



corporate social responsibility report

2007



otpbank



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otpbank

CONTENTS

3	Introduction by the Chairman
4	1. The OTP Group and CSR
5	1.1 <i>The frameworks for the report</i>
7	1.2 <i>The frameworks for corporate social responsibility within our organisation</i>
9	1.3 <i>The impact of our operations on sustainability – challenges and opportunities</i>
11	2. The OTP Group
14	3. Fulfilment of our undertakings
16	4. Our economic performance
17	4.1 <i>OTP Bank's role in the economy, key indicators</i>
20	4.2 <i>Corporate social responsibility in our products and business operations</i>
28	4.3 <i>Security</i>
30	5. Our stakeholders and our social performance
31	5.1 <i>Shareholders</i>
33	5.2 <i>Customers</i>
37	5.3 <i>Employees</i>
45	5.4 <i>Suppliers</i>
46	5.5 <i>Competitors</i>
46	5.6 <i>Government agencies</i>
46	5.7 <i>Non-governmental organisations, support and sponsorship</i>
49	5.8 <i>Media</i>
50	6. Our environmental performance
56	7. Summary of our objectives
58	8. Governance, corporate structure
61	9. Honours, awards, membership of professional associations
63	10. Our economic performance
65	11. GRI Index

Introduction By The Chairman



Dear
Reader,

This is the second year in which OTP Bank has published its corporate social responsibility report. Readers of these pages will see how in the last year Hungary's largest financial services provider has, as a socially responsible company, attempted to integrate social considerations, environmental concerns and economic interests in order to achieve long-term balanced and sustainable operations. Last year a number of events occurred within the OTP Group that were of key importance in terms of our corporate social responsibility program. One of these was the elaboration of our CSR (Corporate Social Responsibility) strategy, which sets out the medium and long-term objectives to be achieved in this area of our operations over the coming 5-10 years. I regard it as a particularly important achievement that such a high number of the Bank's departments participated in defining the tasks that lie ahead, as we jointly determined our objectives, and I am pleased that a growing number of our employees are actively contributing to the realisation of these goals. A successful corporate social responsibility program must be underpinned by highly profitable, efficient and transparent banking operations. Standing by our traditions, we continue to regard ensuring equal opportunities, and community-building, as important aspects of the credit institution's civil relations. Our almost six decades of operation, and over four and a half million customers in Hungary, give rise by necessity to a special set of obligations. Our aim, building on the results we have achieved so far, is to ensure that our sponsorship and

support activities are even more structured and purposeful in the future.

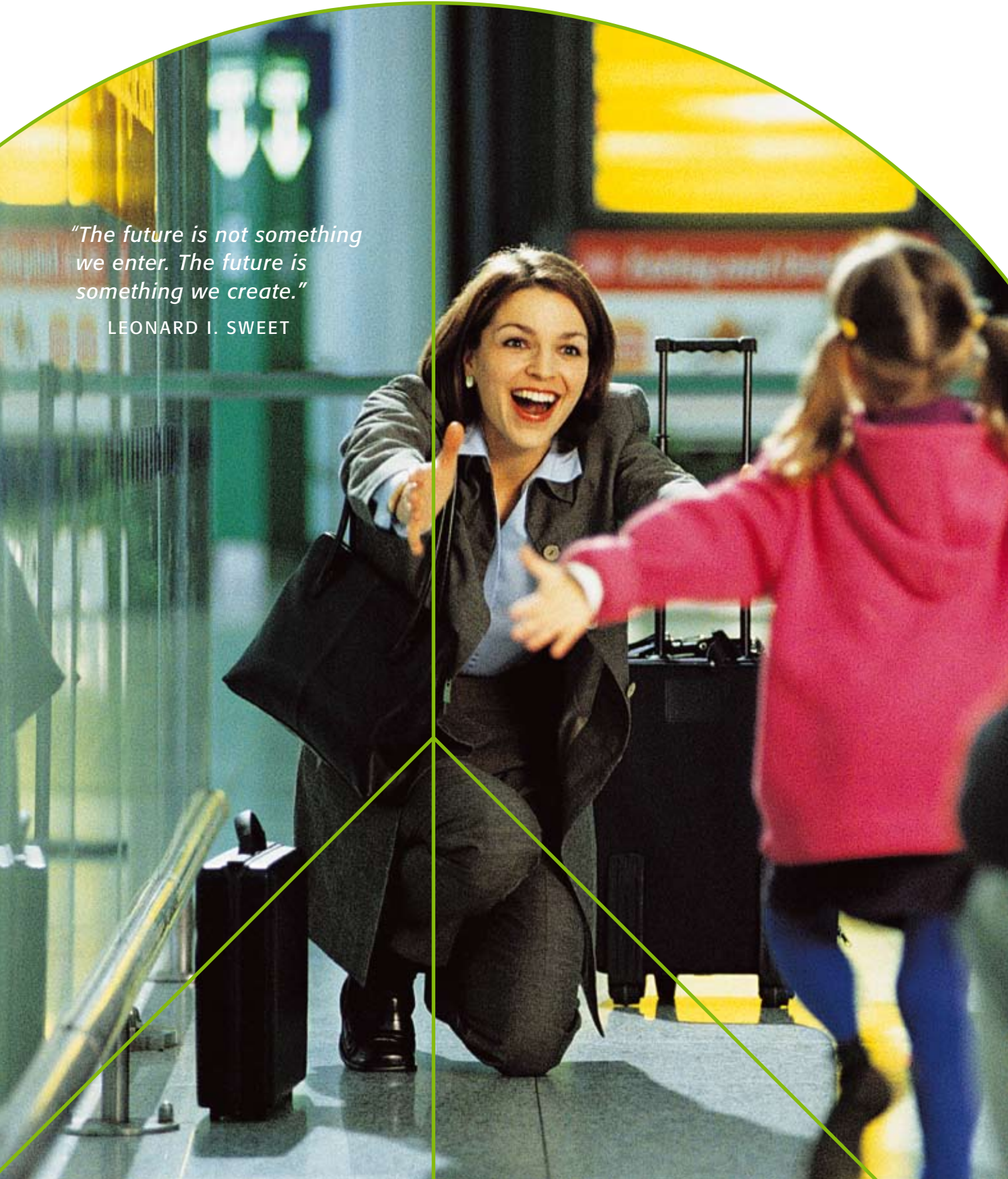
The rapid pace of development in the world today represents a major challenge for society. It is sufficient just to consider the economic challenges that arise from globalisation, or the negative impact of global climate change. These problems, which affect us all, are prompting everyone – including ourselves – to take some form of action. For example, OTP Bank is examining the opportunities for reducing its environmental footprint. However, the phenomenon is also reflected in the group's product portfolio, as in 2007 we launched the Climate Change Fund through one of our subsidiaries. Of course, owing to the Bank's market-leading position, above all we need to achieve corporate social responsibility in respect of our core operations. We strive to comply with the stipulations of local, regional and global economic authorities when developing our products, as by doing so we are also fulfilling the requirements of our customers. It also helps us to reduce the risks to which customers and the Bank are exposed, and to develop special products aimed specifically at disadvantaged groups within society. Through our wide selection of products, we offer solutions that satisfy the needs of customers of every age group, ranging from the "Baby Bond" to personal retirement savings plans. The OTP Group is the largest independent provider of financial services in Central and Eastern Europe, serving almost 11 million customers in nine countries, through around 1,500 bank branches and a variety of electronic channels. The active presence that the Bank maintains in foreign markets means that it is faced with a wide variety of tasks and challenges. It is one of our key objectives that a socially responsible attitude, backed up with the appropriate actions, should be an integral and prominent part of the operations of our subsidiaries abroad. I am confident that the Bank's CSR practices, and the annual publication of the report dealing with them, will help promote responsible corporate operations and socially responsible attitudes throughout the business community.

Dr. Sándor Csányi
Chairman & CEO

1. The OTP group and CSR

*"The future is not something
we enter. The future is
something we create."*

LEONARD I. SWEET



The corporate social responsibility report of OTP Bank for the year 2008 has been prepared in accordance with the internationally recognised GRI guidelines. Our aim is for the report to present our undertakings and the advances that we have made over the preceding period, and give an account of our achievements with regard to ensuring sustainability. The range of information disclosed and the number of organisational units has been expanded considerably in comparison to last year. This report also extends to cover our subsidiaries in Hungary, besides which it contains an overview of the exemplary CSR practices employed at the foreign subsidiaries. Consequently, this year's report is certified by KÖVET-INEM.

1.1 The frameworks for the report

This is the second corporate social responsibility (CSR) report to be issued by OTP Bank Plc. Our aim is for the report to present our undertakings and the advances that we have made over the preceding period, and give an account of our achievements with regard to ensuring sustainability. The standards of reporting have been raised in comparison to last year:

- This year's report extends to cover our subsidiaries in Hungary, and also contains an overview of the exemplary CSR practices employed at the foreign subsidiaries.
- We are expanding the range of information disclosed, largely in order to better reflect the high degree of responsibility that our banking operations entail.
- We now publish the CSR report at the same time as the annual report.
- The authenticity of the report is certified by the Hungarian Association for Environmentally Aware Management (KÖVET-INEM Hungária).

The report on our performance in 2007 has once again been prepared in accordance with the internationally recognised Global Reporting Initiative (GRI) standards, and fulfils the requirements of application level GRI3 B+. In the

course of defining the report's content:

- We assessed the main economic, social and environmental impacts of the organisation (see section 1.3), taking into consideration the implications of our core activities and general operation, in order to present our performance in its wider context, and as completely as possible.
- We have also included in the report those of the supplementary and sector-specific indicators defined in the reporting framework that are relevant to our organisation.
- We performed an assessment to determine which stakeholders would be the primary users of the report, and which impacts of our operation are the most material for them. We determined the level of materiality based on the following criteria:
 - Size of the stakeholder group
 - Extent to which they are affected
 - Capacity of stakeholders to represent their own interests – we also take into consideration the rightful interests of groups with weaker lobbying powers
 - Nature of the impact itself – direct or indirect, positive or negative, reversible, irreversible or recoverable, permanent or temporary

- We have also engaged the Bank Group's stakeholders in the process of determining the report's content. At the stakeholder forum on reporting process, stakeholders had an opportunity to make suggestions and express opinions regarding which issues should be dealt with in the report.
- We refrained from disclosing information that would provide our competitors with a significant competitive advantage.

We structured the report ensure maximum comprehensibility, along the lines of the logical and coherent relationships between the various elements of its content; thus the importance of the individual issues is primarily reflected in the depth with which they are explored, and not in the order they are dealt with.

As regards the information contained in the report, we have aimed to achieve authenticity and balance, that is, to present not only the positive, but also any negative aspects of the organisation's performance. As well as broadening the range of information disclosed, we have ensured the comparability of the data both with previous years and with the performance of our competitors.

The primary purpose of the information disclosed herein is to give an account of our CSR performance in the year 2007. We should point out that, owing to the increase in the number of subsidiaries covered by the report, in several cases a straight comparison with the 2006 data is not possible. To ensure that the information in this report is as well-grounded as possible, in all cases we have strived to gather and present precise data that is based on measurement and calculation. However, where the conditions for providing such data were not in place – as we continue to develop and enhance our procedures and systems for information gathering – we have used estimates. In all such cases we have indicated that the data is estimated. The methods applied for this purpose are scaling and the calculation of weighted averages. We have presented the indicators in accordance with the GRI guidelines; if a different method is used, this fact is indicated – specifying the reasons – alongside the given indicator. The information used and disclosed is documented and verifiable, and therefore auditable. We are proud that the range of data gathered in precise form has

expanded since 2006, and the report now covers a higher number of organisational units.

We intend the report to be read by as many of the company's stakeholders as possible, thus contributing to the development of a CSR culture. For this reason, while using precise, professionally sound terminology, we also make an effort to express ourselves clearly and comprehensibly. To ensure the report can be read as a stand-alone document, we took the decision to re-state certain items of information. However, to avoid excessively increasing the length of the report, in certain cases – especially with regard to the general and financial data related to the organisation – we have simply cited a source of more detailed information.

Once again, our undertakings for the future are highlighted in the text.

In the course of preparing the stakeholder map, we defined the most important stakeholder groups. (A more detailed account of the methods applied, and the results, is given in the following section.)

The information contained in the corporate social responsibility report – giving an account of the activities of the given organisation and its social, environmental and broad economic impacts – has the potential to influence the decisions of stakeholders. Based on the interests of these groups, the impact of the Bank Group's activities, and what we know about its stakeholders, the CSR report could primarily be of interest to:

- customers, investors, employees, organisations that receive support, suppliers, the media, competitors, NGOs and the general public, state and regulatory bodies.

CSR reporting is not yet a generally established practice in Hungary and the surrounding region. Nevertheless, a greater awareness of CSR activities is displayed by certain groups, such as the media, NGOs, and competitors. However, this does not represent grounds for changing the focus of the report.

We have defined the *boundary of the report* as extending to OTP Bank and, among its approximately 40 Hungarian subsidiaries, those companies that have a material impact on society. (A detailed list is contained in section 2.) When determining materiality – in accordance with the GRI guidelines – we assessed whether OTP has controlling rights over the given organisation, and the extent of the subsidiary's economic, environ-

mental and social impact, both in absolute terms and relative to those of the parent company. This year the information disclosed regarding subsidiaries does not yet cover every aspect of their operation, but from 2008 we plan to achieve completeness in this respect, while extending the scope of the report to include the foreign subsidiaries of the OTP Group. However, this year's report does contain a brief summary of the best practices employed at the foreign subsidiaries.

- OTP Bank: OTP Bank, excluding its subsidiaries
- OTP Core (core banking operations in Hungary):

OTP Bank, OTP Mortgage Bank and OTP Building Society; this does not include all the Hungarian members of the Bank Group, but follows the structure used in the Annual Report

- OTP Group (H): OTP Bank and its subsidiaries in Hungary
- OTP Group: the entire OTP Bank group, including all Hungarian and foreign subsidiaries.

In a continuation of the practice begun last year, we intend to publish the report annually and have it audited externally.

1.2 The frameworks for corporate social responsibility within our organisation

IN 2007 WE DEFINED THE FRAMEWORKS FOR OUR CORPORATE SOCIAL RESPONSIBILITY OPERATIONS. THE CSR STRATEGY PROVIDES A RESPONSE TO THE CHALLENGES REVEALED IN THE SITUATION ANALYSIS AND THE SWOT ANALYSIS. IMPLEMENTATION OF THE STRATEGY IS SERVED BY THE CSR PROGRAM PLAN, THE STAKEHOLDER MAP AND THE DATA GATHERING MECHANISM.

The corporate social responsibility report on the year 2006 was the first strategic step in the OTP Group's history towards the implementation of structured CSR activities. In 2007, we defined the frameworks for our CSR operations. The tasks for

the years ahead will be to achieve the set objectives and extend the policies promoting sustainable operation to all members of the OTP Group and all aspects of operation.

The frameworks for CSR activities



The CSR strategy provides a response to the challenges revealed in the situation analysis and the SWOT analysis of its findings. The situation analysis was prepared based on information provided by numerous business units, and their representati-

ves, whose activities are particularly important from the standpoint of OTP Bank's CSR operations. The strategy articulates our vision for the future, as well as the objectives and undertakings that must be fulfilled in order to turn it into reality.

OTP BANK PURSUES AN EXEMPLARY CORPORATE SOCIAL RESPONSIBILITY POLICY IN ACCORDANCE WITH THE EXPECTATIONS OF ITS SHAREHOLDERS, CUSTOMERS AND SOCIETY IN GENERAL.

Our long-term strategic objectives:

- For the purpose of ensuring sustainable development, continuously develop and deepen CSR activities
- Integrate CSR into the operations of the financial institution
- Map out the social impacts of the Bank's operations
- Engage employees in CSR activities
- Assume an active role in the community
- Assess the environmental impacts of the Bank's operations, and reduce its environmental footprint

We intend to achieve our strategic objectives through the implementation of clearly defined short and medium-term tasks.

Based on the strategy, we have prepared our Program Plan for the year 2008, which focuses heavily on providing CSR training within the company group, and also sets forth a number of initiatives related to our core activities, the conditions under which services are provided, and the working environment. With regard to certain aspects of CSR, we intend to take on a pioneering role within the financial sector. *In accordance with the Program Plan, we are joining the United Nations Global Compact ini-*

tiative. The Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

In the course of preparing the stakeholder map we have identified and defined the most important stakeholder groups. The stakeholder map was drafted based on interviews held with employees of various departments at the Bank. With regard to each individual stakeholder group, we made an effort to engage all departments that determine the means and content of liaison with the given stakeholders. We have incorporated the results of the stakeholder mapping process, with regard to the individual stakeholder groups, into the relevant sections of the report.

From 2008 the specially developed data gathering mechanism will make it easier to collate empirical data that is important from the standpoint of corporate social responsibility. The system has been specifically designed to facilitate the gathering of the data necessary for calculating the GRI indicators.



1.3 The impact of our operations on sustainability – challenges and opportunities

OWING TO ITS SIZE AND THE NATURE OF ITS OPERATIONS, THE BANK GROUP HAS A PROFOUND IMPACT ON THE ECONOMY, SOCIETY AND THE ENVIRONMENT. IT FULFILS THE ROLE OF MARKET INTERMEDIARY FOR OTHER SECTORS AND PARTICIPANTS IN THE ECONOMY, AND WIELDS CONSIDERABLE INFLUENCE – AS AN EMPLOYER, THROUGH ITS USE OF SUPPLIERS, AS A TAXPAYER, AND THROUGH ITS CHARITABLE CONTRIBUTIONS. THE BASIS OF RESPONSIBLE ACTION IS DETERMINED BY THE CHALLENGES AND OPPORTUNITIES THAT ARISE FROM THE MOST MATERIAL OF OUR IMPACTS.

The activities of the OTP Group have a profound impact on the economy, society and the environment. Recognising its responsibility in this regard, our company strives to minimise the negative impacts arising from the provision of its financial services and its operations in general, and to use the means at its disposal to assist in fulfilling social objectives. We believe that by doing so the OTP Group is performing its duties towards ensuring long-term sustainability, and is acting in accordance with the expectations of society.

In order to define the focal points of our corporate social responsibility, we have determined what, in terms of sustainability, are the most important impacts of the OTP Group's operations. In the course of determining the relative importance of the impacts, and the challenges and opportunities stemming from them, priority was given to those that arise from the Bank

Group's core activities, and which can be actively influenced by the company. Additional considerations were the extent of the impact and the circle of stakeholders affected. In all cases our company strives to responsibly manage the challenges and to leverage the opportunities arising from the impact of our operations, and from the associated social and environmental processes, while ensuring that the risks undertaken do not outweigh the expected benefits. The specific procedures developed and applied for the purpose of dealing with challenges, and making the best use of opportunities, are described in the relevant sections of the report.

One of the most important issues with regard to global sustainability is climate change. The problem affects different organisations and individuals in varying extents and at different times, but sooner or later everybody will have to take action to reduce climate change or mitigate its impact. Although only some of the consequences can be forecasted with any degree of accuracy, we are continuously monitoring the changes and, in accordance with our business objectives, proactively adapting to the current and forecasted situation.

Impact	Challenge	Opportunity
<p>Role of market intermediary for other sectors and participants in the economy: The Banking sector has rendered fundraising and fund reallocation as efficient as possible. Lending enables customers to procure goods, and enjoy the benefits that they confer, earlier than if they had to be purchased from savings. Through its operations, the Bank Group offers households a range of opportunities to raise their standard of living and secure their livelihood, by providing them with the financial means to satisfy their basic needs and higher-level requirements (e.g. home purchase, car purchase). For businesses, the state and state-run organisations, and non-profit entities, it provides the funds they need in order to develop and grow, and achieve their objectives (e.g. modernisation, new facilities). Besides lending money, the Bank Group also manages savings, a task that it performs efficiently and in accordance with customer requirements (e.g. life insurance policies, personal retirement savings accounts, investment opportunities). As a consequence of this intermediary role, the Bank serves as a catalyst, as the positive impacts arising from its fundraising activities are multiplied, not only through the Bank's ability to generate monetary resources, but also through the revenue that is generated in other sectors of the economy as a result.</p>	<p>The role of intermediary carries a responsibility for the Bank, enabling it to contribute to fulfilling the objectives of households, and of organisations in the business, government and non-profit sectors. In terms of sustainability, the greatest challenge for the Bank is to always fulfil the expectations of society, and comply with ethical standards, while making sure it only contributes to the achievement of goals that are socially and environmentally acceptable.</p>	<p>This role makes it necessary to respond to global trends by identifying and applying innovative solutions, some of which will also represent new business opportunities. The Climate Change Fund, and the planned package of renewable energy investment products, are aimed at reducing the impacts of global climate change.</p> <p>As regards banking services, customers come to us with a variety of different needs, both in terms of the type of product and the level of customer service that they require. Satisfying the diversity of customer needs as fully as possible enables us to achieve better business results and strengthen our market position.</p>
<p>Major employer status: As Hungary's market-leading bank, and the largest independent banking group in the region, the OTP Group is a major employer. The company fulfils a central role in the lives of tens of thousands of people, by providing them with their means of earning a living, and determining the quality of their life.</p>	<p>As an employer, the greatest challenge for the Bank Group is to ensure that all its employees receive a fair remuneration package, equal opportunities and an optimal working environment, and are able to maintain a healthy balance between their work and private lives.</p>	<p>A successful HR strategy ensures the availability of a highly qualified workforce, committed to their employer in the long term, which is a prerequisite for achieving our set objectives and business targets.</p>
<p>Use of suppliers: In the course of its operations the Bank Group has to use a high number of external suppliers, which has a considerable stimulating effect on the economy.</p>	<p>When choosing the best supplier to perform a given task, the selection criteria must be precisely defined, and the utmost care exercised. The challenges faced by the Bank in its efforts to achieve sustainability include ensuring that its suppliers also conduct themselves in an ethical manner, taking into consideration the needs of society and the environment in the course of their operations.</p>	<p>The optimal selection of suppliers raises the level of responsibility displayed by the group, and reduces its indirect environmental impacts, extending its own high standards of ethical conduct beyond the confines of its core activities, so that they are upheld throughout the value chain.</p>
<p>The company as a taxpayer: The Bank Group naturally treats compliance with the statutory provisions as a priority issue, and consequently makes a substantial contribution to the state budget, and thus to the realisation of society's objectives.</p>	<p>An ongoing challenge is presented by the need to adapt quickly to changing legislation, and to fully comply with all our obligations, without breaching any economic, environmental or social interests.</p>	<p>The opportunities presented to the Bank through its payment of taxes – that is, as a result of the utilisation of such taxes – are indirect. However, the fulfilment of social and state objectives could lead to improvements in living standards, which in turn may lead to an expansion of the customer base.</p>
<p>Charitable contributions and sponsorship: The company sets aside a portion of its revenues to support initiatives that could not be implemented without assistance.</p>	<p>We plan to restructure our support activities in line with the CSR strategy.</p>	<p>Supporting a good cause can contribute to raising the esteem in which the company is held, and earning the affinity of stakeholders.</p>

2. OTP Bank Group

THE OTP GROUP, THROUGH OTP BANK AND ITS SUBSIDIARIES, PROVIDES ITS CUSTOMERS WITH A RANGE OF UNIVERSAL FINANCIAL SERVICES. THROUGH A SERIES OF SUCCESSFUL ACQUISITIONS, OTP HAS BECOME THE PREDOMINANT BANKING GROUP IN CENTRAL AND EASTERN EUROPE, PROVIDING SOME 11 MILLION CUSTOMERS WITH HIGH-QUALITY FINANCIAL SOLUTIONS.

The OTP Group, through OTP Bank and its subsidiaries, provides its customers with a range of universal financial services. The focus of the OTP Group's strategy is to maximise shareholder value, and to establish the most efficient and profitable universal banking group with a retail focus in Central and Eastern Europe. More detailed information regarding our strategy, objectives and corporate values is available via our website.

In Hungary, the parent bank's portfolio consists primarily of traditional bank services, while products serving more recent financial requirements are developed and offered by the subsidiaries. Through a series of successful acquisitions, OTP has become the predominant banking group in the region, maintaining a presence in nine other countries besides Hungary. The OTP Group provides some 11 million customers with high-quality financial solutions through almost 1,500 bank branches, a variety of electronic channels, and a network of affiliated partners. For the group, the year 2007 was primarily devoted to the successful implementation of its internal development and integration strategy, as the share of revenue generated by the foreign subsidiaries grew.

The OTP Group had matured into a multinational concern, which made it necessary to develop a new brand image. The modernisation and propagation of the group's brand strategy was an important element of the integration process. Almost a year of research and preparatory work went into developing the brand strategy that underpinned OTP Bank's marketing communications in 2007, and provided the background for development of the new corporate image that was launched in January of last year. In the course of the year the rebranding was carried out at all Hungarian business units, and at five of the foreign subsidiaries.

The new brand strategy focuses on the most important core value that financial service providers are expected to display: trust, which is what defines the relationship between the Bank Group and its customers. The new brand values are also reflected in our customer relationship management, while visually the most striking change has been the introduction of the new logo. The new image symbolises the informal, amicable and people-centred approach, the security and trust in which the relationship between the OTP Group and its customers is founded. These values are also emphasised by our slogan: "Trusting each other!"

The international bank group

OTP Group

Branches*	1.480
Employees	33.085
Number of clients*	~10,6 m
Total assets	HUF 8,460 mrd
Profit after tax	HUF 207,8 mrd
ROAE	24,7%
Cost/Income ratio	59,1%

OTP Banka Slovensko

Branches	90
Employees	783
Number of clients	~170 e
Total assets	HUF 369 mrd
Profit after tax	HUF 2,6 mrd
ROAE	11,8%
Cost/income ratio	72,4%
Market share	2,8%

CJSC OTP Bank

Branches	158
Employees	3.500
Number of clients	~168 e
Total assets	HUF 623 mrd
Profit after tax	HUF 14,0 mrd
ROAE	25,7%
Cost/income ratio	45,6%
Market share	~3,1%

Investsberbank

Branches	110
Employees	8.368
Number of clients	~880 e
Total assets	HUF 432 mrd
Profit after tax	HUF 7,0 mrd
ROAE	17,9%
Cost/income ratio	67,2%
Market share	~0,3%

OTP Core¹

Branches	409
Employees	8.512
Number of clients	~4,7 m
Total assets	HUF 6,486 mrd
Profit after tax	HUF 146,4 mrd
ROAE	19,8%
Cost/income ratio	48,6%
Market share**	25,2%

OTP banka Hrvatska

Branches	100
Employees	1.024
Number of clients	~430 e
Total assets	HUF 422 mrd
Profit after tax	HUF 3,6 mrd
ROAE	10,0%
Cost/income ratio	69,7%
Market share	3,4%



CKB

Branches	34
Employees	423
Number of clients	~268 e
Total assets	HUF 261 mrd
Profit after tax	HUF 2,2 mrd
ROAE	27,3%
Cost/income ratio	59,9%
Market share	36,0%

OTP banka Srbija

Branches	100
Employees	1.174
Number of clients	~182 e
Total assets	HUF 110 mrd
Profit after tax	HUF 0,6 mrd
ROAE	1,8%
Cost/income ratio	91,1%
Market share	2,1%

DSK Group

Branches	375
Employees	4.023
Number of clients	~3,6 m
Total assets	HUF 1.015 mrd
Profit after tax	HUF 26,5 mrd
ROAE	24,7%
Cost/income ratio	39,0%
Market share	13,8%

OTP Banka Romania

Branches	104
Employees	998
Number of clients	~140 e
Total assets	HUF 250 mrd
Profit after tax	HUF ~2,8 mrd
ROAE	–
Cost/income ratio	122,0%
Market share	1,7%

IFRS data as at december 31, 2007

* Banks only

** Aggregated market share of domestic group members in the credit institutions system

A few of the key factors that define the Bank Group's business results in 2007 are as follows: The countries of the foreign subsidiaries experienced dynamic economic growth. Among the subsidiary banks, DSK Bank achieved particularly impressive business results; CJSC Bank considerably expanded its branch network, primarily in order to increase its penetration of the consumer banking segment; however, at OTP Banka Srbija the integration of the three predecessor banks took longer and was more costly

than originally planned. Our expansion in foreign markets continued with the acquisition of Rostov-based DNB, which also indicates the direction for our future international growth.

An important achievement related to our CSR reporting in 2007 is that this year we are also giving an account of our subsidiaries' performance. The table shows the key group members that have been included in the report, with a brief description of their activities.

¹ OTP Core: OTP Bank, OTP Jelzalogbank, OTP Lakastakarék

	Activities	Total assets (HUF m)	Number of customers	Number of employees
OTP Mortgage Bank Ltd.	Market leading mortgage-lending institution. Provides government-subsidised loans, thus helping to make the full range of home purchase-related subsidies available to customers. Business profile: financing the development and purchase of residential properties; issue of mortgage bonds; property valuation.	1 244 011	278 761 loan contracts	36
OTP Private Pension Fund	One of the most dependable operators in the Hungarian private pensions market.	424 826 (2006)	804 927	68
Merkantil Group	The Merkantil Group is the top vehicle financier in the Hungarian market.	362 500	194 745	279
OTP Garancia Insurance Ltd.*	A leading participant in the Hungarian insurance sector, market leader in the bank assurance segment.	210 446	~ 1,25 millió	2579
OTP Building Society Ltd.	Fulfills a leading role in the home savings market, offering saving schemes that entitle customers to receive state subsidies and tax benefits.	141 260	631.531 savings and loan contracts	14
OTP Voluntary Pension Fund	The largest voluntary pension fund in the market, in terms of both total assets and membership.	93 588 (2006)	271 306	26
OTP Trade Ltd.	Bank trading operations; the elaboration and execution of trade arrangements.	34 612	22	6
OTP Lease Ltd.	Offers opportunities to finance the acquisition of residential property without the need to make a downpayment, through lease-to-buy transactions.	18 753	1207	26
OTP Real Estate Ltd.	Undertakes residential and other real estate developments at its own risk, with the aim of subsequently selling the developed properties. On a commission basis, provides main and general contracting services, manages and implements real estate development projects, real estate sales, facility management, asset management, engineering, valuation and consulting.	18 625	514	140
OTP Factoring Ltd.	Engaged in the purchase, collection and management of overdue receivables.	16 295	630 000	111
OTP Fund Management Ltd.	The largest domestic institutional investor, and also the strongest in capital among those organisations in the Hungarian market that are engaged exclusively in asset management.	11 175	Customers served indirectly through the parent bank	25
OTP Life Annuity Ltd.	This company, with a nationwide presence, offers real-estate-backed life annuities to members of the over-65 age group.	9 492	1272	24
OTP National Health Fund	One of the largest and fastest-growing voluntary health insurance funds in Hungary.	5 366 (2006)	113 037	12
OTP Fund Services Ltd.	Today the largest provider of pension and health fund services in Hungary, performs the accounting and record-keeping tasks related to the OTP health and pension funds.	3 915	Health funds, private and voluntary pension funds	205
OTP Real Estate Fund Management Ltd.	OTP Real Estate Fund Management manages the portfolio of the OTP Real Estate Investment Fund, and other securities funds that invest in real estate.	1 691	Customers served indirectly through the parent bank	14
OTP Travel Ltd.	One of the leading Hungarian travel agencies, specialising in business travel but also offering its clients a growing range of vacation opportunities.	616	125 000	84
OTP Hungaro-Projekt Ltd.	Provider of project-proposal preparation and project management services. Primarily focuses on assisting in the efficient utilisation of funding available from EU sources, through the provision of consulting and other related services.	100	90	11

* The process of selling this company began in the third quarter of 2007, and will be completed at the end of the second quarter of 2008.

3. Fulfilment of our undertakings

WE ARE PLEASED TO REPORT THAT MOST OF OUR UNDERTAKINGS HAVE BEEN ACHIEVED. NEVERTHELESS, IN FUTURE WE WILL STRIVE TO ACHIEVE AN EVEN HIGHER SUCCESS RATE WITH REGARD TO THE FULFILMENT OF OUR OBJECTIVES, WHILE CONTINUING TO SET OURSELVES EVER MORE AMBITIOUS TARGETS.

When preparing this report we considered it essential to include an evaluation of the current status of our CSR endeavours, and within this an honest and forward-looking assessment of the extent to which we have succeeded in fulfilling the undertakings stated in our previous

report. Based on a review of the objectives set forth in the 2006 report, all of the economic objectives, and most of the social and environmental undertakings, have either been achieved or are in the process of being fulfilled.



Objectives	Extent of fulfilment			Notes
	Fulfilled	Partially fulfilled	Not fulfilled	
Objectives undertaken for 2007				
General objectives				
Have the report certified by an independent, external organisation	•			
Economic objectives				
Maintain our market-leading position in Hungary and Bulgaria and improve our position in the other countries	•			
Reduce the cost-to-income ratio to below 50-53%	•			
Establish a Climate Change Fund (OTP Fund Management Ltd)	•			For more details see 4.2
Close successfully, that is, with binding legal force, as many court and other proceedings as possible, through the rejection of claims	•			For more details see 4.1
Social objectives				
Create a corporate social responsibility strategy	•			Approval of the strategy will take place in 2008.
Continue to increase customer satisfaction, as planned	•			For more details see 5.2
Organise an "Investors' Day", with a plan to hold another each year	•			For more details see 5.1
Publish detailed information booklets about our products and services and the risks involved, so as to provide more information to customers and improve their knowledge of finances, starting from 2007	•			The booklets have been prepared, and to improve transparency and make the information more manageable, we have also reduced the number of our publications.
Launch a banking-career management system	•			For more details see 5.3
Introduce a test to measure employee satisfaction	•			For more details see 5.3
Continuously reduce staff turnover, and reach a rate of less than 14%	•			For more details see 5.3
Make support and sponsorship activities more structured, and overhaul our support and sponsorship strategy		•		The restructuring of sponsorship activities has been completed, and development of the donation policy to bring it into line with the CSR strategy is currently in progress.
Quantify benefits in kind		•		Benefits in kind are provided by the Bank and several units in the Bank Group, so it has not yet been possible to complete the process of quantifying them.
Elaborate a training program aimed at teaching the Code of Ethics and the principles underlying the CSR strategy		•		The program to teach the Code of Ethics has been fully elaborated, and training commenced in 2007. The CSR strategy training program will be developed following approval of the CSR strategy, in the first half of 2008.
Ensure that the number of renovated branches reaches 150 by the end of 2007 in the framework of the Branch Renovation Program		•		133 branches have been refitted under the Branch Renovation Program. For more details see section 6.
Increase the number of closed customer complaints	•			For more details see 5.2
Make the Ethics Statement widely available and known		•		Develop of the relevant initiatives is under way.
Bring the Ethics Statement and the Corporate Social Responsibility Report to the attention of our suppliers		•		This constitutes a part of the Code of Ethics training program.
Environmental objectives				
Employ a full-time environmentalist	•			From 2007, OTP Bank now employs a full-time environmentalist.
Use a standardised system to gather and process consumption data related to the Bank's central units and network in a unified system; review consumption habits		•		The range of available information has been substantially broadened, but the standardised system for collecting and processing information is not yet in place at all business units.
Pay closer attention to environmental considerations when purchasing vehicles	•			The Bank Group has procured two hybrid-powered vehicles, and continued to expand its fleet of diesel-powered cars, which produce lower carbon-dioxide emissions.
Increase non paper-based information sources		•		The number of users of our e-banking services is continuously growing, and we are encouraging our customers to request electronic – as opposed to paper-based – account statements.
Prepare an environmental protection training program			•	Due to the need to incorporate the environmental protection regulations into the training syllabus, we have postponed development of the program until 2008.
Use recycled paper for brochures and Christmas cards	•			
Prepare a regulatory system related to the use of computer printers	•			
Broaden the scope of information collected in respect of vehicle use, and estimate CO ₂ emissions	•			For more details see section 6.
Collect and analyse quantity information related to printing (paper, recycled paper and toner)	•			For more details see section 6.
In the case of current suppliers, control the use of environmentally-friendly materials, request reports on the quantity of materials used by suppliers		•		The collection of reports on the quantity of materials used has only been partially achieved.
Give preference to suppliers who use environment-friendly materials		•		In the case of certain suppliers this has become an express requirement (e.g. pest control).
Measure the results of steps taken to reduce energy consumption			•	It has become possible to measure the change in consumption at the central buildings, where the 2006 data was also available.
Longer-term objectives				
General objectives				
Extend the principles of responsible and sustainable operation to all of the Bank's activities				Implementation is proceeding according to plans.
Extend the principles and practice of responsible operation to our domestic and foreign subsidiaries				Implementation is proceeding according to plans.
Social objectives				
Launch, for employees, a training program aimed at teaching the Code of Ethics and the principles behind the CSR strategy, in 2008				Implementation is proceeding according to plans.
Draft environmental protection regulations in 2008				The process of drafting the regulations is currently at the stage of consultation with the authorities, and is expected to be completed on schedule.
Introduce an environmental training program in 2008				This objective is expected to be fulfilled on schedule.
Expand the use of renewable energy sources				Research is under way to determine the optimal means of using these technologies.
Increase non paper-based information sources				The range of opportunities to obtain information via electronic channels is continuously expanding.
Expand selective waste disposal (including plastic drinks bottles)				Ongoing
Set up a 20-25 person video conferencing suite with a capacity of 20-25 persons in 2008				A megvalósítás a terveknek megfelelően halad.

4. Our economic performance

*"Think like a man
of action, act like a man
of thought."*

HENRY BERGSON



In this presentation of our economic performance we focus on information that can be used to form a judgement of the Bank Group's role in the national economy, and we describe those of our services which contribute to the

achievement of social objectives. The GRI economic performance indicators provide an opportunity to view the organisation's operations in a wider context, which is why we regard their inclusion as important.

4.1 Az OTP Bank's role in the economy, key indicators

RELATIVE TO THE PREVIOUS YEAR OTP BANK AND THE OTP GROUP DISPLAYED CONSIDERABLE INCREASES IN THEIR CONTRIBUTION TO GDP AND THE SUMS OF CORPORATE AND PERSONAL INCOME TAX PAID, WHILE THE NUMBER AND BOOK VALUE OF COURT PROCEEDINGS FELL, AND AN IMPROVEMENT WAS ALSO ACHIEVED IN TERMS OF THE NUMBER OF CASES CLOSED.

OTP Bank and the OTP Group achieved considerable growth again in 2007. In Hungary, the government's package of austerity measures had a dampening effect on demand, while our operating environment was characterised by the high central-bank base rate and fundamentally stable national currency. The results of core banking operations in Hungary were on target, while OTP Fund Management and OTP Garancia Insurance performed outstandingly. Hungarian group members accounted for 74.8% of the Bank Group's profit.

Business results

In keeping with the focus of the corporate social responsibility report, we also present the Bank Group's results according to the GRI reporting guidelines. The key items of the balance sheet and the profit and loss statement are contained on the last page of the report.

¹With regard to the financial figures, in several cases it is the results of the domestic bank's core operations that we have shown, that is, the results of OTP Core, consisting of OTP Bank, OTP Mortgage Bank and OTP Building Society. This is, of course, a somewhat narrower field than that occupied by all the domestic companies in the Bank Group together, but at the same time it correspond to the structure used in the Annual Report.

Table EC1 (OTP Core, based on the non-consolidated, IFRS profit and loss statement) 31 Dec. 2007 (HUF million)

GRI	Annual Statements	
I. Generated direct economic value	1	354.263
1. Net income from sales	Interest income + non interest income (incl. net fees) (adjusted)	354.263
II. Distributed economic value	= 2+3+4+5	189.456
2. Operating costs + payments to equity investors	Operating costs – Personnel expenses – Depreciation – Taxes reducing the corporate tax base	56.321
3. Employee wages and benefits	Personnel expenses less tax contributions	54.078
4. Taxes paid	Total tax-payment liability	65.442
5. Community investments	Charitable giving	280
III. Retained earnings	=1–(2+3+4+5)	178.141

Market share of OTP Bank

	2007
Household savings market	31%
Household loans market	31%
Corporate deposits market	12%
Corporate loans market	10%
Municipality deposits market	53%
Municipality loans market	55%

We express the economic role of OTP Bank and the OTP Group in terms of their contribution to gross domestic product, and their economic value added, calculated in accordance with the

guidelines of the Central Statistics Office (KSH). OTP's core domestic banking operations make a decisive contribution to Hungary's gross domestic product.

OTP Core's contribution to GDP (from the non-consolidated IFRS P&L):

	2007
Gross output	354.262
+ Interest margin (net interest income, adjusted)	242.413
+ Net commission income	103.020
+ Result of other financial activity (adjusted)	8.829
Current consumption	80.072
+ Material expenses (operating costs – personnel expenses – depreciation)	80.072
Gross added value (GDP)	274.190

Tax liability and state aid

The payment of taxes in compliance with the effective regulations is a key element of good corporate citizenship, and the OTP group is one of Hungary's largest taxpayers. Almost three

quarters of the group's overall tax payments are made by members of the group that operate in Hungary. The group's tax bill rose at a higher rate (20%) than its profit in 2007.

Tax-payment liability of the OTP Group (consolidated IFRS data, HUF million)

	2006	2007
Taxes and wage contributions reducing the corporate tax base	46.496	51.341
Corporate tax	31.506	40.404
Total	78.002	91.745

In Hungary, in 2007, some 13% of corporate income tax revenues (HUF 510 billion) were generated in the bank sector, with the Hungarian members of the OTP Group accounting for approximately 6%, or more than one twentieth, of total payments. OTP Bank's share of pre-tax profit within the bank sector exceeds its share of the banks' total assets, and accordingly its corporate income tax bill is also higher. OTP Bank accounted for some 39% of the corporate income tax liability of Hungary's large banks (calculated based on non-audited figures). Besides corporate income tax, the Bank's personal income tax payments are also worthy of note, as they demonstrate the group's responsible attitude towards its employees, who receive fair remuneration commensurate with their performance. Personal income tax payments made on behalf of employees at Hungarian members of the OTP Group accounted for almost 1.5% of all personal income tax paid in Hungary.

In 2007 three members of the OTP Group in Hungary received tax breaks, in a total value of around HUF 2 billion:

- OTP Bank – tax discount related to film sponsorship (for more details, see the following section): HUF 1,683 million
- OTP Bank – R&D assistance for commissioned and in-house R&D projects: HUF 370 million
- OTP Real Estate – tax discount: HUF 1.9 million
- OTP Garancia – financial incentives related to distance working: HUF 14 million

Litigation and other proceedings

As in previous years, a number of legal and other proceedings were launched against Hungarian members of the Bank Group in 2007. In the interests of cutting the number of cases, complying as fully as possible with the regulations and reducing the fines imposed, we are exercising greater caution, and seeking prior consultation and cooperation with the authorities concerned.

Of the ten proceedings launched by the Competition Board (GVH) and completed in 2007 (nine against OTP Bank, one against OTP Life Annuity), five resulted in the imposition of fines, as a result of which the Bank paid a total of HUF 365 million. OTP Life Annuity has appealed against the resolution. Two proceedings – launched regarding an alleged abuse of market power – (the raising of the final repayment fee for personal loans and the prepayment fee for home loans) were closed with an undertaking on the part of the Bank, the execution of which has been partially carried out. In two of the three other competition proceedings that drew to a close in 2007 the Competition Board rejected two of the complaints, and in the case of the third established that a minor breach of law had been committed, and terminated the proceeding.

To avoid future GVH investigations, and to ensure full compliance with competition law, wherever necessary the Bank seeks to consult with the GVH regarding its planned marketing communication activities. Two proceedings were launched regarding breaches of equal opportunities regulations, one of which – concerning the right of homeless people to have access to bank cards – was closed with an amicable settlement, while the case related to credit card applications by persons over 70 led to the imposition of a fine. In both cases the Bank ceased the practices that had led to the original complaint. In a proceeding launched against OTP Garancia Insurance, the Hungarian Financial Supervisory Authority imposed a fine of HUF 1 million. In another case, the Municipal Tax Authority obliged OTP Real Estate to pay a fine of HUF 36 million, for a breach of tax regulations.

It is a positive development that both the number and book value of court cases launched against OTP Bank fell in comparison to the previous year, and a considerable number of ongoing proceedings – 82 – were closed in 2007. A continuous objective, and thus one that applies in 2008 as well, is to raise the number of cases in which a successful result is achieved; that is, which culminate in the non-appealable rejection of the claims.

Litigation and other proceedings

	31 Dec. 2007	31 Dec. 2007	31 Dec. 2007
Number of ongoing proceedings	72	146	126
Book value (HUF):	3.217.755	5.353.175	5.285.095

4.2 Corporate social responsibility in our products and business operations

RESPONSIBILITY TOWARDS SOCIETY IS AN INTEGRAL PART OF OUR COMPANY'S STRATEGY, AND OUR PRODUCTS ARE DEVELOPED IN LINE WITH THE PRINCIPLES OF SUSTAINABILITY. A NUMBER OF OUR PRODUCTS OFFER PREFERENTIAL SERVICES TO CUSTOMERS FROM CERTAIN SOCIAL GROUPS AND REGIONS, IN THE RETAIL, CORPORATE AND MUNICIPALITY SECTORS ALIKE. THE BANK GROUP HAS A LONG HISTORY OF PARTICIPATION IN THE PROVISION OF FINANCIAL PRODUCTS AND SERVICES RELATED TO STATE AND EU AID.

Risk management

Beyond its role in protecting the Bank's own financial interests, risk management is also one of the Bank's social responsibilities. The OTP Group aims to develop and operate a risk management process that ensures its compliance, in each individual country and across the group as a whole, with the Basel Capital Accord, the effective statutory provisions, and the requirements of the competent supervisory authorities.

With regard to its operations, the Bank differentiates between the following main risk types:

- Lending risk: possibility of losses arising from non-contractual performance
- Operating risk: the risk of losses arising from employee error, flawed systems or processes, or external events; as a preventive measure we take steps to eliminate personal conflicts of interest
- Market risk: the risk of losses arising from fluctuations in interest and exchange rates or market values
- Liquidity risk: the likelihood that the required level of solvency cannot be maintained, or can only be maintained at considerable extra cost, during a given period

The Bank and members of the group are building up a risk management organisation that is separate from the Bank's other – business and operating – departments, and is headed independently by a senior manager who reports directly to the Bank's chief executive officer. Decisions regarding key elements of the risk management methodology, and the main risk-related decisions concerning the group members, are made by the high-level risk management committees of the group and its subsidiaries. The risk management committees of the parent bank are the Credit Limit Committee, the Asset Liability Committee, and the Work-out Committee. The Bank is working to seamlessly incorporate the results of its risk measurement activities into the risk management operations of its subsidiary network. The group-level lending guidelines are contained in the document entitled Group Lending Policy Guidelines.

The group pursues a conservative risk-assumption policy. We require our customers to be transparent in their financial management and business operations. Providing certain disadvan-

tagged groups within society with access to financial services is an important objective in terms of social development. However, good risk management is part and parcel of good corporate citizenship: the provision of certain services can only be mutually beneficial if, in all cases, such services are appropriately matched to the customer's financial capacity and genuine needs. Preventing customers from becoming over-indebted is every bit as important as complying with the law and fulfilling social and environmental expectations. Consequently, we do not accept loan applications for purposes which:

- constitute breaches of the law or criminal acts,
- contravene environmental protection regulations (or which, all other factors being equal, do not give preference to ecologically sound solutions).

Forbidden areas of business:

- Illicit arms trade
- Illicit gambling
- Narcotics trade
- Other illegal activities (money laundering, black-marketeering, etc.)
- Customers whose activities can be presumed to breach general moral standards or social values are also ineligible to receive loans.

Special products

An integral part of the strategy pursued by our company in order to achieve its market objectives is displaying responsibility towards society. The OTP Group strives to create, and continuously develop, products and packages of services that are tailored to satisfy the needs of individual groups of customers. The procedures for developing these products serve to ensure that they are designed in accordance with the principles of sustainability. To this end, in the course of developing them we adhere to the guidelines of the Code of Ethics, the parent bank participates in the product development processes of the subsidiaries, and the processes, know-how and best practices that have proven successful at the individual business units are regularly shared throughout the Bank Group. Through many of our products we offer preferential services to special groups within society.

With regard to retail savings, in November 2007 we overhauled our range of account deposits, and introduced new account packages which, offering a variety of discounts, offer solutions for customers at all stages of life and with a diversity of needs. The success of these products, and our business policy in this respect, is well-illustrated by the fact that our Junior account is used by more than 340,000 young people, while our base of customers over the age of 65 is just as broad, with over 342,000 accounts held by senior citizens. The government and the European Union fulfil an important role in the realisation of social objectives, and aid programs provide access to sources of funding for projects launched with the aim of achieving the set goals. To facilitate this process, the Bank Group has a long history of participating in the provision of services related to the financing of such projects. Our preferential products are often designed to complement these schemes: several of them assist young people in purchasing their first home, while products offered under the "For a Successful Hungary" and the "New Hungary" programs are specifically aimed at assisting housing associations, businesses and municipalities in achieving their objectives. However, it should be noted that demand for subsidised loans has fallen in the retail segment. Socially responsible products can be categorised according to their users and purpose:

Retail banking products

Services offered to young people:

- 'Start' deposit account (in relation to the 'Baby Bond'): a savings account that can be credited with the state assistance granted to children born after 1 January 2006. Additional funds can also be deposited in the account.
- We participate in the disbursement of Student Loans, for which purpose we offer preferential account management packages.
- Junior account package: we offer packages of complex services for the 7-14, 14-18 and 18-24 age groups. Junior account holders do not pay an account management fee, and have opportunities to open time deposits in lower amounts at higher rates of interest.

Current-account overdraft facilities are also available for the over-18s.

- Facilities for people under public guardianship: primarily savings products. In addition to the services provided by OTP Bank, discounted life insurance policies are offered by OTP Garancia.

Products to assist first-home buyers: These are typically offered in tandem with state assistance schemes, and are primarily aimed at facilitating the use of available government subsidies. Our website also offers transparent, comprehensible and yet professionally sound information regarding the opportunities and discounts on offer. Our subsidiaries also participate in the provision of discounted lending products.

Preferential services offered to civil servants, prosecutors, judges and judiciary staff:

- discounts related to home purchases and home construction, and

- personal loans at discounted interest rates.

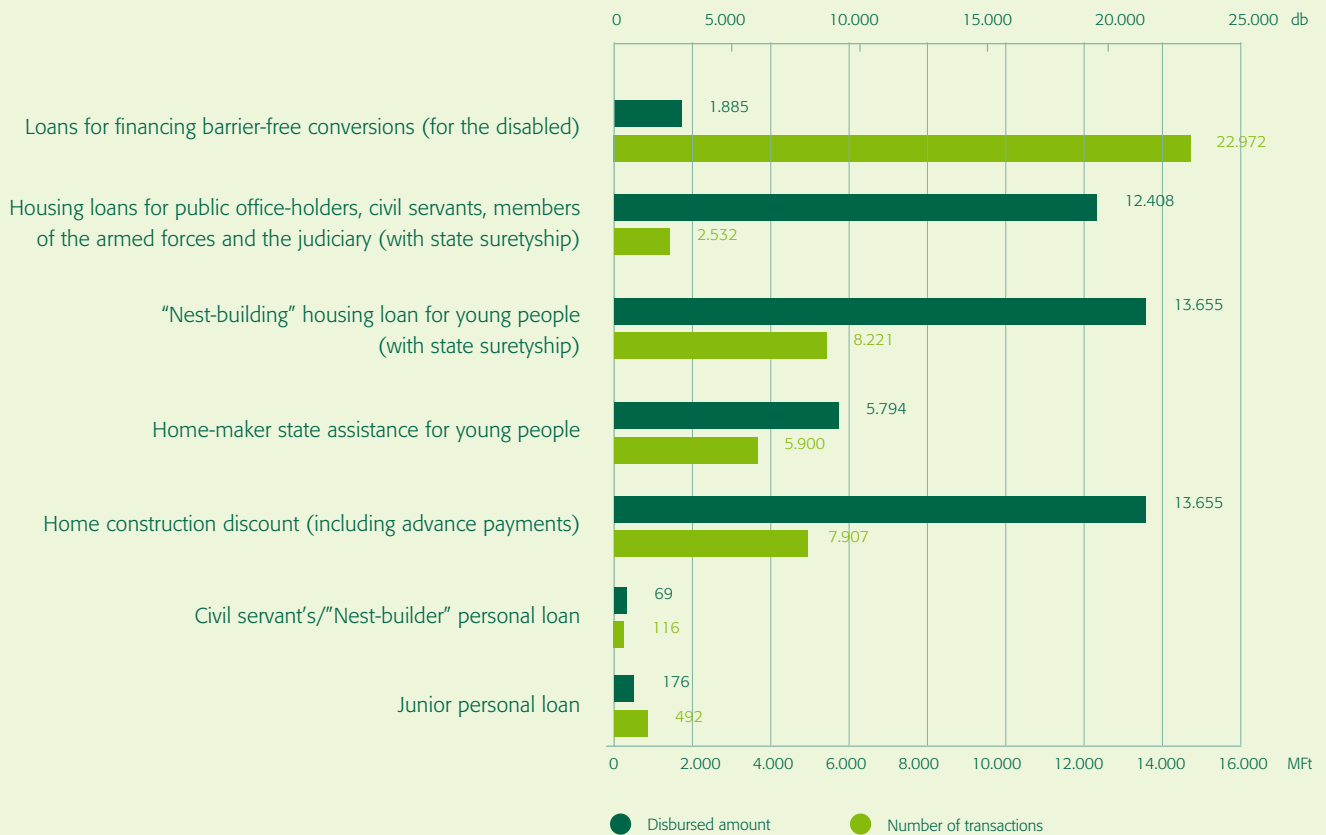
Services for senior citizens:

- The life annuity program run by OTP Life Annuity, which has been developed with maximum attention paid to the needs and lifestyle of older customers.

Financial self care:

- The OTP Health and Pension Funds place the means of financial self care at our customers' disposal. The OTP Private Pension Fund, OTP Voluntary Pension Fund and the OTP Health Fund together make up Hungary's largest and most dependable group of welfare funds. Their combined membership totals almost 1.2 million people.
- Besides its competitive fees, the OTP Personal Retirement Savings Account also offers an opportunity to take advantage of certain tax benefits.

Special retail loan products (31 Dec. 2007)



Examples of special banking products and practices at international subsidiaries

- DSK Bank is one of the few financial institutions in Bulgaria to offer special services for pensioners. Bankcards are provided to senior citizens free of charge, while special discounts and low fees encourage pensioners to make more use of banking products. Bank staff provide special training to older customers regarding the use of credit cards. DSK Bank is also participating in a project supported by the EBRD, aimed at improving the energy efficiency of homes.
- Integral to CKB's diverse product portfolio is its range of special products that serve to strengthen corporate social responsibility, such as: the P-CARD for pensioners; assistance for small and medium-sized enterprises, and a new product package intended to assist young married couples in purchasing their first home, for which state aid is also available. To mark World Savings Day the CKB Young Savers package was developed, which encourages children and young people to put money aside for the future. CKB was the first bank in Montenegro to assist in the use of renewable energy sources, and the implementation of energy efficiency products, through the provision of banking products.
- OTP Banka Hrvatska, together with the eight largest banks in Croatia and under the UNDP program, has launched – initially as a pilot scheme – a workshop entitled "How to manage your finances", with the aim of teaching customers how to manage their income, outgoings and finances effectively. The workshop has already been held in eight large cities in Croatia.
- OTP Bank in Romania offers its customers a range of special packages to support achievement of the objectives of certain groups within society, e.g. preferential account management fees for students, special products for pensioners, new and small business, or for the financing of alternative energy projects. Its subsidiary OTP Consulting, as a new service, offers advice regarding opportunities for securing EU funding, and assists in the preparation of applications. The bank's future plans include joining the EBRD's "Energy Efficiency Financing Facility" program, which has the aim of financing projects that will result in a 20% year-on-year reduction in energy consumption, or contribute to improving the efficiency of energy supply

Corporate banking products

Preferential products offered to small and medium-sized enterprises, tailored to suit the special needs of SMEs:

- Small business can choose between ten different account packages, some of which are aimed specifically at certain professions (e.g. pharmacists, lawyers). Most of the packages, besides offering discounted account management fees, also provide free access to electronic banking channels, and a free bank card. The Micro account package is designed specially to assist new businesses.
- The Sprint loan gives small enterprises quick access to credit in the startup phase of their operation.
- Special loan products are available for pharmacies and pharmacists (Medicin loans).
- Support for new and innovative micro and small enterprises is provided in conjunction with the European Investment Bank (EIB).
- Small and medium-sized enterprises have access to credit under the Szécsenyi card scheme, under which they receive state interest subsidies.
- An objective for 2008 is to provide our customers with further discounted funding sources/guarantees under the European Union's JEREMIE program.
- From 2008 we will offer a special loan product for the financing of investments by micro and small enterprises, thereby improving their chances of successfully applying for non-repayable assistance grants, and other available financial aid.

We assist in the investments of enterprises by offering discounted bridging loans, primarily in the form of advances on state and EU subsidies, and by providing other preferential sources of financing:

- Under the "New Hungary" (formerly: "For a Successful Hungary") enterprise development lending program, we support general-purpose investments, and capital projects related to environmental protection, innovation and cultural events, and those facilitating international expansion, and the provision of

welfare and healthcare services. We provide supplementary loans to companies that apply for funding under the operative programs of the New Hungary Development Plan, the New Hungary Rural Development Program and other assistance schemes funded by the Hungarian state.

- The investment loans provided by the EIB are primarily available to assist companies and municipalities in the financing of environmental projects, including those aimed at improving energy efficiency, infrastructure investments, education, and for the promoting of a knowledge-based economy and the development of healthcare facilities.
- Substantial tax breaks are available to companies that provide support for film production in Hungary: through a range of specially designed products, the Bank advances them the amount of tax that they will be eligible to reclaim. In 2007 we provided financial assistance for the production of 40 films in total, including many scientific and historical documentaries and educational films, e.g. *Ökoiskolák* [Ecoschools], *Emberék Fehérben* (Les hommes en blanc), 1956 –



large-screen feature films – e.g. *Szabadság, Szerelem* (Children of Glory), *Megy a gőzös* [All Aboard the Steam Train], and animated films aimed at younger audiences – e.g. *Kis Vuk* [Little Vuk the Fox], *Egon and Dönci*.

Preferential banking services related to

agriculture and environmental management:

- Our Bank offers pre-financing for certain subsidies provided by the EU and the state budget.
- The Agriculture Development Loan offered under the New Hungary (formerly “For a Successful Hungary”) program is available for the funding of investments aimed at improving competitiveness and raising quality standards, and for financing the capital projects of Hungarian-based SMEs that process their own crops, and the operations of young agricultural producers, through the provision of long-term funding sources.
- The New Hungary Agricultural Working Assets Loan is aimed at agricultural enterprises that have already taken out an investment loan, providing them with a long-term capital top-up facility for the financing of working assets.
- Through special – partially state subsidised – loan products, we help to mitigate the damage caused by inclement weather conditions.
- Our farmstead development loan product is provided to our customers by OTP Mortgage Bank.

For condominiums and housing cooperatives, we offer a range of special account and loan products designed to meet their specific needs:

- We have joined the Panel Plusz lending program, which provides assistance in the modernisation and renovation of prefabricated apartment blocks (“For a Successful Hungary” program).
- In April 2007 the Hungarian Development Bank launched its Household Energy Efficiency Lending Program (LEH), in which our Bank is also a participant. Under this scheme apartment buildings and housing associations have the opportunity to take out loans, at discounted rates, for the fitting of heat insulation, replacement of doors and windows, and the modernisation of heating and hot-water systems, and for converting to renewable energy sources (“For a Successful Hungary” program).
- The *Stílus* and *Thermo* loan products offered by the Bank make it possible to finance exterior and interior renovations, taking advantage of the available state interest subsidies.
- An objective for 2008 is to develop products aimed at counterbalancing the rise in energy prices. For condominiums and housing coo-

peratives that take out loans we will provide free account management under a promotional offer for a one-year period, and plan to develop special packages for companies that manage apartment buildings.

In 2008 we intend to focus particularly on assessing the needs of organisations in the third sector, in order to develop a range of special services for them. Although the Bank's portfolio does not currently include a special account package for non-governmental organisations and associations, in many cases we serve their requirements through the provision of individually customised products.

Our Bank traditionally holds a market-leading position in the municipality sector. We assist in the achievement of local government objectives through a variety of special products:

- The “For a Successful Hungary” Municipality Infrastructure Development Lending Program provides funding for the following purposes:
 - Environmental protection: drainage of waste water, improving the quality of drinking water, waste management
 - General: construction of public roads, use of renewable energy sources, urban rehabilitation
 - Public education
 - Culture and sport
 - Development of healthcare services: development of primary care, emergency care, hospitals
 - Assistance for investments in public IT infrastructure
 - Assistance in the co-financing of aid applications
- Waste water purification, the construction of drainage systems, energy rationalisation and the construction of municipality housing are also investment objectives that we support through a range of special products.
- The EIB-funded investment loans are also available to municipalities, ensuring capital support, at favourable financing terms, for the implementation of specific projects.

- The Bank assumes a prominent role in the provision of loans to municipalities, and the issue of municipality bonds.

OTP Bank's CSR-related activities in the municipality segment are – as the above illustrates – exceptionally diverse and varied. In 2007 the socially beneficial projects in which OTP Bank participated, through the provision of its services, included the following:

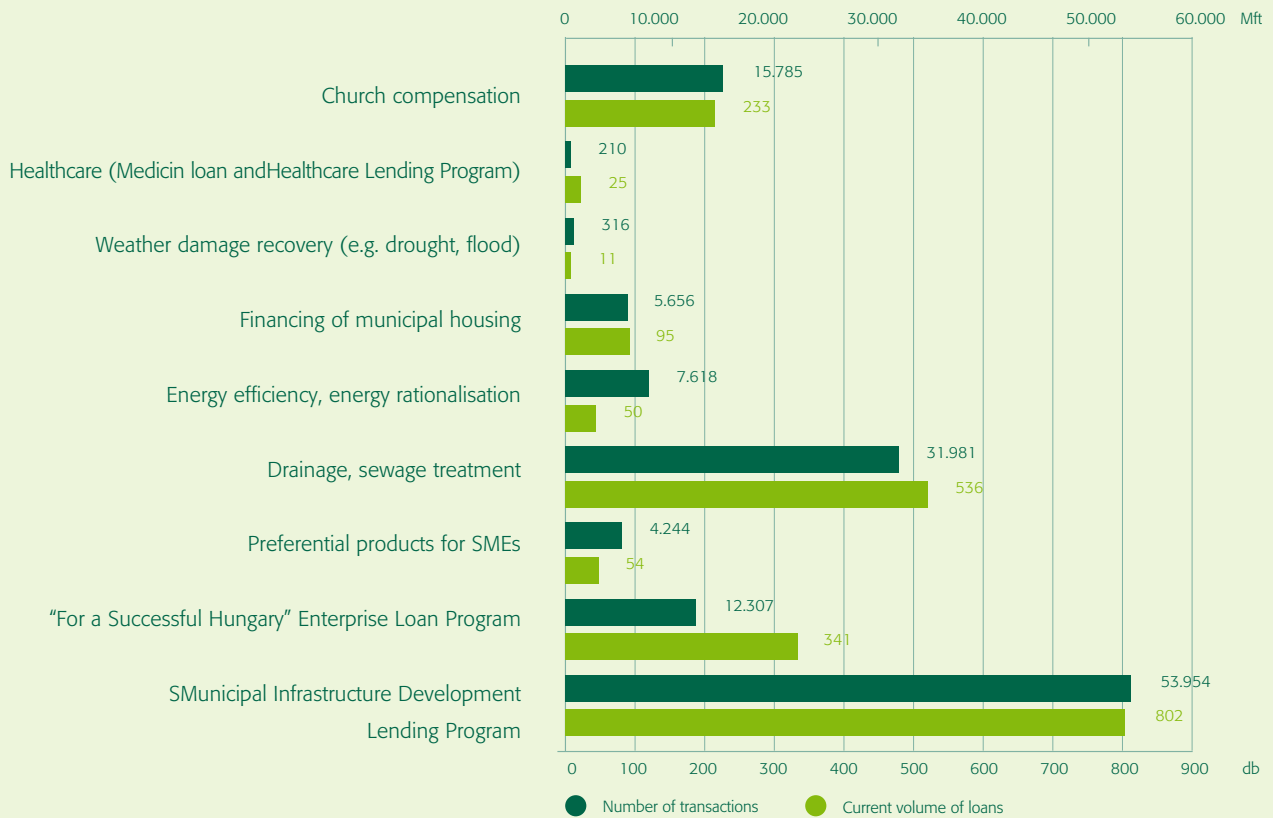
Environmental protection, infrastructure projects:

- Development of drainage system and sewage treatment works (Nagykanizsa and its environs)
- Sewer construction (Municipality of Nagyrózvágy and Ricse)
- Sewage treatment facility investment (Szentes, Tapolca Municipal Council)
- Sewage treatment program affecting Zalaegerszeg and 41 smaller population centres in the area
- Pavement renovation (Györsövényház Municipality)
 - Road repairs (Levél Municipality), and construction (Herend)
 - Investments to improve the quality of drinking water (Alsóörs)
 - Large regional waste disposal system (West Balaton and Zala River region)
 - Construction of natural gas supply main (Felsőtelekes and villages in the surrounding area)
 - Flood and ground-water defences (Borsodgeszt Municipality)

Culture, education and sport

- Primary school reconstruction and renovation (Pápa, Mezőzombor),
- Installation of stage equipment in the cultural centre's auditorium (Győrújbarát),
- Creation of school sports field (Sárospatak, Putnok Municipality),
- Cultural centre reconstruction (Ózd Municipality),
- Creation of artificial turf sports field (Páloz-nak Municipality).

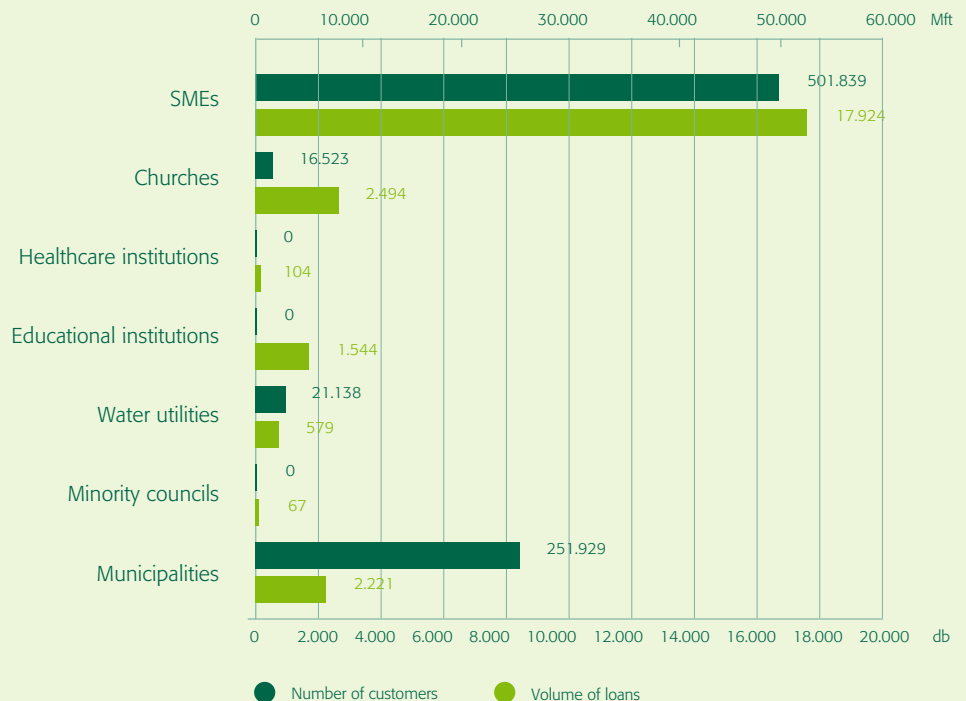
Special corporate/municipality loan products (31 Dec. 2007)



Some institutions that fulfil a key role in the development of society do not take out loans, either as a result of their statutory obligations or for other reasons; however, they nevertheless make use of other banking services that we offer, cons-

tituting a significant proportion of the Bank's customers. Churches – the four major religious denominations, as well as the smaller churches – also number among the Bank's clients. The foundations for our excellent relationship with the

Special corporate and municipality customers (31 Dec. 2007)



churches were laid when the Bank took part in the church compensation program, easing the process of regaining assets that had been confiscated under the previous political regime.

loans for the financing of energy investments, including those undertaken by Rossi Biofuel Zrt, and construction of the hydroelectric power station in the village of Nick.

Special corporate and municipality banking customers, and the products available to them, represent a key segment within the division.

Some of our Hungarian subsidiaries provide no financial services, or do not provide financial services in the traditional sense; however, corporate social responsibility is an integral part of their conduct too.

Besides the initiatives listed above – under project financing schemes – we also provided

OTP Real Estate:

The company has introduced an enterprise resource planning system with quality assurance, environmental, and occupational health and safety functions, for the coordination of its property development, main contracting, investment management, sales, asset management and facility management activities, and the provision of engineering services. As a part of this initiative:

- in property developments financed from our own resources we give preference to technical solutions that lead to a reduction in the environmental impacts of their implementation and subsequent operation;
- we construct energy-efficient and economic-to-run homes, through the selection of environmentally friendly materials (e.g. ECO-silence floor underlay, the use of recycled wood in building materials, installation of motion sensors and time switches);
- we are working to eliminate the use of hazardous substances, by substituting them with water-based lacquers, and paints with a low solvent content;
- in residential buildings we help to instil a culture of selective waste disposal, by designing waste storage areas that are suitable for this purpose, and encouraging the construction of special waste disposal areas.

OTP Fund Management:

The investment funds of OTP Fund Management and its subsidiaries always conduct their investment activities in accordance with CSR guidelines.

In keeping with our undertakings, we have established the OTP Climate Change 130/30 Fund, which invests its assets in the shares of companies that stand to gain from the implementation of directives, legal statutes and economic policies aimed at mitigating the impact of climate change.

The Fund combines environmental protection and sustainable development with high-return investment opportunities.

The return on the OTP Clean Energy Fund depends on the value of shares in companies at the cutting edge of producing clean, renewable energy, which serves to protect our environment.

OTP Hungaro-Projekt:

We primarily contribute to the achievement of social and environmental objectives through our work related to EU aid tenders:

- evaluation of environmental tenders and projects,
- preparation of bids in environmental tenders,
- preparation of bids in tenders for the funding of barrier-free projects.

4.3 Security

The Bank regards security as being of primary importance, and is committed to maintaining and ensuring it at all times. For this purpose the Bank provides all the necessary resources, equipment and other prerequisites, taking particular care to ensure the availability of human and financial resources, and to monitoring the regulated environment and processes.

The Bank strives to achieve a level of security under which:

- it can provide its services and conduct its investment and banking operations free of interruption and restriction;
- its good standing and reputation are not diminished, even temporarily;
- its stability and competitiveness are not threatened;
- the extent of damages arising from threats and their possible occurrence remain at a level that is acceptable to the Bank;
- the residual risks remaining as a result of risk management procedures and security measures remain at a level that is acceptable to the Bank.

The Bank has a well-considered and long-term Security Policy, and a related complex regulatory, training and controlling system.

All medium-term security strategy objectives and the key tasks necessary to ensure their fulfilment, serving the realisation and enforcement of long-term expectations and guiding principles, are defined in the Bank's Security Strategy. The Security Strategy also sets forth the main principles of the Bank's security operations, security systems and security development initiatives, as well as the schedule for their implementation.

The Bank takes a complex approach to security issues, and its security operations extend to the following areas:

- Protecting persons and their property, ensuring the personal safety of customers on the Bank's premises, and protecting the Bank's own possessions, assets, valuables and other important interests, as well as safeguarding property that has been placed temporarily under the Bank's management.
- Protecting the Bank's IT systems and the individual elements of such systems, and the data generated, stored and processed in the IT systems, throughout its full lifecycle.
- Preventing material and non-pecuniary damage caused by (internal and external) human resources, managing HR risks.

- Safeguarding and protecting business secrets, banking secrets, securities secrets, insider information, and any state secrets, classified information or personal data placed at the disposal of the Bank.
- Managing the security risks inherent in commercial and credit-institution activities directly related to the Bank's business operations.
- Preventing illegal conduct or criminal acts that endanger the Bank, curtailing any such acts that are already in the process of being committed, and detecting them or assisting in their detection.
- Providing security training to employees.
- Performing complex security checks.

At the Bank the professional supervision, oversight and coordination of security operations, and the defining and implementation of the necessary security measures, are performed by a separate organisational unit, the Bank Security Directorate. For certain security-related tasks the Bank also makes use of contracted security firms, which must hold the requisite official permits and provide their staff with the prescribed specialist bank security training, besides their regular training in general security skills.

The Bank goes to considerable lengths to protect the IT systems which are indispensable for its basic operation, and ensuring the integrity, authenticity, confidentiality, availability and functionality of IT systems. The Bank also ensures a high level of security and protection for the data of its customers.

In addition, the Bank expects other members of the OTP Group to adapt, and apply to their own operations, its security requirements, guidelines, obligations and undertakings, for which it provides the necessary support.




5. Our stakeholders and our social performance

"Engage in good deeds... do not wait for others to perform them for you. The smallest good deed brings its own reward and is profitable."

TATIOSZ





Engaging our stakeholders and taking their interests into consideration is a key element of the OTP Group's CSR strategy, which is why we treat the mapping of our most important stakeholders as a priority. The stakeholder map enables us to categorise our stakeholders, and to analyse our relationships with them based on a set of predetermined criteria. A task for the coming years will be to utilise the results of this survey to deepen our cooperation with stakeholders, as we strive to take their needs into account as effectively as possible in the course of our operation. The process of mapping stakeholders' needs, and resolving any possible conflicts of interest, is assisted by our regular engagement with the various stakeholder groups. Even today we maintain contact with the individual groups through a

variety of channels, and thus the depth and means of liaison are exceptionally varied. The resulting cooperation can be regarded as exemplary in many respects, although some aspects still leave scope for further improvement. The focus will be on the latter in the years ahead, while ensuring that existing good practices are maintained.

Our website provides us with the most effective means of informing public opinion about our corporate social responsibility and sponsorship activities. In 2007 our CSR-related website received approximately 6,500 visits. **We consider informing public opinion about our CSR activities to be a key objective, and will continue to develop the structure and content of the site in order to generate a higher level of interest.**

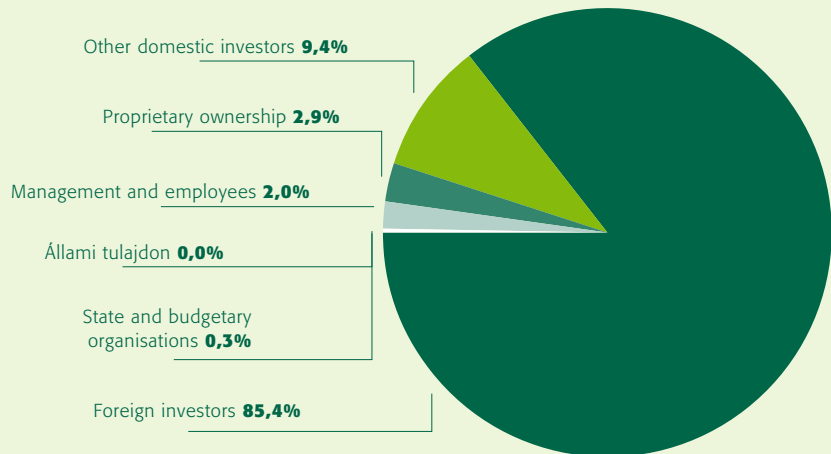
5.1 Shareholders

One of the focal points of the OTP Group's strategy is to maximise shareholder value, and accordingly investors, that is our shareholders, make up one of the most important stakeholder groups. For this reason, we place a particular emphasis on mapping the interests of our investors, and meeting their expectations as fully as possible. Investors primarily focus on business results. However, corporate social responsibility also serves the interests of shareholders, who increasingly expect the companies they invest in to employ practices that are aimed at ensuring responsible operation, as a minimum criterion. A failure to fulfil this criterion will discourage them from investing in the company.

OTP Bank strives to provide its investors with all the information they need, and to this end we are continuously analysing the practices employed by our competitors both in Hungary and abroad, and applying best practices with regard to our rep-

orting and communication. This purpose is also served by our efforts to make the website more easily navigable, and to present the information it contains in a more user-friendly format. Maintaining personal relationships is of key importance, which is why the Bank regularly participates in conferences organised by investment banks, and at investor forums. In 2007 we held our first "Investors' Day", at which analysts and investors had an opportunity to meet with the Bank's management in person. We conducted a questionnaire-based survey of the approximately 80 participants in order to gauge their opinions of the event, and to make improvements in the future. The feedback regarding the event was positive, and based on this success **we plan to hold the Investors' Day on an annual basis in future. The venue for 2008 will be Bulgaria, in recognition of the outstanding results achieved by our local subsidiary there, DSK Bank.**

Ownership structure by size of share, 31 Dec. 2007



Shareholder*	Stake	Percentage of votes
Bank of New York	12,0%	12,4%
Julius Baer	12,2%	10,5%
Megdet, Timur és Ruszlan Rahimkulov	9,8%	10,1%

* Shareholders with a stake of more than 5%



5.2 Customers

OUR MISSION IS TO PROVIDE OUR CUSTOMERS WITH AN EXCELLENT QUALITY OF SERVICE. FROM THE POINT OF VIEW OF CORPORATE SOCIAL RESPONSIBILITY PRIORITISE EFFORTS TO MAKE IMPROVEMENTS TO THE CUSTOMER SERVICE ENVIRONMENT, ENGAGE IN RESPONSIBLE COMMUNICATION WITH OUR CUSTOMERS, AND DEVELOP FINANCIAL SKILLS AND BANKING CULTURE OF THE YOUNG PEOPLE.

The OTP Group provides its services, which are primarily of a financial nature, to almost 11 million customers. Owing to our retail

focus and the Bank's historical background, the vast majority of people in Hungary have had dealings with OTP Bank or its subsidiaries.

OTP Bank's clientele

Retail customers	Approx. 4.6 million customers
Private banking customers	Approx. 16,000 customers
Micro and small businesses	Approx. 186,000
Medium-sized and large corporate customers	Approx. 16,000
Municipality customers	2,221 municipalities, churches
Total	Approx. 4.8 million customers

Our mission is to provide our retail, corporate and municipal customers with a comprehensive range of excellent-quality financial services. A key factor in maintaining our competitive edge is the trust of our customers, and therefore one of our primary objectives is to maintain and further strengthen this confidence. In our relationships with customers we aim to understand the needs of our clients, and fulfil them in accordance with the highest quality standards. We treat the following as priorities:

- developing the customer service environment in line with customer requirements – a number of innovative projects were launched for this purpose in 2007.
- developing procedures to ensure responsible customer communication, and promote financial awareness and a banking culture among young people.

At the stakeholder forum held regarding the reporting process, the importance of our role in the forming of society's attitudes, through the information we provide and the example we set, became clearer to us than ever before.

Customer contacts

The frequency and typical forms of liaison with customers are measured in terms of the number and types of customer contact. In 2007 the number of customer contacts rose considerably – by an average of around 40% – in comparison to the previous year. It is noteworthy, that some 95% of the contacts took place electronically. Electronic customer contacts not only make our customers' lives more convenient by speeding up and simplifying their banking administration, but in many cases it also leads to reductions in paper usage.

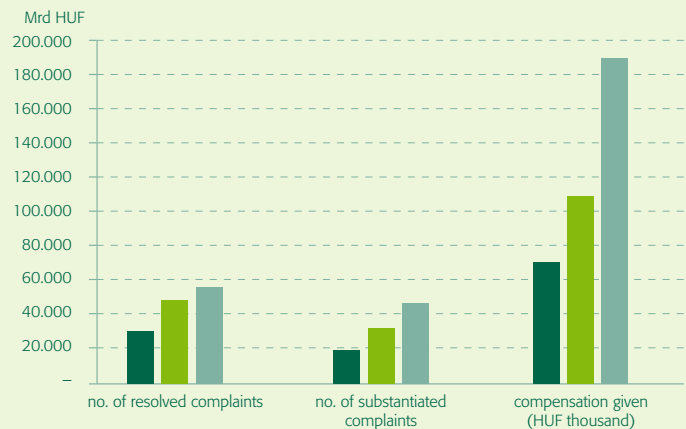
Number of customer contacts (OTP Bank)

	2007	2006
- personal	18 973 231	8 595 500
- electronic	419 290 271	300 872 292
- other (DM, notices, etc.)	4 438 262	3 380 032
Összesen	442 701 764	312 802 824

We continue to handle customers' reports in the two-tiered, centralised system that was fully introduced at the beginning of 2006. (For more details, see the 2006 Corporate Social Responsibility Report.) In the two years that have passed since then, the rise in the number of customer contacts has been accompanied by an increase in complaints received by the Bank. The number of substantiated complaints per 1,000 customers was nine. The Bank makes every effort to investigate compla-

ints in the shortest possible time, and if it has genuinely made an error, to settle the matter financially. We lead the way in our handling of complaints related to bank cards, even by international standards. Substantiated complaints usually result from errors made by the customer service staff, or from computer errors, and we use the information gained in the complaints handling process to continuously effect improvements to our systems.

Customer complaints



Customer satisfaction surveys

Canvassing the opinions of our customers is an indispensable prerequisite for continued development, which is why we conduct comprehensive customer satisfaction surveys on a monthly basis. We also provide employees with direct incentives to raise customer satisfaction, as, for the holders of certain positions, bonuses are awarded based on the meeting of customer satisfaction targets. **An objective for 2008 is to raise customer satisfaction.**

The methodology employed in the satisfaction surveys remains unchanged from 2006. We continue to assess not only customers' perception of OTP, but also their satisfaction with

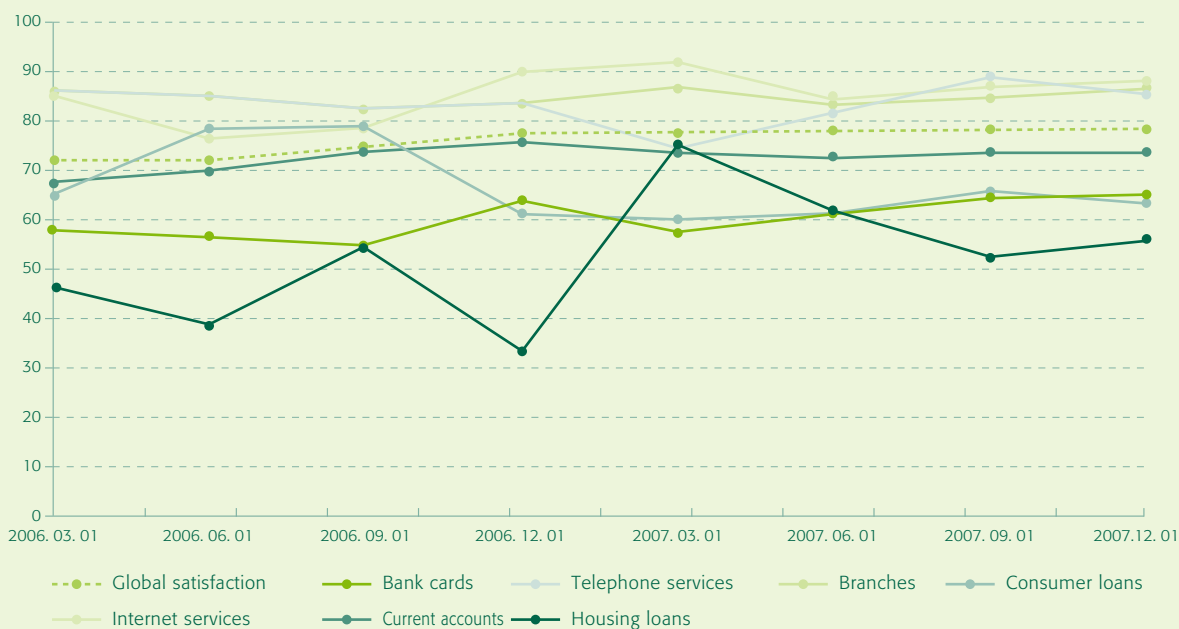
other banks. We are proud to report that in 2007 our global satisfaction index rose substantially, while our position in relation to other banks also improved, with improvements registered in respect of most of the monitored factors. We achieved particularly marked improvements in customers' perception of our approachability and the quality of published information. We regard it as a great result that, in 2007, all the regions exceeded their customer satisfaction targets.

In order to gain a more in-depth understanding of customer opinions, we plan to introduce customer satisfaction surveys at branch level in 2009.

OTP Bank customers



Customers of other banks



Besides OTP Bank, five of the Hungarian subsidiaries also hold customer satisfaction surveys. The survey conducted by OTP Real Estate revealed a generally high level of satisfaction with the services it provides. The OTP Health and Pension Funds (Private Pension Fund, Voluntary Pension Fund, Health Insurance Fund) and OTP Hungaro-Projekt, request feedback from their customers at yearly intervals.

Development of the customer service environment

In 2007 we implemented several projects that led to further improvements in the physical and human conditions related to its service provision.

Under the ongoing Branch Renovation Program, which commenced in 2004, another 70 branches were refitted in 2007, bringing the number of branches refurbished as a part of the program to 133. Some 350 of our 409 bank branches are barrier-free. In addition to creating a modern environment, we are focusing on the development of a simpler and more transparent customer orientation system, enabling more of our customers to access the services they require with the minimum of effort. **The development and implementation of simpler customer orientation system is one of our objectives for 2008.** To ensure the comfort of our customers, we provide seating at customer service desks where longer administration times are likely. AUnder a project aimed at creating friendlier, more family-centred branches, in a pilot scheme we have fitted out special children's corners in five of our large branches (in Győr, Miskolc and Budapest). These have been designed with an emphasis on ergonomics and safety. In the children's areas we placed beanbags and a number of toys, games and other equipment intended to stimulate and develop the children's creativity (drawing, colouring books, child-safe pens and pencils). Customers have responded positively to the children's corners, and would be happy to see them in more branches. Developing our human resources to ensure the maximum fulfilment of customer requirements is one of our company's main priorities. An objective of our restructuring of the incentives system for customer service staff in 2007 was to go further in fulfilling customer requirements. A key element of our approach to customer service is gaining a thorough assessment of customer needs, the procedures for which are just as carefully aligned with the given customer's status and life situation as the practices we employ when providing information. We provide special training in this regard both to our own customer service representatives and to our contracted partners.

Responsible marketing and attitude-forming

Beyond complying with the statutory regulations, we strive to uphold the principles of responsible marketing in all our marketing communications. We aim to impart a simple, easily-interpreted mes-

sage. Within the Bank, measures implemented to ensure compliance with statutory requirements and the stipulations of the Competition Board are approved by the Legal Department and the Compliance Department, and if necessary we also consult with the Competition Board itself.

We consider it especially important to raise levels of consumer awareness, which is why our Bank was among the first to provide professional support and financial assistance for the introduction and operation of the Médiatudor educational program in Hungary. The aim of this scheme is to instil in elementary school pupils a sensible and aware attitude to their media consumption, and teach them how to be critical and rational consumers, through the study of advertisements. The developed teaching materials are also suitable for use under the National Curriculum.

We participate in numerous forums to encourage the younger generation – particularly university and college students – to be aware consumers and provide for their financial self-care. At 'professional days' held at universities in Budapest and the provincial towns, our banking professionals help students to navigate the maze of economics and finance, giving presentations on a variety of financial issues, and writing articles for the publications of higher-education institutes (Ad Valvas) and university periodicals (e.g. Szeged University news letters). At the University of Pécs, our financial experts hold special presentations for final-year students on the subject of financial self-care. Promoting a culture of financial awareness begins in the secondary schools, many of which provide students with the opportunity to put finance-related questions to our specialist employees, during lessons held with the form tutor.

For many years now the OTP Fáy András Foundation has focused on developing the financial culture of students in secondary education, by adding to their financial management and economics skills. Our textbook donation scheme, library development initiative and "Fundamentals" program, which aims to teach financial and life management skills, were launched with the objective of providing students who are just starting out in life with useful advice and tips that will serve them well from the time they begin to make their career choices, through their continued studies and the start of their career. As a result of our

initiatives, we have come into contact with tens of thousands of secondary-school students, primarily targeting those in the more disadvantaged regions of the country.

However, marketing communication is not the only means of shaping the attitudes of the population, and our existing and potential customers. We have reduced the size of our bank statements, and now only print supplementary information in the blank space at the bottom of the page, in order to cut down on paper usage. We make every effort to

provide account information by the means and in the form that best suits the customer, but we do encourage customers to request their statements electronically rather than by mail, as another part of our drive to minimise paper use.

At the stakeholder forum on the reporting process, our convictions regarding the importance of attitude-forming and example-setting were reinforced, and consequently in future we will redouble our efforts to ensure that the good practices instituted under our CSR program are also visible and perceptible to our customers.

5.3 Employees

DISPLAYING A RESPONSIBLE ATTITUDE TOWARDS EMPLOYEES IS A KEY ELEMENT OF OUR CSR ACTIVITIES. MAJOR ACHIEVEMENTS IN 2007 WERE THE LAUNCH OF THE CAREER MANAGEMENT PROGRAM AND THE HOLDING OF THE EMPLOYEE SATISFACTION SURVEY, WHICH DEFINED THE DIRECTION FOR FUTURE DEVELOPS AIMED AT STRENGTHENING THE COMMITMENT OF OUR STAFF.

OTP Bank and the OTP Group have a key role in Hungary's employment scene, as a major employer both in the capital and provincial towns and villages, and the group's importance continues to grow as the number of its employees increases. Recruiting and retaining a base of highly qualified employees is a priority of the OTP Group's strategy. To achieve this, it is essential for the group to conduct itself as a responsible employer. In 2007 the human resources management activities of OTP Bank focused on creating new processes, and enhancing existing ones, to ensure the retention of staff and the use of modern personnel development techniques.

Number and distribution of employees

Some 70% of the OTP Group's employees in Hungary work at the parent bank. Another large

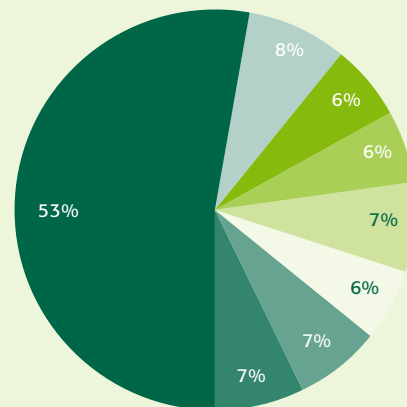
employee within the group is OTP Garancia Insurance (accounting for 21% of the group's staff headcount in Hungary). Effective capacity management is an essential factor contributing to the group's efficient operation, as the number of employees is optimally matched with the human resource requirements specified for the individual work processes. Staff are employed under fixed-term or indefinite-term employment contracts, on a full or part-time basis. The percentage of part-time employees is slightly higher at the subsidiaries than at the parent bank. All the group's employees receive equal treatment from the standpoint of labour law and our benefits policy, in accordance with the statutory provisions.

Workforce headcount data (no. of persons) (31 Dec. 2007)

	OTP Bank		OTP Group (H)	
	2005	2006	2007	2007
Total number of employees	7.999	8.257	8.494	12.157
Total number of full-time employees	7.173	7.390	7.680	10.301
Total number of part-time employees	726+100	779+88	714+100	1.705+189
Statistical staff headcount	7.899	8.169	8.394	11.963

Distribution of employees by region

- Budapest
- Northern Plains Region
- Central-Hungary Region (outside Budapest)
- West-Transdanubian Region
- Southern Plains Region
- North-Hungary Region
- Central-Transdanubian Region
- Southern Plains Region



Within the OTP Group some three quarters of employees are female, while this ratio is a little higher at the parent bank (78%). However, the proportion of women employed in manage-

ment positions is lower, with the percentage of female managers across the group as a whole slightly below the figure for the parent bank.

Distribution of employees by category

	OTP Group (H)		OTP Bank	
	Persons	Percentage of women (%)	Persons	Percentage of women (%)
Management*	6	0	6	0
Senior management	267	37	189	38
Middle management	816	66	700	69
Responsible for specific activities	284	49	153	50
White-collar workers (non-management)	10.066	78	7.260	81
Administrative employees	550	81	58	81
Blue-collar workers	156	31	128	32

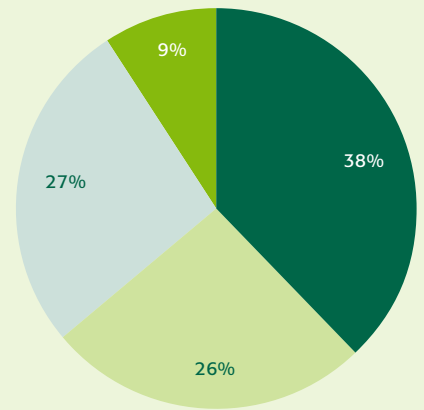
* We define management as the deputy CEOs of the parent bank.

The regional distribution of employees is approximately the same at both the OTP Group and the parent bank. Budapest is notably dominant among the regions, with more than half of employees working in the capital, while the smaller subsidiaries do not maintain a presence

anywhere else. The Bank Group is a major employer in the provinces, primarily through its branch networks – those of OTP Bank and OTP Garancia Insurance – which employ more than 5,700 people nationwide.

Distribution of employees by age

- Under 35
- 35–45
- 45–55
- Over 55

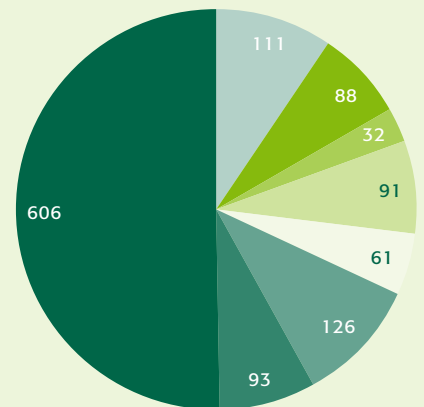


The OTP Group’s employee base in Hungary has a diversified age structure. The average age of employees at the parent bank is 38.6 years. (The age-group distribution of employees at the Bank Group is similar to that of the parent company.) The Bank Group fulfils an

important role as an employer of young professionals at the start of their career. The proportion of career starters employed by OTP Bank is higher than the average for the group as a whole, at 7.5%.

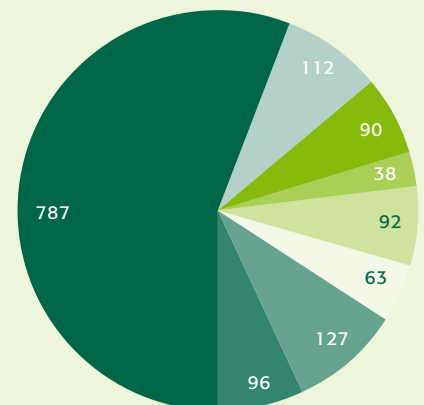
Distribution by region of employees leaving the company (OTP Bank, persons)

- Budapest
- South-Transdanubian Region
- Central-Transdanubian Region
- North-Hungary Region
- Southern Plains Region
- West-Transdanubian Region
- Central-Hungary Region (outside Budapest)
- Northern Plains Region



Distribution by region of employees leaving the company (OTP Group - Hungary, persons)

- Budapest
- South-Transdanubian Region
- Central-Transdanubian Region
- North-Hungary Region
- Southern Plains Region
- West-Transdanubian Region
- Central-Hungary Region (outside Budapest)
- Northern Plains Region



An important objective of the company is to reduce staff turnover. Our ability to retain staff is influenced by a number of factors, and the majority of our HR management activities are geared, either directly or indirectly, towards ensuring the retention of employees. Noteworthy examples of such initiatives include the career management program, and the measures planned as a result of the employee satisfaction survey, which are chiefly aimed at raising the levels of contentedness among our staff.

The success of our efforts is illustrated by the fact that over the past four years the proportion of employees leaving the company has continuously declined, and in 2007 the staff turnover rate dropped to 13.8%, which is in line with our objectives. The rate of employees leaving is higher in the branches than at head office, and is especially high in the South Transdanubian Region, the Budapest Region and the Central Hungarian Region, but lower than average in the North Hungarian Region and the West Transdanubian Region. The lowest degree of staff loyalty is displayed by the 25-35 age group, which accounts for around half of all employees leaving the company. Investigation of the reasons for high staff turnover is carried out at regional level. Employee turnover is greatly influenced by the number of available jobs in the region, and this is also reflected in the demographic profiles of outgoing employees. **An objective for 2008 is to achieve a further reduction in staff turnover, to a rate of less than 13%.**

Employee satisfaction

In 2007, in line with our objectives, we conducted an employee satisfaction survey. The Best Employers



Survey conducted by HEWITT Human Consulting Kft identified factors influencing employees' motivation and loyalty, mapping out those areas in which further targeted intervention is necessary. The percentage of employees participating in this voluntary study far exceeded our original expectations. The survey revealed that, measured against the average for employees of large corporations in Hungary, our employees were the most satisfied with senior management, their own direct supervisors and colleagues, the company's reputation and their working environment. **However, with regard to the recognition of performance, in terms of both prestige and financial rewards, broadening the range of opportunities for self-fulfilment, ensuring a healthy balance between work and private life, more needs to be done to further strengthen staff satisfaction and commitment.**

We also probed our employees' opinions regarding OTP Bank's corporate social responsibility. Employees typically approve of the Bank's efforts to assist in resolving social problems, and regard it as important to provide support for the needy and disadvantaged. **In order to further raise the level of staff commitment, from 2008 we plan to involve employees in the Bank's social support activities.**

In the future we intend to continue holding employee satisfaction surveys. However, owing to the considerable time requirement of initiatives aimed at achieving improvements in this regard, a perceptible change in staff attitudes can only be expected over the longer term. Among our subsidiaries, employee satisfaction surveys were carried out at OTP Flat Lease and OTP Real Estate in the course of 2007; **but several other subsidiaries plan to hold surveys of their own in 2008** (OTP Real Estate, OTP Fund Management, OTP Factor and OTP Hungary-Projekt).

Career planning and development

In 2007 the Bank launched a new career management program. The purpose of developing the system, in keeping with the Bank's long-term strategy, was to provide talented and motivated employees with clearly defined opportunities for professional advancement and promotion within the Bank. Beyond the selection and retention of talented staff, we also develop the professional and interpersonal skills of participants in the prog-

ram, by means of a targeted training program. As a part of the talent-nurturing scheme we offer opportunities to attend vocational training courses, conferences and study tours, both in Hungary and abroad. When the program was announced almost a quarter of employees with a university-level qualification applied to participate, which represents an exceptionally high response rate. Under the talent-nurturing system, the individually tailored training and career development of more than 100 employees has commenced.

Based on the experiences and success of the program, our plans for 2008 include its continued development and extension to other regions.

The performance assessment procedures of OTP Bank remained unchanged. Employees who fall within the scope of the incentives system – some 60-65% of all staff – regularly receive an evaluation of their performance. In the case of other groups of employees, appraisals are performed as a regular part of their supervisors' work. At the subsidiaries different performance appraisal systems are in place, owing to the differences in organisational structure.

Benefits policy

No significant changes were made to our benefits policy in 2007. We plan to implement programs aimed at ensuring the financial recognition of good performance, based on the findings of the employee satisfaction survey. At the group member companies that are covered by the Collective Bargaining Agreement, the salaries of employees are regulated in the Collective Bargaining Agreement.

Average salaries vary significantly between the subsidiaries in the group, in keeping with the business profiles of the individual companies. The proportion of variable items (e.g. premiums, bonuses) within salaries also differs from one group member to the next, at 33% in the case of OTP Bank, a figure that is lower at some of the subsidiaries, and higher at others. Remuneration for overtime work takes place in accordance with the relevant statutory provisions.

In 2007, as a result of the prevailing trends in the national economy, real wages fell at national level (-4.8%), with the financial sector experiencing a greater average reduction (-14.7%) (Central Statistics Office). At our company, the drop in real wage levels was less severe than that experienced by the financial sector as a whole, with real earnings falling by -5.3% at OTP Bank, and by even less across the group. At OTP Bank the rate of cash and benefits in kind provided in excess of basic salaries was 4.3% (HUF 1.9 billion), compared to a figure of 6.9% for the financial sector in general. Employer contributions to the membership fees of voluntary and private pension funds, and the health insurance fund, amounted to almost twice this figure. In this respect the Bank has a track record of displaying a higher level of responsibility than is customary in the market. The types of social benefits provided, and the procedures for their allocation, are regulated in the Collective Bargaining Agreement and internal regulations. The subsidiaries provide their employees with supplementary benefits in differing extents and by varying means.

Employer contributions to pension and health funds (2007)

	OTP Bank	OTP Csoport (Mo.)
Voluntary pension fund contributions per employee (HUF)	289	247
Private pension fund contribution per employee (HUF)	75	56
Health insurance fund contributions per employee (HUF)	72	68
Total contributions (HUF m)	3.396	4.124

	Net average salaries (HUF/month)
OTP Bank	207
OTP Group (H)	190
Financial sector	210
National economy	114

Training

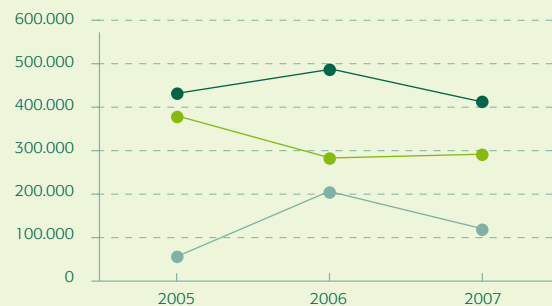
We treat the training of our employees as a priority. Training continues to be provided based on the annual training schedule, which is prepared in consultation with the business departments. In most cases the Hungarian subsidiaries develop and implement their own training schedules independently. However, joint training is also provided, mainly in relation to products. Training at the foreign subsidiaries is performed in closer cooperation with the parent bank, which participates in the preparation of training plans, and provides support for their implementation. A new element in our training program is represented by the special forms of training developed for participants in the talent-nurturing

program, aimed at improving both professional and interpersonal skills. For our employees whose only barrier to participating in the talent-nurturing program is a lack of the requisite foreign-language skills, we provide company language courses fully funded by the Bank.

To promote a better awareness of the principles underlying ethical and responsible corporate conduct, we have developed – in accordance with our undertakings – a course of training in our Code of Ethics. It is compulsory for all our employees to assimilate the information imparted in the framework of this e-learning course. . 2In 2008 we plan to implement a similar program to raise awareness of corporate social responsibility issues.

Training costs, 2005-2007 (OTP Bank)

- Total training costs (HUF thousand)
- Total external training (HUF thousand)
- Total in-house training (HUF thousand)



The Bank's training costs account for around half of the OTP Group's overall training budget of almost HUF 680 million. Training expenditure per employee amounts to an average of HUF 56,000. Particularly high sums are spent on training by OTP Fund Management, OTP Real Estate Fund Management, OTP Garancia, OTP Mortgage Bank and OTP Flat Lease. The ratio of in-house training to training provided by external companies is roughly half-and-half. In the group as a whole, the amount of training provided to employees exceeds that provided to management, but a departure from this structure can be observed at certain of our subsidiaries.

Programs that support the continued employability of employees and assist them in managing career endings and career changes.

	OTP Bank	Hungarian subsidiaries
In-house training courses	Yes	Yes
External training courses or financial support for study	Yes	Yes
Time off for study	Yes	Not usually
Time off for study with guaranteed retention of position	Yes	Not usually
Pre-retirement planning	No	Not usually
Further training for those who wish to continue working after retirement	No	Not usually
Severance pay	Yes	Not usually
Age of employee taken into consideration when calculating severance pay	No	No
Length of service taken into consideration if the organisation provides severance pay	Yes	Yes (if severance pay is awarded)
Job search help for dismissed employees	No	No
Assistance in the transition to life after work (e.g. training, counselling)	No	No

Awards and honours

In keeping with our traditions, in 2007 we once again presented the "For OTP Bank" and "Fáy András" awards to those of our employees who displayed outstanding performance in their given field. The awards were primarily created to express our gratitude and admiration for the achievements of our own employees or persons among the Bank's external contacts. A total of 74 people received recognition in the form of honourable mentions and financial rewards, at a ceremony held in the Hungarian State Opera House as a part of the World Savings Day celebrations.

Internal communication

The main channel for disseminating information internally is the Intranet, which is divided into two main parts: the Branch Intranet Portal, which provides access to information that is relevant to all employees, and the Management Information Portal, which makes available documents and data for the use of the Bank's managers and senior executives.

We strive to make the best use of the internal communications opportunities presented by the Intranet, thereby cutting down on paper usage. This objective is served by a number of initiatives, including the widespread use of e-learning programs, and the publication of the staff magazine in electronic form. **In 2008 we will conduct a staff opinion survey regarding issues that affect the Bank and its employees.**

Employee advocacy

The OTP Group provides for the representation of its employees' interests in accordance with the relevant legal and statutory requirements. At the parent company, OTP Bank, the workforce is represented by:

- National Union Executive Committee consisting of 58 sub-organisations arranged along regional lines, and
- a national, 13-member Workers' Council.

The Bank's obligations towards its employees, as well as the scope of authority of the various individual organisations, are regulated:

- in respect of unions, by the effective Labour Code, and by the Collective Bargaining Agreement that applies to all employees of the Bank,
- in respect of the Workers' Council, by the Works Agreement concluded between the Bank and the Council, drafted in accordance with the provisions of the Labour Code.

In the fair and mutually respectful working relationship that the Bank enjoys with the two employee representation groups, the stipulations of the underlying documents, and the provisions of law, are fully complied with.

The two organisations – with the aim of upholding the interests of employees – are widely represented in the Bank's various departments. One means of assuring this is through the delegation of employees, to the Supervisory Board of OTP Bank, employees' rights committees, the Welfare and Social Committee, and the Bank's Ethics Committee.

Healthcare

Preserving the health of our employees, and assisting in their recovery from illness, has long been regarded as a priority area. The level of care that we provide exceeds the statutory minimum, and many of our subsidiaries also make use of the healthcare services available to the parent company's head offices. The quality of healthcare services remained unchanged in 2007, in comparison to the previous year. In the Bank's branch network, the regional managers are responsible for ensuring the provision of healthcare services, which makes it possible to take local requirements into consideration, while consistent standards are maintained throughout the Bank's organisation. The parent company and the subsidiaries use the means at their disposal to provide comprehensive support for the treatment of illnesses and preservation of health. One means of furthering this goal is the lifestyle planning service offered by the OTP Health Insurance Fund. One of the Bank's central office buildings is a participant in the "Heart-Friendly Workplace" program, under which healthy meals are specially indicated on menus at the restaurant that operates in the building. *An objective for 2008 is to extend this scheme to all our buildings with their own catering facilities.*

Beneficiaries of the health preservation program (OTP Group in Hungary – typically)

	Education / Training	Sickness-related counselling	Prevention / Risk management	Treatment
Employees	No	Yes	Yes	Yes
Employees' families	No	Yes	Yes	No
Local communities	No	No	Yes	No

We ensure healthy and safe working conditions for our employees as specified in the Collective Bargaining Agreement and the relevant internal regulations. Owing to the nature of the group's activities, only a small proportion of its staff are engaged in hazardous occupations.

When fitting out workstations we place considerable emphasis on ergonomic considerations. Renovation of the premises of the foreign subsidiaries is being performed under the professional supervision of the parent company, ensuring that good practices are applied throughout the region.

Examples of responsible conduct towards employees at international subsidiaries

- In Bulgaria DSK Bank achieved notable results with its HR investments; according to research by Deloitte, the HC ROI¹ exceeded 450%.
- CJSC OTP Bank is regarded by the leading Ukrainian media as one of the best employers in the country, due – among other factors – to the excellent social benefits it provides to its employees.
- In Montenegro the CKB Bank Group has an excellent reputation as an employer; the bank places particular emphasis on the continuous training and individual development of its employees, through the holding of both in-house and external training courses.
- In 2007, OTP banka Srbija developed a system for the comprehensive training of its employees, offering them opportunities to develop further in their given specialist field. The Code of Ethics sets forth the bank's philosophy, operating regulations, and the standards of ethical conduct expected from both employer and employee.
- OTP Bank Slovensko regularly distributes questionnaires and uses a wide range of communication channels (e.g. Intranet, HOT Box) to canvass the opinions and suggestions of its employees. The bank strives to put the ideas and proposed initiatives into practice, and provides incentives to encourage additional active contributions from its staff.
- The Romanian Bank places particular emphasis on the training of its employees, and offers incentives and rewards for innovative ideas (e.g. suggestions for the recycling of used envelopes).
- In Russia, Investsberbank presents gifts to the children of its employees in the new year.

¹ [(Gross profit+HR expenses)/HR expenses]. Average for the European bank sector: 200%; average for the best-performing banks: 400%. Source: Deloitte.)

Absenteeism due to illness

	OTP Bank	OTP Group (H)
Absenteeism due to illness (number of days)	81.187	134.993
Rate of absenteeism	approx. 4.4%	approx. 5.0%
Sick leave	35.591	56.901
Sick pay	43.047	75.341
Accident pay/benefit	2.549	2.751
Childcare sickness allowance	3.938	6.732
Number of accidents	16	18
Number of days lost due to accidents	384	438

The Bank Group keeps accident statistics in accordance with Act XCIII of 1993 as amended several times and the stipulations of the internal Health and Safety Regulations issued in accordance therewith.

Recreation

Besides ensuring a healthy and safe working environment, we also consider it important to provide our staff with recreational and leisure opportunities. No changes have occurred with regard to the holiday facilities (3 holiday resorts and 2 weekend cottages) owned by the OTP Group in Hungary and available for the use by the staff of all Hungarian group members. As in

previous years, the holiday facilities had a high occupancy rate, with a total of 6,833 employees and their families taking advantage of this vacation opportunity in 2007. Our family day, which has always been an extremely popular event, and our large end-of-year celebration, were attended by more than 7,000 people. Our 15 sporting clubs continued to function as in previous years. **OTP Bank will host the interbank sporting championships in 2008.**

5.4 Suppliers

We define our suppliers as those stakeholders that are in a contractual relationship with the group, based on which they provide the group with some form of product or service. Budgeting is performed centrally, and in order to boost efficiency and leverage economies of scale we make an effort to centralise procurements wherever possible. We rate suppliers, with price, quality, efficiency and reliability being the main criteria in the selection process. In the course of tendering for suppliers, energy efficiency is an express requirement with regard to the procedures applied and equipment procured, and a certificate of good moral standing is also a basic prerequisite. We naturally also endeavour to ensure equal opportunities in the course of selecting our suppliers. Wherever possible members of the group assist organisations that employ people with disabilities, by purchasing the goods and services they offer. One example of such cooperation is the partnership between OTP Life Annuity and the Budapest Metropolitan Council Home for the Mentally Disabled, while OTP Bank has also commissioned an institution that

cares for the intellectually challenged to supply it with corporate merchandise. **In 2008 we plan to complete the process of overhauling our supplier selection system, to focus more closely on environmental and ethical considerations. We demand that all our suppliers comply with these requirements.** We are in a position to shape the attitudes of our suppliers by setting a good example, and intend to make more effective use of this opportunity in the future. **We aim to ensure that the employees of companies performing outsourced activities on our behalf should also comply with our Code of Ethics, and from 2008 our outsourcing contracts will contain clauses to this effect.** Although the size and market weight of the OTP Group potentially gives it the power to dictate terms to its suppliers, in all cases we strive to forge fair, long-term business partnerships based on two-way communication. The specifications of procured products and services are determined through a continuous series of consultations, to ensure that we always arrive at the most optimal solution for any given need.

5.5 Competitors

No significant changes occurred to the means by which we maintain contact with competitors in comparison to the previous year. These relationships continue to primarily involve the monitoring of each other's activities, and liaison through interest representation groups. Due to its role, operations and objectives, the Hungarian Development Bank (MFB) represents an exception, and a good working relationship has developed between the two banks. The MFB often requests

our assistance regarding certain professional issues, and in the development of banking products associated with state aid, and OTP Bank frequently participates in the financing of such schemes.

In response to the findings of the stakeholder forum on reporting, and at the suggestion of non-governmental organisations, we plan to establish a common forum through which to engage our competitors in a dialogue regarding CSR issues.

5.6 Government agencies

Due to their regulatory and supervisory roles, government agencies and authorities maintain almost daily contact with individual members of the group. In many respects our cooperation with government agencies goes beyond the simple fulfilment of our statutory obligations.

On occasion the Bank consults with the Competition Board regarding its planned marketing communication events, to ensure compliance with competition law in all cases.

We participate in numerous financing schemes

related to the granting of state or EU aid, and in this capacity we also play a part in elaborating the terms and conditions, using our market skills and know-how to help find the most effective possible solution.

Local municipalities make up an important part of the Bank's clientele, predominantly as users of the financial services we provide. The special products developed for these customers are described in the section devoted to our business results.

5.7 Non-governmental organisations, support and sponsorship

OUR CHARITABLE-CONTRIBUTION AND SPONSORSHIP ACTIVITIES FOCUS ON TWO MAIN AREAS: EQUAL OPPORTUNITIES AND COMMUNITY BUILDING. WE CONCENTRATE ON ASSISTING DISADVANTAGED AND SICK CHILDREN, PROMOTING YOUTH EDUCATION AND IMPROVING THE QUALITY OF LIFE AND THE CHANCES OF THE PHYSICALLY AND MENTALLY CHALLENGED, PRIMARILY THROUGH THE FORGING OF LONG-TERM COOPERATIVE PARTNERSHIPS, AND THE ORGANISATION OF EVENTS AND PROGRAMS. WE PRIMARILY ASSIST IN THE HOLDING OF CULTURAL AND SPORTING EVENTS THROUGH SPONSORSHIP, AND BESIDES NATIONAL EVENTS WE ALSO EMBRACE SPORTING INITIATIVES ORGANISED AT REGIONAL AND LOCAL LEVEL.

The group maintains relationships with NGOs, as organisations that represent the interests of society and promote social stability, both through its role as a financial service provider, and as a sponsor. Due to the typical nature of NGO operations, the latter role is particularly important. Through its donations the Bank plays an important part in the provision of support for voluntary-sector organisations, and thus in the fulfilment of social objectives. Of the members of the OTP Group in Hungary, OTP Bank is the largest donator to social causes, while among the subsidiaries it is primarily the larger companies – OTP Garancia, OTP Real Estate, OTP Fund Manager – that engage in support and sponsorship activities on a large scale. The individual regions within the Bank also have independent sponsorship programs, which creates an opportunity to provide more effective assistance at local level.

The objective of our support and sponsorship activities is to find as many points of contact as possible, and to strengthen our relationships with partners by supporting deserving causes, programs and events that service the interests, endeavours and needs of society as a whole. The Bank's support and sponsorship activities focus on two main areas: equal opportunities and community building.

Equal opportunities

Through its support activities OTP Bank aims to assume a role in the everyday lives of Hungarian people and society, as an active helper and nurturer, by creating the chances that they need in order to meet the growing challenges of today's world. OTP Bank does all it can to support initiatives that create opportunities to raise the living standards of an individual or community, or a disadvantaged group within society. Accordingly, in our support activities we concentrate on assisting disadvantaged or sick children, improving the living circumstances and life opportunities of the disabled, and providing education for young people, primarily through the establishment of long-term cooperative partnerships with organisations that are dedicated to these causes.

Major programs implemented by the organisations we support:

For 14 years we have assisted in improving the opportunities of disadvantaged children through

a variety of programs launched together with the International Children's Safety Service. We provide financial support for medical treatment and operations, operate a clinic and mobile dental surgery, and run a program to place children under state guardianship with foster parents. Besides these initiatives, we raise additional funds for worthy causes by organising charity events and placing collection boxes in our branches.

In the run-up to the end-of-year festivities, as a part of our "Santa's Workshop" initiative, we collect donations and gifts, which are subsequently distributed among the most needy by UNICEF and the Hungarian Red Cross.

We participate actively in the annual awareness-raising campaign held by the Hand-in-Hand Foundation, to promote the acceptance of the intellectually disabled, and improve their chances in life.

We support the work of the Hungarian Special Olympics Association to draw attention to the outstanding achievements of disabled sportspersons.

We purchase, and send out to our customers, corporate merchandise made by people with intellectual disabilities, with the aim of assisting in their social integration.

Our foundation, the OTP Fáy András Foundation, which aims to raise the standards of vocational training in economics and finance, every year donates textbooks and other study aids to students, and to the libraries of vocational secondary schools, thereby expanding their knowledge base. The foundation also develops the economic and financial vocational skills of secondary school students, through a series of training courses in which schools can apply to participate.

For many years now the Bank has used a substantial proportion of its mandatory vocational training contributions to assist in raising the standards of specialist training at higher and secondary-level in Hungary. Our support policy places particular emphasis on assisting those universities, colleges and secondary-level education institutions that fulfil a leading role in providing finance-related vocational training in the region, and on financially supporting the education of socially disadvantaged young people, as a part of which in 2007 we continued

Examples of support and sponsorship practices at international subsidiaries

- Based on data issued by the Bulgarian Donors' Forum, DSK Bank Bulgaria is one of the largest donators on the country.
- The CJSC OTP Bank launched a number of charitable initiatives primarily aimed at improving the healthcare situation and education opportunities of children, in a value of around EUR 40,000 in 2007.
- For more than a decade CKB has set aside considerable funds for supporting science, the arts, culture and sport.
- OTP Bank in Croatia is an active sponsor of education, sport and healthcare.
- OTP Bank in Serbia sponsors education, healthcare, sport, culture and the arts, and provides assistance to a provincial theatre company that has existed for some 30 years, and gives free performances in Hungarian. The bank also donated a specially adapted vehicle to assist children and young people, and protect their health.
- OTP Bank in Slovakia makes contributions in two main areas: creating equal opportunities for primarily and secondary school pupils and disadvantage groups within society, and initiatives aimed at strengthening the culture of the Hungarian community in Slovakia, cultural and social events, the preserving of traditions, joint Slovakian-Hungarian community programs.
- Experience gained by the Romanian subsidiary in the course of its sponsorship activities shows that its initiatives to sponsor events that serve objectives at local level (town, school) are the most successful, and therefore it gives preference to these (e.g. Oradea Partium University sports day, Ady Secondary School, Miercurea-Ciuc festival).
- The Russian bank also mainly supports local communities, assisting in school renovations, development of medical facilities, the modernisation of playgrounds, organising youth Olympics in schools, and providing assistance to military veterans.

to sponsor the "Starting Blocks" initiative, launched by the Hungarian Banking Association.

Community building

As the market-leading provider of retail financial services, and a financial partner of the municipalities, OTP Bank regards community building as a key element in its support and sponsorship philosophy. The Bank places particular emphasis on supporting community initiatives, nurturing and perpetuating traditions, preserving existing national treasures and creating new ones, and sharing

them with as many people as possible.

The Bank's decades of experience, and its encounters with the human side of customer relations, have taught us that one of the most difficult aspects of community building is maintaining a dialogue and openness between people. The best vehicle for engaging in dialogue is culture, in all its guises, and the best venue for doing so is the cultural event itself. This is why we sponsor cultural happenings and institutions that represent quality and impart sound values.

In the world of sport, we aim to help promote a successful sporting culture in Hungary by sponsoring regional and international sporting fixtures and popular team sports that have a broad base of supporters. We primarily assist in the holding of cultural and sporting events through sponsorship, and besides national events we also embrace sporting initiatives organised at regional and local level. As Central and Eastern Europe's leading business group, we are also participating in a growing number of cross-border initiatives. More information regarding our support and sponsorship activities, the organisations we support and partners we cooperate with, is available through our website.

In the course of preparing our stakeholder map – in conjunction with those non-profit organisations with which OTP Bank maintains a relationship – we organised a stakeholder discussion, with a view to further developing our cooperation with non-governmental organisations. At this forum, it was established that it would be far easier to build relationships between NGOs and the company if the sponsorship guidelines and opportunities to receive assistance were made public. In the experience of the NGOs, such information is not forthcoming in the case of most Hungarian corporations. In our opinion, under the current Hungarian practices, the initial contact is usually made by the sponsored organisations themselves. The matching of companies with potential beneficiaries of their support would certainly be improved if the companies provided clearer information regarding their sponsorship guidelines and objectives. The voluntary organisations would also be grateful to receive support from companies in the form of specialist expertise, for example in the field of organisational development and the preparation of reference materials, and through schemes under which the companies' employees are encouraged to participate in their

support activities. Other promising avenues for cooperation could be the use of services provided by the NGOs. *We will take all these factors into consideration during the overhaul of our support activities that is planned for 2008, to ensure that the assistance we provide is as effective as possible.*

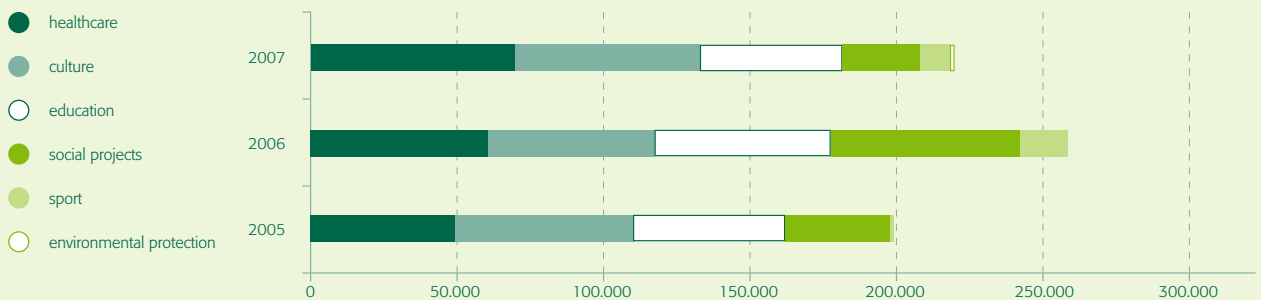
Forms and extents of support: :

- The main areas in which we make donations are culture, education and social welfare, while environmental protection was also added to the range of causes supported by the Bank in 2007.
- Our sponsorship activities focus on culture, education and sport, and in terms of volume the amounts spent on these come to more than twice the sums provided in the form of straight financial support.
- In 2007 the Bank once again assumed a role in the implementation of almost 400 nation-

nal and regional initiatives, either through the provision of financial support or as a sponsor.

- Although they represent a lower volume, non-monetary donations are just as important as financial assistance to the organisations that we support. This involves the donation of equipment and other items no longer used by the Bank, to institutions and organisations that need them.
- We are also continuously expanding the types of charitable work performed during working hours. Placing of our support activities on a more structured footing, and continuing to promote employees' participation in these initiatives, are tasks for us in the years ahead. *To achieve this aim, in 2008 we will identify those organisations and initiatives that could benefit most from the work of our employees.* We aim to provide assistance in those regions and areas that need it the most.

Donations and charitable contributions in 2005, 2006 and 2007 (HUF thousand)



5.8 Media

We regard it as imperative to continuously provide our customers, investors and the general public with comprehensive information regarding our business results, development, products and services. An important means of providing this information is rapid, precise, credible and consistent media communication.

In keeping with our policy of engaging in consequential and proactive media communication, we regularly hold a variety of media events: press conferences, press briefings, and interviews given to representatives of the Hungarian and foreign media. Besides these, we also provide the media

with information through the publication of press releases. Journalists are welcome to contact, and meet in person, the senior executives of the credit institution.

A key factor ensuring the Bank's profitable operation is the ability of its customers and shareholders to make informed decisions. The purpose of purposeful, responsible media communication is to convey the transparency of our banking operations, our status as an innovative financial service provider, and our corporate social responsibility, which serves to strengthen the bond of trust between the Bank and its customers.


6. Our environmental performance

"Nature is vast, man is tiny. Therefore man's existence depends on what kind of relationship he can maintain with nature, the extent to which he understands it, and how he uses its powers for his own good."

SAINT ALBERT THE GREAT



WITH REGARD TO OUR ENVIRONMENTAL PERFORMANCE, OUR GREATEST ACHIEVEMENT IN 2007 WAS TO BROADEN THE RANGE OF INFORMATION COLLATED, WHICH ALSO MAKES IT POSSIBLE TO MEASURE THE EFFECTIVENESS OF OUR ENVIRONMENTAL INITIATIVES. THE SIZE OF OUR COMPANY, AND ITS RELATIONSHIP WITH THE POPULATION, CREATE AN OPPORTUNITY TO SHAPE THE ATTITUDES OF SOCIETY. AS A PART OF THIS, WE ENCOURAGE OUR CUSTOMERS TO REQUEST ELECTRONIC BANK STATEMENTS, IN ORDER TO CUT DOWN ON PAPER USAGE.



As regards our environmental performance, we regard our greatest achievement in 2007 as being the considerable expansion in the range of information collated. Although information gathering at the Bank and the Bank Group in Hungary is not yet fully comprehensive, we have made great advances in determining the quantities of energy, natural resources and materials used. Climate change is one of the major challenges of our age, which will have an impact – albeit one that differs in its extent and form – on every individual and organisation. For this reason, reducing climate change and its effects is a responsibility that we all share. Among the various greenhouse gases, carbon dioxide is the main contributor to climate change, which is why we have estimated the quantity of CO₂ emitted indirectly and directly by the group, and set ourselves the goal of reducing these emissions continuously from one year to the next. In future we will continue striving to institutionalise environmentally sound practices, and propagate them within the Bank and among the other members of the group. We intend to participate actively in environmental protection tenders and initiatives. For example we are submitting an entry in the Green Frog awards competition, and plan to launch a pilot Green Office program. Our environmental protection regulations are in the process of being drafted, and will be introduced in 2008 as planned. In the course of designing new buildings and

renovating existing ones, the Bank employs solutions that also take environmental and ergonomic factors into consideration. Renovation of the premises of foreign subsidiaries is professionally supervised in a consistent manner, with the result that all good practices – including those related to the use of IT equipment – are extended to the whole group.

Materials usage

Work at the Bank and the OTP Group is predominantly performed in an office environment, which defines the nature of the materials used. Through its marketing publications the Bank, both directly and indirectly, is a major user of paper and the ink cartridges uses for printing. It is our objective, through compliance with the printing regulations developed in 2007, to reduce our usage of both paper and ink cartridges. Our target for 2008 is to achieve a 10% reduction per employee, relative to the previous year. We are examining the opportunities for using recycled paper both for administrative purposes and for our marketing materials, and aim to increase its usage wherever possible. These initiatives also helps to shape the attitudes of society, since a majority of the population, as our customers, come into contact with our paper-based information leaflets and other banking stationery. In a departure from the practice that is generally

accepted in the sector, we encourage our customers to request electronic, rather than paper-based bank statements. Under our "Bank Statement Factory" scheme, we send all the account statements issued at the same time, to the same customer at the same address, in the same envelope.

The procurement of cleaning materials and other hygienic equipment is performed by our external facility management companies. However, in the course of selecting these service providers we treated the use of environmentally friendly materials as a key criterion, and regularly check the usage of such materials.

Materials usage	OTP Bank	OTP Group (H)
Quantity of paper procured directly (t)	727	919
Weight of window envelopes used (t)	0,7	26
Weight of ink and toner cartridges used (kg)	89	2.082
Weight of CD and DVDs used (kg)	203	408

The values in the table are based on estimates and calculations.
Window envelopes are indicated separately because they do not consist exclusively of paper.

Energy and water usage

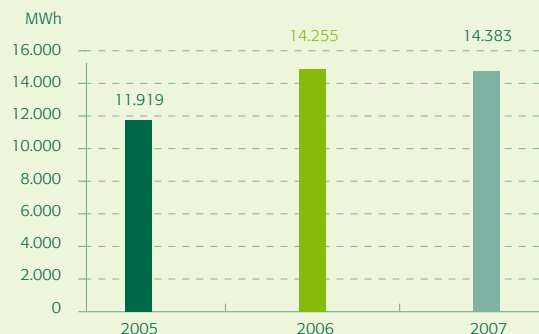
The Bank's efficient operation is assured by a number of measures implemented in previous years, and the rational use of resources. Most of the energy we consume takes the form of electrical power, and for this reason we keep a close eye on technological and technical advances, and when carrying out new investments or performing renovations we always strive to employ the most energy-efficient solutions. We have examined, with the assistance of specialist con-

sultants, the opportunities for energy optimisation at all our buildings that consume energy on a large scale, and have implemented the necessary measures based on the findings of these studies. As a result, measured data pertaining to the central buildings with the highest effective consumption proves that we have succeeded in reducing the quantity of energy consumed per employee by close to 10% relative to 2007. At the same time the overall increase in electricity usage resulting from the considerable centralisation of tasks was negligible.

Resource usage	OTP Group (H)
Electrical energy (GJ)	166.275
Gas energy (GJ)	98.065
Solar energy (GJ)	160
Total energy consumption	264.500
Water (m ³)	116.318

The values in the table are based on estimates and calculations.
Owing to the fact that settlement with service providers is performed retrospectively, the figures may be adjusted at a later date to reflect actual consumption.
District heating is used in some units of the branch network and at certain members of the group, but not in the Bank's head offices, and accounts for a negligible share of total consumption.

Consumption of electrical energy at OTP Bank's central buildings



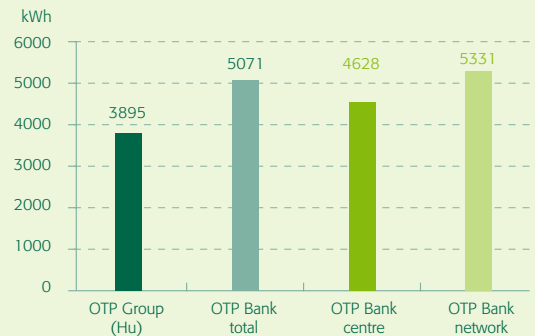
* The difference between the 2006 data and the figures published in last year's report is due to the retrospective settlement with service providers for the difference between estimated and actual consumption.

Owing to the high number of business sites operated by the Bank Group, besides evaluating overall consumption it is also expedient to analyse the structure of resource usage, since this provides the basis for achieving gains in efficiency. Electricity is consumed more efficiently at the head offices of OTP Bank than in the bran-

ches, which are high in number but have lower individual consumption volumes.

We plan to launch a number of initiatives aimed at encouraging staff to save electricity, such as the shutting down of computers and other electrical appliances outside of working hours and when they are not in use.

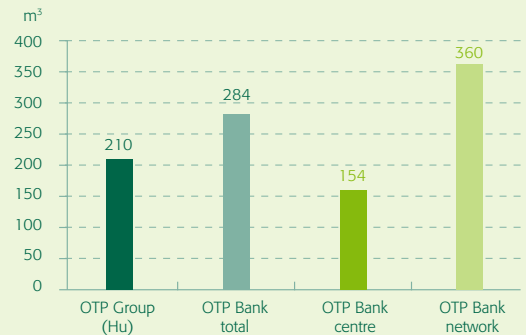
Per capital electrical energy consumption of the OTP Group



An evaluation of the gas consumption data reveals strikingly low nominal consumption at the Bank's head offices, which is largely due to the

effective use of the state-of-the-art building management system.

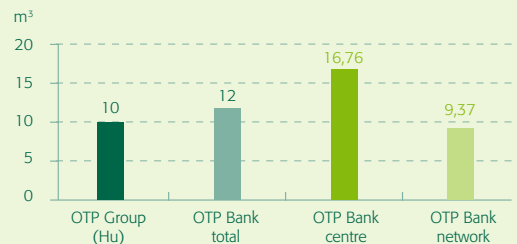
Per capital gas consumption of the OTP Group



Owing to the nature of its activities, the Bank Group cannot be regarded as a major consumer of water. As in previous years, the water used is

drawn from the municipal supply network, and waste water is disposed of via the public sewage system.

Per capital water consumption of the OTP Group



No changes occurred in comparison to the previous year with regard to the usage of renewable energy sources. At the company's holiday resort in Balatonszemes, solar panels are used to provide hot water and augment the heating system. To further reduce our environmental footprint, in future we plan to install solar panels at our holiday resort in Békásmegyér. Our central document archive makes use of geothermal energy.

Waste management

As regards waste management, in a continuation of the practice introduced in 2006, we selectively collected office paper waste, used mobile telephone batteries, waste electronic data storage media and waste energy-saving light bulbs and fluorescent tubes. As in previous years, scrapped electronic equipment was removed and neutralised by suitably licensed companies. The selective disposal of paper waste is the most widespread (544 tons) form of environmentally-friendly waste management within the group. The branch network sets an outstanding example in this respect, with

Quantity of selectively collected waste	OTP Bank
Paper waste (t)	504,5
Mobile telephone batteries (kg)	52
Electronic data storage media (t)	13,9
Energy-saving light bulbs (kg)	343

almost three quarters of all selectively collected paper waste generated by the regions.

The gathering of information regarding all the waste generated by the organisation is a task for 2008; we also aim to increase the proportion of waste selectively collected and sent for recycling or energy production. We plan to expand the range of waste types that are disposed of selectively, and extend the recycling initiative to a greater number of organisational units.

Examples of environmentally responsible practices at international subsidiaries

- Two of DSK Bank's buildings have been rated as energy-efficient. When designing the new central office building, which is currently under construction, the most stringent environmental standards were taken into consideration.
- For its physically disable customers, all the branches of OTP Banka Hrvatska are barrier-free.
- For OTP Bank in Romania, reducing its environmental footprint is an important objective: switching the computers off at night reduces energy consumption, and leads to a one-ton fall in CO₂ emissions. When selecting furniture, preference is given to products made from recycled material from the local lumber industry. The bank launched its "Selective Waste Disposal for Beginners" program, under which paper, food waste and ink cartridges are collected separately. A plan for the future is to extend this scheme and begin to use recycled paper. Petrol-powered cars are fitted with manual gearboxes, which reduces consumption and CO₂ emissions. An objective for the future is to reduce the impact arising from travel, by supporting the use of public transport and encouraging distance work. The bank also plans to procure hybrid-powered vehicles. All of the bank's branches are barrier-free.



Company vehicles, business travel

At the end of 2007 the Bank Group's motor pool consisted of 560 vehicles. The majority of our vehicles are still petrol-powered. However, when procuring new vehicles – owing to their lower fuel consumption – we give preference to cars with diesel engines, which emit lower levels of CO₂. When purchasing cars we also give preference to vehicles with a lower power output, which are more fuel-efficient. Apart from the obvious reduction in carbon-dioxide emissions that it will bring, the procurement of two hybrid-powered cars also marks a change in our approach. One of the greatest challenges for the OTP Group in 2007 was the integration of its foreign subsidiaries, which led to a subst-

stantial increase in travel abroad. The number of employees participating in business trips rose at a similar rate to 2006. The majority of trips by airline are clearly attributable to OTP Bank, with 85% of these journeys accounted for by the parent bank, whose staff made a total of 1,955 trips in 2007.

Video conferencing is an increasingly common means of communication between the Bank and the subsidiaries, and has led to a substantial fall in travel requirements.

In accordance with plans, the fitting out of a video conferencing suite with a capacity of 20-25 persons is currently under way, to be completed in 2008.

Type of CO ₂ emissions		Emissions of the OTP Group (H) (t)	Emissions per employee (t)	Emissions of OTP Bank (t)
Direct	Vehicle emissions	2.330	0,19	1.660
	Air travel-related	922	0,08	790
Indirect	Resulting from electrical energy consumption	10.772	0,90	4.682
	Resulting from natural gas consumption	4.765	0,40	4.522
	Resulting from paper usage	568	0,05	436
Total		19.357	1,62	12.090

The CO₂ emissions values have been calculated in accordance with the relevant statutory provisions, based on industry estimates and official emissions data. The quantity of CO₂ emissions resulting from the use of district heating is not included in the table.

Estimated CO₂ emissions of the OTP Group

The CO₂ emissions of the members of the OTP Group in Hungary can be divided into direct and indirect emissions: direct emissions are generated by transport, while indirect emissions result from energy consumption and the manufacturing of the material used most heavily by the Bank

Group – paper. The level of carbon-dioxide emissions is influenced by several factors, which makes it suitable for use as an indicator of the Bank's environmental performance. In 2008 we aim to achieve an improvement in this global performance indicator, that is, to achieve a year-on-year reduction in overall CO₂ emissions, as well as CO₂ emissions per employee.



7. Summary of our objectives

Our undertakings ensure fulfilment of the objectives of the CSR strategy.

General objectives:

- From 2008, extend the reporting process to the foreign subsidiaries of the OTP Group.
- Introduce the data gathering mechanism, making it easier to collate empirical data related to our corporate social responsibility activities.
- Ensure that the good practices arising from our corporate social responsibility program are widely perceptible.
- Join the United Nations Global Compact in 2008.
- Complete fulfilment of those undertakings from 2006 that have not yet been realised, and make progress towards the achievement of our long-term objectives.

Economic objectives:

- A continuous objective, and thus one that applies in 2008 as well, is to increase the number of court and other authority proceedings in which a successful result is achieved.
- Secure funds/guarantees at preferential terms under the European Union's JEREMIE program in 2008.
- Develop, from 2008, a special loan product for the financing of investments undertaken by micro and small enterprises, to improve the companies' chances of successfully applying for non-repayable aid grants and gaining access to other available financial subsidies.
- Develop new products for condominiums, for the financing of projects aimed at mitigating the impact of rising energy prices. Launch a free account management promotion for condominiums and housing cooperatives that take out loans, and run promotions for companies engaged in apartment building management in 2008.

- Create special services for non-governmental organisations and associations in 2008.

Social objectives:

- Hold an annual Investors' Day, in 2008 in Bulgaria
- Continue to increase customer satisfaction, in line with the targets.
- In order to gain a deeper understanding of customer opinions, introduce customer satisfaction surveys at branch level in 2009.
- Develop and introduce a simpler customer orientation system in the branches from 2008.
- Achieve further reductions in staff turnover, to a rate of less than 13% in 2008.
- Launch targeted initiatives to ensure the better recognition of performance, in terms of both prestige and financial rewards, to expand the opportunities for self-fulfilment, and to create a healthy balance between work and private life.
- In 2008, hold a staff opinion survey regarding issues that affect the Bank and its employees.
- Continue to develop the career management program, and extend it to other regions in 2008.
- Implement CSR training in 2008.
- In order to further raise the level of commitment within the Bank towards social support activities, and promote a more widespread involvement of employees in support activities from 2008.
- Conduct an employee satisfaction survey at several subsidiaries in 2008.
- Extend the healthy eating scheme to all our buildings with their own catering facilities in 2008.
- Host the interbank sports championships in 2008.
- In 2008, establish a common forum, with our

- competitors, for the discussion of CSR-related issues.
- Overhaul our supplier selection system in 2008 to ensure that it focuses more closely on environmental and ethical considerations; we will continue to demand that all our suppliers comply with these requirements.
- We aim to ensure that the employees of companies performing outsourced activities on our behalf should also comply with our Code of Ethics, and from 2008 our outsourcing contracts will contain clauses to this effect.
- Bring our support policy into line with our CSR strategy in 2008.
- In order to expand the range of charitable work performed during working hours, and to place it on a more structured footing, in 2008 we plan to identify those organisations and initiatives that could benefit most from the work of our employees.

Environmental objectives:

- Achieve continuous reductions in per-employee and overall CO₂ emissions relative to 2007.
- Institutionalise, as soon as possible, environmentally sound practices, and extend their use within the Bank and among the other members of the Bank Group.
- Introduce environmental protection regulations in 2008.
- Through compliance with the printing regulations, achieve a 10% reduction in both paper and ink cartridge usage in 2008, per employee, relative to last year.
- Examine the opportunities for using recycled paper, and increasing its usage, both for administrative purposes and in marketing materials.
- Encourage employees to save energy, for example by switching off computers and other electrical appliances outside working hours and when not in use.
- Gather information pertaining to all the waste generated by the organisation, beginning in 2008.
- Increase the proportion of waste collected selectively and sent for recycling or energy production, continuously from 2008.
- Expand the range of waste types collected selectively, and extend the recycling initiative to other organisational units.
- Fit out a video-conferencing suite, in 2008.
- Submit an entry for the Green Frog award, which is the highest accolade for sustainability and environmental reporting.
- Launch a pilot green office program.



8. Governance, corporate structure

The OTP Group consists of the Bank and the companies with which it has a close – controlling or shareholding – relationship. The legislative background for governance of the group is provided by three main statutes: Act CXII of 1996 on Credit Institutions and Financial Service Providers, Act CXX of 2001 on the Capital Market, and – in respect of Hungarian group members – Act IV of 2006 on Companies.

Governance model

Since 1 January 2001 the OTP Group has operated in accordance with the governance model best suited to the group's special characteristics, under a country-responsibility (in the case of Hungarian subsidiaries, owner-responsibility)/central functional matrix system. The aim of the model is to ensure that this multinational organisation consisting of members operating in a variety of market environments, which differ in both size and maturity, are governed in accordance with a set of unified principles, but with consideration paid to local factors, thereby optimising business results at group level. The restructuring has resulted in a strengthening of the strategic and controlling functions.

We differentiate between three types of governance:

- Business governance: A key component of the governance system, this term typically describes the management of retail banking and sales, and corporate banking operations. The precise nature of business governance is largely defined by the activities of the given group member.
- Functional governance: The central management and controlling functions, and the group-level operation/management of the service areas, are listed under this heading. Functional governance typically pertains to the entire group, and

as such is less affected by the variations in business governance procedures arising from the differences between individual group members.

- Owner governance: A legally-based approach to governance of the group, the exercising of ownership rights between the parent company and its subsidiaries. Ownership rights and obligations extend to all members of the group that are in a close relationship with the parent company, but the mechanisms by which they are exercised are not the same.

Governance bodies

The Bank Group's senior governance bodies have been established in compliance with the relevant statutory requirements. The Bank makes an annual declaration regarding its responsible corporate governance practices, in accordance with the Responsible Corporate Governance Recommendations of the Budapest Stock Exchange. The members of the company's executive body, the Board of Directors, are elected by the General Meeting for a period of five years. In 2007 the Board of Directors had nine members, and the percentage of independent members was 33%. The Bank's management and operation is overseen by the Supervisory Board (SB), whose members are elected by the General Meeting with a mandate of three years. The SB has five members, while the percentage of its independent members is 60%. The independent members also form the three-member Audit Committee (the company does not regard SB members delegated to represent the employees as being independent). More information regarding the members of the Board of Directors and the Supervisory Board is available on our website.

Senior management of OTP Bank

Dr. Sándor Csányi (55) – Chairman & CEO
István Gresz (55) – Deputy CEO, Credit Approval and Risk Management Division
Antal Kovács (55) – Deputy CEO, Retail Division*
Csaba Lantos (46) – Deputy CEO, Retail Division**
Géza Lenk (61) – Deputy CEO ***
Dr. Antal Pongrácz (62) – Deputy CAO, Staff Division
Ákos Takáts (48) – Deputy CEO, IT and Bank Operations Division
Dr. László Urbán (49) – Deputy CEO, Strategic and Financial Division
László Wolf (48) – Deputy CEO, Commercial Banking Division

* from 1 July 2007, ** until 30 June 2007, *** until 2 April 2007

Governance bodies:

Members of the Board of Directors:

Dr. Sándor Csányi (55) – Chairman & CEO
Mihály Baumstark (59) – Chairman & CEO, Csányi Vinery Ltd.
Dr. Tibor Bíró (56) – Head of Department, Budapest College of Business
Péter Braun (72) – Electrical Engineer, Former Deputy CEO of OTP Bank
Dr. István Kocsis (56) – CEO, Hungarian Power Companies Ltd.
Dr. Sándor Pintér (60) – Chairman & CEO, CIVIL Security Service Ltd.
Dr. László Utassy (56) – Chairman & CEO, OTP Garancia Insurance Ltd.
Dr. József Vörös (56) – General Deputy Rector, University of Pécs
Dr. Antal Pongrácz (62) – Deputy CAO, Staff Division
Csaba Lantos (46) – Deputy CEO, Retail Division*

Members of the Supervisory Board:

Tibor Tolnay (57) – Chairman of the Supervisory Board, Chairman & CEO of Magyar Építők Ltd.
Dr. Gábor Nagy (71) – Deputy Chairman of the Supervisory Board, Head of Codification Group, Ministry of Finance, Accounting Division
Dr. Gábor Horváth (52) – Lawyer
Klára Vécsei (56) – Deputy Managing Director, OTP Bank North-East Hungary Region

Members of the Audit Committee:

Dr. Gábor Horváth (52) – Chairman of the Committee, Lawyer
Tibor Tolnay (56) – Chairman & CEO of Magyar Építők Ltd.
Dr. Gábor Nagy (70) – Head of Codification Group at the Ministry of Finance, Accounting Division

* until 30 June 2007

As in previous years the guidelines for the assessment and rewarding of management performance were prepared by the Board of Directors, and the terms of the share option program developed as a performance incentive for the management are approved by the General Meeting. The objectives of performance assessment are determined based on financial targets. The Board of Directors reports to the General Meeting regarding these objectives and the extent to which they have been fulfilled.

Permanent committees

The permanent committees are the group's decision-preparation, decision-making and negotiating forums. In 2007 the permanent committees were restructured to bring them into line with the Bank's new governance model, and its role as the head of a multinational group. The Board of Directors and the Supervisory Board are assisted in their work by the following committees:

- Management Committee: Coordinates the preparation of strategic decisions, and implementation of the Bank's strategic and business-policy objectives. This committee provides a forum for exchanges of views that serve to unify strategic thinking, and issues preliminary statements of opinions regarding certain proposals submitted to the Bank's governance bodies.
- Subsidiary Integration and Management Committee: Has the task of managing and coordinating the integration process and, following its completion, of ensuring that best practices are shared across the group.

The Bank Group's permanent committees in 2007:

- Ethics Committee: Has a more specialised brief than the other committees, issuing opinions regarding highly specific issues
- Asset Liability Committee: Ensures the optimal financing structure at group level.
- Credit Limit Committee: Makes decisions regarding the authorisation of loans in cases that fall within the scope of its authority (where certain predetermined limits are exceeded).

- Product Development, Sales and Pricing Committee: With regard to products sold through the OTP Bank branch network, this committee is responsible for the introduction of group-company products, amendments to their terms and conditions, their sales, and marketing communication.
- Work Out Committee: Has the authority to make decisions regarding special transactions – usually those which exceed a certain value.
- IT Control Committee: Consults with the group members regarding their planned IT investment requirements.
- Investment Committee: Approves the planned real estate investments of group members.

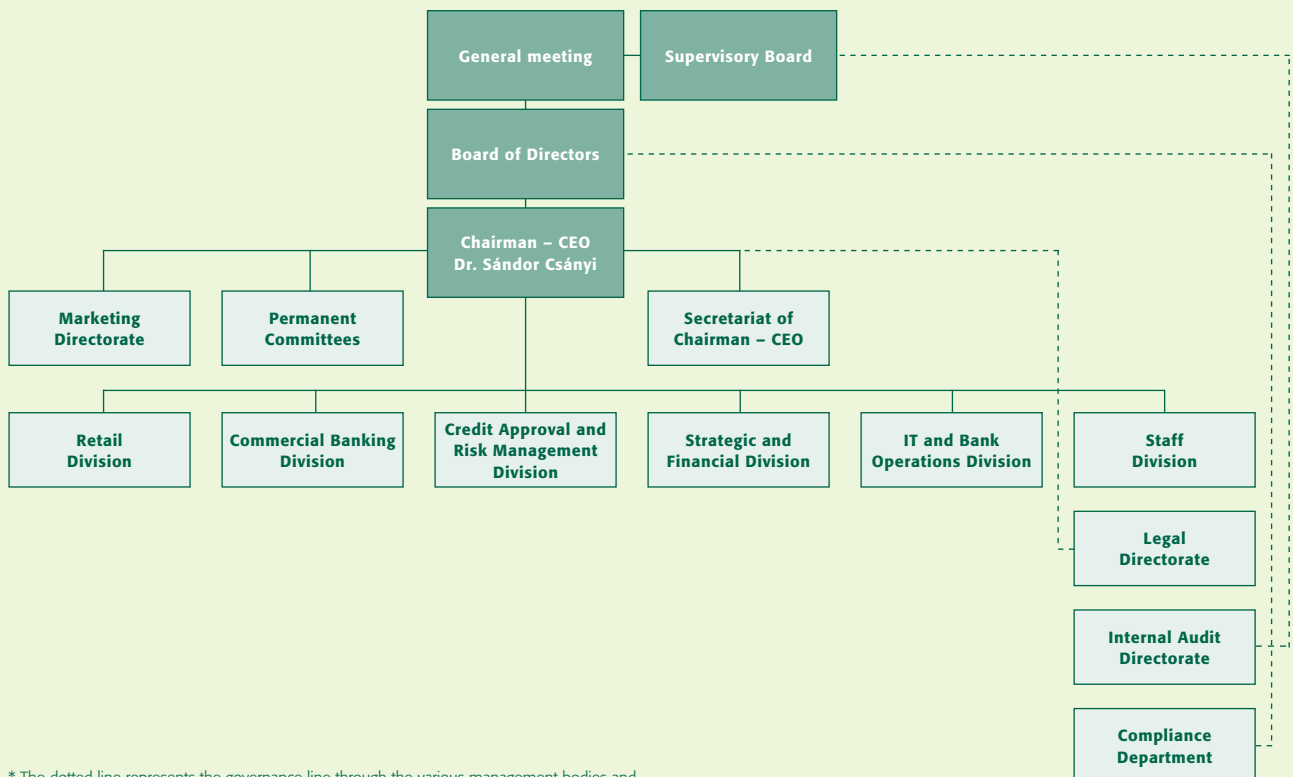
reduction in the number of departments under the direct supervision of the Chairman and CEO – with most being placed under the direction of the Staff Division.

As in previous years, the following organisational units had a prominent role in ensuring the company's responsible operation:

- Business Policy and Economics Department
- Compliance Department
- Legal Directorate
- Retail Division
- Commercial Banking Division
- Credit Approval Directorate
- Human Resources Directorate
- Bank Security Department
- Procurement and Investment Directorate
- IT Operations Directorate
- IT and Logistics Department
- Marketing Directorate.

Corporate structure

The main change to the Bank's organisational structure in comparison to 2006 was the



* The dotted line represents the governance line through the various management bodies and, where applicable, based on the statutory provisions.

9. Honours, awards, membership of professional associations

Honours and awards presented to members of the OTP Group in Hungary in 2007:

- MasterCard – Bank of the Year program:
OTP Bank came first in the “Direct Banking Service of the Year” and “Retail Lending Product of the Year” categories. In the “Népszabadság” – Most Likeable Bank of the Year” category, the Bank took second place, based on the votes of the general public.
- At the Figyelő Top 200 prize-giving ceremony, 2007 was the first year in which corporate responsibility was also taken into consideration in the judging process. OTP was named best financial institution of the year.
- Euromoney: OTP Bank topped the rankings in the following categories: “Best Bank in Hungary”, “Best Investment Service Provider in Hungary”, “Emerging Europe’s Best Company”.
- Global Finance: “Best Bank in Hungary”.
- 8th Golden Blade Creative Advertising Festival: The image commercials of both OTP Bank and OTP Garancia each won a “Silver Blade” award.
- Reader’s Digest: “Most Trusted Banking Brand in Hungary”
- Superbrands Szervezet: : “Superbrands Award” – for outstanding brand performance.
- Fine art awards presented by the Hungarian University of Fine Arts and the Association of Hungarian Fine and Applied Artists:
The Bank won the “Bank Card of the Year 2007”, and the “Bank Card Series of the Year 2007” prizes, for its OTP Bank MasterCard Credit Gold, and our new range of bank card designs
- AIESEC Hungary survey – Most Attractive Workplaces: In this survey of economics students, the OTP Group came 5th in the ranking of potential employers.
- FIABCI Association of Hungarian Real Estate Professionals:
OTP Real Estate received the Hungarian Property Developers’ Award for Quality, in recognition of its work over the past ten years.
- Catalogue award: This award went to OTP Travel, which came first in the incoming category, second with its Russian-language brochure, and third in the outgoing category.
- The Budapest Stock Exchange Innovation Award was won by OTP Fund Management: for its BUX ETF fund, which is the first index-linked exchange traded fund to be issued in central Europe.
- eFestival award in the e-learning category:
First prize in this category went to the training course entitled “Tips on Dressing”, in recognition of its high didactic standards. By winning this prize, the course was automatically nominated for the Europe-wide contest.



Members of associations:

OTP Bank is an active member of those professional organisations and associations that share its objectives, interests and value system.

The Bank's most important memberships in associations:

The Academy Club Association
American Chamber of Commerce in Hungary
Association of Certified Anti-Money Laundering Specialists (ACAMS)
Association of Securities Dealers
Budapest Chamber of Commerce and Industry Company Directors' Club
Commercial Crime International
Corporate Executive Board (BBB)
EFMA (European Finance and Marketing Association)
ESBG/WSBI Europeans Savings Banks Group/
World Savings Banks Institute
European Legal Academy
European League for Economic Co-operation (ELEC) Hungary
European Payments Council
Hírtőzsde Holding
International Chamber of Commerce (ICC) Hungary
IIEB (Institut International d'Etudes Bancaires)
Institute of International Finance
International Association of Business Leaders
International Forfeiting Association
ISACA Information Systems Audit and Control System
KÖVET-INEM Hungária (Association for Environmentally Aware Management)
National Association of Housing Cooperatives and Condominiums
Hungarian Banking Association
Hungarian Forex Society
Hungarian Law Society
Hungarian Economics Association
Hungarian Marketing Association
Hungarian Advertising Association
Hungarian Standards Institution
Hungarian Customs Association (MVSZ)
Hungarian Trademark Association
Hungarian Association of Security Executives
Hungarian Association of Senior IT Professionals
Mobey Forum
Employers and Industrialists Association
János Neumann Computer Science Society

ÖKO-LAND Association

Self-Regulatory Advertising Board

National Association of Entrepreneurs and Employers

World Economic Forum

The Hungarian group companies' most important memberships in associations:

AHITA (IRIME) – IATA Hungarian Association of Airline Ticket Agents (OTP Travel)

Association of Hungarian Investment Funds and Asset Management Companies – BAMOSZ (OTP Fund Management)

Budapest Chamber of Architects (OTP Real Estate)

IATA – International Air Transport Association (OTP Travel)

Association of Building Societies (OTP Building Society)

LCCI - Lufthansa City Center (OTP Travel)

National Federation of Hungarian Contractors (OTP Real Estate)

Architectural Science Association (OTP Real Estate)

Association of Hungarian Insurance Companies (OTP Garancia Insurance)

Hungarian Real Estate Industry Association (OTP Real Estate)

Hungarian Real Estate Association (OTP Real Estate)

Hungarian Real Estate Council (OTP Real Estate)

Hungarian Chamber of Commerce and Industry (OTP Real Estate)

ISO 9000 forum for certified companies in Hungary (OTP Real Estate)

Hotels Association of Hungary (OTP Hungaro-Projekt, associate member)

Association of Hungarian Consulting Engineers and Architects (OTP Real Estate)

Defence Industry Association of Hungary (OTP Real Estate)

Association of Hungarian Travel Agencies and Tour Operators - MUISZ (OTP Travel)

NYUSZOSZ – National Federation of Pension Fund Service Providers (OTP Fund Management)

10. Our economic performance

Consolidated financial highlights of OTP Bank

Profit and Loss Account (in HUF million)**	2006	2007	Change
Net interest income	340,186	423,698	24.5%
Net interest income after provisioning	316,189	381,614	20.7%
Non-interest income	221,798	284,285	28.2%
Total income (with net fees)	561,984	707,983	26.0%
Operating cost	319,385	416,947	30.5%
Profit before tax	218,602	248,952	13.9%
Profit after tax	187,096	208,548	11.5%

Balance Sheet* (in HUF billion)	2006	2007	Change
Total assets	7,097.4	8,461.9	19.2%
Loans and advances to customers	4,474.7	5,761.1	28.7%
Retail loans	2,646.4	3,302.6	24.8%
Corporate loans	1,610.0	2,227.7	38.4%
Municipal loans	218.3	230.8	5.7%
Interbank loans and advances	602.6	654.8	8.7%
Deposits from customers	4,232.2	5,038.4	19.0%
Retail deposits	2,912.8	3,246.6	11.5%
Corporate deposits	1,098.1	1,495.6	36.2%
Municipal deposits	221.3	296.1	33.8%
Issued securities	781.3	985.3	26.1%
Total receivables	4,474.7	5,761.1	28.7%
Performing loans	3,562.0	4,984.0	39.9%
Qualified loans	912.7	777.1	(14.9%)
Non-Performing loans (NPLs)	251.1	243.7	(3.0%)
Provisions for possible loan losses	127.6	178.7	40.0%
Shareholders' equity	788.2	895.6	13.6%

Performance Ratios	2006	2007	Change
Cost/income ratio %	56.8%	58.9%	2.1%
Return on average equity (ROAE) %	28.0%	24.8%	(3.2%)
Return on average assets (ROAA) %	3.04%	2.68%	(0.4%)
Capital adequacy ratio (unconsolidated, HAR)* %	9.88%	10.97%	1.1%
Undiluted EPS (HUF)	722	796	74
Diluted EPS (HUF)	714	794	80

* as at 31 December

** Figures presented in the statements are not consistent with the audited date because they were originated according to controlling methodology

Az OTP Bank Hungarian Core Business*

	31/12/2006	31/12/2007	Change	
	HUF mn	HUF mn	HUF mn	%
Cash, due from banks and balances with the NBH	438,704	232,219	(206,485)	(47.1%)
Placements with other banks, net of allowance for placement losses	693,884	1,061,360	367,476	53.0%
Financial assets at fair value through statements of operation	61,116	124,602	63,486	103.9%
Securities held for trading	36,075	60,385	24,310	67.4%
Fair value adjustment of derivative financial instruments	25,041	64,217	39,176	156.4%
Securities available-for-sale	547,235	510,129	(37,107)	(6.8%)
Gross loans	2,694,689	3,037,488	342,799	12.7%
Allowance for loan losses	(31,131)	(28,863)	2,268	(7.3%)
Loans, net of allowance for loan losses	2,663,558	3,008,625	345,067	13.0%
Accrued interest receivable	62,723	64,722	1,999	3.2%
Investments in subsidiaries	583,298	630,703	47,406	8.1%
Securities held-to-maturity	504,111	558,510	54,399	10.8%
Premises, equipment and intangible assets, net	101,188	110,851	9,663	9.5%
Other assets	32,774	187,327	154,553	471.6%
Total assets	5,688,590	6,489,047	800,457	14.1%
Due to banks and deposits from the NBH and other banks	559,510	757,363	197,853	35.4%
Deposits from customers	2,790,322	3,086,089	295,767	10.6%
Liabilities from issued securities	1,191,270	1,368,910	177,640	14.9%
Accrued interest payable	59,442	66,136	6,695	11.3%
Other liabilities	127,874	146,446	18,573	14.5%
Subordinated bonds and loans	247,865	298,914	51,049	20.6%
Total liabilities	4,976,283	5,723,859	747,577	15.0%
Total shareholders' equity	712,307	765,188	52,881	7.4%
Total liabilities and shareholders' equity	5,688,590	6,489,047	800,457	14.1%

* OTP Bank, OTP Mortgage Bank and OTP Building Society together.

OTP Bank Hungarian Core Business

	2006 adjusted audited	2007 adjusted audited	Change	
	HUF mn	HUF mn	HUF mn	%
Net interest income	241,153	242,413	1,260	0.5%
Provision for loan and placement losses	25,314	21,387	(3,927)	(15.5%)
Net interest income after provision for loan and placement losses	215,839	221,026	5,187	2.4%
Net fee and commission income	93,158	103,020	9,862	10.6%
Foreign exchange gains, net	(1,692)	4,876	6,568	(388.2%)
Gains and losses on securities, net	1,711	845	(866)	(50.6%)
Gains on real estate transactions, net	77	(54)	(131)	(169.8%)
Other	7,586	3,162	(4,424)	(58.3%)
Total non-interest income	100,840	111,849	11,009	10.9%
Personnel expenses	67,124	71,740	4,616	6.9%
Depreciation and amortization	17,686	20,297	2,612	14.8%
Other	89,985	80,072	(9,913)	(11.0%)
Total non-interest expenses	174,795	172,109	(2,685)	(1.5%)
Income before income taxes	141,884	160,766	18,881	13.3%
Income taxes	20,049	24,029	3,980	19.9%
Income after income taxes	121,835	136,737	14,902	12.2%

11. GRI Index

Indicator number	Description of indicator	Page	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	3	
1.2	Description of key impacts, risks, and opportunities	9–10; 15; 56–57; 60	
Organisational profile			
2.1	Name of the organisation	67;	
2.2	Primary brands, products, and/or services	11; 13; 21–27	
2.3	Operational structure of the organisation, including main divisions and subsidiaries	58–60	
2.4	Location of organisation's headquarters	67	
2.5	Locations of the company's operation	11–12	
2.6	Nature and legal form of ownership	67	
2.7	Markets served, broken down by sector and geographic area	11–13; 33	
2.8	Scale of the reporting organisation	12–13; 38; 63–64	
2.9	Changes in the organisation during the reporting period	58; 63	
2.10	Honours and awards received during reporting period	61	
Report parameters			
3.1	Reporting period	5	
3.2	Date of most recent previous report	–	We published our last CSR report in 2007
3.3	Reporting cycle	6	
3.4	Contact point for questions regarding the report or its contents	67	
3.5	Process for defining report content	5–6	
3.6	Boundary of the report	6	
3.7	Specific limitations on the scope or boundary of the report	–	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	12–13	
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	6	And in the relevant sections
3.10	Reason for the re-statement of any information already published in earlier reports	6	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	5–6	
3.12	Table identifying the location of the Standard Disclosures in the report	65–67	We also use the table for disclosing information
3.13	Policy and current practice with regard to seeking external assurance for the report.	5; 6	
Governance, Commitment and Engagement			
4.1	Governance structure of the organisation	58–60	
4.2	Indication of whether the Chair of the highest governance body is also an executive officer	58	
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	58	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	–	Act IV of 2006 on Companies
4.5	Linkage between the compensation of members of the highest governance body and senior managers and the performance of the organisation	58	

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.
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
4.8	Internally developed statements of mission, values, codes of conduct and principles relevant to economic, environmental and social performance	–	Code of Ethics, Organisational and Operational Regulations, Group Governance Regulations, Collective Bargaining Agreement
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	58	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	58	
4.11	Explanation of whether and how the principle of precaution is addressed by the organisation	20–21	Precaution in core operations
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	–	None
4.13	Membership in associations and/or national/international advocacy organisations	62	
4.14	List of stakeholder groups engaged by the organisation	6	
4.15	Basis for identification and selection of stakeholders with whom to engage	5	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	30–49	
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).	30–49	

Core Performance Indicators

Economic performance

EC1	Direct economic value generated and distributed	18	
EC4	Significant financial assistance received from government	19, 64	

Market presence

EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	–	Base capital (no change compared to previous year)
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Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	47–49	
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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	51–52	
EN2	Percentage of materials used that are recycled input materials	51–52	

Energy

EN3	Indirect energy consumption by primary energy resource	52	
EN4	Indirect energy consumption by primary energy resource	52	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	52–53	

Water

EN8	Total water withdrawal by source	52; 53–54	
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Gas and liquid emissions and waste

EN16	Total direct and indirect greenhouse gas emissions by weight	55	
EN21	Total water discharge by quality and destination	52	
EN22	Total weight of waste by type and disposal method	54	

Labour Practices and Decent Work

Employment

LA1	Total workforce by employment type, employment contract and region	37–39	
LA2	Total number and rate of employee turnover by age group, gender and region	39–40	

LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	37	
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	41	All employees
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	45	
LA8	Education, training, counselling, prevention and risk control programs in place to assist workforce members, their families, or community members regarding serious disease	44	
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	43	
LA12	Percentage of employees receiving regular performance and career-development reviews	40–41	
Diversity and equal opportunity			
LA14	Ratio of basic salary of men to women by employee category	–	No difference
Human Rights			
Prevention of discrimination			
HR4	Total number of incidents of discrimination and actions taken	29	No such incidents
HR6	Risk of child labour and the measures taken to prevent it	–	The Bank does not use compulsory labour or child labour
HR7	Risk of forced or compulsory labour and the measures taken to prevent it	–	
Society 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	19	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	19	
Product responsibility			
Product and service labelling			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	34–36	
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	34	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	19	
Sector supplementary indicators – social performance			
CSR2	CSR organisation	60	
CSR6	Stakeholder dialogue (connection to point 4.16)	30–49	
SOC1	Charitable contributions	49	
RB1	Retail banking policy (socially important issues and products)	21–27	

Our business premises:

Országos Takarékpénztár és Kereskedelmi Bank Nyilvánosan Működő Részvénytársaság (OTP Bank Nyrt.): 1051 Budapest, Nádor u. 16.

We look forward to receiving your feedback!

We regard your comments and suggestions as essential in order to ensure the Bank's continued sustainable development, so please don't hesitate to send us your feedback regarding this report.

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INDEPENDENT VERIFICATION

The Hungarian Association for Sustainable Economies (KÖVET) was commissioned by OTP Bank Ltd. (OTP) to verify their company 2007 Social Responsibility Report. KÖVET made a commitment as an expert, third-party and non-profit organization to verify the company report and evaluate OTP'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 Ltd.

Methods and tools for verification

- » compare the company's report to other international reports in the banking sector
- » a random check of reported data
- » interviews with employees of the company
- » 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 in October, 2006)
- » recommendations made by KÖVET and other stakeholders (May 29, 2008 – Report Evaluation Forum)

Report Evaluation Forum

Twenty-one representatives from stakeholder organizations were invited (shareholders, financial analysts, clients, authorities, suppliers, civil and professional organizations) to attend the Report Evaluation Forum; four of them participated actively, one expressed his opinion in written form.**

KÖVET publicly verifies that OTP provided an opportunity for its national stakeholders to express their opinions about the report before publishing took place. Changes were made in the 2007 Social Responsibility Report, or will be made in the next report, based on the proposals received. KÖVET accepted explanations for ill-founded proposals.

Opinion

Based on the above details, KÖVET can state that OTP's 2007 Social Responsibility Report is appropriate with regard to formal and abstract elements. The Bank strived to publish a well structured, well arranged and clear work for readers.

The report is of high quality as compared to Hungarian reports within the sector, and could be further developed by adopting international best practices. An outstanding fact is that OTP is the first in the bank sector to verify its Social Responsibility Report through the use of a third-party, independent organization to ensure credibility.

Many departments of the company took part in the preparation of the report. It is a commendable that the company started the procedure of the uniform collection of data at Bank Group level in 2008.

The experiences of interviews, along with the data audit, show that data collection procedures – mainly regarding environmental issues – need improvement. Based on the complex organizational structure of the bank (geographically separated regions with high autonomy, with both Hungarian and foreign group members), this is a much more difficult task than with the case of an industrial company.

Based on detailed indicators described within the document, the report satisfies the B+ level of the GRI G3 Guideline.

Recommendations for the report

- » Lay greater stress on publishing the sustainable aspects of company's activities.
- » Report on the selected indicators in as much detail as possible within the defined borders.
- » Pay great interest to the development of data collection procedures, especially regarding sustainability aspects and environmental data.
- » We advise that the company should try to reach a higher level of GRI-accordance next year by including more indicators in the report.

Evaluation of OTP Bank Ltd's sustainability performance

OTP has a great responsibility towards its stakeholders as a significant company in the Hungarian economy and Hungarian banking sector. OTP mainly stresses economic issues when developing new products, while environmental and social aspects are less thoroughly considered (in the light of legal compliance only). However, the principles of sustainability are evident in some products (e.g. Climate Change Fund). Employees working too many hours is a social problem that must be solved. The environmental impacts of the bank's activity are being reviewed and actions are being taken to reduce negative effects. An exemplary initiative is OTP plans to commence dialogue inside the bank sector on social responsibility issues.

Main recommendations for further improvement

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

- » emphasizes sustainability issues in product development;
- » assures a fair work-life balance for its employees;
- » extends the sustainability standards created by the company to its suppliers;
- » comes forward to promote and disseminate high-level ethical standards within the sector;
- » continues to involve its stakeholders in the life of the company;
- » follows and improves the extant voluntary programs.

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

Budapest, June 12, 2008



Ida Petrik
Deputy Director



Emese Polgár
Project Manager

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

** Participants of the Report Evaluation Forum:

Anikó Harasztí (Association of Conscious Consumers), Tamás Nagy (Café PIR), two person from state authority (anonymously, at their request), Péter Tardi (Super Clean International Ltd.), Ida Petrik (KÖVET), Emese Polgár (KÖVET)

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

Sustainability Ranking of Organizations	points	Local Economic Role	Environmental Impacts	Social Responsibility
Sustaining	22-25	Economically outstanding , a "jackpot" for all stakeholders, based on its independence and exemplary role in the local economy	Environmentally exemplary, establishes values , its activity and products improve conditions of the environment and health nourishes in the system	Socially pioneering , a "jackpot" for all workers and stakeholders (not only financially), extraordinary help for the local community
Public-spirited	18-21	Economically good , plays a key role in the sector, economically strengthens the local community.	Environmentally outstanding , "over-fulfills" requirements, the applied technology, products and transportation are environmentally friendly	Socially outstanding , its activity and products are very beneficial for all stakeholders, significant efforts for the local community
Compliant	13-17	Economically average , but only a few owners and customers make profit, not a completely alien body in the local community	Environmentally appropriate , but not outstanding, strives to fulfill legal requirements and not to minimize environmental impact.	Socially appropriate , makes efforts to do good for people, but its situation (basic activity, size) needs improvement.
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 for human health and natural ecosystems	Socially not acceptable, exploitive , its activity and products are destructive for people, trouble maker blow-in

