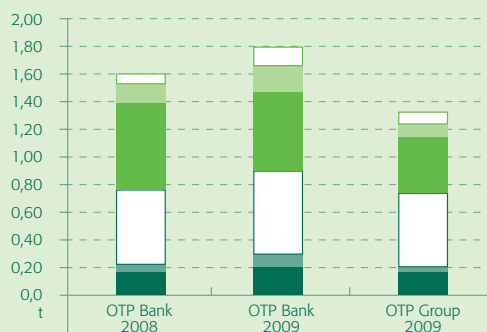
The OTP Group's total CO₂ emissions (t)

		OTP Bank		OTP Group
		2008	2009	2009
Direct	Vehicle emissions	1 393	1 684	4 901
	Related to air travel	423	719	1 348
Indirect	Resulting from electricity consumption	4 602	4 719	15 410
	Resulting from natural gas consumption	5 046	4 684	11 649
	Resulting from district heating	1 281	1 603	3 886
	Resulting from paper usage	327	1054*	2582
Total		13 073	14 463	39 777
Per employee		1.60	1.82	1.34

* The growth resulted from an expansion in the scope of paper usage estimation. 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

- Arising from paper use
- District heating
- Arising from natural gas consumption
- Arising from electricity use
- Emissions related to air travel
- Emissions caused by motor vehicles



OTP Bank's direct carbon-dioxide emissions could be neutralised by 374 hectares of forest, while neutralisation of its total emissions would require 2 250 hectares, which is equivalent to 2% of the territory of Budapest.*

Shaping attitudes

Last year we implemented numerous initiatives aimed at raising the environmental awareness of our employees and customers. It is our belief that the Bank Group can do much to protect the environment and preserve our natural heritage, by making its operations more environmentally aware. By setting a good example – barely perceptibly influencing the conduct of our employees – the Bank Group's positive environmental impact could be several times the amount which is achievable through direct measures alone.

In dealings with our customers we promote and encourage environmental awareness:

- Availability of **electronic bank statements** in all segments: OTP Bank is the first in Hungary to offer its corporate customers authenticated electronic account statements, as a means of avoiding the printing and posting of paper based statements that in many cases are issued on a daily basis. A campaign to promote the use of electronic bank statements will be conducted in 2010. For retail customers, electronic statements are available at most of the Group's subsidiaries.
- **Reduction in paper usage:** We have fulfilled our commitment in this respect, as in 2009 OTP Bank began sending account statements produced for a given customer in the same month in a single envelope.
- The use of **recycled paper** for brochures and leaflets available in branches: In 2009 the OTP Group used a total of 75 tonnes of recycled paper, through which we saved 1 275 trees. (The proportion of recycled paper used by the Group is only 2%.)
- Campaign to **encourage energy saving:** During the month and a half of the campaign OTP Bank gave away energy-saving light bulbs to customers signing new home loan and flat lease contracts. The total of 3 000 devices gifted have the potential to prevent 3 150 tonnes of carbon-dioxide emissions.

* Based on the calculations of the UK Forestry Commission (www.forestry.gov.uk).



GREEN BANK STATEMENTS – joining forces to protect Hungary's forests!

The campaign conducted between 1 May and 15 June 2009, encouraging customers to forego their paper-based statements, was a success. If all our customers were to receive their account statements on newly manufactured paper, this would require around 408 tonnes of wood, that is some 2 100 tree trunks, every year.

OTP Bank pledged a part of the savings resulting from the use of electronic statements to the WWF's forestry protection program. (Our customers do not have to pay the cost of producing the statements either.) During the campaign 38 666 customers made the switch to the green bank account package, and we donated HUF 2 million to support forestry management that ensures the protection of Hungary's forests, and their continuous replenishment.

The main results of the Forest Protection Program are as follows: Under an amendment of the Forests Act, felling is now prohibited in 350 hectares of wild forest, while tree coverage must be perpetually guaranteed on two thirds of this area; the publication entitled Perpetual Forests in Hungary contains information for forestry professionals and decision makers regarding environmentally sound forest management techniques; in a pilot project 60 hectares were planted with indigenous oaks and poplars in the oak woodlands of Nagykdös.



The following initiatives also promote environmental awareness among our employees:

- OTP Bank has issued guidelines regarding the shutting down of computers at the end of the working day, and following their introduction we have already begun to measure the results. Some 70-75% of our employees switch off their computers in accordance with the guidelines, which resulted in a total energy saving of 120 000 kWh in the last month of the year. At most of our subsidiaries the conditions for the total shutdown of computers were already in place.

- The reduction of paper use is an ongoing objective at group level (printing guidelines, use of central printers, replacement of manual processes with electronic ones). OTP banka Hrvatska uses paper that has been certified under the Pan European Forest Certification Scheme.*
- Selective waste collection – as described in an earlier section of this report – is performed in differing extents at the various members of the Bank Group, and efforts are ongoing to extend the scheme to all the subsidiaries. In 2010 we will establish the conditions for the selective collection and crushing of PET bottles, at OTP Bank.

Also in 2010 we plan to install bicycle racks, changing rooms and shower facilities at the central buildings and branches of OTP Bank.

The latter two measures have come about largely as a result our employees' commitment to environmental issues, which goes to show that the shaping of attitudes is a two-way process. It also demonstrates the Bank's receptiveness to the ideas and initiatives of its own staff, to which we intend to pay even closer attention in future.

* Pan European Forest Certification Scheme: the certificate assures buyers that with their purchase they are supporting sustainable forest management.





Annexes

To ensure the conciseness of the main body of the report, space in the annexes is devoted to all information and data that are probably of interest only to a relatively small group of stakeholders,

but the disclosure of which is necessary in order to gain a full picture of the organisation's performance and to comply with the GRI guidelines.

7.1 Customer Complaints, Litigation and Other Proceedings

As a consequence of the economic crisis, the legislative landscape has altered throughout the region. The main direction of the changes has been a tightening of lending restrictions, and a strengthening of consumer protection and disclosure obligations. The speed with which the statutory changes were introduced did not always allow a preliminary consultation or exchange of views with legislators.

The OTP Group's aim remains to avoid damaging the interests of its customers, and to comply with all statutory provisions, so we made every effort to bring our operations into line with the new regulations as quickly as possible. Owing to the Bank Group's already prudent conduct and its conservative lending and risk management, only slight changes were necessary as a result of the amendments to the law.

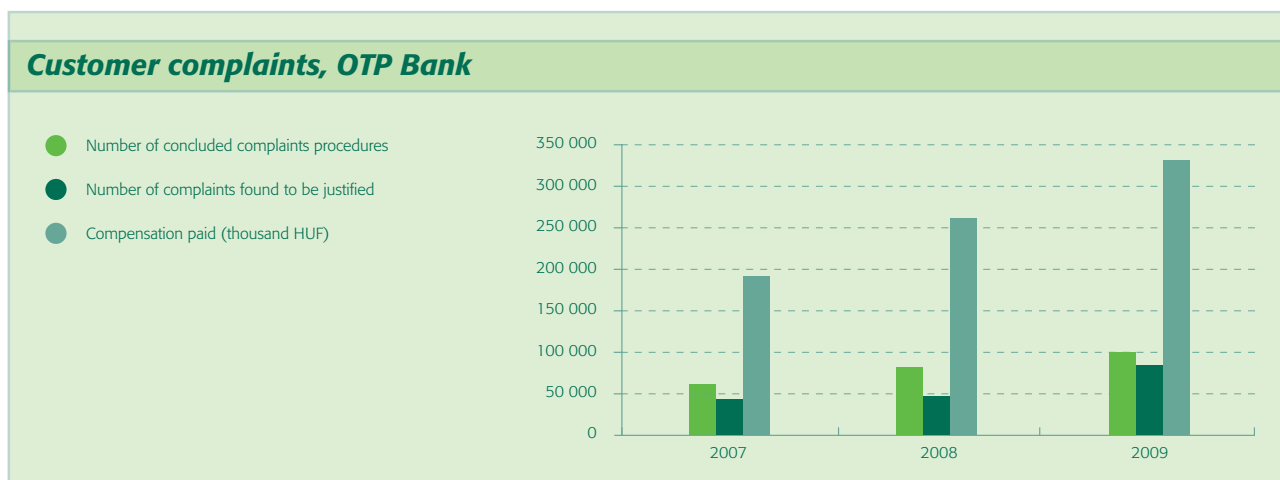
The OTP Group is committed to applying the available means of self-regulation, and to this end OTP Bank, Merkantil Bank and the OTP Factoring Group have all signed the Code of Conduct; while it was on the initiative of OTP Bank that a Compliance Committee was set up within the Banking Association. OTP Bank is a long-standing member of the Self-Regulatory Advertising Board, and in our commercial communication we aim to provide clear information that can be easily interpreted.

The Bank Group aims to minimise the number of court and other official proceedings in which a penalty is imposed, as well as the amount of the fines thus incurred. Nevertheless, we acknowledge all complaints that prove to be founded, and submit to any sanctions imposed as a consequence.

Customer complaints

The procedures for handling complaints are not standardised throughout the Bank Group; the subsidiaries develop their own complaints management systems in keeping with the local situ-

ation and their business profile. Information regarding customer complaints that is suitable for drawing comparisons with previous years are only available in respect of OTP Bank.



Concluded authority and other legal proceedings

Comprehensive information regarding authority and other legal proceedings is only available in respect of the Hungarian members of the OTP Group. The majority of the proceedings concluded in 2009 (which totalled 36) were related to tax or competition regulations.

Among the proceedings launched in respect of an alleged breach of competition rules, in two cases OTP Bank was exonerated, while in three cases it was fined a total of HUF 321 million.

- The Competition Office (GVH) imposed a HUF 10 million fine on OTP Bank, for its advertisements of two account packages. The GVH objected to the information provided in relation to the use of bank cards for making purchases.
- The GVH imposed a HUF 30 million fine due to its advertising of the Bank's "Világhitel" (World Credit) products, on the grounds that it was likely to have breached the prohibition on unfairly influencing consumer decisions.
- In 2008 a Competition Office investigation was launched against 23 banks in Hungary, in connection with the interchange fees applied in

the course of bank card acceptance. The GVH concluded that competition had been distorted, and obliged OTP Bank to pay a penalty of HUF 281 million. The banks involved were fined a total of HUF 2 billion.

Merkantil Bank was exonerated in a competition-law proceeding launched against it. A case brought against OTP Bank Russia was concluded in a conflict management proceeding.

Both OTP Bank and DSK Bank were exonerated in cases brought against them on grounds of an alleged breach of equal opportunities rules.

Fines totalling HUF 15.5 million were imposed in eight of the proceedings launched against OTP Bank in connection with breaches of the tax regulations. In the course of a tax audit, Budapest Metropolitan Council obliged OTP Real Estate Zrt. to pay a fine of HUF 73.5 million as the result of a local business tax payment obligation.

Supervisory proceedings launched against DSK Bank were concluded with the imposition of a fine.

Due to a breach of consumer protection regulations, OTP Bank was fined HUF 100 000. The Bulgarian DSK Bank was penalised in one instance, and obliged to pay a minimal fine. In the case of OTP Bank Romania, 18 consumer protection proceedings were concluded. Three of these culminated in the imposition of a fine. The amount of the penalty paid was negligible. In a further four cases the company was exonerated, in four cases non-financial penalties were imposed, while in six instances the cases were escalated to court proceedings.

With regard to other types of proceeding, in seven cases OTP Bank was penalised, with fines totalling HUF 5 million being imposed in six of

these, and a non-financial penalty in one. In four cases the company was exonerated, and in seven the matter was resolved in the context of a conflict-management proceeding.

Ongoing authority and other legal proceedings

The number of authority and other level proceeding ongoing within the OTP Group is significantly lower than the number of concluded cases.

Among the proceedings launched in respect of an alleged breach of competition rules, six are related to the OTP Voluntary Pension Fund. Most of the other proceedings were brought against OTP Bank.

Ongoing proceedings launched against the Bank/Bank Group (as of 31 December 2009)

	OTP Bank	OTP Group, Hungary	OTP Group*
Due to alleged breaches of competition law (Competition Office)	1	9	9
Due to alleged breaches of consumer protection regulations (Consumer Protection Board)	0	1	2
Due to alleged breaches of equal opportunities regulations (Equal Opportunities Authority)	0	0	0
Supervisory proceedings	0	0	0
Due to alleged breaches of taxation regulations	0	1	2
Other proceedings that may result in the imposition of a fine	3	4	4
Total	4	15	17

* Data is not fully comprehensive

Ongoing and concluded court cases

In recent years the number of court proceedings involving OTP Bank has steadily and significantly decreased. In 2009 the number of concluded cases also fell in comparison to the previous year. However, the number of cases concluded with a legally binding obligation on the part of the Bank increased both in terms of their proportion and number, and the amount paid also rose substantially. A few of the cases were related to consumer credit, and agents contracted by the Bank

were also involved. In the interests of avoiding future complaints, we place particular emphasis on updating our partners' skills and providing them with regular training, besides which we provide them with sales scripts and crib sheets to assist them in the identification of customer needs. We continuously monitor the portfolios of consumer credit agents, and in the event of any anomalies we immediately make contact with the partner involved.

Within the OTP Group, DSK Bank has been involved in the most court proceedings, and this subsidiary also had the highest number of con-

cluded cases. As a result of the concluded proceedings it was obliged to pay almost HUF 51 million.

Court proceedings

		OTP Bank		OTP Group*
	2007	2008	2009	2009
Book value of claim (HUF million)	126	88	36	310
Number of court proceedings concluded with the legally binding rejection of claims	5 285	5 801	30 903	n.a.
Number of court proceedings concluded with a legally binding obligation for the Bank	concluded in total: 82	43	11	46
Amount paid (HUF million)		50	28	44
Amount paid (HUF thousand)	no data	9	209	260

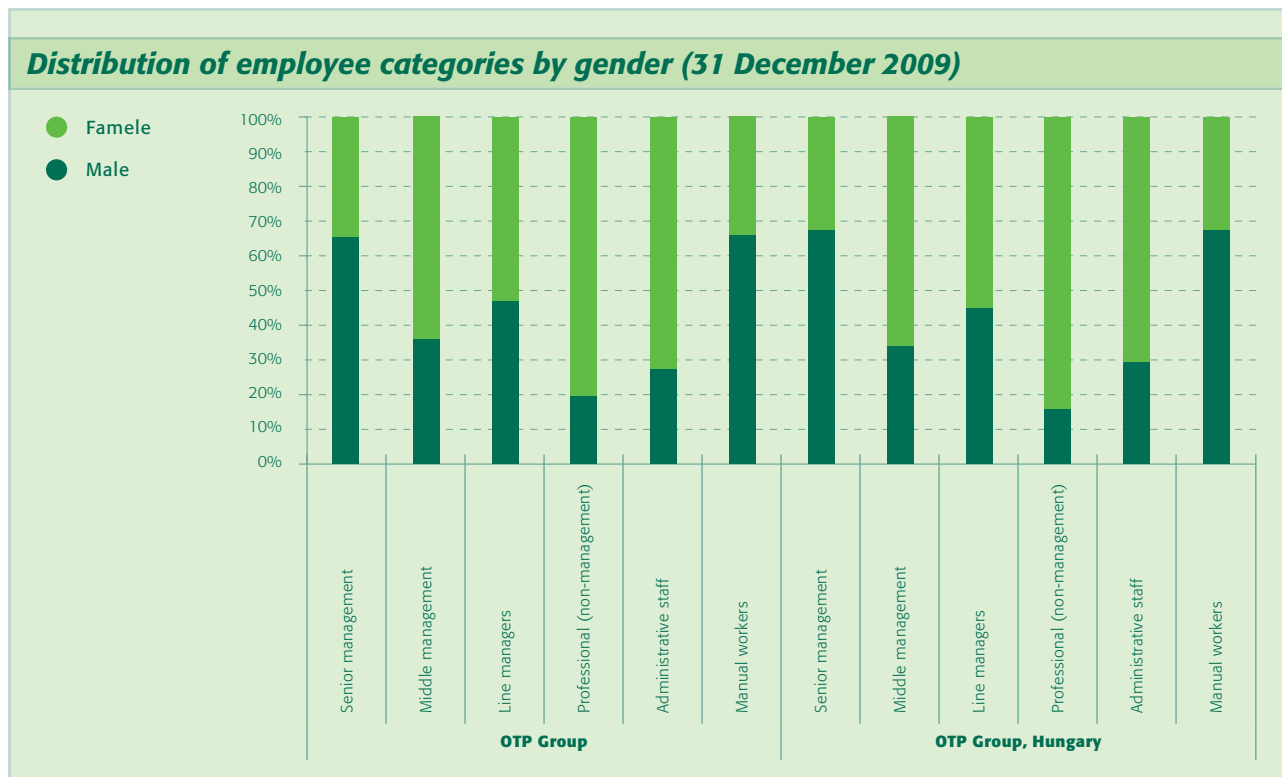
The book value of claims in court cases is typically several times the sum actually paid out.
* Data is not fully comprehensive.

The table does not contain data for OTP Factoring, because litigation is a necessary part of the company's core operations. OTP Factoring purchases and enforces overdue claims, and in the

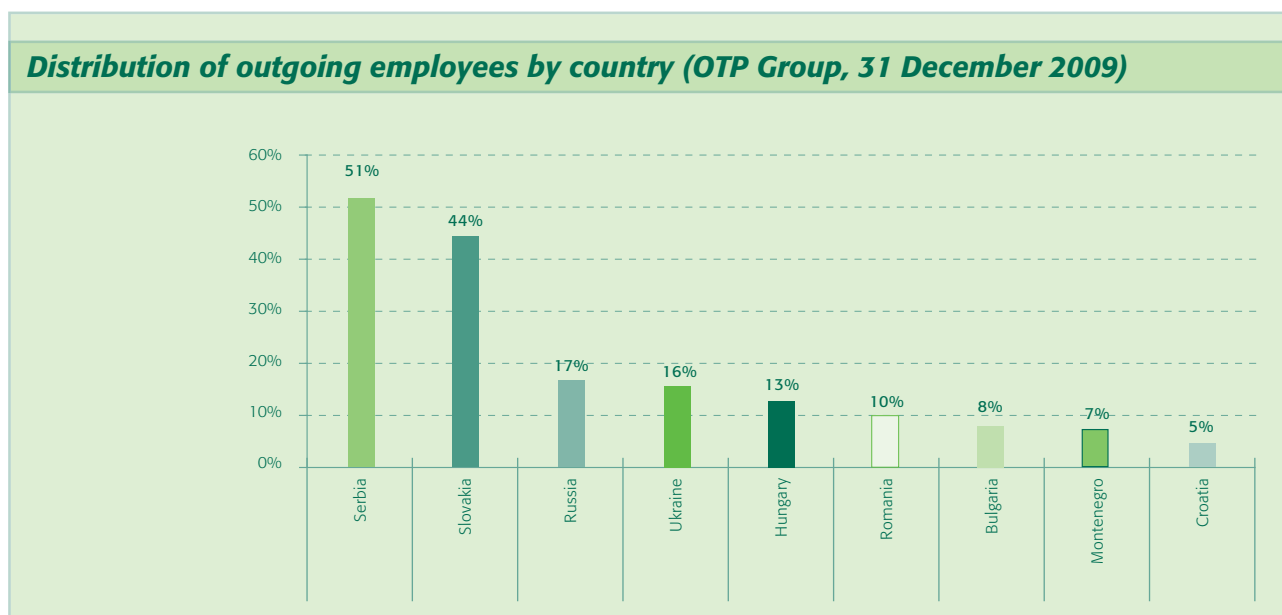
case of claims that have reached the litigation stage, launches a court/foreclosure procedure, of which up to several thousand may be conducted in a given year.



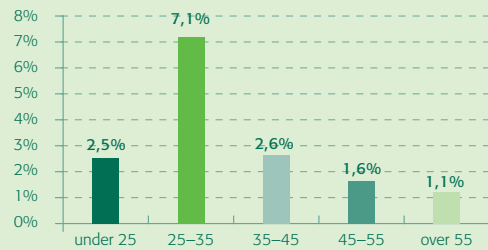
7.2 Employee Demographics, Information



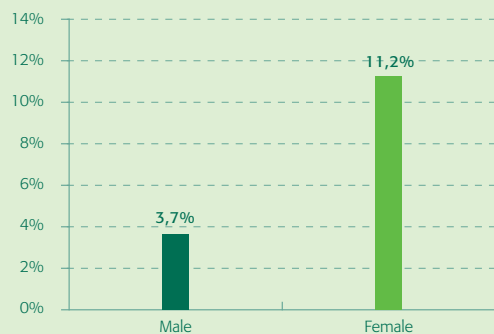
It is against the law for employers to maintain records of their employees' ethnicity.



Distribution of outgoing employees by age (OTP Group, 31 December 2009)



Distribution of outgoing employees by gender (OTP Group, 31 December 2009)



Programs for skills management and lifelong learning

	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	Not usually
Severance pay	Yes	In part
Age of employee taken into consideration if the organisation provides severance pay	No	Not usually
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	None	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.

7.3 Basic Reporting Principles

The report focuses on our performance and initiatives in the year 2009. To ensure the relevance and **timeliness** of the information, we disclose facts that are known at the time of writing the report.

We avoid the re-statement of 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 its 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 annex to the report, 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 operations**; 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 **outstanding 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. Much space has been devoted to the economic crisis, due to its impact on performance and operations in 2009.

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.

The report conforms to application level B+, as specified in the GRI G3 guidelines.

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		Full presentation	
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	
			Report Externally Assured		Report Externally Assured	

7.4 Stakeholder relationships

In 2007 we drew up a stakeholder map in order to identify and define the company's most important stakeholders. The Bank Group's relationships with stakeholder groups are defined by the characteristics of the given stakeholders. We give priority to learning the opinions of our stakeholders, since it is only by fulfilling their expectations that we can assure the group's social legitimacy.

The media is a means of communicating with all stakeholder groups. The OTP Group regards it as imperative that its customers, investors and the general public continuously receive comprehensive information regarding the bank group's business results, its development, as well as its products and services. An important means of

providing this information is responsive, precise, authoritative and consistent media communication.

The purpose of balanced and purposeful media communication is to convey the transparency of our banking operations and our corporate social responsibility, which serves to strengthen the bond of trust with our stakeholders.

The Bank regularly holds media events, such as press conferences, press briefings, and interviews given to representatives of the Hungarian and international media. Besides these, we also disseminate information in the form of press releases.

Journalists regularly have an opportunity to meet with the senior executives of the credit institution.

Means of engagement and relevant issue

Stakeholder group	Annual reports	CSR report	Website	Research papers	Intranet	Customer magazine	Internal newssheet	Code of Ethics, Ethics Statement	Customer service (branch, call centre)	Investors' day	Customer satisfaction surveys, market research	Employee satisfaction surveys	Media reports	Advertisements	Informational 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	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 governments*		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
	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
	Best market and operational practices, joint interest representation																		
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					
	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

Support provided in connection with serious illnesses, 2009	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	No data available	None	Not usually
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.

7.5 Membership of Associations

The companies in the OTP Group regard it as important to be active members of professional organisations that share their objectives, interests

and value systems. The table below lists the main associations of which companies in the Group are members.

Membership of associations (2009)

OTP Bank Nyrt.

Alliance for Electronic Commerce (SzEK)
American Chamber of Commerce in Hungary
Association of Certified Anti-Money Laundering Specialists
Association of Securities Dealers
Banking Association for Central and Eastern Europe (BACEE)
Budapest Chamber of Commerce and Industry
Business Banking Board/Corporate Executive Board
Commercial Crime International
EFMA European Financial Management and Marketing Association
Employers and Industrialists Association
ESBG/WSBI Europeans Savings Banks Group/World Savings Banks Institute
European League for Economic Co-operation (ELEC) Hungarian Branch
European Legal Academy
European Payment Council
Hungarian Association of International Haulage Companies
Hungarian Association of Security Executives
Hungarian Association of Senior Information Technology Experts
Hungarian Banking Association
Hungarian Customs Association (MVSZ)
Hungarian Economics Association
Hungarian Forex Society
Hungarian Law Society
Hungarian Marketing Association
Hungarian SEPA Committee
Hungarian Standards Institution
Hungarian Trademark Association
ICC Hungary (International Chamber of Commerce)
IIA Hungary - Institute of Internal Auditors
Information Systems Audit and Control Association (ISACA)
Institut International d'Etudes Bancaires
Institute of International Finance
International Advertising Association (IAA) Budapest
International Forfeiting Association

János Neumann Computer Science Society
Joint Venture Association
Követ Association
Mobey Forum
National Association of Entrepreneurs and Employers
ÖKO-LAND Association
Payment System Forum
Self-Regulatory Advertising Board
The Academy Club Association
World Economic Forum

OTP Real Estate Zrt. (OTP Ingatlan Zrt.)

Association of Tax Advisors
Defence Industry Association of Hungary
FIABCI
Hungarian Real Estate Association
National Federation of Hungarian Contractors (ÉVOSZ)

OTP Fund Management Zrt. (OTP Alapkezelő Zrt.)

BAMOSZ
BCSDH
HBLF
Open Standards Alliance

Merkantil Group

Banking Association

OTP Mortgage Bank Zrt. (OTP Jelzálogbank Zrt.)

Association of Hungarian Mortgage Banks
European Mortgage Federation
Hungarian Banking Association

OTP Hungaro-Projekt Kft.

Association of Environmental Protection Service Providers and Manufacturers

OTP Travel Kft.

AHITA (IRIME)

IATA

LCCI - Lufthansa City Center

MUISZ

OTP Flat Lease Zrt. (OTP Lakáslízing Zrt.)

Hungarian Leasing Association

JSC OTP Bank

American Chamber of Commerce

Association EMA

Association of Ukrainian Banks

Association of Ukrainian Stock Traders

European Business Association (EBA)

First Credit Bureau

Guarantee Deposit Fund for Private Individuals

International Bureau of Credit Histories

MasterCard International

National Depository of Ukraine

National system of mass electronic payments (NSMEP)

PFTS Stock Exchange

Professional Association of Registrars and Depositories (PARD)

Society for Worldwide Interbank Financial Telecommunication (SWIFT)

The Ukrainian Association Of Investment Businesses (UAIB)

Ukrainian Credit-Bank Union

Ukrainian Interbank Currency Exchange

Ukrainian National Securities Depository

S.W.I.F.T.

VISA International

OTP Bank Russia

ARB

OTP banka Srbija

Association of internal auditors in Serbia

Association of Serbian Banks

Central Securities Depository and Clearing House of Serbia

DSK Bank EAD.

Association for Control and Audit of Information Systems (ISACA) in the USA

Association of Banks in Bulgaria (ABB)

Bulgarian Chamber of Commerce and Industry

Bulgarian Dealers Association

Bulgarian- Hungarian Chamber of Commerce

Bulgarian Stock Exchange

Central Depository

Confederation of Employers and Industrialists in Bulgaria

European Savings Banks Group

MasterCard, Visa Europe, S.W.I.F.T

World Savings Banks Institute

OTP Bank Romania

Deposit Guarantee Fund in the Banking System

Romanian Banking Association

The Chamber of Commerce and Industry Arad

The Chamber of Commerce and Industry Covasna

The Chamber of Commerce and Industry Mures

The Hungarian Business Association in Romania

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Glossary

ATM (Automated Teller Machine): An electro-mechanical appliance that enables the holders of bank cards to withdraw cash from their account, and/or make use of other services, e.g.: balance inquiry, funds transfer, deposit fixing.

ATYPICAL EMPLOYMENT: Atypical is the term used to describe all forms of employment that differ from a traditional employment relationship entailing regular working for a fixed eight-hour period, determined by the employer, every day – e.g. part-time work, telecommuting.

BUSINESS ETHICS: Business or economic ethics is a systematic attempt to reconcile man's economic pursuits with his desire to achieve moral good.

CAPITAL ADEQUACY: The degree to which a bank is supplied with capital relative to its liabilities and its risky assets. According to BIS (the Bank of International Payments), it is advisable for the capital adequacy ratio to be higher than 8 percent; if it is, a bank is considered to be safe in terms of its capitalisation.

CEERIUS (CEE Responsible Index Universe): The sustainability index of Central and Eastern Europe.

CLOSED-END INVESTMENT FUND UNIT: The shares in an investment fund with a fixed maturity date. Fund managers do not redeem the units of closed-end investment funds until they mature, and do not distribute new investment fund units until the end of the subscription period. Closed-end funds are usually established for a fixed term.

CODE OF ETHICS: The code of ethics is a set of corporate guidelines pertaining to the conduct expected from the employees of the company,

which demarcates the boundary between behaviour that is expected and behaviour that is prohibited by the company. Companies set out their standards of ethical conduct towards their stakeholders in a code of ethics.

COLLECTIVE BARGAINING AGREEMENT: An agreement regulating the rights and obligations arising from the employment relationship, the means of their exercising and fulfilment, and the procedural rules related to this; the details of the relationship between the parties that enter into the Collective Bargaining Agreement. A Collective Bargaining Agreement may be concluded between the employer, the employer's advocacy body or several employers on one side, and the trade union or several trade unions on the other. In Hungary, Collective Bargaining Agreements are regulated by Act XXII of 1992 on the Labour Code.

COMPLIANCE: Fulfilment of the requirements set out in the statutory regulations and recommendations that relate to the bank's operation.

CONSOLIDATION: The purpose of consolidation is to strip out the effects of business dealings between group members when presenting the assets and liabilities, and financial and income position of a business group.

CONSORTIUM: An ad-hoc alliance of business entities, with the aim of achieving a common goal.

CORPORATE SOCIAL RESPONSIBILITY (CSR): Companies' efforts to integrate social and environmental objectives into their business activities on a voluntary basis, and to mould their relationships with their stakeholders accordingly.

CRISIS COMMUNICATION: Specialised communication that serves to minimise disruption to

the organisation's operation, through the dissemination of news and information.

CURRENT ASSETS: Assets recorded in a company's balance sheet that typically serve day-to-day operations and are unlikely to remain among the company's assets in their current form for more than a year.

E-LEARNING: Web-based teaching, using electronically accessible teaching materials. Participants study at their own computer terminals, ensuring a flexible and efficient work schedule.

GREEN PROCUREMENT: Procurements in which environmental aspect are taken into consideration.

GRI: The Global Reporting Initiative (GRI) is an organisation established by the United Nations, concerned with the corporate social responsibility of corporations. GRI has developed the most widely used sustainability reporting guidelines in

HUNGARIAN DEVELOPMENT BANK (MFB): The mission of MFB, as a classic development bank, is to contribute to the financing of investments in Hungary, and the achievement of development policy goals. Its task is to facilitate the growth of the Hungarian economy through the placing of funds procured in the capital market, at favourable, but nevertheless market-based terms. the world.

IFRS: International Financial Reporting Standards.

INTERACTIVE WEBSITE: A website that actively engages the user, who is assumed to provide some form of input.

LIQUIDITY POSITION: Immediate solvency.

LIQUIDITY RISK: The risk of future insolvency, a lack of mobilisable cash assets.

MIFID (Markets in Financial Instruments): The purpose of the EU Markets in Financial Instruments Directive (MiFID) is to create a uniform set of conditions and procedures for the provision of investment services in the member states of the European Union, to help ensure the fullest possible protection of investors' interests, and a high standard of service.

OPEN-END INVESTMENT FUND: An investment fund with no fixed term, meaning that investors are free to invest their savings in the fund at any time, but if necessary they may also withdraw some or all of their invested capital (together with the yield earned) whenever they wish.

OUTPLACEMENT: A human resource management tool that assists employee(s) who have been made redundant, and the employer, in dealing with the psychological, social and legal effects of the layoffs, and in finding a new job.

POS TERMINAL: The card acceptance devices installed at the point of sale, for settlement of the price of the products purchased.

PRUDENT OPERATION: Prudence includes all codified and non-codified forms of conduct that an averagely informed investor would justifiably expect from any financial institution. Prudent operation is a requirement under law.

RECESSION: A fall or slump in economic activity.

RECREATION: The performance of activities for enjoyment and relaxation during the individual's free time, giving rise to a sense of well-being, satisfaction, healthiness and a good quality of life.

RECYCLED PAPER: Paper made from the pulp of paper that has already been used.

RECYCLING: The reprocessing of waste material for use as a raw material.

REFINANCED LOAN: In the case of a refinanced loan the Bank does not lend its own money, but passes on the funds received from another financial institution.

PERFORMANCE INDICATOR: A term defined in the GRI sustainability reporting guidelines, which determines the range of information included in the report and the means of its presentation. The indicators are measures of the organisation's economic, social and environmental performance.

RE-USE: To use a given product or packaging again – without any alteration – for its original purpose.

R&D (research and development): R&D is innovative work conducted on a regular basis, the purpose of which is to expand knowledge, including our understanding of mankind, culture and society, and the use of this knowledge for creating new applications.

SME: Small and medium-sized enterprises.

STAKEHOLDER: A company's stakeholders are all groups and individuals that may affect or may be affected by the fulfilment of a company's objectives.

SYNERGY: A mutual benefit arising from cooperation.

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GRI Index

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	2; 17–19; 21; 29; 42	
G3 profile disclosures			
2.1	Name of the organisation	81	
2.2	Primary brands, products, and/or services	9; 29–37 website	https://www.otpbank.hu/portal/en/home
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 the company's responsible operation in the case of 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 – Retail Business Development and Subsidiaries Directorate – Strategic Planning and Controlling Directorate The other members of the OTP Group apply different organisational structures, but the above functions are provided for at these companies too.	76; website	https://www.otpbank.hu/portal/en/IR_Corporate_Governance/OrganizationChart
2.4	Location of the organisation's headquarters	81	
2.5	Locations of the company's operation	10	
2.6	Nature and legal form of ownership	12; 70	
2.7	Markets served, broken down by sector and geographic area	10	More detailed information is contained in the Annual Report https://www.otpbank.hu/portal/en/IR_Annual_Reports
2.8	Scale of the reporting organisation	9–10; 36–37; 44	
2.9	Changes in the organisation during the reporting period	76	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	9; website	https://www.otpbank.hu/portal/hu/Rolunk/Dijak/2009
Report parameters			
3.1	Reporting period	5	
3.2	Date of most recent report	76	We published our last CSR report in 2008.

3.3	Reporting cycle	77	Annual
3.4	Contact point for questions regarding the report or its contents	5	
3.5	Process for defining report content	69–70	
3.6	Boundary of the report	5	
3.7	Specific limitations on the scope or boundary of the report	77	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	5; 69–70	
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; 69	And in the relevant sections
3.10	Reason for the re-statement of any information already published in earlier reports	69–70	
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	76–79	We also use the table for disclosing information
3.13	Policy and current practice with regard to seeking external assurance for the report	5	

Governance, Commitments and Engagement

4.1	Governance structure of the organisation	15; 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	
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>	77	
4.5	Linkage between the compensation of members of the highest governance body and senior managers and the performance of the organisation	77	Corporate Social Responsibility Report 2007
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.	77	
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	77	
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.	77	
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	77	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	77	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 core business	27–28; 78	
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	24–25; 63	
4.13	Membership in associations and/or national/international advocacy organisations	72–73	
4.14	List of stakeholder groups engaged by the organisation	71	
4.15	Basis for identification and selection of stakeholders with whom to engage	70	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	14; 70–71	
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).	14; 71	

Core Performance Indicators

Economic performance

EC1	Direct economic value generated and distributed	11	
EC4	Significant financial assistance received from government	11	

Market presence

EC7	Procedures for local hiring, and the proportion of senior management hired from the local community at significant locations of the organisation	78, websites of Group member	No change compared to previous year. https://www.otpbank.hu/portal/en/IR_Corporate_Governance ; https://www.otpbank.hu/portal/en/OTPGGroup
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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 OTP Bank.

Materials

EN1	Materials used by weight or volume	57	
Energy			
EN3	Direct energy consumption by primary energy resource	57–58	
EN4	Indirect energy consumption by primary energy resource	57–58	
EN7	Initiatives to reduce indirect energy consumption, and reductions achieved	62	
Water			
EN8	Total water withdrawal by source	58–59	

Gas and liquid emissions and waste

EN16	Total direct and indirect greenhouse gas emissions by weight	60–61	
EN21	Total water discharge by quality and destination	58–59; 78	No change compared to previous year
EN22	Total weight of waste by type and disposal method	59	

Labour Practices and Decent Work Conditions

Employment

LA1	Total workforce by employment type, employment contract and region	44–45	
LA2	Total number and rate of employee turnover by age group, gender and region	45; 67–68	
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.	78	

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.	78	
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Occupational health and safety

LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	49	
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LA8	Education, training, counselling, prevention and risk control programs in place to assist workforce members, their families, or community members regarding serious disease	71	
LA10	Annual average number of training hours per year per employee by employment category	48	
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	68	
LA12	Percentage of employees receiving regular performance and career-development reviews	46	
LA13	Composition of governance bodies and breakdown of employees by gender, age group, minority group membership and other indicators of diversity	44–45; 79; website	https://www.otpbank.hu/portal/en/IR_Corporate_Governance
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.	79	
Human Rights Performance Indicators			
Prevention of discrimination			
HR4	Total number of incidents of discrimination, and actions taken No such incidents have occurred.	79	
HR6	Risk of child labour and the measures taken to prevent it	79	The bank does not use forced labour or child labour.
HR7	Risk of forced or compulsory labour and the measures taken to prevent it	79	
Social performance indicators			
Anti-competitive behaviour			
SO7	Total number of legal actions in relation to anti-competitive behaviour, anti-trust and monopoly practices, and their outcome	64	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	64–66	
Product responsibility			
Product and service labelling			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	40–41	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	64–65	
Sector supplement indicators			
FS2	Procedures for assessing and screening environmental and social risks in business lines	27–28	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	16–19; 61–62	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	34; 36; 37	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose.	32; 34; 36; 37	
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.	57; 79; 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 of products and services	21; 29	
FS16	Initiatives to enhance financial literacy, by type of beneficiary	54–55	

KÖVET Association for Sustainable Economies (KÖVET) was commissioned by OTP Bank to verify OTP Group's 2009 Social 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 Social Responsibility Report of OTP Bank Plc.

Methods and tools for verification

- a 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 10, 2010 – Report Evaluation Forum).

Report Evaluation Forum

Forty-five representatives from stakeholder organizations (shareholders, financial analysts, clients, authorities, suppliers and civil and professional organizations) were invited to attend the Report Evaluation Forum; six 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 2009 Social 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 2009 Social 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 endeavored to report data extensively at a Group level. It is praiseworthy that many departments from the company and all affiliates actively took part in the preparation of the report.

The chapter concerning the measures the Group took in order to reduce the negative effects of the financial crisis is of outstanding importance.

KÖVET verifies that the data collection procedures of the Group are reliable and that data analyzed during the data-checking 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 present a more extensive overview of data from affiliates;
- » besides the group level report, consider reporting on the Social Responsibility of OTP Bank like other affiliates do, because for Hungarian stakeholders group level data is often hard to absorb.

Evaluation of OTP Bank's sustainability performance

OTP Bank is a prominent part of the Hungarian economy and has a central role in the banking sector in the country and also in the region, thus its level of responsibility is commensurately high towards its stakeholders.

During management of the financial crisis, OTP put the emphasis on stable functioning, due to which it won the 'Best crisis managing bank 2009' award.

The company is among the most attractive employers in the country, a fact which is supported by the fringe benefits and working conditions provided to employees. As a responsible employer, OTP Bank has to endeavor to assure a good work/private life balance, and extensively utilize atypical employment models.

We appreciate that more and more employees are coming to understand the term 'social responsibility' and the company's responsible activities in favor of society and environment. OTP's improvement in the field of environmental protection is praiseworthy, but the fact should not be disregarded that cost efficiency is the primary driver of increasing resource efficiency, while the more expensive environmental protection solutions are left in the background.

The company plays a significant role in the field of social responsibility in each country of its operation. 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. We approve of its endeavors to incorporate non-financial sponsoring methods (e.g. financial education). In spite of the many good practices which are shared through the CSR tender among Hungarian branches, involving employees more deeply needs improvement.

Through becoming acquainted with the performance of OTP Bank, 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 an economic point of view, and 'appropriate' from the environmental and social points of view.

Main recommendations for further improvement

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

- spreads its know-how, activities and programs related to responsibility to include affiliates, thereby inspiring their more responsible operation;
- brings its product offerings into line with the CSR strategy of the company (reducing sales of not specifically responsible products);
- improves its analysis of indirect social and environmental effects of products and services, and builds these results into its product development process;
- elaborates a concrete program for the implementation of atypical employment opportunities and for improving the work/private life balance of current employees;
- makes its donating/sponsoring practice more transparent (e.g. through introducing a tendering system);
- keeps striving to minimize the negative environmental effects of its operations and spreads its environmental protection practices to affiliates.

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


Petrik Ida
Deputy Director


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Project Manager

Budapest, 23rd June 2010

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-fulfills" 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 very beneficial for all stakeholders, significant efforts for the local community, but never self-promotes through the use of spectacular PR tools.
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. There are projects for general improvement.	Socially acceptable, makes strong 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: Kincsó Adriány (HBLF), Andrea Dakó (WWF Hungary), Gábor Horváth (OTP Facility Management Ltd.), Balázs Selmeczi (Fogyasztóvédő és - Érdekszövetség Alapítvány), László Zagyi (Private Bank Client), Ida Petrik (KÖVET), Mónika Lontayné Gulyás (KÖVET) – János Müller, in written form (Hungarian Banking Association) *** Further information: Sustainability Ranking of Organizations, www.kovet.hu



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We are waiting for your reply.

We need to know your opinion to the constant development of the Bank.

Thank you in advance.

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