

CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT

2010



*otpbank*

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## MESSAGE FROM THE CEO

Dear Reader,

**t**he year 2010 was still a challenging year both for OTP Bank Romania and for the whole country. Though positive signs of stabilization within the economy and among our clients were visible, we still had great responsibility for the financial welfare of our clients, especially those who were suffering from the increased burden of installments and their generally worsened financial situation caused by the high exchange rates of foreign currencies and the necessary governmental measures. Significant modifications of the legal environment forced us to revise and adjust our practices and methods, to enhance transparency, professionalism and to pay accentuated attention on clients' interests.

In order to be able to cope with all the challenges OTP Bank Romania focused on strict risk management and on an even more client-centered service. So as to achieve the latter, we have been working on several high impact programs – such as OTP Mentor or the Management Academy.

At OTP Bank Romania we all believe in and are committed to corporate social responsibility. The establishment of [www.estedreptulmeu.ro](http://www.estedreptulmeu.ro) has been an important step in the communication of

our corporate social responsibility activity and we hope this website serves as an example both for corporations and individual clients.

I consider our Right to Read campaign as one of our most successful and most impactful projects of the last year. We are proud of being able to motivate people – and opinion leaders – all over the country and of having collected more than 30,000 books for children in need.

I am convinced – and our results confirm this – that we are on the right track and our clients appreciate our efforts. I am looking forward to the future and hope that the economical recovery will at least partly be realized in 2011.

László Diósi  
Chief Executive Officer,  
Chairman of the Management Board  
OTP Bank Romania



# 1

## OTP BANK ROMANIA AND CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABLE DEVELOPMENT IS THE BASIS OF OUR ENTIRE ACTIVITY. THAT IS WHY OUR CSR POLICY DEFINES THE FRAMEWORK OF OUR ACTIVITIES RELATED TO SUSTAINABILITY AND RESPONSIBLE BUSINESS.



In 2010, more than 230,000 clients choose OTP Bank Romania financial products.



We are a **medium-sized universal bank** and we were proud to serve more than 230,000 clients in 2010. We offer a wide range

of high quality financial products to all types of clients from individuals to large companies.

OTP Bank Romania is accessible in the whole country through its 106 branches and by the user-friendly electronic channels (OTPdirekt).

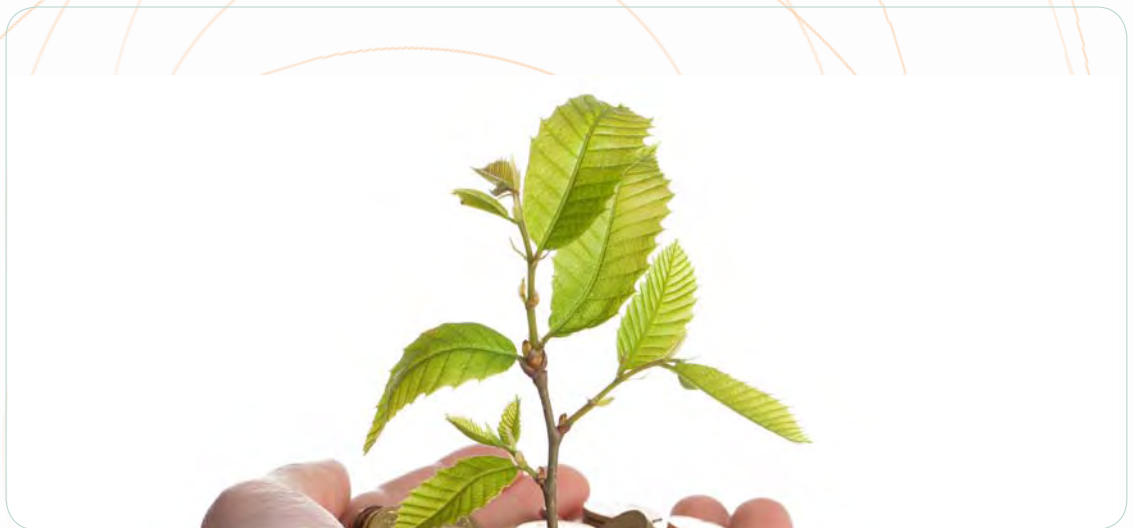
We provide special financial services in Romania through our subsidiaries:

- OTP Asset Management – offers innovative investment funds,
- OTP Consulting Romania – offers project-focused consultancy services primarily concerning EU Funds,

- OTP Leasing Romania – offers car and equipment leasing products.

OTP Bank Romania has a **stable background** as a member of the OTP Group, which is the largest independent Central-Eastern-European financial group. The objective of the group is to achieve outstanding performance in accordance with the European standards. The mother company of the Group has achieved the second place among 91 European financial institutes in the stress-test coordinated by the Committee of European Banking Supervisors, which is a tangible proof of capability of resistance.

OTP Bank Romania managed to increase its market share in several fields (e.g. deposits). Though we have offered loans, even new





products – approved by more centralized and stricter procedures, in this less stable economic environment both the demand for and the supply of credit were restrained. As within the whole banking sector, risk costs became crucial also at OTP Bank Romania, and as a consequence of the tripled risk cost, we did not manage to make profit in 2010. Further economic data is provided in Chapter 4.

In order to be able to serve our clients better, the private banking directorate was transformed and with this new private Banking and Investment Department private banking services are more easily accessible throughout our network. For a better understanding of our [organizational structure](#), see Chapter 4.

## OTP Bank Romania



### OTP Bank Romania

Branches	106
Employees*	1 104
Number of clients	230 000
Total assets	3.96 billion RON
Market share	3,1%
Total amount of tax paid	14 204 k RON
Total cost of employees training	1 645 k RON
Total amount of sponsorship	- 679 k RON
Proportion of branches made accessible	99%
Water consumption per capita	24.1 m <sup>3</sup>
Energy consumption per capita	63.4 GJ
CO <sub>2</sub> emission per capita	2.3 t
Total paper used	83t

### OTP Group

Branches	1 589
Employees*	38 292
Number of clients	~ 13.1 m
Total assets	146.7 billion RON
Total amount of tax paid	1.9 billion RON
Total cost of employees training	12.8 million RON
Total amount of donation	- 18.9 million RON
Proportion of branches made accessible	40.15%
Water consumption per capita	13.7 m <sup>3</sup>
Energy consumption per capita	40.2 GJ
CO <sub>2</sub> emission per capita	1.76 t
Total paper used	5 080 t

IFRS data as at December 31<sup>st</sup>, 2010 or 2010.

\* Total employees

In the fierce competition of the banking sector, OTP Bank Romania strives to excel with its values and **commitment to social responsibility**.

### Values of OTP Bank Romania

- We intend to offer to our clients the advantages of being a medium-sized organization, thus we strive to remain flexible, dynamic, innovative and client-centered.
- At the same time, we consider trust, partnership, integrity, stability, professionalism and courage and equally important.

Sustainable development is the basis of our entire activity. We truly believe that social responsibility means the contribution of the business environment to a sustainable development. We are committed to CSR (corporate social responsibility) within our core business and beyond. Our main challenge is to manage operating in accordance with our society's expectations while taking the social

and environmental rules into consideration. We are also committed to the communities we are part of.

The three pillars of our social responsibility are:

- economic: the organization's contribution to the increase of the stakeholders' economic development on local, national and global level;
- environmental: the organization's influence on organic and non-organic environmental structures;
- social: the organization's impact on social climate, including the effects on the non-material values of the organization and of the stakeholders.

Our CSR policy defines the framework of our activities related to sustainability and responsible business. Two basic forms of CSR activities include:

- dedicated CSR projects: support of social issues, education, sports, culture, local communities and environmental protection;
- internal and external day-to-day actions related to CSR: human rights at the workplace (customers and employees), environmental protection within the operation and special financial services and products responding to particular needs.

Within our organization the Marketing Directorate and the HR Directorate are responsible for the coordination of the dedicated CSR projects.

### About this report

OTP Bank Romania presents its performance on CSR on an annual basis for 3 years. The CSR report is compliant with the application level B of G3 Guideline of GRI (Global Reporting Initiative), the most commonly used sustainability reporting guideline. The CSR report covers all significant issues of the economic, social and environmental performance of the bank in 2010.

We intend to avoid restatements of information provided in the former reports, thus we encourage the use of our websites ([www.otpbank.ro](http://www.otpbank.ro) and [www.estedreptulmeu.ro](http://www.estedreptulmeu.ro)) for deeper insight.

Reliability of data is ensured by the methodology of reporting and the SAP based CSR data gathering used within the whole OTP Group comprehensively. We provide data regarding both 2009 and 2010 in most cases to make the data comparable and thus more comprehensible.

Besides achievements and results, we present the challenges and directions of potential development to give a balanced view on our performance. The report describes each issue from the general towards specific viewpoint; activities related to core business – providing financial services – gain priority.

We hope to provide you with a good insight into our organization and its impact. Please take the time to share your thoughts with us and send us feedback on CSR to [csr@otpbank.ro](mailto:csr@otpbank.ro).

2009 We said	2010 We did
<b>Products</b>	
To enhance further customer orientation by improving the quality of our services	√ Introduction of the pilot phase of OTP Mentor Program, new homepage design, compliance with the new legal regulations
To include behavioral skills in the performance evaluation of bank tellers	√ 30% of the performance is expressed in skills – how the results are achieved, and general contribution to the business covers 10%
To conduct mystery shopping research to measure our performance	√ We conducted mystery shopping research twice in 2010
To continue monitoring the Debtor Protection Program and adjusting it to current needs	√ We monitored the Debtor Protection Program and introduced new possibilities to support our clients
To provide personal loans for retirees with preferential conditions	⇒ We have prepared the launch of the loan facility with further benefits, and by the publication of this report the loan is available.
To be involved in further projects benefiting the environment and society	√ We signed an agreement with EBRD to finance energy efficiency investments, we financed 2 projects of the local authorities aiming to build a sewage canal and the other related to health care
<b>Employees</b>	
To explore the possibilities of atypical employment	⇒ We did explore the possibilities, but unfortunately, currently these are not permitted by the Romanian law
To increase the weight of behavioral and professional performance in the performance evaluation	⇒ In 2010, 30% of the performance was displayed of skills, while business objectives covered 70%. By the time of this report was issued, starting, April 2011, 40% of every employee performance is related to his/her behavior and attitude towards the business success, while 60% is direct related to business results achievement.
To improve decision making and problem solving abilities at Management Academy	√ We implemented trainings on delegating, problem solving and decision making, performance management and improving productivity
To participate actively in the nurturing process of the talent management program	⇒ Two of our colleagues participated in the rotation program
To maintain the fluctuation of the organization	⇒ The turnover was higher (16%) than in the previous year, but it is still acceptable

**2009**  
**We said**

**2010**  
**We did**

### Society

To sustain our sponsorship activity for the benefit of the communities and to involve our colleagues in charity actions	✓	We successfully sponsored many events and organizations and extended voluntary activities
To launch <a href="http://www.estedreptulmeu.ro">www.estedreptulmeu.ro</a> website on our CSR activity	✓	The website is working and provides comprehensive information on our CSR activity
To implement the 'Right to Read' campaign by continuing collecting books	✓	The success of 'Right to Read' surpassed our expectations, the campaign made reading accessible for 11,000 children

### Environment

To launch a pilot project to test the use of LED light bulbs	×	We investigated the possibility of using LED systems, but currently all the solutions exceeded our budget limits
To change printers, scanners and fax machines to more efficient ones	×	We did not change the devices, but have launched the Managed Print Services
To purchase desktops in order to reduce energy consumption	✓	We have purchased 50 small size PCs with reduced energy consumption
To improve information regarding waste generation	×	We still not have complete information available regarding waste generation
To make the estimation of our CO2 emission more accurate	⇒	By having more accurate information regarding consumption, we can give a better estimation

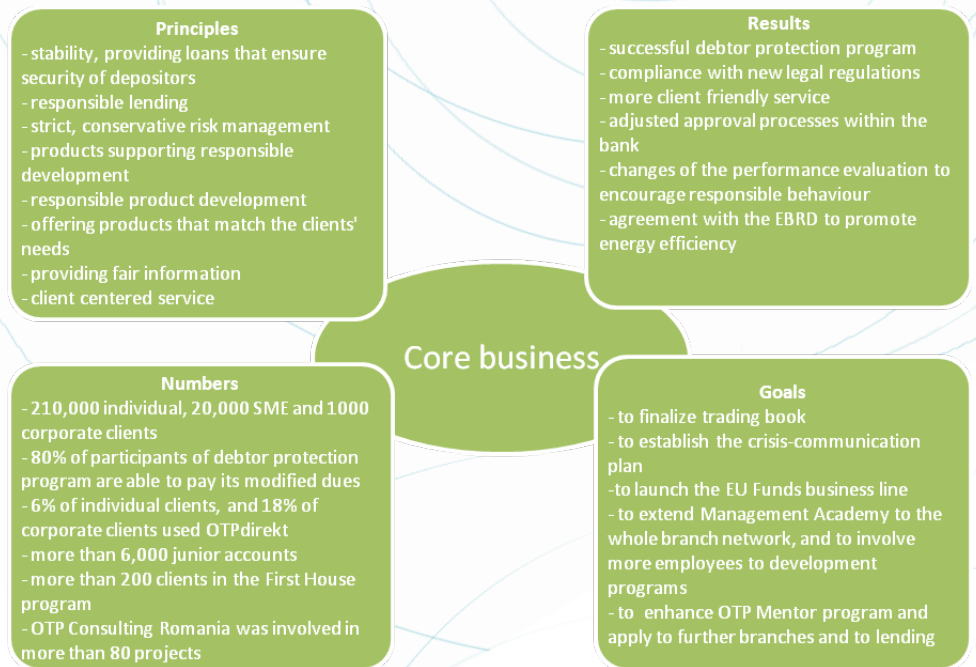
# 2

## CORPORATE SOCIAL RESPONSIBILITY IN THE CORE BUSINESS

2010'S PRIORITIES ENSURED STABILITY, RISK MANAGEMENT AND DEBTOR PROTECTION AS WELL AS COMPLIANCE WITH THE NEW CONSUMER REGULATIONS. TO RESPOND TO THE CHALLENGES, WE INTRODUCED NEW AND IN SOME CASES STRICTER MEASURES WITHIN OUR BANK.



We regard ethical conduct of business as our obligation and at the same time it is also our stakeholders' expectation.



### Why is it important?

OTP Bank Romania has the responsibility to provide financial products and services that ensure stability and development in the long run – it is our own, our owner's and our clients' interest. Balancing the interests of the debtors and depositors became more crucial in the years of the financial crisis.

We regard ethical conduct of business as our obligation and at the same time it is also our stakeholders' expectation.

### Highlights of 2010

2010's priorities ensured stability, risk management and debtor protection as well as compliance with the new consumer regulations. To respond to the challenges, we introduced new and in some cases stricter measures within our bank. In addition to firm internal regulations and processes, we constantly train and control the work of our front-office colleagues. Compliance with the legal regulations is taken for granted at OTP Bank Romania, thus all the new obligations have been integrated into our practices. We expect all our colleagues to meet the instructions of the Code of Ethics which was reviewed and updated in 2010 to correspond with the new internal regulations and performance measurement objectives.

## 2.1 Risk Management and Debtor Protection



### Why is it important?



As the macroeconomic recession continued in 2010, the financial situation of our clients did not improve.

Significant evolution of CHF (and of other foreign currencies) exchange rates, layoffs, governmental restrictions and the delay of economic recovery hit both individuals and enterprises, corporations. To support our clients and to avoid credit defaults, we enforced a loan and debtor protection program.

We are convinced that our strict and conservative lending policy plays a major role in the stability of OTP Bank Romania and in the fact that we are able to maintain the rate of rescheduled loans and risk costs.

### Debtor protection program

Having reflected on the needs of our clients, **additional solutions** were created in 2010 to our individual clients facing financial difficulties.

Besides the ongoing:

- the suspension of the monthly installment for 3 months or up to a maximum of 6 months, in dire cases (still the most commonly chosen option);
- loan rescheduling by extending the maturity period by a maximum of 5 years;

- replacement of the initial debtor, adding/ replacing a co-debtor, changing the monthly reimbursement date.

We have started to offer the possibility of:

- a 25% decrease of monthly installments for CHF debtors (non repayable reduction);
- fix the level of installments in RON;
- conversion of loans to RON.

In the course of 2010 we began to promote the possibility of a debtor protection program among our clients concerned in the significant salary-cut of state-employees. We investigated the situation and concluded that it was not necessary to launch new options to these clients.

For our **corporate clients** we provide tailor-made solutions to overcome their financial difficulties. The options are partly similar to those of individual clients'; they cover the extension of the repayment grace period, prolongation of loans, interest capitalization for a limited period, change of currency of the loan, and a combination of former options. With the intention of the harmonization or consolidation into a syndicated loan, a moratorium agreement can be signed. According to our experiences, the most affected segments have not changed since 2009, they are the real estate, the construction and the automobile sectors, and the whole MSE (micro and small enterprises) sector. Even



in these sectors we have seen the signs of recovery, and the situation of our clients slightly stabilized in 2010.

The Rate of loans with more than 90 days delay was 10.6% in the corporate and in the retail sector in total by the end of 2010. To that date approximately:

- 14.1% of our retail credit portfolio was rescheduled, including the re-defaults, which show an increase over 2009.
- Within the small and medium enterprises sector, the rate of rescheduled loans was 29%, 4 percentage points less than the previous year.
- 24% of loans needed to be rescheduled within the corporate sector, currently it seems to be stabilized as no significant loan is under rescheduling.

We expect the rate of rescheduled loans to decrease in 2011, and the first available data confirm our optimistic forecast.

The debtor protection program is considered to be successful, as about 80% of the participants are able to pay the newly determined installments and/or able to return to the original payment plan after the grace period.

Taking the possible defaults of loans into account, we had to increase our provision for possible loan losses significantly: it was tripled compared to that in 2009 – though high provisioning was aimed at lifting the coverage ratio. OTP Bank Romania did not need to increase risk costs more than its peers in the country, but as a consequence of the provision, the bank realized a loss in 2010, after the profitable year of 2009. (While higher banking revenues and declining operating costs contributed to the excellent development of the operating result, 41% on a year-on-year basis.)

## Development in risk management

2010 was determined by two projects in the fields of market and operational risk.

OTP Group constantly improves its methods. As a result of the previous years' development in the field of **operational risk management**, we apply the methodology based on **standardized indicators** when calculating the minimum capital requirement. (Capital requirement covers the anticipatable and non-anticipatable losses.)

The responsible authority (Hungarian Financial Supervisory Authority) approved the group-level methodology and the collecting of loss data was completely set up in OTP Bank Romania in 2010, in accordance with the requirements of the National Bank of Romania. Improvement of data quality is a further significant achievement of 2010. We are preparing for the introduction of the next level of minimum capital calculation, which is the developed methodology.

We adopted the reviewed and updated **Business Continuity Planning** methodology of OTP Bank Hungary. The framework for the management of unexpected incidents was created centrally, but we completed our document in line with the local circumstances. In 2011 we plan to establish our plan for crisis-communication.

We have achieved significant success to **mitigate operational risk**. The major source of operational risk situations was still related to or derived from human factors. To prevent and decrease the mistakes, we place emphasis on training our colleagues in this field. Our efforts to prevent ATM attacks proved to be efficient, thus no attacks were executed in 2010. Fraud attempts





(use of fake IDs, fake income statements etc.) could be successfully detected while certifying the data.

In the field of **market risk**, we continued to establish a **trading book** in line with the flows and processes of OTP Bank Hungary's. Harmonization of processes and necessary changes within the organizational structure and operation required a lot of resources. We are planning to finish the project in 2011.

For **environmental and social risk assessment** related to lending activities of the corporate banking segment, OTP Bank Romania continued to apply the work procedure introduced in 2009. We have assessed more than 160 projects (all the projects above 10 million EUR) in 2010, by completing the Environmental Screening Form:

- one of the projects proved to be of high environmental risk (metallurgical company);
- approximately 50% of the projects were of medium environmental risk;

- the remaining 50% of the projects were of low environmental risk.

We have determined the appropriate environmental clauses and conditions in order to ensure the secure establishment and operation of the facilities and projects. The projects were of a diverse portfolio from the processing to the production of chemical products. None of the projects had to be refused because of their impacts and risks on the environment.

As required, the Annual Environmental Report has been approved by the Risk Administration Committee and delivered to the EBRD (European Bank for Reconstruction and Development). EBRD had been approved the Report by the time this report was issued.

More detailed information regarding the whole approval process can be found in the Corporate Social Responsibility Report of

OTP Bank Romania 2009.

## 2.2 Transparency



### Why is it important?

One of the values of OTP Bank Romania is transparency. We are committed to provide fair information to our stakeholders – accentuated our clients – regarding our activities and performance. Transparency and accountability is expected by the society and legal regulations on the one hand, and on the other, we strive to be open and accessible for all questions and go beyond the compulsory regulations.

### Our efforts toward more transparent conduct of business

Regarding transparency and consumer protection, three main **legislative regulation** required significant changes from the financial institutions, including OTP Bank Romania, in 2010.

Government Emergency Ordinance no. 50/2010 regulates the rights and obligations

of consumers and creditors when concluding credit agreements. In this regard, the maximum commission of premature payment is determined; all the credit agreement conditions should be set clearly using a standard form in order to ensure that clients make a thorough decision; consumers have the right to withdraw from credit agreement up to 14 days after signing; possible charged commissions are specified by the law. As new conditions are to be included in all loan contracts, we had to release new contracts for existing loans. The regulation needed to be changed, as the interpretation was not clear for all the parties (banks, clients, authorities). After the modifications, it now provides clear requirements that are fully met by OTP Bank Romania.

NBR (National Bank of Romania) regulation no. 18/2009 affected the activity of credit institutions, mainly in 2010. The regulation set requirements to the administration framework of the institutions apply to the internal process and

## PRESS AND MEDIA RELATIONSHIP

OTP Bank Romania is always available for the press and media. We organize press meetings regularly and we respond to each incoming question. Our CEO is also available for the media, as we consider his personal presence and answers as a key of our credibility.

At the beginning of 2011, we conducted a questionnaire among journalists for the first time, regarding the 2010 communication activity of OTP Bank Romania. Our aim was to explore the media's evaluation on our communication activity and the performance of our PR representatives. Findings show very positive results and perceptions. 65% of journalists evaluated the relationship with our PR representatives as being proactive, 23% as good and being currently developing, and the rest, 12%, found it reactive. Journalists consider quality of our communication materials very good (53%) or good (47%), no one evaluated them as satisfying or weak. 41% consider that the answers they receive from us are always in accordance with their requests, and 59% consider that they are most of the time in accordance with those. No worse answers were given.

assessment of risk, to compliance of capital and to conditions of outsourcing activities.

OTP Bank Romania evaluated its risks regarding all types of risk (credit risk, market risk, operational risk, liquidity risk etc.) and stated that the Bank was appropriately capitalized and complied with all the requirements.

Another important regulation of NBR, no. 25/2010 formed requirements towards financial institutions. The most significant achievements of the regulation have been the classification of loans and investments, publication and transparency requirements and credit risk provision. We have adjusted our processes to the regulations.

Changes of regulations increased **client complaints** in 2010; we received many complaints as a consequence of the different interpretation of the requirements. After the clarifications, the number of complaints declined significantly.

Registration and handling of complaints is the

responsibility of the Electronic Sales Channels Department within the bank. Complaints are reported monthly, and they are delivered to all the departments concerned. In order to mitigate complaints, and to solve or eliminate the disabilities found in our processes, we take the necessary measures on the basis of the Management Boards decisions.

OTP Bank Romania was **fined** once in 2010; we paid 500.000 RON for breaching the consumer protection regulations. In another case the Bank was exonerated and 64 issues led to court cases. In most of these issues

OTP Bank Romania was accused by breaching laws or ordinances regarding consumer protection (e.g.: breaching the provision of negotiating the changes of conditions with the client, use of unclear contract terms, conduct of incorrect commercial practice, breaching the above mentioned Government Emergency Ordinance no. 50/2010 mentioned above). Data regarding client complains are provided in Chapter 4.

## 2.3 Serving Our Clients Innovatively

### Why is it important?



OTP Bank Romania strives to serve its clients as it fits their needs and goals best: We endeavor to offer outstanding services. We are aware that our clients expect smooth and fast processes. As a medium-sized bank we are convinced that we have to exhaust our ability of reflecting changes flexibly and immediately and our internal corporate culture encourages the new ideas. Our processes and product development were determined by the

economic and social environment, providing another reason to demand innovativeness. We have the responsibility to provide services and products in a secure way, by mitigating the undertaken risks in our products. We are committed to promote specific goals with social or environmental benefits; on the one hand, we provide accessibility to supported funds, and on the other hand, we offer preferential conditions. Our objective is to raise our clients' awareness on issues that have an important sustainability aspect.

## Improvement in our processes

In 2010 we served more than 210,000 individual clients, almost 20,000 small and medium enterprise clients<sup>1</sup> and more than 1000 large corporations. We are proud of having been able to increase the number of our clients by 6% in such a fierce competition and economic situation, and we consider this result as a positive feedback of our activities and efforts. We constantly monitor our products and processes with the intention of improvement. In 2010 we implemented all the legally required modifications: we created new product descriptions for all loan products and notified our clients about the changes.

We made important progress toward a more client-friendly service of SME (small and medium enterprises) clients by simplifying more processes (e.g. issuing letters of guarantee for a small amount of credit requests; criteria and conditions). We offer personalized financial services and solutions for our corporate clients, and while our procedures remained unchanged in 2010, we continuously strive to enforce a faster, more responsive and more convenient service through soft tools. One of the key elements of our customer service principles is to offer and provide the right product to the right customer. To be able to explore expectations and needs better, we proactively visit our clients and regularly gain information regarding their current financial, economic and market situations and perceptions.

Product and process modifications and new products must go through a strict approval process within the bank and the OTP Group to ensure their appropriateness and compliance with the risk provisions. This process was revised and was centralized more in 2010, involving the Management Board of OTP Bank Romania and the Product Development, Sales and Pricing Committee of the mother-bank. Furthermore, wide involvement of different organizational units ensures integrated improvement. Now, for instance, HR should be involved in order to prepare adequate trainings, acceptance from the department in charge is mandatory for IT support, and banking security also needs to endorse modifications.

We constantly develop our electronic channels as well. In 2010 almost 6% of our individual clients, and 18% of our corporate clients used OTPdirekt. Besides striving to make OTPdirekt and our homepage more client-friendly, we aim to present all the important information available in a comparable and easily comprehensible way. Focusing on a better structure and making the most frequently visited sites more easily accessible, we applied a new design for our homepage in 2010. We kept the useful and popular calculators (loan and deposit calculator), frequently asked questions and glossary of banking terms unchanged. In accordance with the legal requirements, we prepared tables where different products and have been comparable regarding their fees and other conditions.

Feedback is crucial to achieve improvement, thus we conduct mystery shopping research twice a year and measure sales performance of our staff in the branches. The research is made according to similar methodology within the OTP Group. In addition to OTP Group's performance, we examine the competitors' performance. In 2010 no major change occurred within the quality of sales of the examined banks, and we are proud that we managed to exceed most of our peer organizations in 2010 as well, though we did not manage to improve the overall quality of sales. We achieved the best results in the fields that are in most closely related to the responsible conduct of business: client-management (76%), providing information (69%) and exploring needs (58%). In spite of our good results in providing information, this was the only field where our competitors' performance was slightly better (71%).

## Product portfolio

In 2010 the adjustment of our portfolio to the current demand and environment was more emphasized than the development of new products. Loans facilitate economic development, thus their availability is necessary over the crisis period as well; at the same

<sup>1</sup> MSE clients: with the turnover of less than 2 million EUR per year



time we have to pay accentuated attention to ensure repayment of loans and to manage increased risks. Reduction of risks of repayment is expected by both our clients requesting loans and by our depositors, it is moreover the interest of our banks. To diminish risks, we offer loans in RON and developed a loan product with fix interest rate for SME clients in 2010. To encourage loan applications, we reviewed and eased our scoring system, and were focusing on mortgage loans. SME clients have the possibility to use the loan in another currency than it was requested in.

Besides our efforts to protect our existing clients, when providing new loans we also focused on sectors aiming at basic needs (e.g. agriculture, food industry) for risk mitigation purposes. Data regarding the split of our corporate loan volume is provided in Chapter 4.

In terms of **deposit or investment products**, OTP Bank Romania shifted its focus to investment funds. Investment funds are able to encourage savings longer term and with the purpose of self-care; but according to our experiences, clients need to be educated further regarding the proper use and the advantages of these products. Currently, the main factor of an investment decision is the interest rate independently from other attributes.

We are aware of the importance and impacts of climate change, environmental protection and energy saving, thus we strive to promote environmentally sustainable solutions through our products. OTP Bank Romania was the first bank on the Romanian market to launch a closed investment fund with guaranteed capital

at the end of 2009 – still existing in 2010; OTP Green Energy Fund has provided access to the renewable energy segment. We consider OTP Green Energy Fund successful, but the penetration of further “green” saving/investment products require further demand.

OTP Bank Romania is committed to **young people**, we have been offering a range of products specially geared to their habits and needs. Our special savings account for children’s benefit supports the financially safe future of the future generation. We offer 3 types of junior accounts with services adjusted to the early years. During the past year almost 2000 young people opened an account, and we managed more than 6000 accounts by the end of the year. We continued our cooperation with Sapiente University and provided a bank card with benefits for students and professors.

In 2011, we plan to widen our product portfolio, in order to respond to the special needs of **pensioners**. In addition, in order to sustaining the interest rates for savings, we intend also to launch, in 2011, a new loan facility for retired people.

### **Cooperation with state and international institutions**

We seek the possibilities of cooperation with governmental and international institutions to be able to provide products – in most cases loans – with preferential conditions and to promote aims with social and environmental benefits:

- We actively participate in the “**First House**” program in partnership with the Romanian

government to help citizens to purchase their first home. In 2010 we granted 180 loans. The total loan volume was 7.6 million EUR by the end of 2010, the approximate loan volume per loan was 36.500 EUR. We plan to take part in the First House program in the future as well.

- We continued our cooperation with the National Fund of Guaranteeing the Loan Facilities of SMEs (FNGCMM) and signed an agreement with EximBank. Hereby our clients are able to apply for **additional guarantee**, up to 80% of loan facilities. By the end of 2010, 50 of our clients had taken advantage of the FNGCMM collaboration and one client of the EximBank cooperation.

- At the end of 2010 we signed an agreement with **EBRD to promote energy efficiency** of the Romanian enterprises. EBRD granted OTP Bank Romania a new 10 million EUR loan to finance sustainable energy projects

the factors that will help Romania to get out of the crisis and contribute to its long-term stable growth." László Diósi, CEO.

- We continued to facilitate access to **EU and EBRD funds** for small and medium enterprises with a turnover of less than 7 million EUR.

Short-term and medium-term funds may be used for financing loans at OTP Bank Romania with the aim of new projects, modernization or the expansion of an existing business. The maximum amount of fund granted is 125,000 EUR.

We started to develop an EU funds business line in order to serve our clients better; the whole process will be completed in 2011.

- We continued our collaboration with the Rural Credit Guarantee Fund (FGCR) to promote the development of the **agricultural sector**. In 2010 we granted nine loans facilitated by the guarantees of FGCR.

## OTP CONSULTING ROMANIA

OTP Consulting Romania was involved in more than 80 projects in 2010, supporting its clients to apply for and gain access to EU funds. Due to the financial and economic crisis, EU funds played an increased role in financing both local authorities' and enterprises' development. We are proud that the rate of successful applications was above 85% last year.

OTP Consulting Romania and OTP Bank Romania are launching the project together, aiming the development of the EU Funds business lines.

undertaken by local businesses. Extended under the EU/EBRD Energy Efficiency Financing Facility framework, the credit line will be used to finance energy efficiency investments worth up to €2.5 million each. The EBRD finance will be complemented by grant funding from the European Union to support a technical assistance program and targeted incentive payments for sub-borrowers to promote sustainable energy investments. Loans will be granted in 2011.

"This partnership is the next logical step in transforming the energy business climate into an efficient one. We are proud to be a part of this process that will have visible long term effects and will allow our industry to become aligned to EU standards and also to improve its competitiveness. This initiative is a clear proof of our increasing role in the EU business community. We see a huge future potential in the energy and energy efficiency business in Romania and consider that this will be one of

- We have launched a dedicated, preferential credit line for **local authorities** in order to support their infrastructural development and services provided to citizens. In 2010 we facilitated one project aiming a sewage canal, with the current volume of 430.000 RON, one project related to education with the current volume of 700.000 RON and one project related to health care, with the current volume of 560.000 RON. By the end of 2010, there were 15 existing projects financed by OTP Bank Romania with special environmental or social benefits. The current volume of loans was almost 59 million RON, 4% of the total corporate portfolio.

- By our newly introduced **OTP Trezor** product, companies and state entities can efficiently manage their cash and funds. Through OTP Trezor clients are able to easily access their account at the State Treasury and at the same time, they can authorize OTP Bank to manage their finances.

## 2.4 HR for a Better Client Service

### Why is it important?



When implementing our strict internal measures and legal regulations, our staff is essential. They transmit our values and commitment to ethical behavior towards the clients. We are aware of the importance and the wide impacts of the HR management on the bank's long term performance.

### Enhancement of skills

We place a great emphasis on creating the **ideal organizational culture**; we started a project in 2008 by exploring and analyzing the gap between the desired culture and the then present one. Our first measurements focused on managers – being crucial for the whole organizations culture: the aim of the **Management Academy** was to improve the managerial skills. In 2010 we implemented trainings on delegating in order to achieve a shared success; problem solving and decision making; performance management and improving productivity. Besides the trainings we introduced a more practical way of education: coaching with two internal coaches. We can state that the Management Academy succeeded. According to the continuous follow up measurements, communication became faster and better, our organization improved its project results, openness to problem-solving and opportunities increased; innovation was enhanced as well. 90 people from top managers to middle managers were involved in training program of the Academy and in 2010 half of the branch network managers also participated in the program. We plan to extend the program for the entire network, due to our positive experiences. In 2011 we intend to involve more colleagues to our development programs focusing on leadership skills. Cultural enhancement cannot be achieved without involving the front office colleagues. The aim of our newly introduced **OTP Mentor Program** is to improve the

relationship with our clients. We strive to know our clients better, explore their specific needs and to go beyond offering the appropriate products by providing comprehensive advice regarding financial questions. We train our staff to be able to identify the clients' proper needs in line with their life situation and to be able to provide professional advice. Training involved both branch managers and client advisors and consisted of individual studies and group training sessions. Competencies and practical trainings were of the same importance as the thorough knowledge of products. We started the OTP Mentor program with a pilot phase with 9 branches focusing on savings: we aimed to educate our clients by familiarizing them with the different possibilities of savings, their different features enabling to satisfy diverse objectives and needs. We draw our clients' attention to the different aims that can best be served by different products, in some cases only by several products. We strive to widen our clients' thinking on savings and provide them complex financial planning, instead of simple products. In 2011 we plan to extend the OTP Mentor Program to further branches and to lending activities.

### Changes in performance evaluation

We are convinced that performance evaluation has a crucial role in our colleagues' commitment and general attitude to our clients. In 2011 we plan to redesign our Performance Management Policy. To emphasize the role of own initiatives and engagement we intend to integrate a new field into our annual performance evaluation method. General contribution to the business could take 10% of the performance and honors extra steps, willingness made for the benefit of the whole organization. We expect that our efforts will be rewarded both on short and long term, and they will support our responsible conduct of business for our clients' further satisfaction.



# 3

## CORPORATE SOCIAL RESPONSIBILITY BEYOND BUSINESS

IN 2010, WE MANAGED TO MAKE BOOKS AVAILABLE FOR 11 000 CHILDREN THROUGH OUR ACTIVITIES ON THE RIGHT TO READ INITIATIVE, OUR EMPLOYEES WERE INVOLVED IN MANY VOLUNTARY ACTIVITIES THROUGHOUT THE COUNTRY AND WE CONTINUED OUR EFFORTS TO MAKE OUR OPERATION MORE ENVIRONMENTALLY FRIENDLY.

### Why is it important?

**O**ur operation has impacts on different groups of the society – e.g. citizens in the neighborhood, employees, suppliers – and the environment. Our commitment to sustainable development should cover these effects by taking the stakeholder's interests and the expectations of the general society into consideration. Communities and the environment face local and global challenges, and as a bank, we have the possibility to do good, and through our extended relationship with our stakeholders – such as employees, citizens – to increase our positive impact and involve other parties. We feel responsible to make use of our possibilities and help solve problems.

### Highlights of 2010

We concentrated our activities on the Right to Read initiative and we managed to make books available for 11 000 children. We are proud that our employees have been willing to contribute and in 2010 we had many voluntary activities throughout the country. Our newly launched website [www.estedreptulmeu.ro](http://www.estedreptulmeu.ro) provides information on our CSR activity and hopefully encourages the readers to take part either in our activities or in other activities with the aim of support. We continued our efforts to make our operation more environmentally friendly, by focusing on saving resources and making selective waste collection more popular.

## Beyond business

### Principles

- honoring our employees and sustaining their engagement
- maintaining an inclusive internal atmosphere
- mitigating our environmental impacts
- supporting effectively the communities
- promoting volunteering
- awareness rising regarding social and environmental issues

### Results

- maintenance of headcount
- new sessions in the intranet system and management letter regarding the strategy of the bank
- new homepage: [www.estedreptulmeu.ro](http://www.estedreptulmeu.ro)
- Right to Read campaign
- Voluntaries Awards
- more energy efficient devices
- Managed Print Services project

### Numbers

- 1104 employees
- 62 students completed their internship at our bank
- 30,000 books collected in the Right to Read campaign
- one third of employees took part in voluntary activities
- 5200 trees planted by 75 colleagues
- 50 small size PCs with reduced energy consumption
- 2000 kg selectively collected paper

### Goals

- to develop new entries' integration process
- to extend the opportunity of preferential holidays
- to continue the Right to Read campaign
- to use electronic timers and sensors at bank logos
- to separate the electricity circles in bank branches
- to reduce the number of printers and copiers within the bank
- to set new video conference rooms

## 3.1 Appreciating Our Employees

### Why is it important?

**t**alented and committed staff is essential to achieve our business goals both short and on long term. Appropriate recruitment, the continuous development of colleagues and convenient working conditions and atmosphere all have the same importance. We have responsibility towards our employees by securing jobs and providing reasonable remuneration. In a year when huge layoffs are general throughout the country, the maintenance of headcount may be considered as an achievement.

### Maintenance of headcount

Headcount is heavily dependent on business activity and effectiveness. As a natural consequence of the hard economic situation stability of workplaces was henceforward important for employees. The general employment in the banking sector decreased, and several financial institutions had to reduce their headcount in 2010. We managed to protect jobs and slightly increased the number

of our staff, though – as usual – organizational changes caused several dismissals due to the altered skills required. As our bank has a young staff and 70% of our colleagues are women, a large proportion of our employees is on maternity leave (in 2010 it was over 10%). According to our experiences, the security of employment increased our colleagues' engagement towards our bank: the rate of **turnover** remained almost on the same (10%) level as in 2009. For further data regarding employees, please see Chapter 4.

### Changes in performance evaluation and compensation

We provide fair and equal **remuneration** for our employees based on performance and objective evaluation. (Changes concerning performance evaluation in 2010 were detailed above, Chapter 2.4.) As a consequence of the crisis, there was no collective salary increase within our organization in 2010 – as formerly agreed in the collective labor contract. Compensation and benefit is the most important field where our colleagues expect improvement, but after providing several benefits in 2009, we did not have the possibility to make further development in 2010. By reviewing the job requirements and the capacities we plan to optimize the headcount in 2011. According to our intention, this enables us to avoid both ineffective capacities and excessive overtime; it contributes to an increased satisfaction regarding compensation and to a better work-life balance. In order to comply with the legal provisions, we have determined the **key positions** at OTP Bank Romania, and modified both the selection and recruitment policy as well as the compensation and benefit policy connected to them. We fulfill all the requirements of the National Bank of Romania.

In 2010 we maintained the formerly upgraded **medical services** for our colleagues. Free medical checkups, general medical services and professional medical advice are available for the family members of our colleagues as well. We continued our projects which started in 2009 and organized a health day, a maternity program





for mothers-to-be. We provide discount for several health and recreational services, such as sports clubs, health stores, massage. We retained our tradition to honor our employees' commitment and high achievements by awards and special messages, certificates of merit. Another way of acknowledging our colleagues' performance is to provide them preferential holidays in one of our three accommodation facilities. In 2011 we plan to extend the opportunities of preferential holidays.

### Professional development

As detailed above (Chapter 2.4) we place great emphasis on our colleagues' professional development. Besides our own programs, our employees participate in the talent management program of OTP Group and two of our colleagues gained international working experience by taking part in the rotation program. We plan to make further use of the selected pool and provide our employees of high performance and high potential with a comprehensive development program in 2011. Data on training can be found in Chapter 4. The integration process of new entries proved to be efficient and successful: 70% of hiring managers applied it last year, and all of them found it useful. On the basis of the managers' feedbacks, we intend to develop the process. We have continued our cooperation with universities and hosted students for their

compulsory traineeship. Altogether, 62 students completed their internship at our bank in 2010, 25 of whom were the student of Babes-Bolyai University.

### Internal communication

We are convinced of the importance of an open, accessible, informative and inclusive internal communication. Thus, we are constantly upgrading our platforms and processes, while leaving the principles unchanged. Our colleagues are actively using these channels and besides gaining information, they are willing to express their opinion and ideas.

In 2010 we introduced two new sessions in our intranet system to make it more dynamic and interactive. One of the sessions deals with the recent major projects, such as the OTP Mentor Program or the Right to Read campaign; the other session publishes press articles involving the core business of the bank – interviews with our colleagues, product information.

For the first time, we issued the so-called management letter in 2010, wherein our CEO informs our staff on the strategic directions and values of the bank.

We intend to maintain our openness in communication on all levels and to improve our practices further, as we presume it contributes to the achievement of the desired corporate culture of our bank.

## 3.2 Right to Read

### Why is it important?



We aimed from the start to develop a national campaign regarding CSR in order to achieve a significant effect in the society. The development and literacy of the future generation is essential everywhere but even more crucial for the improvement of the disadvantaged rural areas. Though reading plays an undoubtedly important role in this process, unfortunately a large number of pupils do not have the opportunity to read books because of their poor domestic circumstances, and because

schools do not have libraries or own only a limited collection of books that doesn't suffice. These fundamental problems have been the main driving forces to launch our Right to Read campaign.

### Right to Read campaign of OTP Bank Romania

We introduced the national social responsibility campaign in March 2010, to enforce our belief that everybody has a natural right to read. In addition to our resources implicated and the donations



from the civil society, we placed emphasis on making the general public much more aware of the importance of reading; with the catchphrases of “Reading offers a complete development for future generations – donate a book!” and “Let’s give them back their right to read!”.

The primary objective of the Right to Read Campaign was to equip with books and furniture 20 rural schools proposed by the Ministry of Education, Research, Youth and Sports. We further aimed to equip another 15 disadvantaged primary schools with at least 15.000 books till the end of 2010 by involving the public in the collecting activity. All donated books were collected at OTP Bank Branches and Humanitas Bookstores, thus we encouraged especially our clients and employees to participate.

To increase the campaign’s effectiveness, we established a **broad collaboration** with the media and opinion leaders and we have been actively using our dedicated website and social media channels.

- We made each step of the campaign publicly available and publicized both the feelings of the beneficiary pupils and schools, and their current conditions of studying. We strived to make the donors as much aware of these effects as possible.

- Famous writers and cultural figures, such as Neagu Djuvara, Radu Paraschivescu, Ioana Parvulescu and Lidia Bodea, expressed their support for the project and gave interviews on the importance of books for children.

- We organized special events – e.g. Nina Cassian, the famous writer read fairy tales to children; we organized the Day of Open Gates two bank units; with the support of Humanitas Publishing House

several book-collecting points were established on festivals throughout the year.

- Celebrities and publishing houses and the students’ association ProCom joined the campaign voluntarily and donated hundreds of books.

The **impact of the campaign** much exceeded our initial expectations. Besides the 20 schools proposed by the Ministry, further 33 schools were equipped with books and libraries. Our joint efforts with the assistance of – we can now claim – almost the whole country made reading accessible for more than 11,000 children in the disadvantaged rural areas all over the country. Donations had exceeded 30,000 pieces of books by the end of the year. By the beginning of 2011, the Right to Read had more than 13,000 fans on Facebook and kept a high growing pace. We are glad that our idea encouraged new, innovative ideas: the school of Tisesti (Valcea) launched a summer program, which makes it possible that one day a week students can visit the school to read a few hours; the school of Budesti (Valcea) intends to organize contests between classes with questions from the new collection of books.

In 2011 we plan to fill new pages of the Right to Read story. While continuing to collect books around the whole country, we will take the recommendation of Facebook fans and campaign supporters into consideration on the choice of the schools to be supported. It is clear for us that the social echo of this campaign is directly proportional with the involvement of the civil society and thus we encourage individuals and civil organizations to donate books and make proposals regarding disadvantaged schools in need.



## 3.3 Voluntary Activities

### Why is it important?



There are plenty of issues in which support is needed and welcomed, and volunteering is a way of help providing mutual benefits for the givers – meaning the company and the employees as well – and the recipients at the same time. Among other things, it develops corporate culture and deepens commitment to ethical behavior; it helps team-building and contributes to a more efficient collaboration; it improves communication skills and facilitates personal development. We are convinced that CSR cannot be credible and successful in the long run without the participation of our colleagues, thus we are committed to involve them.



### Activities with the involvement of our colleagues

OTP Bank Romania's volunteering activities focused on children's rights, environmental protection and social activities in 2010. As our employees are readily available for CSR activities, we strive to provide a wide range of opportunities to join. Different interests and involvement of employees in the network and in the headquarters is a matter of course, though willingness to help is general.

We involve our colleagues into collecting goods (food or other primary goods, toys etc.), giving their time, practical help or money. We strive to support and implement our employees' own initiatives. The most significant programs implemented in 2010 were the following:

- Cooperation with the ViitorPlus NGO: We organized tree plantings twice in 2010, with the participation of altogether 75 colleagues. We planted 4000 trees in Dragos Voda (Calarasi) and 1200 in Valcelele (Calarasi), in addition, we offered sponsorship to 100 students from Calarasi high school for ecological activities. This way, we supported the planting of another 1000 trees and became the first partner to sustain the educational part of the program for young people. It was the second year that we contributed to plant new forests on degraded agricultural lands.

We managed to collect 2000 kilograms of selected paper to be recycled in the head offices and branches in Bucharest and gave it to the NGO for recycling.

- 70 colleagues were involved in the "Let's do it, Romania!" project, aiming at the general cleaning of the country within a single day by collecting waste at public places and eliminating illegal waste disposals. Our team collected 360 bags of waste.

- We accomplished two initiatives with the BGS Association for Disasters and Calamities. Within the frame of "Zoom on Romania"



our employees offered 1000 kilograms of food, which was delivered for an isolated community in Buzau and supported 300 families at Easter.

We participated in the Apa trece, România rămâne! emergency campaign initiated by Antena 1 and Antena 3 TV channels. After the great floods in the Moldavia region, our staff collected large amounts of food, hygiene and cleaning products, clothes and beds immediately. Our colleagues from the branches nearby accompanied the BGS team and took part in the distribution of products.

- 2010 was the third year when we organized regular blood donations. The events were arranged in two of our headquarter buildings with the participation of 170 colleagues; we helped 510 people.

- We supported our colleagues or their close relatives suffering from severe health problems in three cases. In the joint efforts, funds raised by our employees were

supplemented by the bank. We managed to provide 30,000 – 42,000 RON per case.

- We encouraged our employees to offer 2% of their due tax on their annual income for the community's benefit in 2010 as well. Besides drawing their attention to this opportunity, we also provided them the necessary forms and lists of the supportable NGOs.

We are proud that almost one third of our employees took part in one way or another in a voluntary activity and gave their contribution to a good purpose in 2010. To honor the efforts and commitment we launched the Voluntaries Awards. In the frame of the Christmas Party five teams or colleagues were awarded for their active involvement.

## 3.4 Further Community Involvement



### Why is it important?

**W**e believe that we have to use all the possibilities we have to support communities in which we operate. To maximize the positive impact, we have to find the most efficient way of contribution. Through the sponsorship of the particular events and initiatives we can express and strengthen our commitment to our determined values. We have to exhaust our possibilities to draw the wider public's attention to specific issues in need to be solved or supported.

### Our projects in 2010

Probably the project with the most significant effect was [our new homepage: www.estedreptulmeu.ro](http://www.estedreptulmeu.ro). The website and our newly designed logo – the dove – stand as a reminder that everyone has a natural right to education, to a healthy climate and a cleaner environment. The homepage provides both a structured overview of our CSR activities and detailed information regarding our projects. We attempt to introduce our approach to CSR in a clear way, and at the same time provide a good and thorough picture on the projects. The objective of the homepage is to create a better interaction with our visitors, and encourage our visitors to join us in the initiatives, or to take part in other projects aiming at good purposes. As an online communication platform, we strive to be accessible to our visitors, so we provide many options for feedbacks and comments. We believe that a team can achieve better results than an individual; that is why we are glad to have an ever-growing fan club on social media platforms and a group of people who follow our activities.

We did not change our [sponsorship policy](#), and goals of support remained the same as well:

- Our Equal Opportunity Program aims to give a chance for the disadvantaged groups of the society, with a special focus on children.

- OTP Community Building Program supports events, programs that reinforce communities and strengthen our relationship with the local authorities and groups, or contribute to the preservation of cultural heritage and further cultural development.

- OTP Sport Program promotes sport activities and healthy lifestyle.

For the evaluation of our sponsorship activity, we ask for feedback from our branch network colleagues regarding the implementation of the goals set (awareness rising, increase of brand image, sustaining sports, education etc.). Concerning the project realization, we continued to require evidence of the use of support.

We slightly increased the [budget](#) of sponsorship in 2010 compared to the previous year.

Education and social support gained more attention, while the proportion of sport and cultural sponsorship slightly decreased. We have to admit that this shift does not mean a strategic change within the framework of the above mentioned fields; the rate of support may vary according to current needs and requests. Further details on the amounts and the proportion of the sponsored fields are provided in Chapter 4.

In 2010 the [main projects and events](#) we supported were:

- Education and research projects, institutions: we continued our cooperation with PRO Oeconomica regarding financial support of the Global Entrepreneurship Monitor; we also continued the collaboration with Sapientia and for Babes-Bolyai University; we sponsored a business competition of students at the Partium University; we supported the Economics through a Macrofying Glass project targeting young people.
- The well-being of children and youth: We provided support to the summer camp for children of the Agentia Nationala de Tineret David Ferenc; we provided scholarships for children living in poor material conditions through the Nyilas Mist Association; we sponsored the children show of Reduta Cultural



Center in Brasov and the Children’s Day event of CULTUR ART in Satu Mare.

- Sport events and clubs: We are traditionally the prime sponsor of the Miercurea Ciuc hockey team; we sponsored several clubs in Mures, Sf. Gheorghe etc.; we supported sport events such as the charity sport ball of Partium Sport Club, the national football championship event of Soimii Buzaau, equestrian days in Gheorgheni.
- Museums, theaters and cultural events: we continued to support Miko Ferenc Association & Muzeul Secuisc al Ciucului to exhibit the masterpieces of 19th century Hungarian Painting; we sponsored theatres in Timisoara and Oradea; we provided financial support to the Hungarian Cultural Days in Cluj Napoca and to traditional cultural events in Salonta.
- Local events: we supported the local events of Bacau, Mures – Campu Cetatii and Covasna. We supported the Hungarian Ball of the Hungarian Embassy.

- Environmental projects: we supported events such as the Green Cities – ecological day in Targu Mures; the Green Days in Targu Secuiesc and the above-mentioned tree planting project of Viitor Plus.

- Business conferences: we provided support to the conference of the Association of Hungarian Business in Romania and the Hungarian Economists in Romania in Cluj-Napoca.

## 3.5 Environment Protection in Our Operation

### Why is it important?



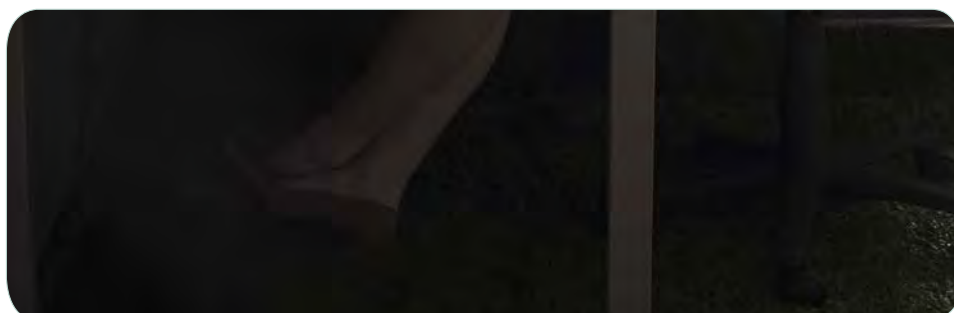
The use of environmental resources, waste generation and global warming are urgent challenges that every organization should reflect upon. The promotion of environmentally friendly solutions in our core business has been described before; our direct impact on the environment derives from operation. As a bank, we have to concentrate on energy consumption, the use of electronic devices and paper, and the waste generation related. The increase of environmental awareness can significantly contribute to the mitigation of negative environmental impacts both in our own organization and in the broader surroundings.

### Consumption

As the result of the economic situation, we had to enforce cost-cutting measures covering operational expenses as well. Thus, we implemented measures that result in **savings** without initial investment.

We have emphasized the importance of husbandry spirit among our colleagues: we have called their attention to use resources (light, heat, water) only as much as necessary. We have also encouraged them to take part in initiatives that target environmental protection, e.g. we promoted Earth Hour on our intranet system.

We continued to use more energy efficient devices, as we purchased 50 small size PCs



with reduced energy consumption. We have launched the Managed Print Services project to diminish printing and the use of paper. Our new cooperation with Xerox aims to reduce the number of printers and copiers in the bank, whereby saving energy, cartridge and paper at the same time. We try to control the number of printed documents and encourage the use of both sides of a sheet of paper.

We investigated the possibility of using LED systems, but currently all the solutions proved to exceed our budget limits. In 2011 we plan to use electronic timers and sensors to logos above the entrances of our bank buildings in order to switch them off when nobody can see them. We intend to separate electricity circles in bank branches to be able to use only the – for security reasons – necessary light at night.

The total energy consumption of the bank (47,600 GJ) equals around 680 families' average use per year. As a consequence of Government Emergency Ordinance no. 50/2010 we had to increase use of paper, as almost all loan contracts were changed and every cash operation needs to printed receipts instead of one. In 2010 OTP Bank Romania purchased 55 tons of paper. Detailed data are provided in Chapter 4.

**Water consumption** is still not significant at OTP Bank Romania – taking a bit more than 600 persons' average annual use – though the total consumption was higher than in the previous year.

**Business travel** adds a significant part to our impact on the environment. In 2010 we purchased 12 midsized vehicles for the use of the network. Kilometers run by the vehicle fleet is largely dependent on the business activity, thus, it increased in 2010, totaling 1.9 million km. Though we do not have exact data regarding the use of video conferences, we strive to use them as frequently as possible; the decrease in the number of flights was partly the result of video conferences. As in the previous years, most of the flights took place between Bucharest and Budapest, or within Romania. We plan to extend the use of video conference meetings: we will set up new devices in all our headquarters to avoid travelling within Bucharest and depending on the efficiency of the new rooms, we attempt to extend the use to country level. For further data concerning the impact on the environmental,

including CO2 emission, please, see Chapter 4. We did not change our **procurement policy** in 2010, we relied on centralized purchase; and the most determining factors when selecting a product or service were quality and cost.

## Waste management

Apart from our efforts to avoid waste generation, we strive to manage waste in a more environmentally friendly way, by increasing the rate of **recycling** and waste separation. Paper, electronic devices, cartridges, PET bottles are sorted wherever possible. It was necessary to change our supplier, therefore for a period of time we could not manage to collect the paper separately, which resulted in a reduction of the total amount of selectively collected paper. We almost doubled the number of cartridges sent for recycling or for recharge.

Our continuous cooperation with Greentronics allows us to collect electronic devices (mobile phones, headsets, etc.) and used batteries in the whole bank and employees can also bring there their domestic devices. Waste is sent to be recycled. In 2011 we plan to create an internal campaign to encourage our employees to bring their used devices into the bank, where they can be delivered for recycling; we plan to honor our employees' efforts with smaller prizes.

We strive to show a socially and environmentally conscious way of conduct in every field of our operation, believing that in this way, we can contribute to a sustainable development.



## Generated economic value

## Generated and distributed direct economic value of OTP Bank Romania

(based on the consolidated, audited, IFRS profit and loss statement, thousand RON)

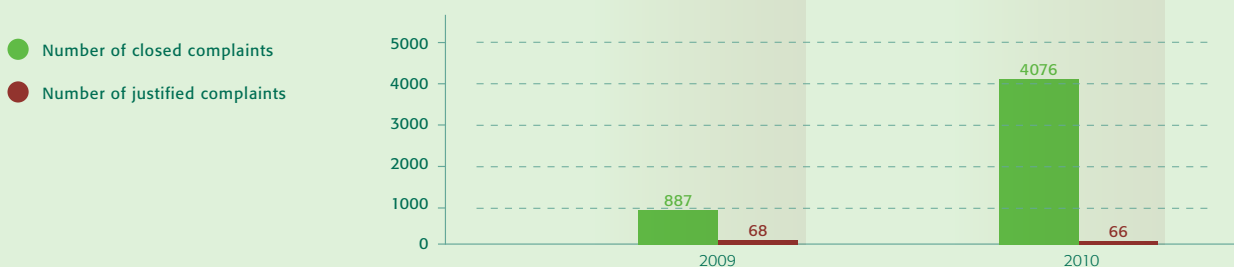
		2009	2010
<b>I. Generated direct economic value</b>	<b>= 1</b>	<b>260,647</b>	<b>292,000</b>
1. Net income from sales	Interest income + non-interest income (incl. net fees) (adjusted)	260,647	292,693
<b>II. Distributed economic value</b>	<b>= 2+3+4+5</b>	<b>188,026</b>	<b>190,842</b>
2. Operating costs + payments to equity investors	Operating costs – Personnel expenses – Depreciation – Taxes reducing the corporate tax base	84,761	83,153
3. Employee wages and benefits	Personnel expenses	93,511	92,806
4. Taxes paid	Total tax-payment liability (excluding employer's contributions on wages)	9,104	14,204
5. Community investments	Donation and sponsorship	650	679
<b>III. Retained earnings</b>	<b>= 1-(2+3+4+5)</b>	<b>72,621</b>	<b>101,850</b>

## Organizational structure of OTP Bank Romania



## Client complaints

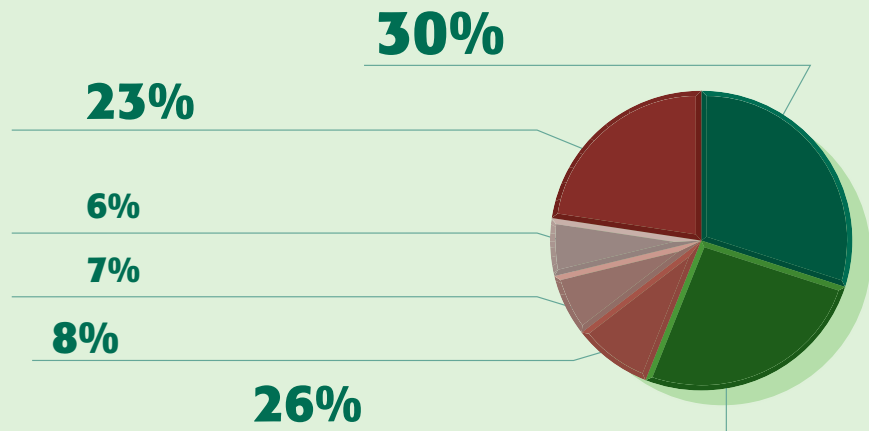
## Client complaints, OTP Bank Romania



Split of corporate loan volume by sector

Split of corporate loan volume by sector, 2010

- Real estate
- Commerce and distribution
- Transportation
- Agriculture
- Equipment
- Other



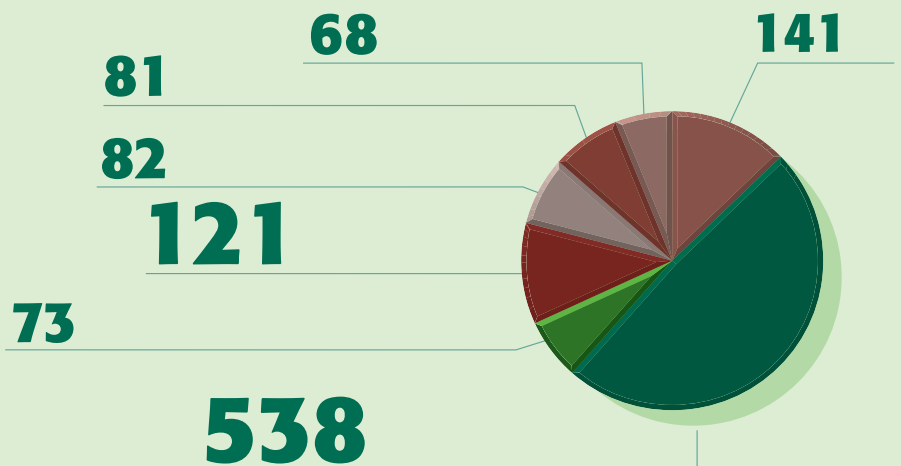
Employees

Employee headcount data, number of persons, 31 December

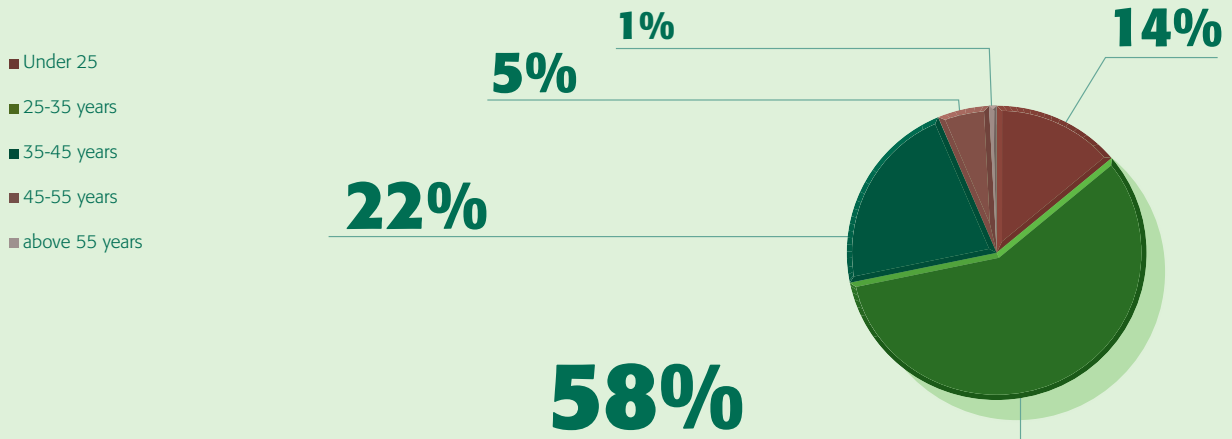
	2009	2010
Full-time employees	1092	1101
Part-time employees	2	3
<b>Total number of employees</b>	<b>1094</b>	<b>1104</b>
Percentage of employees with a fixed-term employment contract	5%	5%
Number of employees on a long-term child care leave	98	120

Breakdown of employees by region, 2010

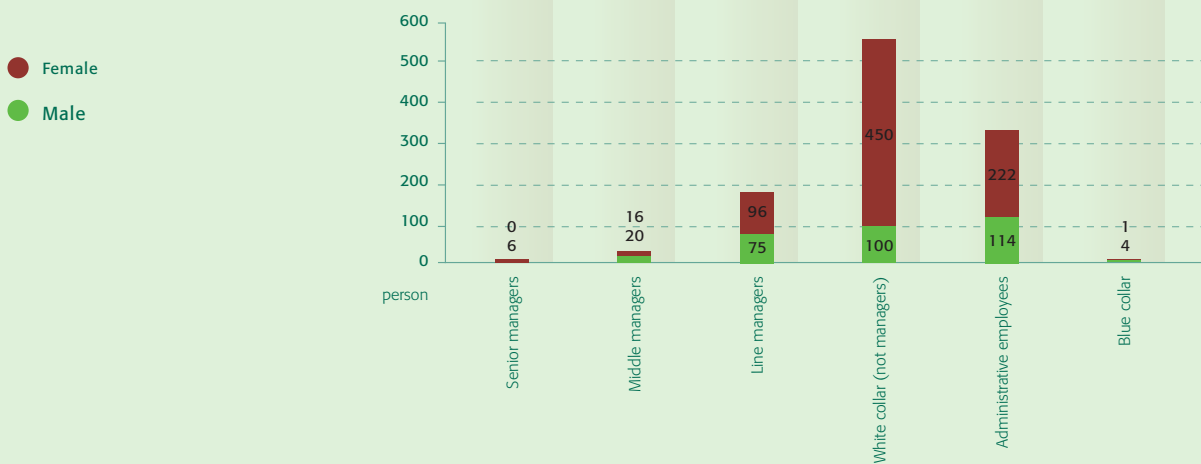
- Central
- Ilfov
- North Eastern
- North Western
- South Western
- Southern
- Western



## Breakdown of employees by age group, 2010

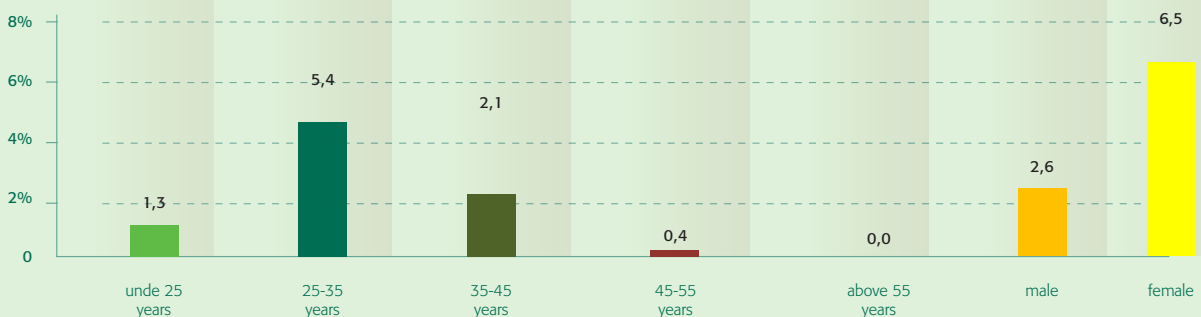


## Breakdown of employees by position, 2010



## Percentage of employee turnover by age group and gender, 2010

each group is compared with total employees



## Hours of in-class training per employee

	In-house		External	
	2009	2010	2009	2010
Senior management	24,0	21,7	82,0	73,3
Middle management	0,9	1,0	2,8	2,9
Non-executive	0,1	0,1	0,9	0,8
<b>Average</b>	<b>0,4</b>	<b>0,4</b>	<b>1,6</b>	<b>1,6</b>

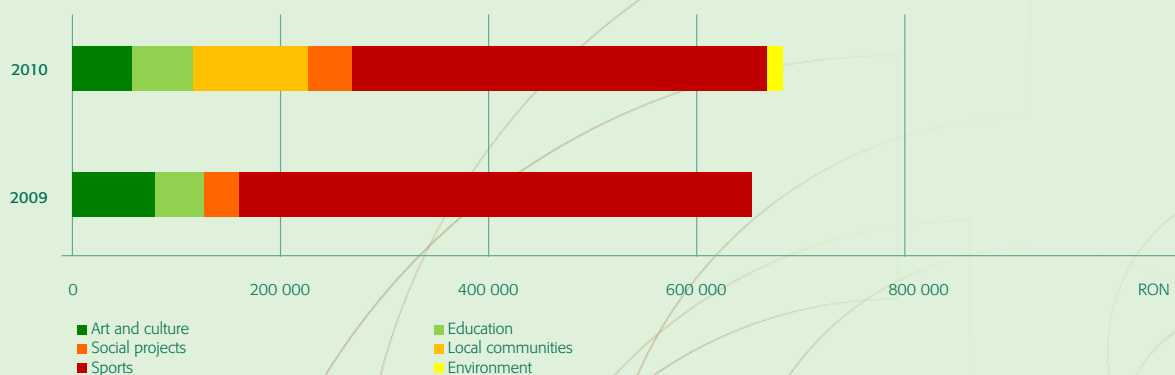
## Absenteeism due to illness or accident

	2009*	2010
Sick leave (number of working days)	22,570	33,867
Rate of absenteeism	9,084%	13,19%

No accidents occurred in 2009 and 2010.  
\* Revised data compared to the CSR report of 2009.

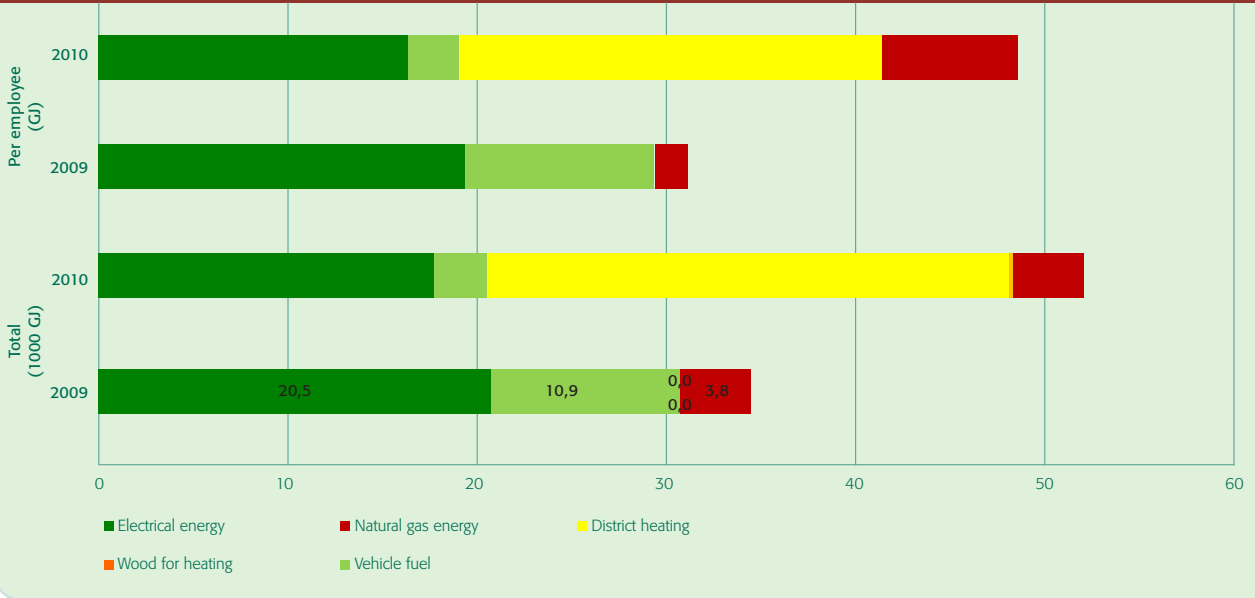
## Sponsorship

### Split the amount of sponsorship by category



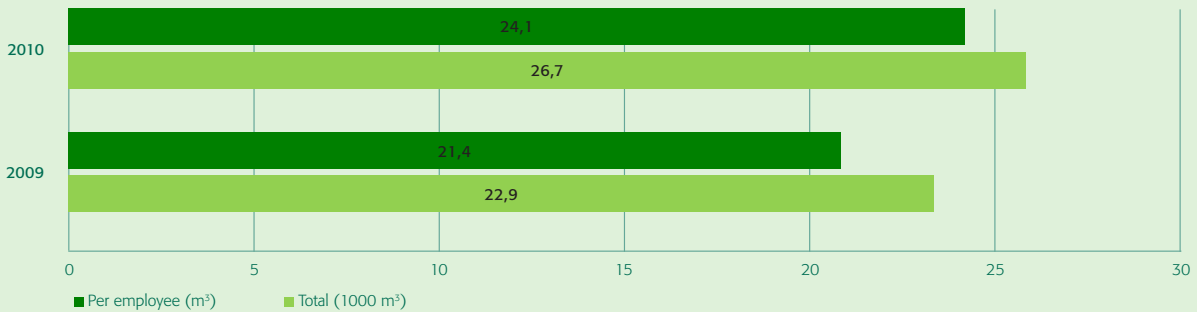
Environmental data

Energy consumption of OTP Bank Romania



The chart shows an estimation of consumption. District heating was included into electrical energy and natural gas consumption in 2009. The significant difference between the total energy usage of the two presented years derives mainly from the change of the methodology of estimation.

Water consumption of OTP Bank Romania



## CO2 emissions of OTP Bank Romania, tons

		2009	2010
<b>Direct</b>	Vehicle emissions	271	330
	Air travel related	106	91
	Resulting from electricity consumption	627	535
<b>Indirect</b>	Resulting from natural gas consumption	528	150
	Resulting from paper usage	33	50
	Resulting from district heating*	-	1346
<b>Total</b>		<b>1565</b>	<b>2502</b>
<b>Per employee</b>		<b>1,43</b>	<b>2,26</b>

	Used materials, 2010	Selectively collected waste, 2010
<b>Paper (tons)</b>	55	2
<b>Printer cartridges (pieces)</b>	2640	475

### Determination of 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		Full presentation		Full presentation	
Management approach disclosures	Not required	Report Externally Assured	Report on all indicator categories	Report Externally Assured	Report on all indicator categories	Report Externally Assured
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	

The table below shows where information expected by the GRI G3 Guidelines can be found within the CSR report.

Nr of Indicator	Description of Indicator	Page	Comments
<b>Strategy and Analysis</b>			
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy	5.	
1.2	Description of key impacts, risks, and opportunities.	9-11.	
<b>Organizational Profile</b>			
2.1	Name of the organization	back-cover	
2.2	Primary brands, products, and/or services	website	<a href="http://www.otpbank.ro">www.otpbank.ro</a>
2.3	Operational structure of the organization, including main divisions	32.	
2.4	Location of organization's headquarter	back-cover	
2.5	Number of countries where the organization operates	7.	
2.6	Nature of ownership and legal form	back-cover	
2.7	Market served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	7., 18., 33. website – Annual report	<a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf</a>
2.8	Scale of the reporting organization	8.	
2.9	Significant changes during the reporting period	website – Annual Report	<a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf</a>
2.10	Awards received in the reporting period	website	<a href="http://www.otpbank.ro/en/news-and-events/news/index.html">http://www.otpbank.ro/en/news-and-events/news/index.html</a>

## Report Parameters

3.1	Reporting period for information provided	9.	
3.2	Date of most recent previous report	39.	We published our last report in 2010.
3.3	Reporting cycle	39.	Annual
3.4	Contact point for questions regarding the report or its contents	9.	
3.5	Process for defining report content	9.	
3.6	Boundary of the report	39.	OTP Bank Romania
3.7	State any specific limitations on the scope or boundary of the report	39.	No limitations within the boundary.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	39.	No subsidiary is covered by the report.
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	9.	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	9.	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	39.	There was no change in the boundary.
3.12	Table identifying the location of the Standard Disclosures in the report.	38-41.	We also use the table for disclosing information.
3.13	Policy and current practice with regard to seeking external assurance for the report	39.	The report is not assured externally.

## Governance, Commitments, and Engagement

4.1	Governance structure of the organization	website	<a href="http://www.otpbank.ro/en/about-us/otp-bank-romania/management/">http://www.otpbank.ro/en/about-us/otp-bank-romania/management/</a>
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	website	<a href="http://www.otpbank.ro/en/about-us/otp-bank-romania/management/">http://www.otpbank.ro/en/about-us/otp-bank-romania/management/</a>
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	website	<a href="http://www.otpbank.ro/en/about-us/otp-bank-romania/management/">http://www.otpbank.ro/en/about-us/otp-bank-romania/management/</a>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	website – Annual Report	<a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf</a>
4.5	Linkage between compensation for members of the highest governance body	23. website – Annual Report	<a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/otp-bank-romania/raport-anual/raport-anual-2010-obr.pdf</a>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	39.	Compliance with the Ethical Declaration.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	39.	No such strictly set criteria, it is primarily economic experience and qualification is that are required.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	39.	Code of Conduct, Organizational and Operational Regulation, Group Management Regulation, Collective Bargaining Agreement
4.9	Procedures of the highest governance body for overseeing the organization'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	21., 23.	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	21., 23.	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	website	See in the CSR report of 2009. <a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf</a>
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	39.	There are no such initiatives.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	39.	OTP Bank Romania is a member of professional – business and banking – associations and local chambers of commerce and industry.
4.14	List of stakeholder groups engaged by the organization	website	See in the CSR Report of 2009. <a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf</a>



4.15	Basis for identification and selection of stakeholders with whom to engage	website	See in the CSR report of 2009. <a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf</a>
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	16-17, 19-20., 24., 28., website	See in the CSR report of 2009. <a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf</a>
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting		
<b>Economic Performance Indicators</b>			
<b>Management Approach</b>		6, 9., 13.	
<b>Market Presence</b>			
EC1	Direct economic value generated and distributed	32.	
EC4	Significant financial assistance received from government	40.	OTP Bank Romania has not received such assistance in the reporting period.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	40., website	Equal opportunities are ensured by hiring without giving preference to locals. However most of the employees Bank are from the local community. Information regarding the senior management can be found on our website. <a href="http://www.otpbank.ro/en/about-us/otp-bank-romania/management/">http://www.otpbank.ro/en/about-us/otp-bank-romania/management/</a>
<b>Environmental Performance Indicators – indicators are originally created for manufacturer companies, therefore not relevant in every case</b>			
<b>Management Approach</b>		22., 30.	
Energy			
EN3	Direct energy consumption by primary energy source	36.	
EN4	Indirect energy consumption by primary source	36.	
Water			
EN8	Total water withdrawal by source	36.	Drawn from the municipal water main.
Emissions, Effluents and Waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	37.	
EN21	Total water discharge by quality and destination	36.	Disposed via the communal sewage network.
<b>Labor Practices and Decent Work Performance Indicators</b>			
<b>Management Approach</b>		22., 23., 24.	
<b>Employment</b>			
LA1	Total workforce by employment type, employment contract, and region	33-34.	
LA2	Total number and rate of employee turnover by age group, gender, and region	23., 34-35.	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	40.	There are no benefits that cannot be granted to temporary or part-time workers.
<b>Labor/Management Relations</b>			
LA4	Percentage of employees covered by collective bargaining agreements	40.	100%
<b>Occupational Health and Safety</b>			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	35.	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	23.	
<b>Training and Education</b>			
LA10	Average hours of training per year per employee by employee category	35.	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	40.	In-house training courses, financial support for external education, provision of study leave with guaranteed retention of job, further training course for those who would like to continue working for longer, and a severance package taking into account the length of employment is provided.
<b>Diversity and Equal Opportunity</b>			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	34., website	<a href="http://www.otpbank.ro/en/about-us/otp-bank-romania/management/">http://www.otpbank.ro/en/about-us/otp-bank-romania/management/</a>

<b>Human Rights Performance Indicators</b>			
<b>Management Approach</b>		16-17, 23, 24, 31.	
<b>Non-discrimination</b>			
HR4	Total number of incidents of discrimination and actions taken	41.	No such incidents have occurred.
<b>Child Labor</b>			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	41.	The bank does not use child labor.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	41.	The bank does not use forced labor.
<b>Society Performance Indicators</b>			
<b>Management Approach</b>		15., 16., 24., 26., 28.	
<b>Public Policy</b>			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	41.	Complying with our sponsorship policy we exclude political parties and organizations from sponsorship.
Anti-Competitive Behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	41.	There was no such legal action against the bank.
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	17.	
<b>Product Responsibility Performance Indicators</b>			
<b>Management Approach</b>		16-17, 21.	
<b>Marketing Communications</b>			
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	41.	No non-compliance occurred.
<b>Compliance</b>			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	17.	
<b>Financial Services Sector Supplement</b>			
FS2	Procedures for assessing and screening environmental and social risks in business lines	16., 41.	See the CSR report of 2009 for details. <a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf</a>
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	19-20.	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	20.	
FS15	Policies for the fair design and sale of financial products and services.	13., 17.	See the CSR report of 2009 for details. <a href="http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf">http://www.otpbank.ro/export/sites/default/ro/despre-noi/responsabilitate-sociala/raport-CSR-otpgroup-2009.pdf</a>



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