ANNUAL REPORT

2014

Summary

Message from the Chairman of the Supervisory Board

OTP Group is the leading independent financial group in Central and Eastern Europe, with a tradition of more than 60 years on the banking market. This brings a big responsibility and commitment to running our business in a way that generates value for our clients, shareholders and employees.

OTP Group has managed to maintain its stability on all markets, while laying the foundations for further development over the following years.
The consolidated net profit registered by OTP Group totals HUF 137.4 billion in 2014 (approx. EUR 456 million), as a result of the decrease of risk-related costs and shrinking of the operating income.

In Romania, OTP Bank registered an operating profit of RON 141.2 million, in 2014, with a 33% increase compared to 2013, while the total assets reached RON 6,783 million.

During these more than 10 years since we have been present on the local market, we proved that we are close to our customers, focusing on their real needs and offering unique financial products to meet their expectations.

A key moment of 2014 was the acquisition of Millennium Bank Romania, former member of Banco Comercial Português. Millennium Bank became part of OTP Group in Romania on January 8th, 2015. As a result, the market share of OTP Bank Romania is expected to rise to approximately 2%, which brings us closer to our midterm strategic goal, to get into the top 10 banks in Romania.

This acquisition fits well into our growth strategy and further consolidates our position as one of the most stable financial groups in the region, with outstanding capital strength and liquidity.

2014 was the second consecutive year when OTP Bank ranked first among the most solid foreign banks in Romania in terms of capitalization, according to data disclosed by the European Banking Authority following the asset evaluation test conducted every year by the European Central Bank.

We are a responsible company, thus we address social issues and strive to improve the mark we make in Romanian society. In 2014, we launched our own foundation on the local market, as part of our strategic approach on sustainable and responsible corporate vision. “Right to Education” Foundation is supported by OTP Group and its local subsidiary, OTP Bank Romania, as well as by the foundation of Fáy András Group in Hungary, with over 20 years of experience.

Year after year, we rank first among the most solid banking groups at European level, in terms of capitalization. This recognition validates our position as Stable and Reliable partner. We will continue to secure our position as a high quality financial services provider and we will build up on our achievements.

Kovács Antal György
Chairman of the Supervisory Board

OTP BANK ANNUAL REPORT 2014

FINANCIAL HIGHLIGHTS

Main components of the Statement of recognised income in RON million	2013	2014	Y-o-Y
Consolidated after tax profit	**953,9**	**(1.472,4)**	**n/m**
Adjustments (total)	**(1.216,7)**	**(3.171,7)**	**161%**
Consolidated adjusted after tax profit without the effect of adjustments	**2.170,6**	**1.699,3**	**-22%**
Pre-tax profit	2.751,0	2.049,5	-25%
Operating profit	6.661,5	5.968,8	-10%
Total income	12.869,0	11.894,3	-8%
Net interest income	9.717,9	9.160,1	-6%
Net fees and commissions	2.483,8	2.441,7	-2%
Other net non-interest income	667,3	292,4	-56%
Operating expenses	(6.207,6)	(5.925,5)	-5%
Total risk costs	(4.053,9)	(3.956,1)	-2%
One off items	143,5	36,8	-74%
Corporate taxes	(580,5)	(350,3)	-40%

Main components of balance sheet	2013	2014	YTD
Total assets	156.600,5	156.216,0	0%
Total customer loans (net, FX adjusted)	**94.332,0**	**83.500,5**	**-11%**
Total customer loans (gross, FX adjusted)	**113.132,8**	**99.577,5**	**-12%**
Allowances for possible loan losses (FX adjusted)	(18.800,8)	(16.077,0)	-14%
Total customer deposits (FX adjusted)	**104.240,0**	**109.262,1**	**5%**
Issued securities	6.716,2	3.803,0	-43%
Subordinated loans	4.030,2	4.014,9	0%
Total shareholders' equity	22.768,6	18.000,4	-21%

Indicators based on one-off adjusted earnings %	2013	2014	Y-o-Y
ROE (from adjusted net earnings)	9,6%	8,5%	-1,1%p
ROA (from adjusted net earnings)	1,4%	1,1%	-0,3%p
Operating profit margin	4,37%	3,88%	-0,49%p
Total income margin	8,44%	7,74%	-0,70%p
Net interest margin	6,37%	5,96%	-0,41%p
Cost-to-asset ratio	4,07%	3,85%	-0,22%p
Cost/income ratio	48,2%	49,8%	1,6%p
Risk cost to average gross loans	3,51%	3,68%	0,16%p
Total risk cost-to-asset ratio	2,66%	2,57%	-0,09%p
Effective tax rate	21,1%	17,1%	-4,0%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	89%	75%	-14%p
Capital adequacy ratio (consolidated, IFRS) - Basel3	19,7%	17,5%	-2,2%p
Tier1 ratio - Basel3	17,4%	14,1%	-3,2%p
Common Equity Tier 1 ('CET1') ratio - Basel3	16,0%	14,1%	-1,9%p

Share Data	2013	2014	Y-o-Y
EPS diluted (HUF) (from unadjusted net earnings)	240	-382	-259%
EPS diluted (HUF) (from adjusted net earnings)	546	441	-19%
Closing price (HUF)	4.100	3.811	-7%
Highest closing price (HUF)	5.302	4.875	-8%
Lowest closing price (HUF)	4.059	3.555	-12%
Market Capitalization (EUR billion)	3,9	3,4	-12%
Book Value Per Share (HUF)	5.390	4.515	-16%
Tangible Book Value Per Share (HUF)	4.699	3.948	-16%
Price/Book Value	0,8	0,8	11%
Price/Tangible Book Value	0,9	1,0	11%
P/E (trailing, from accounting net earnings)	17,9	-10,4	-158%
P/E (trailing, from adjusted net earnings)	7,9	9,0	15%
Average daily turnover (EUR million)	18	14	-18%
Average daily turnover (million share)	1,1	1,1	-7%

FX rates (in HUF)	2013	2014	Y-o-Y
HUF/RON (closing)	66,3	70,2	6%
HUF/RON (average)	67,2	69,5	3%

*Main Indicators of OTP Bank Romania S.A.**

	December 31, 2014	December 31, 2013
Loans		
Loans and advances, gross	**3.576.635**	**3.441.913**
- from which:		
Individuals	**1.648.904**	**1.657.434**
Corporate	**1.927.732**	**1.784.479**
Impairment losses on loans	**-308.863**	**-237.071**
Loans and advances, net	**3.267.772**	**3.204.842**
Investment securities available for sale	**24.165**	**7.364**
Investment securities at fair value through profit and loss	**23.806**	**73.464**
Securities held to maturity	**161.520**	**143.197**
Liabilities from credit institutions	**107.435**	**167.713**
- from which:		
Loans, net:		
Loans from EBRD	**5.788**	**9.587**
Loans from Ministry of Finance	**569**	**1.438**
Deposits from Banks	**101.078**	**156.688**
Deposits from Clients	**3.976.232**	**3.738.840**
Derivatives at fair value with group members	**75.887**	**103.290**
Total Shareholders' Equity	**487.994**	**511.447**
Total Assets	**4.734.339**	**4.610.954**

* According to the Separate Financial Statements for the year-end December 31, 2014 and 2013, prepared in accordance with the International Financial Reporting Standards as adopted by EU.

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL HIGHLIGHTS 7

Macroeconomic and financial environment

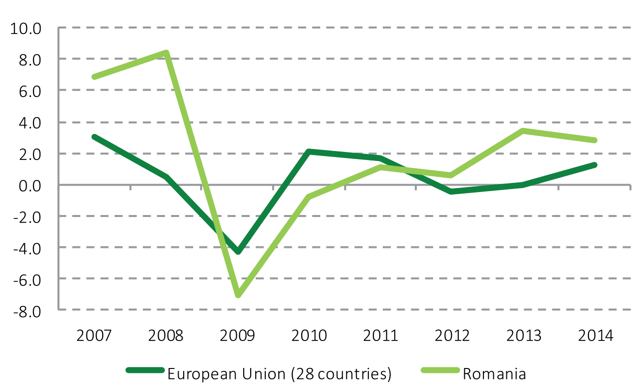
GDP rose by 2.8% in 2014, supported by rebounding households' consumption.

After recording 3.4% in 2013, Romania's GDP growth rate reached 2.8% in 2014. This performance was achieved in a situation where the economy showed some moderation in the first half of the year, also due to certain government measures (i.e. public investments were reduced significantly).

Similarly to 2013, Romania's economy outperformed the EU's average (1.3%) last year, although its advantage (the gap between Romania's and the EU's growth rate) narrowed somewhat to 1.5%, down from 3.4%.
On the expenditure side, the advance was fuelled primarily by the consumption expenditure of households as it grew by 4.5% and had 2.7% contribution to the annual GDP growth. Practically, households' consumption expenditures made up the entire growth, as the other segments had almost net zero contribution at cumulated level. Consumption rebounded last year due to several factors: nominal net wages showed stable increase, in addition, these were coupled by record low inflation levels. As a result, real wages went up significantly; labour market conditions improved further (the number of employees in the economy slightly advanced, the unemployment rate eased); on the other hand, consumers' confidence also hit seven-year high. Unfortunately, gross capital formation finished 2014 in the negative territory, but its yearly fall eased to 3.5%, down from the sharp decrease of 7.9% in 2013.

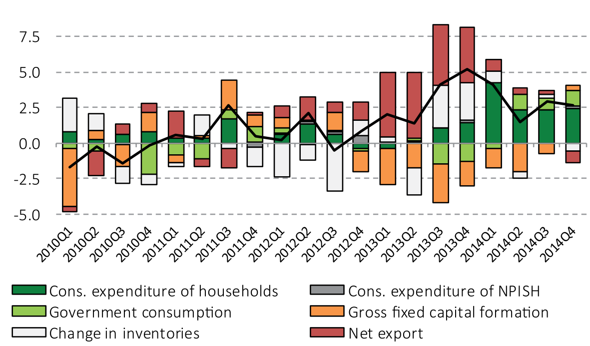
On the production side, market services and industry were the main drivers, as their contribution to the growth added up to 2.2%, but the other sectors also had slightly positive or close-to-zero contributions. Industry's and market services' added value expanded around 3.6% and 3.1%. After the good harvest of 2013, the agricultural sector could keep up and even marginally improve

Real GDP growth



Sources: Eurostat, OTP Research

Decomposition of GDP growth by expenditure-side items (quarterly data)



Sources: NIS, OTP Research

its performance. As a result, despite the initial worries, it had almost neutral impact on growth (its contribution to GDP growth stood below 0.1%). At the same time, it helped to maintain the low inflation environment.

Regarding to 2015, early data suggest positive outlook. According to the flash estimate of the National Institute of Statistics, Romania's GDP growth rate reached 4.3% YoY and 1.6% QoQ in Q1 2015. As a result, the country occupied the first place of the EU's podium. In addition, the planned fiscal easing measure may boost further economic growth.

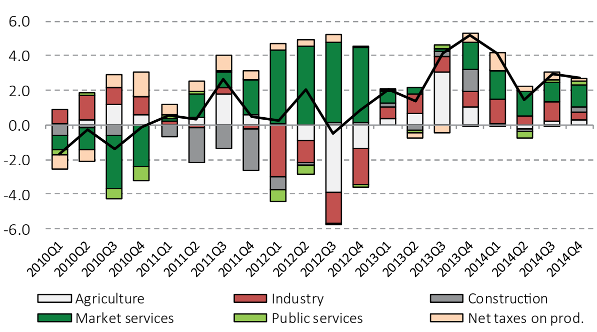
Romania's fiscal and external deficit further improved in 2014.

In 2014, Romania's general government deficit narrowed to 1.5%, down from 2.2% (ESA terms) a year earlier, while the country's public debt remained slightly below 40%. Both figures seem to be quite favourable in a European context. The fiscal consolidation process continued, as revenue collection increased by 0.4 percentage point to 33.4% of GDP in 2014, while government expenditure made up 34.9% of GDP, 0.3 percentage point lower than in 2013. At the same time, the current account deficit was halved to only 0.4%, and external debt dropped notably too.

The ILO unemployment rate eased to 6.8%, while inflation dropped significantly to 1.1%.

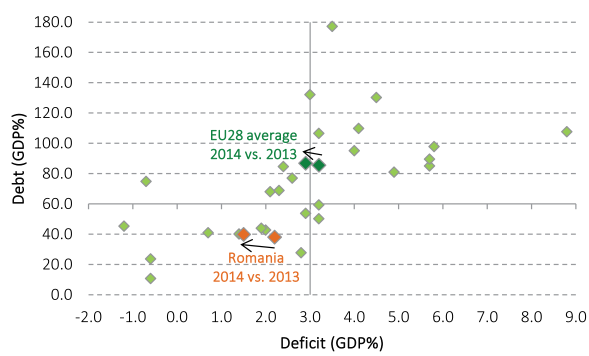
The stable GDP growth and improving outlook had beneficial impact on the labour market. After increasing to 7.1% in 2013, the average unemployment rate bounced back to 6.8%, meanwhile the number of employed persons started to grow at a faster pace. Nonetheless, these developments were not enough to close the still persistent negative output gap. In addition, the good harvest, the subdued eurozone inflation and the consolidation of inflation expectations caused consumer prices to grow by only 1.1% on average, in contrast to 4.0% registered in 2013.

Decomposition of GDP growth by production-side items
(quarterly data)



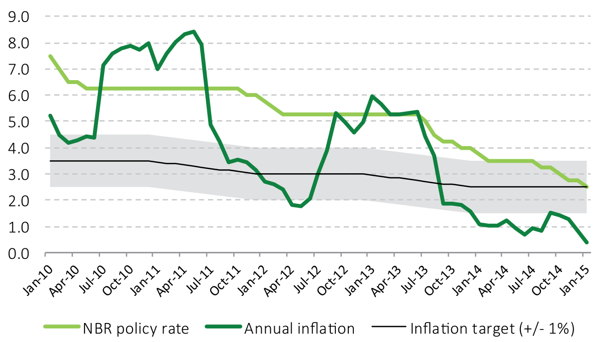
Sources: NIS, OTP Research

Government debt and deficit in the EU28
(2014 unless stated otherwise)



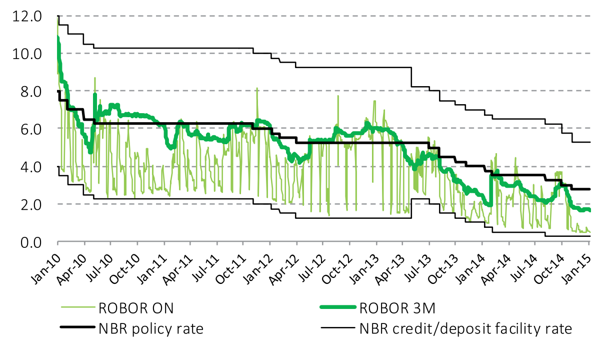
Eurostat, OTP Research

Inflation and NBR target (%)



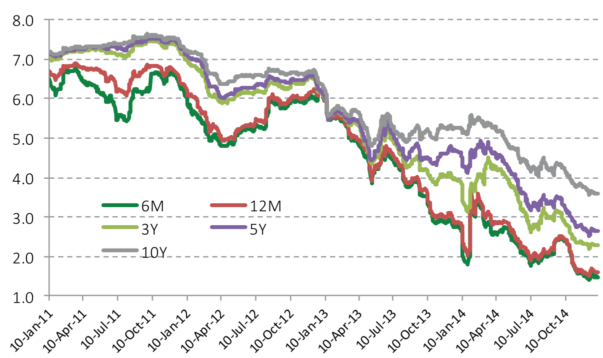
Sources: NIS, NBR, OTP Research

NBR key rates and ROBOR (%)



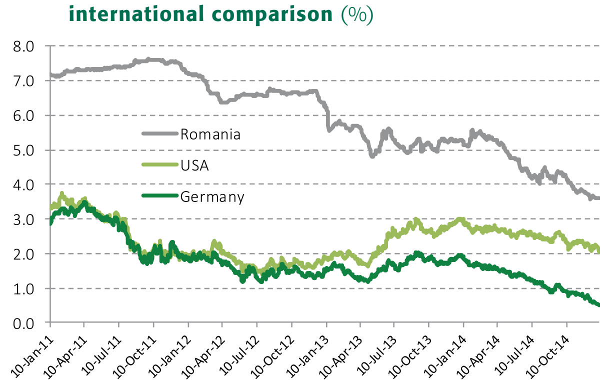
Sources: NBR, OTP Research

Government securities' yields (%)



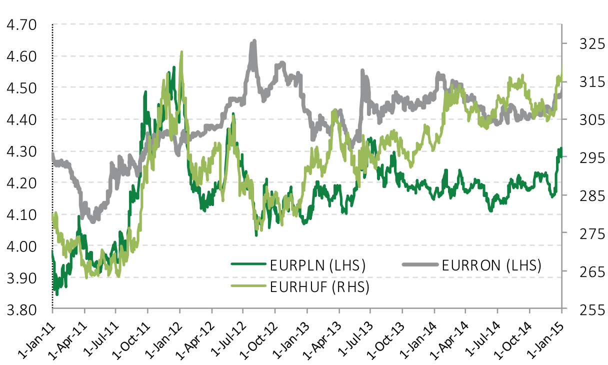
Sources: NBR, OTP Research

Government securities' yields, international comparison (%)



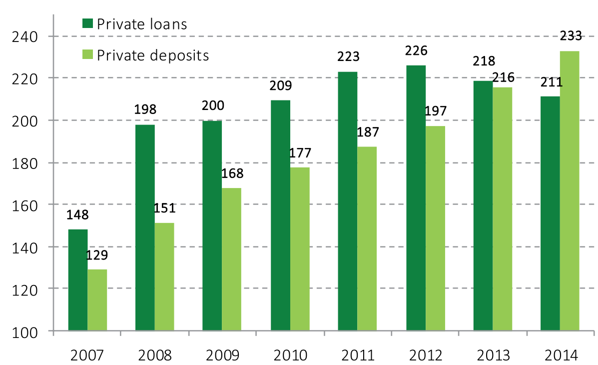
Sources: NBR, Reuters, OTP Research

FX rates



Sources: NBR, OTP Research

Evolution of private loans and deposits (RON bn)



Sources: NBR, OTP Research

The modest inflation pressure let the Central Bank to continue its monetary easing cycle, cutting the base rate by 125bps to 2.75%, in 2014.

The National Bank of Romania had reduced the policy rate two times in the beginning of 2014, and after a break, it felt comfortable to cut rates further in the second half of the year. Furthermore, the Central Bank's Board decided to narrow the symmetrical corridor of interest rates on the NBR's credit and deposit facilities around the policy rate to +/-2.50%, down from +/-3.00% a year earlier.

These measures led ROBOR rates to gradually fall after the jump seen in January. Beyond the policy rate, the Central Bank also eased the ratio of minimum reserve requirements from 15% to 10%, in the case of RON and from 20% to 14%, for FX liabilities. Government securities' yields eased notably in 2014, driven mainly by external factors. Similar movements were seen in other countries of the EU too, while in the USA, yields fell at a slower pace.

The RON showed little volatility last year. The local currency slightly firmed against the euro in the first half of 2014, but it gave back some of the gains later, ending the year at 4.48.

Similarly to 2013, households and companies continued to adjust their balance sheet with negative impact on loan stocks. Most notably, volumes declined due to portfolio cleaning, encouraged by the NBR. Household loans fell by 1.1% YoY, while corporate loans sank around 5.5% YoY. The significant increase in RON denominated loans (+8.5%) could not offset the sharp drop of FX credit (almost 11%). On the other hand, the deposits grew nicely, adding around 8%.

OTP BANK ANNUAL REPORT 2014

BUSINESS RESULTS

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Business Results

***OTP Bank Romania**, subsidiary of **OTP Bank**, the largest independent banking group from Central and Eastern Europe, is an integrated and self-financed provider of financial services. With an approach defined by responsibility, commitment and professionalism, OTP Bank Romania understands the needs of the customers and the current market context and is a reliable partner in the provision of financial services.*

***OTP Bank** provides universal financial services in Hungary, Romania, Montenegro, Croatia, Bulgaria, Russia, Ukraine, Slovakia and Serbia, for more than 13 million customers, through a territorial network of over 1500 units, the ATM network and electronic channels.*

History of OTP Bank Romania

The predecessor of OTP Group, the National Savings Bank was established in Hungary, in 1949, as a nation-wide, state-owned banking entity. In 1990, the National Savings Bank became a public company, with a share capital of HUF 23 billion. Its name was changed to the National Savings and Commercial Bank. Subsequently, non-banking activities were separated from the bank, along with their supporting organizational units. OTP Bank's privatization began in 1995. As a result of 3 public offers, along with the introduction of the bank's shares into the Budapest Stock Exchange, the state's ownership in the bank decreased to a single voting preference (golden) share. Currently, the bank is characterized by dispersed ownership of mostly private and institutional (financial) investors. After the privatization process, OTP Bank started its international expansion, targeting countries in the CEE region, which offer great economic growth potential, similar to that of its domestic market. OTP Bank has completed several successful acquisitions, becoming a key player in the region. Besides Hungary, OTP Group currently operates in other 8 countries of the region, via its subsidiaries: Bulgaria (DSK Bank), Croatia (OTP Banka Hrvatska), Romania (OTP Bank Romania), Serbia (OTP Banka Srbija), Slovakia (OTP Banka Slovensko), Ukraine (CJSC OTP Bank), Montenegro (Crnogorska komercijalna banka) and Russia (OAO OTP Bank).

OTP Group entered the Romanian financial banking market in 2004, by purchasing 99.99% of RoBank, which afterwards became OTP Bank Romania. 2005 was the year when OTP Bank Romania entered the Retail market, thus launching its first products for individuals: personal loan, personal loan with mortgage, overdraft, banking deposit and current account. 12 new units were opened in 2005, as well.
No less than 7 types of banking cards were launched in 2006, all designed both for individuals and companies. Two of them were absolute premiers on the local market: the first co-branded credit card with a gas station chain (issued with MOL Romania) and the first transparent credit card. At the end of the third quarter of 2007, the total assets of OTP Bank Romania increased by 15.9%. The incurred losses were remarkably lower than in the second quarter of the year. Moreover, the net interest income increased significantly up to 93% due to the strengthening of the bank's deposit base.

In only one month, December 2007, 20 new branches were opened, OTP Bank Romania reaching the significant number of 104 brunches.
2008 was the first profitable year in the history of OTP Bank Romania. Thus, the bank recorded an operating income increase of 65.5%. 2008 was also marked by a significant increase of assets, loans and deposit volumes. Compared to 2007, the total assets have increased with 24%, the volume of loans rose by almost 50%, while the deposits volume has increased with 20%.
2009 and 2010 were difficult years for the players on the banking market. During these crisis years, OTP Group's main targets (hence OTP Bank Romania's targets) were stability, liquidity and profitability.

The Romanian subsidiary of OTP Group ended the year 2011 with a positive financial performance, according to the original report submitted to the Budapest Stock Exchange. Thus, the Bank registered a RON 13 million after tax profit, while the operating result remained stable during the year.

During 2012, OTP Bank Romania further consolidated its position on the local market, turning challenges into real opportunities to develop and strengthen our relations with our customers.

In 2013 we employed a prudent strategy, but at the same time, took advantage of the extending loans volume and of the fact that OTP Bank Romania is a self-financed bank.
On July 30th, 2014, OTP Bank Romania signed the contract for the acquisition of 100% of Millennium Bank Romania, a subsidiary of Banco Comercial Portugues. The value of the transaction amounts to 39 million Euro. The deal was completed in January 2015, therefore the financial results reported by OTP Bank Romania at the end of 2014 do not include the volumes and performance achieved by Millennium Bank.
Millennium Bank Romania has nearly 80 thousand clients. Its network consists of 56 units and 58 ATMs, with a strong concentration in Bucharest.
As a result of the acquisition, the market share of OTP Bank Romania is expected to rise to approximately 2% and the newly merged bank is expected to move up to the 13th place amongst the top of banks present in Romania.

We are always looking for those pragmatic solutions, adapted to the economic realities of the market and the constantly increasing clients' expectations, in a space and time that is more and more dynamic.

OTP Bank Romania's approach

On our way to success and Evolution, our journey started with a promise: offer our clients and partners quality to the level of Excellency in the financial – banking industry. During over 10 years of activity on the local market, we have turned client – bank relationship into a solid partnership. We have developed efficient financial solutions starting from the real needs of our clients, both natural persons and companies.

We are evolving as we have developed a business model that allows us to permanently value the market potential. In 2014, we have made an important step, the acquisition of Millennium Bank Romania, which brings us closer to fulfilling our strategic objective, entering the top 10 banks in Romania.

We assumed our position as a responsible member of the community we live in. We continued our ''Right to read'' social responsibility campaign, which was awarded at international level for impressive results. An important moment was marked at the end of 2014, with the launch of "Right to Education" Foundation that supports and promotes a responsible financial attitude among high school students.

Targets

2014 marked a series of novelties for OTP Bank Romania and another year when we achieved great financial performance. Thus, in 2014, OTP Bank Romania registered an operating profit of RON 141,2 million, with 33% increase compared to 2013, while the total assets reached RON 6,783 million, with and increase of 4% in Q4 2014.

2014 was the second consecutive year when OTP Bank ranked first among the most solid foreign banks in Romania in terms of capitalization, according to data disclosed by the European Banking Authority following the stress test conducted every year by the European Central Bank.

The quality of the portfolio continued to stabilize, while the percentage of nonperforming loans remained flat. The volume of corporate loans increased by 10%, year-on-year and by 3%, quarter-on-quarter. The total deposit volume increased by 5%, while the volume of retail deposits (private individuals and SMEs) grew by 19% compared to the previous year.

Our target is to maintain our financial services at the highest quality standard, so that our clients can continue to rely on us for every financial need that they might have.

Objectives

Ever since our entry on the domestic market, more than 10 years ago, OTP Bank Romania has grown organically. Our evolution has been strengthened by the recent acquisition of Millennium Bank Romania, which brings us closer to our strategic medium-term objective, to be ranked among the top 10 banks in Romania.

The acquisition of Millennium Bank Romania strengthens our position on the domestic market, as a solid and stable provider of universal financial services, with robust capitalization and cash flow.

As a result of the acquisition, the market share of OTP Bank Romania is expected to reach 2% and the bank resulting from the merger will climb to the 13th position in the ranking of banks present in Romania.

In order to assume our broad spectrum of services, we will continue to concentrate on retail loans with and without guarantees, which registered good results in 2014 as well.

For SMEs and corporate customers, we will continue to provide flexible and useful solutions for their business development and resource management.

Quality Assurance Projects

Projects and Processes Management quality statement

Project Management function in OTP Bank Romania has the main objective to ensure that strategic activities with clear targets, time constraints for implementation, dedicated resources and allocated budget are organized, planned, coordinated and monitored according to the project management methodology.

The dedicated team supports this goal by undertaking the coordination role for the most important projects, as agreed with the top management, considering also the impact of the project deliverables on the bank' activities and results and providing project management leadership, expertise, experience and training to project teams for initiating, planning, guiding implementations and a successful fulfilling of objectives.

While the team is focused on the allocated tasks' performing, the Project Manager is responsible for the project development quality, for correlating the scope with the bank's strategy in general and other projects objectives in particular, to control the established constraints in terms of time, objectives and resources and to keep the teams motivated and interested on the successful delivery.

Whether a project was managed in order to achieve the benefits for a specific organizational/ business unit, or for disseminating strategic goals through the entire organization, the project management best practices and standards were applied in order to conduct to the desired result.

The objective of the business processes management function is to align all aspects of the Bank's activities with the wants and needs of the clients. It promotes business effectiveness and efficiency while striving for innovation, flexibility and integration with technology. The business processes management attempts to continuously improve the processes.

In terms of processes management, in 2014, OTP Bank has finalized the optimization of the lending flow for Legal entities, creating a standardized approval flow for clients with a group exposure of maximum 200,000 euros, the implementation of the process oriented monitoring approach, reached the targeted "time to yes" and "time to cash" KPIs and the reorganization of the workflow' activities for current account opening. Another important action area was represented by the optimization of the administrative activities performed by the Branches in relation to the garnishments, as an effort to decrease the necessary resources on back-office tasks.

In terms of project management, in 2014, the dedicated team undertook the following main responsibilities:

- assured the Program Management role and functions and Project Integration Office responsibilities for the strategic and most important project of the year, respectively "Millennium Merger Program – before financial closing phase". The primary scope was to prepare the necessary conditions for taking over the control on Millennium Bank Romania, by ensuring the achievement of the legal obligations, according to the national and international regulations in force, and complying with the Sale Purchase Agreement' provisions, as agreed by the two Banks;
- the Project Management role and functions for two of the projects within the Merger Program, which had the scope to assure that the financial closing of the transaction will take place within

to the legal framework and according to the parties' agreement, respectively establishing the preliminary activities for the functional areas integration;
- continued to coordinate, from project management perspective, the projects related to the implementation of the cross-sell approach and the real-estate valuation software, started in 2013 (the project was closed in the first half of 2014);
- permanently monitored, no matter the project, the client's impact, costs, benefits and resource allocation for several projects which were started in 2014: Fiokert project, RIA software (Corporate CRM type tool) and implementation of the risk reports in OBIEE;
- monthly monitoring the strategic projects and actions progress according to the key performance indicators defined at organization level at the beginning of the year.

In order to promote the project management best practices, in the context of a continuously dynamic organization with new business needs and requirements, we adjusted the methodology by introducing an "initiation phase" in the project's life cycle, in order to have a better view of the overall initiatives of the bank and to be able to valuate and correlate them, according to the feasibility studies and bank's strategy.

We will continue to consider the stakeholders' needs as the key driver for running efficient processes improvement activities at all levels of the organization, prioritizing them based on the impact on the quality of client servicing model and financial expectations.

We are consequents in evaluating and adjusting the project management standards having in mind to "give to the quality standard a higher priority than the one given to the project management method", for obtaining savings in terms of cost, time reduction and business enhancements.

IT Projects quality assurance

The IT and Logistics Division of OTP Bank Romania continued, in 2014, to facilitate the Bank to deliver customer oriented, cost effective and high quality programs to its customers. A strong attention was paid to ensuring the Bank's business continuity, by providing a reliable framework for the continuity of IT systems and processes. The IT services and systems aimed to improve the business activities, in line with the general business objectives. The continuous modernization and implementation of security controls for the IT systems was one of the general objectives of the Bank, in 2014. IT security policies and mechanisms were also permanently updated, in line with the security assurance objective.
In 2014, the IT and Logistics Division took action to implement mandatory projects enforced by the authorities and strategic projects governed by OTP Group's policies, or defined by the top management of OTP Bank Romania, like the following:

Mandatory or Group Projects:

- **Basel III** - project derived from the assumed EBA requirement designed to improve the regulation, supervision and risk management within the banking sector. Its goal is to implement the related reporting requirements to local authorities and OTP Group, in order to improve the banking sector's ability to deal with financial and economic stress, improve risk management and strengthen the banks' transparency;
- **Bridge bank** – mandatory project required for implementing the transfer of viable business activities to a specially created unit, under central bank supervision;
- **FATCA project** – mandatory project imposed by EU and US treaties;
- **BSS Project (FIOKERT)** - strategic project defined with the purpose to sustain sales performance in OTP Bank's traditional branch network, by improving network management and by enhancing the campaigns sales efficiency, introducing the Branches Sales Support (FIOKERT) system;
- **Improvement of Outbound Calls Centre I** - extend the system functionalities with new automated features, in order to increase the collection process efficiency and transfer experience and knowledge from OTP Group – implement predictive dialing; extended call routing and IVR capabilities, message handling (fax, SMS, robots),

comprehensive monitoring and reporting capability, call tracing;

- **BAXTER project** - strategic project aiming to integrate the Treasury activity at group level, increase monitoring and automation;
- **RIA Project (REFTAM)** - implement the OTP Group level unitary CRM System (REFTAM International Application) together with the commercial banking sales model of OTP Bank Plc., as well as the services offered for premium category clientele;
- **IEvS project** - introducing new software as a workflow management system able to contain all valuation ordering processes, external valuations and validation results, managed by OTP Mortgage Bank, in the role of OTP Group competence center responsible (continued from 2013).

Strategic Business Projects:

- **Risk Reports Automation** – migration a set of 27 risk reports to the MIS system (OBIEE platform), in order to consolidate the management information system and to avoid redundancy reports;
- **Cash Management system** – implementation of dedicated software tool to automatize the cash management activity and increase its efficiency, by interfacing with the core-banking and several other dedicated systems (ATM network, cash transportation etc.);
- **Sales monitoring tool for OTP Advisor** – continuation of the project aiming to improve the efficiency and quality of the agents network, by clear image of the consultant's portfolio quality and to increase transparency of workflow and the commissioning efficiency by its automation;
- **Loan products for Individuals** – strategic orientation related actions defined with the purpose to sustain the Personal Loans and Mortgage Loans sales through product related modifications (continued from 2013);
- **Individuals Liabilities collection** - strategic project defined with the purpose to increase retail liabilities portfolio volumes, to build a stable retail liabilities base to offset volatile corporate deposits and to maintain the cost of funds under strict control (continued from 2013);
- **OTPdirekt Internet and Mobile Banking platform extension** – strategic project to offer our customers one of the most effective and user-friendly platform on the market (customer care); further extending the SmartBank – phone platform (continued from 2013);
- **Legal Entities Lending process improvement** – strategic project that is focused on optimizing the lending flow for the specific standard and non-standard product for clients with exposures bellow 200,000 euro, by simplifying and standardizing the workflow and the involved documentation and also providing a degree of automation of the software application supporting the flow;
- **Improved sales efficiency of branch network** - strategic project defined with the purpose to sustain sales performance in OTP Bank's traditional branch network by enhancing branch sales efficiency and by improving network management ;
- **Cross-sell project 2.0** – strategic project defined with the purpose to improve the cross-selling by introducing a new dimensions under the "Ecosystem" concept, implement a client products–matrix and related benchmarking and also assure the better collaboration between business lines and OTP Bank Romania's group members ;
- **Extending MIS system reporting capability** – optimization and further development of the centralised reporting system with new functionalities required by the management for operative decisional support, reduce storage requirement and processing time for reporting requirements and extend the profitability calculation methodology;
- **HR Management solution** – the scope of the project was to implement IT support for personal data management, performance management, pompetences management, training, career development and succession plan.

Strategic Technology Projects:

- **KOFAX scanning solution** – implements new technologically up-to-date scanning and OCR solution aligned with those used by the OTP Group. By replacing the existing obsoleted TIS solution extensively used in DMS - Loan approval process and PAID – payment instruments processing and also customer's

document scanning a considerable cost saving and operational risk reduction are expected;
- **Up-grade of the core bank system data-storage** – in order to maintain the bank infrastructure at optimal level and mitigate operational risk (out of warranty for existing storage device), the project intends to increase the disk capacity and speed of the core banking system;
- **Data-network upgrade project** – upgrade the communication architecture as "enterprise-level" for the main Data Rooms, by redesigning the existing network topology and replacing the obsoleted equipment. The proposed solution will offer better management and control capabilities, automated switch-over in case of failure (DR situation) and will be segregated using dedicated equipment for the three layers: core, distribution and users access;
- **Capacity Plan Strategy** - strategic plan to assure operational excellency, replace obsoleted servers and workstations, decrease operational risk. Last part of the remaining workstations installed with Windows XP will be either reinstalled with Windows 7 or replaced with new ones, by end of 2015;
- **Telecom bid – the review of all main telecom contracts** was concluded in December 2014, with a Telecom services bid. The resulted new telecom conditions (mobile services, fixed voice, mobile data subscriptions, special data transmission lines in HQ, VPN services for the bank's units, bulk-sms services and POS / off-site ATMs data connectivity) will be technically implemented in Q1-2015 and it will bring OPEX cut-offs, optimized communications with higher speeds, more data/ voice traffic and full redundancy.

The following IT strategic objectives represented clear strategic directions in 2014:
- Enhanced customer-centered access channels to bank information and services;
- Secure and responsible information management in accordance with legislative requirements;
- Greater integration of information and services within the bank;
- Capturing and reporting on key performance indicators;
- Reduction and / or containment of unit cost increases;
- Maximizing the effectiveness of resources through the use of technology;
- Managing growth and maintaining flexibility;
- Delivering secure timely, efficient and reliable technology services.

The Bank needs to carefully assess its Total Cost of Ownership (TCO) for IT. One of the greatest threats to any technoloical investment is premature obsolescence. The Bank has been successful in protecting its technology investment by:
- Establishing refresh programs based on realistic product lifecycles;
- Investing in technologies that are tried and proven with high accent on knowledge transfer from OTP Group's members;
- Looking forward to identify and respond to the market trends;
- Minimizing costs and complexity in managing the technology infrastructure by establishing corporate technology standards;
- Establishing and managing technology standards centrally for the Bank by the local IT. This has resulted in a reasonably homogeneous technology environment, which is supportable and maintainable at minimal costs.

The main vision of the IT and Logistics Division is to transform the services provided and the infrastructure to a business driver, in order to support the business needs at the expected time, with the acceptable price and by using the right assets from the available sources.

Sales Network

In 2014, OTP Bank Romania operated with a territorial network of 84 banking units.

The bank proceeded to refurbish some of its units, in order to provide a better customer experience, while the efforts of the sales force continued in 2014 to be focused on actively promoting consumer loans, as the economic environment stabilized.

At the year end, OTP Bank Romania updated its mortgage loans offer, in order to address a wider range of potential customers. Several internal competitions and promotional campaigns for the customers were also developed during 2014.

Attention was also given to maintaining the level of liabilities, in order to have good liquidity and stability at the bank level, within optimal costs.

OTPdirekt

Internet Banking, SmartBank, Contact Center and SMS Alerts

OTPdirekt is a high quality service package, which perfectly fits to the modern lifestyle. It is a comfortable, fast and safe alternative that allows customers to carry out transactions and receive information about the accounts, without having to come to the bank's territorial units, in conditions of utmost security.

OTPdirekt is the service through which OTP Bank Romania offers its clients the possibility to access their banking accounts 24 hours a day, through four channels:

1. OTPdirekt – Internet Banking (transactions and information)

Available 24 hours out of 24, 7 days a week, the Internet Banking service brings all the information about the customers' accounts at one «enter»'s distance.

The commissions for payments can be two times smaller than those in the OTP Bank's territorial units, while the account balance interrogation and the account statement are free of charge.

The Internet Banking application is currently optimized for access from any mobile phone with internet connection.

The following functions are available only with a click:

- transfers in RON or foreign currencies to beneficiaries who have accounts at any bank from Romania or abroad;
- standing orders;
- periodical payments;
- exchanges/ transfers between the same
- person's accounts;
- foreign exchanges;
- opening/ viewing/ closing deposits;
- account balance generated in files that can be printed or saved on the user's computer;
- payments for local taxes EBPP type (Electronic Bill Presentment and Payment);
- detailed information about loans, insurance policies information (incoming and outgoing debit instruments) and collateral deposits (through Electronic RM menu). The clients can also receive alerts regarding the information offered through Electronic RM;
- importing domestic payments from a file: any type of payments (inter–banking payments, payments representing treasury rates and taxes, transfers to beneficiaries who have accounts opened at OTP Bank Romania etc.) can be imported automatically through a file with a standard form and subsequently sent for group processing (bulk) or sent in the desired order;
- utilities payments;
- creating models of domestic payments;
- models of foreign currency payments;
- sending messages to the bank, with different demands;
- personal financial tool, MyMentor;
- account opening;
- SMS self configuration from internet banking application.

2. OTPdirekt – SmartBank (transactions and information)

This channel allows the clients to access information about their financial situation and to make transactions via an application installed on the client's mobile phones.

To access this channel, an OTP Bank's client (private individual or legal entity) has to choose OTPdirekt - Internet Banking & Contact Center components and must have a smartphone with internet access.

Operating systems of smartphones that support the application are Android, iOS and web app (for smartphone phones).

The following functions are available:

- User authentication;
- New payment (RON, transfer, utilities);
- Creating deposits
- Closing deposits
- Foreign exchange
- Foreign payments to OTP Bank clients
- Check the account's balance;
- Check transaction history;
- ATM locator (OTP Bank's locations only);
- Foreign exchange rates;
- Contact bank;
- Received messages
- Languages: RO / EN / HU.

3. OTPdirekt – Contact Center (transactions and information)

With OTPdirekt - Contact Center, one phone call is enough to find out any information regarding OTP Bank or to order transactions and operations on your accounts.

The Bank representatives can be reached free of charge in Romtelecom network, by calling 0800.88.22.88. The Contact Center can also be reached with a normal call charge from the Vodafone and Orange networks, at *OTPBANK (*6872265). In order to call the Contact Center from other networks (then the ones previously mentioned) customers can dial +4021.308.57.10.
The Contact Center can be reached from Monday to Friday, starting 08:30 until 17:30 (local Romanian time).

Besides general information regarding OTP Bank, through OTPdirekt - Contact Center, with one phone call, customers can find out anything they want about the Bank's financial products and services, about the exchange rates, standard commissions and many others.

If a customer already has an OTP Bank account, then he can choose:
- to obtain specific information (private) regarding his financial status (accounts, deposits, credits, taxes, commissions, special offers etc.);
- to perform transactions/ operations (only for OTPdirekt clients), like: opening current accounts, transfers and payments in RON or foreign currencies, exchange, card blocking, opening/ closing deposits, closing/ ending/ modifying/ suspending an Intra – Banking

Direct Debit contract, making foreign exchanges at a negotiated exchange rate etc.

4. OTPdirekt – SMS Alerts (information only)

OTPdirekt - SMS Alerts refers to sending alerts in the form of SMS to the mobile telephone numbers indicated by the client, according to the contract signed with OTP Bank Romania.

The alerts received through a SMS can be of several types, depending on the client needs:

- Frequent Balance: this alert sends to the client, through an SMS, the account balance for the account selected in the contract, at the requested date;
- Account Control: with this alert, the client is informed about the activities on the current account (crediting/ debiting of the account, regardless of the reason), having full control on his account, in real time;

- Card Control: Card Control sends an alert immediately after the card is involved in a transaction (POS/ online payments/ cash withdrawals) or security inquiry (incorrect PIN/ CVC);
- NBR Exchange Rate: this alert will send, daily, the NBR quotations (from Monday to Friday), after 13:00 o'clock (after the official exchange rates are supplied by NBR);
- Debit Instruments for payment: The alert will be sent in real time immediately after the information for the instrument is verified in the system. It is useful for the clients to better manage their payment instruments;
- Electronic RM: These short mobile messages are sent only for legal entities, to be notified concerning: maturity of credit facilities, commissions, loan installments, loans interests, deposits that reach their maturity. Together with the SMS sent on the mobile phone, the customers will also be notified through the alerts received on the Internet Banking interface;
- Deposits maturity: this alert sends an SMS three working days before the deposit maturity, regardless of type of deposit or its maturity option. The SMS contains information regarding the amount of the deposit, the account alias, interest rate, maturity option and maturity date.
- Garnishment Alert: this alert is available both for individuals, legal entities and private entrepreneurs clients and will be sent to client in the same day when the garnishment will be constituted, starting with 07:00 PM. The SMS is detailed and offer information about: the amount of garnishment, type of garnishment, no. of file for the garnishment.

The number of OTPdirekt – Internet Banking and Contact Center users, on December 31, 2014, was 51.323, divided as follows:

- Private individuals: 41.586;
- Legal entities: 9.737.

The number of OTPdirekt – SMS Alerts contracts, on December 31, 2014, was 37.281, divided as follows:

- Private individuals: 31.774;
- Legal entities: 5.507.

The number of SMSs messages sent to the clients during 2014 was 2.140.594.

The number of calls to the Contact Center received in 2014 was 61,615, out of which 785 identified calls.
The number of transactions through OTPdirekt – Contact Center was 41 and through OTPdirekt - Internet Banking 1,125,290, by the end of 2014.

The SmartBank application was launched on December 7, 2012 and until the end of 2014 we registered 6,702 users.

The transaction volume through OTPdirekt was of:

- Contact Center: 27,342 Euro;
- Internet Banking: 3,192,883,049 Euro

Bank Card Business

In 2014, OTP Bank Romania managed to further develop the bank card business, both on card issuance and merchant acquiring segments and continued to further improve the quality of the card products and services offered to its customers.

By December 31, 2014, the total card portfolio of OTP Bank Romania reached 276,000 cards, thus registered a net increase of around 7% compared to 2013, while the new card sales reached an increase of almost 25% compared to the previous year. Most of the new cards issued were salary cards, pension cards and SME "Business" cards, as the strategic focus of the bank was on attracting new salary cards clients, through a very competitive salary package offer.
The total volume of card transactions performed by the clients of OTP Bank Romania reached 1,2 billion RON, with an increase of 14% compared to the previous year.
On the card acceptance side, the total volume of ATM and POS transactions was of 1.35 billion RON, with an increase of 8% compared to the previous year. Particularly, the Merchant POS transactions volume registered an increase of 16% in 2014, reaching RON 650 mil.
Among the most important card related projects of OTP Bank Romania, in 2014, we mention the succesful implementation of "Contactless" technology on POS acquiring.
Currently, OTP Bank Romania offers one of the most complete card product portfolios in the Romanian market, consisting of the following products:

- MasterCard "Flat" debit cards (RON & EUR);
- MasterCard "Standard" debit cards (RON & EUR);
- Visa Business "Silver" and Visa Business "Electron" debit cards;
- MasterCard "Standard" and Visa "Transparent" classic credit cards;
- MasterCard "Standard" and Visa "Transparent" installments credit cards;
- Visa Electron "Junior Plus" and Visa Electron "Junior Max" debit cards;
- VISA Electron "Sapientia" co-branded debit card;
- VISA "Gold" credit card;
- MasterCard "OTP-MOL" co-branded credit card;
- MasterCard Platinum credit card;
- Visa Business "Silver" credit card.

Individuals (Liabilities and Loans)

Loans

In 2014, the main activities were associated with increasing the portfolio of clients both for liabilities and lending businesses. At the same time, the main challenge was to maintain the quality of the existing portfolio of loans within increasing the portfolio of new consumer loans. During 2014, OTP Bank Romania continuously offered lending solutions both through dedicated campaigns or adjusting the existing products to the market practice and to the clients' needs, and also through periodically updates of the pricing conditions for customers.

On the lending segment, according to the bank's strategy, OTP Bank Romania focused on maintaining a good quality of the portfolio, by offering to the clients with financial problems solutions of rescheduling/ suspension of loan payments, part of the Credit Protection Program.

Depending on the loan purpose and the specific collateral required, individuals lending products of OTP Bank Romania are divided in two main categories:

Category I. Loans for real estate investments;
Category II. Consumer loans.

1. Loans for real estate investments

Mortgage loan for acquisition. The purpose of this loan is full or partial acquisition of houses or flats and also refinancing mortgage loans previously contracted from other banks. There are two available currencies: RON and EUR. The minimum loan amount is 1,000 EUR (or equivalent) and the maximum is 200,000 EUR (or equivalent). The minimum granting period is of 6 months and the maximum 360 months. The collateral accepted is 1st rank mortgage on the purchased property and property insurance assigned in favour of OTP Bank Romania.

The new sales in the market continued to be highly concentrated on Prima Casa loans. Big banks also offered very competitive prices for RON mortgage loans (the same level or lower than EUR mortgage).

In this respect, it was necessary to implement immediate actions in order to align the product characteristics and functionality to the market and also to the client needs and expectations.

From this perspective, in May 2014, OTP Bank Romania implemented new lending conditions for mortgage loans, such as:

- modifying the conditions in case of the accepted arrears less than 15 DPDs and less than 30 EUR, including for work-out files, instead of less than 15 DPDs and less than 20 EUR, except the work-out files;
- modifying the conditions applicable to the incomes from management contract: this type of income became primary income being adjusted with 80%;
- modifying the value of the adjustment factor in case of freelancer incomes;
- modifying the conditions for accepting the labor interruption.

In November 2014, OTP Bank Romania launched a new mortage loan in RON. Within this new product, OTP Bank Romania's aim is to establish long term relationships with clients in order to have moderately low risk cost, generate higher volume on current accounts and fee incomes. This new mortage loan in RON with competitive features had a more marketable price only for clients with cross-sell (income transfer, packages, Groupama insurance, POS transactions). Also, for certain very big cities having extremely liquid residential markets, the maximum LTV for RON (85%) accepted according to the legal framework and applied by the competitors can be also used by OTP Bank Romania.

Also, in line with OTP Bank Romania's strategy for 2014 to increase the new sales for mortgage loans, starting with February 2014 a campaign product offer in EUR was launched: mortage loan with every 10th monthly instalment calculated with 0 interest rate. This offer is available only for the first 36 monthly instalments, for clients with no overdue amounts for 9 consecutive months.

At the end of 2014, the net outstanding balance increased with approx. 4.1%, compared to 2013.

2. Consumer loans

Personal loan without mortgage. This product is addressed to individual clients, Romanians or foreign citizens with Romanian residence and the purpose of this loan without collateral is to cover the general customers' needs. OTP Bank Romania accepts a wide variety of eligible incomes and offers the loan only in RON. The offer of personal loan includes different subtype of products (such as: special pricing for personal loans for refinancing, personal loan with income transfer etc.), with different pricing scheme in order to be in line with the market and to better cover the clients' needs. The maximum loan amount is:

- 44.000 RON or
- 66.000 RON/88.000 RON for the applications that meet some predefined conditions.

OTP Bank Romania changed in May 2014 the price setting approach applied to personal loans, by modifying the existing risk based pricing methodology. The newly launched concept is named "higher income approach" and represents an effort to be more competitive and attractive for the higher income clients from better market segments, with much more cross-sell potential and definitely lower risk cost figures, but still without sacrificing the product profitability. The main idea in the new concept was to introduce the income of the client as a parameter in the pricing setting algorithm.

During 2014, OTP Bank Romania continued to advertise personal loans - with income transfer and with advantageous pricing.

At the end of 2014, the net growth of outstanding balance was of approximate 6.2%, compared to 2013.

Personal Loan with Mortgage. This product is addressed to individual persons, Romanians or foreign citizens with Romanian residence, with the purpose to cover the general needs of the clients. The product is also available for refinancing any type of loans previously granted by other banks or by OTP Bank Romania.

The personal loan with mortgage can be granted in RON or EUR, with a minimum loan amount of 1,000 EUR (or RON equivalent) and a maximum of 200,000 EUR (or RON equivalent).

The accepted collaterals are 1st rank mortgage on a property (an inferior mortgage rank acceptable only if the superior ranks are in favour of OTP Bank Romania).

At the end of 2014, the net outstanding balance decreased with proxy. -7.3%, compared to 2013.

Overdraft. The product meets the universal expenses on short term – the customers are benefiting of all the advantages of a consumer loan into a revolving credit line with maximum flexibility.

Clients must monthly reimburse only the calculated interest of the used funds. The maximum limit for the overdraft facility is 20,000 RON and this product is addressed mainly to customers receiving their monthly salary in accounts opened at OTP Bank Romania. At the end of 2014, the net outstanding balance decreased with approximate 3.9%, compared to 2013.

In order to sustain and increase the level of products and services used by the customers and to attract clients from the market having salary transfer on their current account, in September 2014 OTP Bank Romania launched a campaign for the OTP Salary package. The main characteristics of the campaign were:

- salary transfer progressive bonus for new clients opening a current account with Salary Package (the value of the bonus being linked to the value of the monthly transferred amount);
- transaction-based package discount (50% discount on monthly package fee if clients perform POS payments of minimum 200 RON during a calendar month);
- cashback of up to 10% applied on utility payments performed by debit card within the Salary Package, for a period of 6 months from package opening, with a maximum limit of 30 RON/month.

Liabilities

Taking into consideration the market evolution, the bank's strategy and the fact that customers' demands are continuously changing, OTP Bank Romania has been periodically updating the pricing conditions and the characteristics of the liabilities products, with a constant effort to decrease the cost of funds and to improve the LCR ratios.

During 2014, one of the main strategic tasks was to increase the volume of saving products and retain the attracted volumes.

The liabilities products for individuals offered by OTP Bank Romania are divided into the following categories:

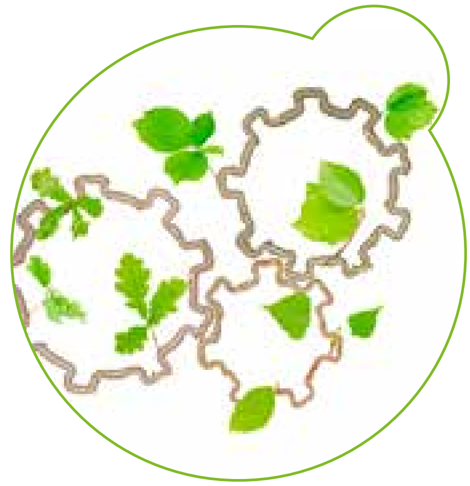
Term deposits. The term deposits are saving products with fixed interest rates until maturity. The standard maturities offered by OTP Bank Romania for term deposits are of 1, 2, 3, 4, 6, 9, 12, 18 and 24 months, but the bank also offers to its clients the possibility to have flexible maturities calculated in days, in the range of 30 to 356 days. The currencies used for deposit openings are: RON, EUR, USD, HUF, GBP and CHF. There are no commissions for opening, closing or withdrawing, in case

withdraws are made at the deposit maturity date (excepted the deposits with maturity less than one month and the term deposits with maturity of one month, for which the commission is levied for withdrawing from current account, including at the deposit maturity).
The minimum amount for opening a deposit is RON/ USD/ EUR/ CHF/ GBP 100 and HUF 25,000. For standard term deposits, clients have the possibility of automatic administration of deposits, by choosing at the deposit opening moment one of the three options available for maturity:

- automatic deposit renewal with interest capitalization - the deposit will be automatically extended by the bank for an equal number of months with the initial option, using the interest rates valid on the renewal date of the deposit, while the accumulated interest for the previous period will be added to the initial deposit;
- automatic deposit renewal without capitalization - the deposit will be automatically extended by the bank for an equal number of months, with the initial option, using the interest rate valid on the renewal date of the deposit, while the accumulated interest for the previous period will be transferred into the current account;
- automatic deposit liquidation – the Bank transfers the deposit amount and the appropriate interest in the client's current account.

OTP Bank Romania also offers different types of term deposits with special characteristics, such as higher interest rates than standard using the bonuses concept or the flexible maturities chosen by clients:

- **Anniversary Term Deposit** – clients benefit of a bonus over the interest rate if they open a term deposit during their birthday month;
- **Term Deposit for Retirees** – based on the latest pension coupon or the bank account statement in original (not older than 2 months), a retiree can benefit of a bonus over the interest rate when opening a term deposit. Starting with the retirees packages launching date, this facility is available for new clients just within this package;



- **OTPdirekt Term Deposits** – clients benefit of a bonus over the interest rate if they open a term deposit through the Internet Banking platform;
- **Term Deposit with Flexible Maturity** – this deposit offers the possibility for each client to choose his own maturity from the deposit special maturity intervals, depending on the established personal objectives;
- **Term Deposit with Progressive Interest Rate** – the interest rate progressively increases each month (for 6 or 12 months);
- **OTP Sincron Hybrid Term Deposit** – Term deposit opened for 1, 2, 3, 4 or 6 months, in RON, EUR and USD, after a prior investment in any of the investment funds: OTP AvantisRO, OTP Obligatiuni, OTP Euro Bond, OTP ComodisRO, OTP Dollar Bond and OTP Premium Return distributed by the Bank.

On December 31, 2014 the outstanding balance of personal individual deposits was RON 1,350,679,680 (EUR 301,349,693), with an annual change of +5.3%.

Savings Account is a hybrid product that combines the advantages of the high interest rate of a term deposit product with the flexibility of the current account. The interest rate is fixed, calculated on a daily basis and registered in the saving account in the last working day of the each month. There are four available currencies: RON, EUR, USD and HUF. Customers are allowed to cash a deposit and withdraw without restrictions, to make inter/ intra-banking transfers, to transfer funds only to the owned current accounts opened at

OTP Bank Romania and to automatically reimburse credit instalments from the savings accounts. The savings account can also be accessed through a debit card issued in the name of the account's holder or his/her empowered.
On December 31, 2014 the outstanding balance of savings accounts was RON 96,926,456 (EUR 21,625,233), with an annual change of +0.4%.

Junior Account is a savings account opened on the child's name with additional attached facilities. It is available in RON, EUR, USD and HUF. The interest rate is fixed and paid in tranches. At a larger amount, the client receives a higher interest, thus having the advantage of obtaining a higher interest rate compared to the current account.
Types of Junior accounts:

- Junior Start, designed for children under 14 years;
- Junior Plus, created for teenagers between 14 and 18 years. The customer has the possibility to also use a Junior Plus debit card;
- Junior Max is created for youths aged between 18 and 25 years. Clients also have the possibility to use a Junior Max debit card.

Current Account. On amounts placed in the current account, the customer receives the sight deposits interest rate. A current account can be opened in RON, EUR, USD, HUF, GBP or CHF. The customer can attach the following services to the current accounts: Overdraft, Debit Card, Direct Debit, OTPdirekt – Internet Banking, SmartBank, Contact Center and SMS Alerts.
On December 31, 2014 the outstanding balance of current accounts was of RON 166.563.110 (EUR 37.161.846), with an annual change of +29.8%.

OTP Express service allows individuals and legal entities to make remittances (EUR, USD and HUF) from the accounts opened at OTP Bank Romania to OTP Bank Nyrt clients or to any bank from OTP Group, in a very short time and at advantageous costs. There is no minimum amount for a transfer through OTP Express. Cut-off time for accepting remittances in territorial units through OTP Express service is split in two payment types: for normal payment, 16:00 (the beneficiary account is credited next day); for urgent payment, 11:00 (the beneficiary account is credited in the same day).

Automatic Saving Tool service is a flexible service, which allows customers by means of a contract, to set a periodical transfer of a certain amount of money into the saving account, term deposits or open-end funds managed by
OTP Asset Management Romania SAI S.A., without the need of coming to the bank each time for performing such transactions. In this way, clients can start developing a portfolio of savings and/ or investment products, with minimum effort, in just a few simple steps. The service is available for RON and EUR. The periodicity of the automatic transfers is very flexible, so the client may choose a certain frequency, expressed in days or months, for each product selected in the automatic savings tool (junior accounts, saving accounts, term deposits or open-end funds managed by OTP Asset Management Romania SAI S.A.).

Small and Medium Enterprises

The SME business line maintained the customer segmentation approach, consolidated in the previous years, by targeting and managing legal entities with an annual turnover up to EUR 5 million, including all types of private entrepreneurs.

In 2014, the SME business line has registered a 65% growth in profitability triggered mainly by effective risk management and implementation of the improved and more complex cross-sell/up-sell concept. Furthermore, the total liabilities generated by the SME segment have increased with 47% in 2014 and, at the same time 40% of the total net fee income of OTP Bank Romania was generated by SMEs, thus confirming the strategic importance of this segment.

The SME lending portfolio suffered a contraction in 2014, mainly because of the very competitive environment as a result of the fact that many banks have shifted focus to SMEs in the last years. Thus, in order to gain market share, some of the competitors had a higher risk appetite compared to our Bank. Similar to the previous years which followed the financial turmoil, the working capital needs continued to register the highest rate among SME borrowings, while the appetite for medium and long term lending continued to decrease during 2014, in line with the lower appetite among legal entities to pursue investment projects, in the context of low confidence in the future of the economy.

The Bank upheld its commitment towards SME customers by providing constant support and developing a wide range of products and services designed to meet customers' needs and expectations. Our continuous efforts are aimed at building long term and mutually profitable business partnerships with our clients. To reach our goal and to adapt to the needs of the customers, in 2014 we improved the products dedicated to the SME and private entrepreneurs segment and launched projects meant to optimize and enrich the range of products offered to our clients and also to increase the satisfaction, such as the Optimization of the lending activity and the SME Client acquisition project.

The project related to the optimization of the lending activity generated the following outcomes:

- the entire approval and implementation process for exposures up to 200,000 EUR was optimized by switching the corporate approach to a standardized one and by simplifying and decreasing the number of documents requested to the clients, in order to increase the efficiency of the lending activity and to offer clients faster solutions to their financing needs;
- the standard loans framework was launched comprising the Credit line, Cash loan, Free purpose loan and Investment loan. These products are processed within a dedicated flow based application developed internally in order to ensure a fast risk assumption decision and short implementation time, but also attractive features adapted to SME' needs for development and consolidating their business;
- the credit card product features were improved, by extending the applicability area towards new clients, improve the renewal conditions for existing clients and simplify the internal monitoring processes.

The SME Client acquisition project was developed in order to meet the expectations of our clients in respect of providing high valued added packages and services and has had the following outcomes:

- the SME packages offer (4 types of options cumulating combined advantages attached to a main package of transactional products and services Smart Business) was recalibrated starting with August 1, 2014 by:
    - introducing the Exclusive Option for premium clients offering an extra Private Banking package available for the administrator/shareholder or any other representative of the company, unlimited free payments in RON by OTPdirekt service, unlimited free payments/remittance for collection of debit instruments, unlimited

payments in foreign currency by OTPdirekt service charged with a fix fee, interest rate bonus for current account and term deposits constituted by OTPdirekt;
    - enhancing the advantages of the Efficient and Complet options with discounts offered for payment with debit instrument, introducing a limited number of ATM's cash withdrawals free of charge, increasing the monthly number of inter-banking payment orders by OTPdirekt included or improved SMS Alerts' structure;
- the OTP POS package was developed and launched in July 2014 for providing Retailers an attractive alternative meeting all transactional needs in competitive pricing conditions;
- two pilots were launched in November 2014 for setting up:
    - SME corner in Bucharest Branch (comprising dedicated infrastructure, an SME Officer dedicated to servicing the SME clients from operational point of view and a RM) in order to increase the quality of services provided
    - Centralized processing point for mass approach loans, in Head Office, to enhance business generation potential of the territorial units and third parties and allow RMs to focus on small and medium clients where the need for advisory services is more visible and important.

OTP Bank upheld its involvement in sustaining the SME sector by participating in the Government Guarantee Program for SME, in partnership with the National Guarantee Fund for SME. The Program's main objective is to insure the SMEs access to funding through a credit line for working capital guaranteed by the state up to maximum 50% from the loan amount with a maximum value of 5 million RON/SME.

Our support for agriculture was strengthened in 2014, by increasing the volume of financing granted to this segment and through our continuous commitment to update and improve the lending products dedicated to the pre-financing of subsidies and facilitate the funding for the land acquisition for agriculture by legal entities or private entrepreneurs.
Besides the developments done for our clients, we have also focused on offering additional support to our sales force by improving internally the IT tool (Activity Management). This IT tool also supports the head office in measuring and monitoring the activity and deals generated by the Regional Centers, as well as for Campaign and Lead management.

Private Banking

OTP Group has a tradition of more than 18 years in the Private Banking field. The service was first launched in Hungary, back in 1995. Since that moment, this business segment has been permanently improved and the success of this approach is confirmed by continuous and sustained growth in both number of clients and assets under management.

The international recognition highlights our performance: OTP Private Banking was designated, for the second consecutive time, the best bank in the private banking sector in Hungary, in the Global Private Banking Awards 2014, event organized by the prestigious publications The Banker and Professional Wealth Management, members of the Financial Times Group. The parameters taken into consideration aimed financial performance, portfolio expansion and market share of each participating bank.

This public recognition raises to 8 the number of prizes won by OTP Private Banking in the region of Central and Eastern Europe in the last 6 years.

Our local business benefits from OTP Group's expertise in the Private Banking field. The Private Banking activity within OTP Bank Romania was officially launched in February 2008, as a personalized service offered to high net-worth clients. The main objective of this activity is to increase the added value and exclusivity of the offered products and services, by creating a complete package, carefully tailored and adapted to the characteristics of each client.

Currently, the service is addressed to customers who invest more than EUR 50,000 in products offered by OTP Bank Romania or cash-in a minimum monthly income of EUR 2,000 in a current account opened at OTP Bank Romania.

An important aspect for the clients included in the Private Banking category is represented by the personalized relationship between them and the dedicated counsellor. In addition, clients are members of a group which benefits from products and services offered in accordance to their profiles, objectives, needs and risk tolerance. All these advantages provide them a special statute. The Private Banking services of OTP Bank Romania were initially offered through a singular banking unit. However, in order to offer the Private Banking package to the elite clients countrywide, regardless of their location, we extended these services to a wider level (all territorial units).

Starting 2013, the Private Banking strategy was based on portfolio management and investment counselling, in accordance to each client individual profile. Thus, depending on client's financial needs and objectives, we were able to offer them the most appropriate savings and investment solutions, from extra safe savings to complex portfolios.

As a result, in the last two years, the holdings of our Private Banking clients in investment funds grew from 15% to 32% out of their total assets under management. Similar growth (30%) was also registered in the number of Private Banking clients, while the total assets under management for Private Banking clients increased with 47% in the same period.

The above results create the premises for further development in the Private Banking segment.

Corporate Banking

Corporate Banking Division conducts banking activities for the mid-market corporate segment with annual turnover between 5 and 25million EUR, mainly local and municipality related businesses, companies with favorable outlook, cash rich companies, like:

- importers and exporters,
- producers from selected industries, mainly FMCG businesses and manufacturing,
- agricultural businesses,
- EU investment projects,
- selectively Project Finance transactions mainly in Renewable Energy Sector, involving qualified sponsors/ investors proving strong expertise and financial strength,
- parent clients and cross-border clientele, Hungarian investors in Romania, companies engaged in import/ export operations in connection with Hungary.

The Corporate Banking segment continues to provide to the targeted companies complete financial solutions, using the expertise of the different departments inside the Division and offering tailor made solutions in order to participate to the growth of client's activities.

Main highpoints for 2014:

- Develop the portfolio of corporate clients, by:
  - strengthening the client acquisition process;
  - providing high level quality services to the customers, offering tailored-made solutions, servicing with pro-active approach, sharing expertise.
- Developing cross-selling with products and services of the Bank and the Group, with:
  - the sales force promoting the whole range

- of Bank's products (salary cards, credit cards, personal loans, treasury products, investment funds, Private Banking packages etc.), with involvement of sales teams from all the areas of the bank and from other group companies.
- Strengthening the lending activity:
  - focus on lending, especial in local currency (RON), self-liquidating and short term maturities;
  - increase the volume of loans for middle-sized companies with good financial standing, with focus on agricultural segment.
- Reach the profitability target:
  - aim to increase the volumes of cheaper funds like current accounts in order to improve loan/depo ratio;
  - increase the operations through the online platform;
  - using the ROA principle in designing the offers;
  - continuous monitoring of the client's profitability and banking competition.
- Increase liabilities:
  - acquisition of cash rich customers;
  - promoting attractive cash management offers in order to attract clients with current account (cheaper liabilities);
  - adjustment of pricing of deposits based on a cost-benefit analysis;
  - decrease of the concentration level;
  - campaign for attracting new funds.
- Development of the agricultural related business, translated into maintaining and developing relationship with authorities, entities acting and related to agri segment (State authorities, State related/owned/controlled/supervising/implementation entities with reference to agri segment, professional and sectorial associations, EU organizations, agencies/authorities for EU funds/programs: ministries, agencies, guarantee funds, etc)
  - an accesible Agri-Guide was designed, that aims to be an useful tool for the sales force, bringing together both theoretical and practical aspects, tailored business conducted with clients classified as agribusiness;
  - agri Market research was completed, containing figures (at developments regions and counties level) regarding the Agri Romanian market, as the market of agricultural lands and the main investors, clasification of the agri legal entities, the vegetal and animal production an related subsides, agricultural efficiency.
- Products Developments:
  - the corporate products team launched a new product, the Profit Account, designed for assuring to the legal entities a constant accessibility to funds on the accounts opened and for attracting cheaper funds comparing to term deposits;
  - the list of billers was extended to which bill payments might be performed inter-banking through Internet Banking by our customers; as a result, our private and legal entities will be able to make bill payments by Internet Banking to a large number of utility providers covering the main utilities at the regional level.

We are able to offer to our customers a wide range of top quality services and solutions, delivered through a multitude channels (internet banking, phone banking through Call Center, bank's desk etc.).

We can conclude that the year 2014 proved again the necessity of adopting a client-centered orientation and creating business relationships based on trust and partnership. It is a certain fact that we constantly improve the quality of the client service, through cross sales, personalized approach, flexible and fast solutions.

Treasury

Overall, Romania's macroeconomic stability further improved in 2014. GDP growth remained at high levels by EU standards, while the country's external debt and current account deficit gradually shrank. At the same time, budget implementation ended with a 1.5% deficit in 2014, down from 2.2% a year earlier. The more favorable internal and external environment helped to ease

CDS spreads to record lows and was also supportive of relatively stable EUR/RON exchange rate.
Furthermore, the average annual inflation rate slipped as well from 4.0% in 2013, to only 1.1% in 2014, which is below the NBR's target (2.5% +/- 1%). The weak inflation outlook let the Central Bank to continue its monetary policy easing cycle via interest rate and minimum reserve ratio cuts, which contributed to the significant drop of interbank money market rates.
Beyond the historically low ROBOR rates, government securities' yields also showed a downward shape in 2014, following the general trends seen across most EU countries.

By continuing the easing cycle, National Bank of Romania cut its benchmark rate from 4%, at the beginning of 2014, to as low as 2.75% and leaving in the market a net excess liquidity. As a result, short term money market rates dropped below NBR's policy rate, from 3.75% 3M ROBOR, at the beginning of the year, to as low as 1.4%.

On the FX side, EUR/RON traded sideways in 4.38 – 4.54 range influenced by the decisions of both FED and ECB and in the same time the geopolitical developments in Ukraine. The pair closed flat the year at 4.48, where it started.
OTP Bank Romania continued to develop its product range, taking advantage of OTP Group's support and know-how.
Treasury's result expanded by 18% yoy based on excellent dynamic in profits delivered by Trading (+41%) and Sales (+16%). Treasury Sales outcome was supported by maturing Derivatives' product which grew by more than 5 times yoy.

By doing so, OTP Bank Romania managed to improve the brand awareness between market participants, customers and banks.

OTP Bank's Subsidiaries Present in Romania

OTP Asset Management Romania SAI S.A.

Operational since April 2008,
OTP Asset Management Romania positioned on the local market as an innovative, dynamic player, performance oriented and customer centered. The company aims to satisfy its client's needs, offering high quality products and best financial advisory services.

Ranked the 6th player on the market, with assets under management exceeding RON 447 million, the company is serving a large segment of individual and institutional clients. Through the products offered, clients can diversify their investment portfolio in a broad range of asset classes, such as: equities, bonds, T-bills, deposits, capturing the opportunities from the financial markets. In 2014, two new funds have been launched, OTP Premium Return and OTP Dollar Bond, complementing the product offer for its clients.

Currently, OTP Asset Management Romania manages seven mutual funds and nineteen discretionary portfolios of HNWIs, as follows:

- Five open end funds:
  - OTP AvantisRO (equity, RON);
  - OTP Obligatiuni (bond, RON);
  - OTP Dollar Bond (bond, USD);
  - OTP Euro Bond (bond, EUR).
  - OTP ComodisRO (money market, RON). -

- Two closed end funds:
  - OTP Premium Return (Absolute-Return, RON);
  - OTP Expert (institutional mandate, RON).

In 2014, OTP Asset Management Romania excelled to transform professionalism and energy into performance. Due to its dynamic and innovative approach, customer centric actions, as well as its constant perseverance of its team of highly skilled professionals, the company continued to gain the recognition of the financial market.

OTP Premium Return, the first fund with absolute return strategies, has been awarded as "The most appreciated fund with innovative Absolute-Return strategies from Romania" whilst OTP Euro Bond has been awarded as "The best performer bond fund euro denominated" at Investment Funds and Private Pensions Gala (Finmedia, 5th of May 2015).

OTP Euro Bond, the euro denominated bond fund has achieved for the third year in a row, the highest performance in the market being the leader of its category. In 2014 the funds offered a 3.38% yield in euro.
OTP Obligatiuni (5.37%)and OTP ComodisRO (4.57%) the two open ended funds with an investment policy oriented towards fixed income instruments and money market maintained themselves on the second place in their fund category, delivering constant and solid performance throughout 2014 for their clients.

The company grew constantly as at the center of its preoccupation stands the ideas generation on how to better serve the customers Thereby, the total assets under management by the end of 2014 grew by 16.4%, reaching RON 447 million, while the number of investors increased by 8.46%, reaching 6,424 Individuals and institutional investors. Looking further, the company intends to complements the portfolio of funds, aiming to bring to its customers, a variety range of products, well diversified in term of geography and currency, seeking to deliver solid performances to meet customers' expectations and continuous changing needs.

OTP Advisors S.R.L.

OTP Advisors S.R.L. started its activity in July, 2007,under the name of OTP Broker Pensii Private S.R.L. At that moment,
OTP Broker Pensii Private S.R.L. was managing the contracts to the private pension fund that OTP Bank Romania S.A. used to own.

Starting July, 2008, the activity was extended to promoting and distributing banking products and services offered
OTP Bank Romania S.A. The name of the company was changed to OTP Broker de Intermedieri Financiare S.R.L.

In 2012, the company went through a rebranding process and become OTP Advisors S.R.L., a team of financial advisors focused on providing first class tailor made financial services for Romania private individuals.
The sole shareholders of OTP Advisors S.R.L. is OTP Bank Romania S.A. (100%), member of OTP Group.

In 2014, OTP Advisors S.R.L. has continued its development strategy and diversifying of all kinds of selling products of OTP Bank Romania S.A. (mortgage loans and personal loans with mortgage, credit packages and IMM).
OTP Advisors S.R.L. has the same strong national network covering all the main cities of the country: Bucuresti, Ploiesti, Pitesti, Cluj, Targu Mures, Brasov, Timisoara, Oradea, Sibiu, Iasi,

Bacau, Constanta, Arad, Craiova.
OTP Advisors S.R.L. generated sales volumes from the OTP Bank Romania S.A. total sales in Romania (40% from unsecured personal loans, 21% from mortgage loans and personal loans with mortgage, 61% from credit cards.

OTP Consulting S.R.L.

OTP Consulting Romania S.R.L was established by OTP Bank Romania and the consultancy company OTP Hungaro Projekt, from Hungary. The experience gained by OTP Hungaro Projekt in preparing and managing projects for companies and local administrations, as well as the experience of OTP Consulting and OTP Bank Romania's consultants guarantee that the Romanian clients experiencing problems after EU accession benefit from high quality services.

OTP Consulting Romania offers a wide range of services and comprehensive local development solutions, including trainings, technical assistance, support in identifying new projects and financing sources, consultancy in project design, as well as project management services.
OTP Consulting Romania does not only provide project solutions, but also support in project implementation, being capable of sustaining the beneficiary's staff to acquire project management skills.

The company implemented a large number of projects during the last year. A relevant project can be considered the "Integrated model for developing human resources in the rural environment in the touristic sector", project implemented under the Human Resources Sectorial Operational Program. Also, the company applied for other projects under the same Program. One of the most relevant applications was for the project "Antreprenor - Successful business ideas and development of entrepreneurship in the regions Bucharest-Ilfov and South-West Oltenia".

In 2014, OTP Consulting Romania will continue the implementation of other important projects such as: "The Extension and Rehabilitation of water supply and sanitation in Harghita county", a project implemented in partnership with EPTISA.
The company's experts also managed other projects in the environment and social fields. The rate of success for OTP Consulting Projects was 85%.

OTP Leasing Romania IFN S.A.

OTP Leasing Romania IFN S.A. entered in August 2007 the market in Romania, offering leasing products for cars, equipments and properties.

OTP Real Estate Services Romania

OTP Real Estate Services SRL was founded in 2012, having OTP INGATLAN Zrt and OTP Bank Romania SA as shareholders. The main activities of the company are promotion of real estates, property management and utilization of real estates, as well as other indirectly related real estate activities.
The company carries out service activities, provides real estate solutions for OTP Group, particularly in the form of sale of collaterals behind non-performing loans and participates as a competence center in all real estate related activities.

OTP Factoring Romania

OTP Factoring was created to help and support clients to solve financial problems, its activity being represented by receivables portfolio management purchased from various banking and financial institutions and nonbank financial institutions.

ACTIVITIES OF OTHER FOREIGN SUBSISIARIES OF OTP GROUP*

* According to the annual report of OTP Group

IFRS reports of the main subsidiares

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	30,223	39,170	30
Income tax	(3,536)	(4,417)	25
Profit before income tax	33,760	43,587	29
Operating profit	55,090	62,392	13
Total income	92,966	102,238	10
Net interest income	72,908	79,116	9
Net fees and commissions	18,208	20,262	11
Other net non-interest income	1,849	2,860	55
Operating expenses	(37,876)	(39,846)	5
Total provisions	(21,330)	(18,805)	(12)
Provision for possible loan losses	(20,723)	(17,526)	(15)
Other provision	(608)	(1,279)	111
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	1,343,595	1,603,812	19
Gross customer loans	1,138,014	1,158,516	2
Gross customer loans (FX-adjusted)	1,207,114	1,158,516	(4)
Retail loans	953,808	872,084	(9)
Corporate loans	253,306	286,433	13
Allowances for possible loan losses	(201,300)	(159,015)	(21)
Allowances for possible loan losses (FX-adjusted)	(213,653)	(159,015)	(26)
Deposits from customers	1,054,713	1,285,044	22
Deposits from customer (FX-adjusted)	1,123,382	1,285,044	14
Retail deposits	987,005	1,127,641	14
Corporate deposits	136,376	157,403	15
Liabilities to credit institutions	44,351	47,284	7
Subordinated debt	0	0	0
Total shareholders' equity	220,752	247,993	12
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	228,539	173,716	(24)
90+ days past due loans/gross customer loans	20.1%	15.0%	(5.1)
Cost of risk/average gross loans	1.82%	1.53%	(0.29)
Cost of risk/average (FX-adjusted) gross loans	1.70%	1.48%	(0.21)
Total provisions/90+ days past due loans	88.1%	91.5%	3.4
Performance Indicators	**2013**	**2014**	**ppts**
ROA	2.3%	2.7%	0.4
ROE	14.1%	16.7%	2.6
Total income margin	7.05%	6.94%	(0.11)
Net interest margin	5.53%	5.37%	(0.16)
Cost/income ratio	40.7%	39.0%	(1.7)
Net loans to deposits (FX-adjusted)	88%	78%	(10)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/BGN (closing)	151.8	161.0	6
HUF/BGN (average)	151.8	157.8	4

- 2014 net profi t improved by 30% y-o-y supported by favourable income dynamics and moderating risk costs
- Asset quality trends remained favourable. The signifi cant drop of the DPD90+ ratio was explained mostly by partial write-off s in the fourth quarter; the coverage ratio further increased
- DPD0–90 loan volumes grew by 2% y-o-y (adjusted for FX-eff ect). Corporate loans increased on the back of the business development project targeting corporate clients
- Despite continuing deposit rate cuts volumes increased substantially y-o-y

In 2014, **DSK Group** posted an after-tax profi t of HUF 39.2 billion representing a 30% improvement over the base period.
The operating profi t improved by 13% mainly as a result of excellent core banking revenues. The net interest income advanced by 9% y-o-y (+4% in local currency terms), mainly due to lower interest expenses. The prepayment of a subordinated loan with original maturity date of 2016 to OTP Bank in October 2013 played a role in the reduction of funding costs, too. The annual net interest margin eroded slightly by 17 bps to 5.36% mainly due to the lower margin content realized from the liquidity infl ow experienced in second half of 2014 (consequently, total assets went up, too).
The net fee and commission income advanced by 11% y-o-y; the growth was driven mainly by higher deposit-related fees. The increase of other net non-interest income was partly driven by the reclassifi cation of interest income realized on the trading book from interest revenues into the other income line.
Operating expenses grew by 5% y-o-y in HUF terms, whereas costs went up by only 1% in leva terms.
Asset quality developments can be characterized as favourable: in each quarters of 2014 the FX-adjusted change of DPD90+ loan volumes indicated moderate portfolio quality deterioration (quarterly FX-adjusted change of DPD90+ loan volumes adjusted for sales and write-off s in HUF billion: 1Q 2014: 2, 2Q: 2, 3Q: 1, 4Q: –2). The ratio of loans with more than 90 days of delay dropped materially y-o-y (by 5.1 ppts to 15%) driven mostly by write-off of non-performing household loans.
The annual risk cost declined by 12% implying a risk cost rate of 1.48%. The provision coverage of DPD90+ loans improved by 3.5 ppts y-o-y exceeding 91.5% by end-2014.
The overall loan demand remained weak. The y-o-y FX-adjusted loan volume changes were related to a great extent to write-off s executed primarily in the fourth quarter of 2014. Performing (DPD0–90) loan volumes showed a 2% growth both in yearly comparison.
In 2014 new retail loan disbursement declined by 11%. The FX-adjusted DPD0–90 mortgage loan portfolio declined by 6% y-o-y; increased prepayments played a role, too (pursuant to a new legislation prepayment fees were abolished from July 2014).
The performing consumer loan portfolio remained stable y-o-y. From mid-2013 DSK launched a business development project targeting SME and corporate clients with the aim of improving effi ciency and potentially market share both in lending and deposit collection. Accordingly, in order to galvanize SME and corporate lending, in the fi rst quarter of 2014 5 new fi nancial outlets were opened and another 13 units during the second quarter. Consequently, from the second quarter of 2014 new corporate loan volumes started to accelerate gradually (in the fourth quarter they practically doubled y-o-y).
DPD0–90 corporate loan volumes grew by 18% y-o-y. Simultaneously, the Bank could gain market share in this segment: it went up from 5.8% to 6.7% in the last 12 months.
The FX-adjusted deposit base – despite persistently lower interest rates versus market rates – grew by 7% y-o-y. Consequently, the net loan to deposit ratio at DSK dropped to multi-year low level (78%) demonstrating an excellent liquidity position at the bank. The capital adequacy ratio of DSK Bank stood at 18% at the end of December 2014 (+1.7 ppts y-o-y). In the second quarter DSK Bank paid around HUF 25 billion equivalent dividend to the mother company.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	2,356	(14,541)	(717)
Income tax	(1,053)	3,137	(398)
Profit before income tax	3,409	(17,678)	(619)
Operating profit	124,223	101,028	(19)
Total income	207,493	179,392	(14)
Net interest income	184,041	158,972	(14)
Net fees and commissions	21,990	21,378	(3)
Other net non-interest income	1,462	(958)	(166)
Operating expenses	(83,270)	(78,364)	(6)
Total provisions	(120,814)	(118,706)	(2)
Provision for possible loan losses	(121,310)	(117,623)	(3)
Other provision	496	(1,083)	(318)
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	940,320	750,747	(20)
Gross customer loans	833,223	568,709	(32)
Gross customer loans (FX-adjusted)	586,202	568,709	(3)
Retail loans	550,151	532,543	(3)
Corporate loans	33,099	34,169	3
Car financing loans	2,952	1,997	(32)
Gross DPD0–90 customer loans (FX-adjusted)	481,233	484,930	1
Retail loans	447,594	451,555	1
Allowances for possible loan losses	(160,989)	(98,436)	(39)
Allowances for possible loan losses (FX-adjusted)	(110,825)	(98,436)	(11)
Deposits from customers	554,645	402,729	(27)
Deposits from customer (FX-adjusted)	417,772	402,729	(4)
Retail deposits	324,275	314,977	(3)
Corporate deposits	93,497	87,752	(6)
Liabilities to credit institutions	56,343	107,492	91
Issued securities	101,969	4,600	(95)
Subordinated debt	15,728	23,884	52
Total shareholders' equity	177,906	111,779	(37)
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	150,982	83,779	(45)
90+ days past due loans/gross customer loans	18.1%	14.7%	(3.4)
Cost of risk/average gross loans	14.47%	16.78%	2.31
Cost of risk/average (FX-adjusted) gross loans	21.47%	20.37%	(1.10)
Total provisions/90+ days past due loans	106.6%	117.5%	10.9
Performance Indicators	**2013**	**2014**	**ppts**
ROA	0.2%	(1.7%)	(1.9)
ROE	1.3%	(10.0%)	(11.3)
Total income margin	21.09%	21.22%	0.13
Net interest margin	18.70%	18.80%	0.10
Cost/income ratio	40.1%	43.7%	3.6
Net loans to deposits (FX-adjusted)	114%	117%	3
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/RUB (closing)	6.6	4.5	(32)
HUF/RUB (average)	7.0	6.1	(13)

- HUF 14.5 billion loss in 2014 due to y-o-y lower operating profi t and still high risk costs
- Further portfolio deterioration, DPD90+ ratio shrank to 14.7% after portfolio cleaning, DPD90+ coverage further improved (117%)
- Operating costs grew by 8% in RUB terms with increasing cost/income ratio: 2014: 43.7%, +3.6 ppts y-o-y

The HUF denominated fi nancial fi gures of OTP Bank Russia are distorted by the HUF/RUB moves: in 2014 the closing rate showed y-o-y 32% devaluation of RUB against HUF; whereas the average yearly rate depreciated by 13% y-o-y. Therefore local currency P&L and balance sheet dynamics can be materially diff erent from those in HUF terms.

After tax loss of OTP Bank Russia for 2014 amounted to HUF 14.5 billion reasoned by moderate loan disbursements and higher risk cost needed due to worsening portfolio quality under the deteriorating operating environment. The negative result also contain the operating costs related to the set-up of a new online bank (Touch Bank), which amounted to HUF 2.2 billion in 2014. The new entity operates separately from the Bank via online channels and targets affluent customer segments. The operational launch is expected in spring 2015.

In 2014 operating profit dropped by 19% y-o-y, given the 14% drop of total income and 6% decline of operating expenses. The core trends are better represented in RUB terms, due to the significant RUB devaluation against HUF: 2014 operating profit declined by 6% compared to 2013, as a result of a 1% decrease in total income and 8% increase of operating expenses. The major component of total income is net interest income, which also declined by 1% y-o-y in rouble terms. The DPD0–90 portfolio grew by 1% y-o-y (FX-adjusted), whereas loan margins slightly decreased; on the liability side deposit margins increased. Total income dynamics were positively influenced by the y-o-y 11% growth of net F&C income in RUB terms, mainly related to the lower expenses paid to POS agents. Other net non-interest income was negative, about – HUF 1 billion in 2014, which was mainly caused by losses on securities portfolio and FX-revaluation – related mostly to the capital market volatility and RUB devaluation during the year. 2014 operating expenses increased by 8% y-o-y in RUB terms, mainly due to the almost 8% average CPI in the last twelve months; moreover costs related to the set-up of Touch Bank also appeared on this line. Consequently, the cost-to-income ratio worsened by 3.6 ppts to 43.7% y-o-y in 2014.

The branch network consisted of 198 branches at the end 2014, and the number of employees decreased to 5,952 in 2014. The number of active points of sales increased by 4.6% y-o-y, so the overall network consisted of about 33.8 thousand sales points

Due to the unfavourable economic environment deterioration of the loan portfolio continued, however the pace of deterioration slightly slowed down in the fourth quarter. FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans totalled to HUF 110 billion after the HUF 89 billion registered in 2013. In the course of 2014 the volume of sold and written-off loans more than doubled on annual basis, and amounted to RUB 22.6 billion (HUF 104 billion). The profit on loan sale in the amount of RUB 8.3 billion was about RUB 360 million, which improved the risk cost figures. Due to the portfolio cleaning DPD90+ ratio improved to 14.7%. Coverage of DPD90+ loans improved by 10.9 ppts to 117.5% y-o-y, while in the same period risk cost on average FX-adjusted gross loans decreased by 1.1 ppts to 20.4%.

The Bank's reaction to the deteriorating market environment (significant rouble devaluation, base rate hike in the total of 900 bps in the fourth quarter) was to selectively limit the disbursements of different products and make changes in the pricing policy. So the decline of FX-adjusted DPD0–90 POS loans portfolio was 0.4% y-o-y. As a result of the general setback on the market and with the bank focusing on product profitability, POS disbursements were lower by 3.7% on yearly basis. The bank kept its number two position in the league table. With regards to credit card business, the FX-adjusted DPD0–90 portfolio increased in 2014 (+2.1% y-o-y), although since October no new credit cards have been sent out and the Bank cut back part of the card limits in December. The bank was the seventh largest player in this segment at the end of 2014, end of 2013 alike. Due to the market turbulences, since the middle of December cash loan disbursement has been suspended, nevertheless, the FX-adjusted DPD0–90 cash loan portfolio increased by 10% y-o-y.

The corporate loan portfolio slightly increased in 2014 with regards to the FX-adjusted DPD0–90 loans (+2% y-o-y).

As a favourable development, after the decline in the first half of the year, deposits grew both in the third and fourth quarter, thus the yearly FX-adjusted decline was 4% altogether. In the last quarter the Bank managed to increase its deposit base despite the unfavourable market environment – deposit rates were increased in line with market trends at the end of December in order to reverse the deposit outflows.

FX-adjusted net loan-to-deposit ratio stood at 117% (+3 ppts y-o-y).

The Bank paid back issued bonds in the amount of RUB 13.3 billion in 2014. Because of this and other bill of exchange repayments, volume of issued securities in RUB terms decreased by 95% in 2014. At the same time, in order to fulfil the higher funding need at the end of the year – on top of the deposit collection – the bank utilised intragroup funding lines, which have already been repaid in January 2015. In the fourth quarter of 2014 the Russian subsidiary received RUB 3 billion subordinated loan with 10 years maturity from the mother company, so its capital adequacy ratio stood at 12.1% at the end of 2014.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit without the effect of adjustments	6,716	(43,166)	(743)
Income tax	(4,447)	4,156	(193)
Profit before income tax	11,163	(47,322)	(524)
Operating profit	40,285	27,269	(32)
Total income	72,811	52,078	(28)
Net interest income	53,385	45,327	(15)
Net fees and commissions	17,020	10,306	(39)
Other net non-interest income	2,406	(3,555)	(248)
Operating expenses	(32,526)	(24,809)	(24)
Total provisions	(29,122)	(74,591)	156
Provision for possible loan losses	(27,431)	(71,947)	162
Other provision	(1,692)	(2,644)	56
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	617,730	422,286	(32)
Gross customer loans	666,425	568,214	(15)
Gross customer loans (FX-adjusted)	657,007	568,214	(14)
Retail loans	310,827	300,456	(3)
Corporate loans	305,480	234,785	(23)
Car financing loans	40,699	32,973	(19)
Gross DPD0–90 customer loans (FX-adjusted)	404,563	306,027	(24)
Retail loans	141,858	95,895	(32)
Corporate loans	238,028	196,577	(17)
Car financing loans	24,677	13,555	(45)
Allowances for possible loan losses	(183,559)	(254,881)	39
Allowances for possible loan losses (FX-adjusted)	(197,106)	(254,881)	29
Deposits from customers	240,843	228,803	(5)
Deposits from customer (FX-adjusted)	209,502	228,803	9
Retail deposits	143,434	137,545	(4)
Corporate deposits	66,068	91,258	38
Liabilities to credit institutions	208,352	143,171	(31)
Subordinated debt	41,071	37,735	(8)
Total shareholders' equity	113,236	4,383	(96)
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	230,744	262,187	14
90+ days past due loans/gross customer loans	34.6%	46.1%	11.5
Cost of risk/average gross loans	4.06%	11.65%	7.59
Cost of risk/average (FX-adjusted) gross loans	4.07%	11.74%	7.67
Total provisions/90+ days past due loans	79.6%	97.2%	17.6
Performance Indicators	**2013**	**2014**	**ppts**
ROA	1.1%	(8.3%)	(9.4)
ROE	6.0%	(73.4%)	(79.4)
Total income margin	11.45%	10.01%	(1.44)
Net interest margin	8.40%	8.72%	0.32
Cost/income ratio	44.7%	47.6%	2.9
Net loans to deposits (FX-adjusted)	220%	137%	(83)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/UAH (closing)	26.2	16.4	(37)
HUF/UAH (average)	27.4	19.9	(27)

- The HUF 43 billion loss realized in 2014 was due to higher risk costs driven by UAH depreciation and accelerating portfolio quality deterioration
- The Bank closed its operation in Crimea in the second quarter; in Donetsk and Luhansk counties the provision coverage of total gross loans reached 99.4%
- In the rest of the country lending activity remained weak: cash lending suspended in April but resumed in the third quarter can be still characterized as muted; POS loan disbursement lags behind that in the base period
- Deposits kept expanding, as a result the net loan/deposit ratio declined further. The intra-group funding provided to the Ukrainian operation declined in 2014

The financial performance and indicators of OTP Bank Ukraine in HUF terms were significantly distorted by the HUF/UAH exchange rate moves: in the fourth quarter of 2014 the closing rate of UAH showed a 37% y-o-y depreciation against HUF, whereas the average annual FX rate weakened by 27% y-o-y. Therefore local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

In the second quarter OTP Bank decided to close down its business in the Crimea.

Methodological note: as one-off elements not related to the normal course of business activity, the risk costs created in relation to the Crimean exposures from the second quarter of 2014 in the amount of HUF 9 billion, as well as risk costs made for exposures to the Donetsk and Luhansk counties from the third quarter of 2014 in the amount of HUF 28.9 billion were eliminated from the Ukrainian P&L and were shown amongst the adjustment items on consolidated level. Balance sheet items were not adjusted.

In the course of 2014 the operation and performance of OTP Bank Ukraine was affected in several ways by the developments of internal and foreign affairs and the deterioration of the operating environment.

In the second quarter the Bank closed its operation in the Crimea, 8 branches were closed. As a result of the risk cost set aside from the second quarter of 2014 the provision coverage reached 100% of the gross loan exposure to Crimea.

In Donetsk and Luhansk counties as a result of risk costs set aside from third quarter the provision coverage of the total gross loan portfolio reached 99.4%. The remaining net loan exposure to these counties (including accrued interest) amounted to HUF 3 billion equivalent at the end of 2014. In the fourth quarter of 2014 the Bank closed down 15 branches in these regions, thus the number of banking outlets declined to 2 at the end of 2014 (in Ukraine altogether 24 branches were shut down in 2014). In these regions currently there is no corporate or retail lending activity.

As for the consumer lending in the rest of the country, stricter lending conditions were already introduced in the first quarter.

From 9 April cash loan disbursement was suspended. However it was resumed in the second half of August, newly disbursed volumes in the fourth quarter remained weak and comprised only 14% of those a year ago. As a result, DPD0–90 cash loan volumes melted down by 38% y-o-y. From the second quarter of 2014 the cross-sale of credit cards declined to practically zero, therefore DPD0–90 volumes contracted by 9% y-o-y. As a consequence of stricter lending conditions new POS loan origination melted down by more than 40% y-o-y in 2014. DPD0–90 POS loan volumes went down by 31% y-o-y. The mortgage book further declined. Regarding corporate lending the activity is focused rather on using existing credit limits. As a result, the FX-adjusted total DPD0–90 loan portfolio contracted by 24% y-o-y. Total deposits grew by 9% y-o-y (adjusted for the FX-effect). After an 8% decline of deposit volumes in first and second quarter they already grew by the same magnitude and in the third and fourth quarter by another 5% q-o-q, respectively. In the second half of the year the expansion was driven by strong corporate deposit inflows. Local currency retail deposits are the major source of UAH consumer lending and the offered deposit rates moved up in the course

of 2014 alongside the overall deposit pricing. The net loan-to-deposit ratio dropped to 137%, which marks multi-year low.
The intragroup funding (without subordinated debt) provided to the Ukrainian banking group declined by altogether USD 445 million in 2014 and reached HUF 140 billion equivalent at the end of 2014.
The bank posted a pre-tax adjusted loss of HUF 47.3 billion in 2014. The after-tax loss reaching HUF 43.2 billion was partially mitigated by the deferred tax asset.
The annual operating profit in HUF terms dropped by 32% y-o-y, but the underlying business performance is better described by the 11% decline in local currency terms.
Within total income the net interest income advanced by 16% in UAH terms as a result of higher loan volumes in UAH terms on one hand and slightly better net interest margin in UAH terms on the other.
The annual net fee and commission income dropped by 17% in UAH terms as a result of lower fees related to deposits and cash settlement, but also due to lower fee income since the second quarter reasoned by the decline in newly disbursed consumer loans sold with payment protection policies. The significant setback of other non-interest revenues can be attributable to the negative result realized on this line in the fourth quarter of 2014, which is explained mainly by the write-off of cash and other assets in Eastern-Ukraine (amounting to HUF 1.1 billion), and the leasing revenues being reclassified into interest revenues (this item explains HUF 1.8 billion decline in other income line).
Additionally, impairment of assets played a role in the quarterly decline in the fourth quarter, too (HUF –0.8 billion).
Operating expenses went up by 6% y-o-y in UAH terms.
The annual risk costs jumped to three and a half times in UAH terms, partly due to the UAH depreciation against USD which requires higher provision coverage on FX loans.
Furthermore, the worsening sovereign credit rating also called for higher risk costs.
The new DPD90+ formation reflected a remarkable deterioration from the second quarter of 2014 versus a fairly moderate DPD90+ volume growth in the first quarter (FX-adjusted DPD90+ volume growth excluding the impact of loan sales and write-offs in HUF billion in 1Q 2014: 3, 2Q: 18, 3Q:14, 4Q: 26).
The DPD90+ ratio increased to 46.1%; the quarterly development was influenced by write-offs, too. The provision coverage ratio went up further and reached 97.2% marking 17.7 ppts yearly increase.
The shareholders' equity of the Ukrainian banking group under IFRS reached HUF 4.4 billion at the end of 2014, which already consists of the impact of the conversion of UAH 800 million equivalent subordinated debt into equity booked in the last quarter of 2014. Compared to December 2013 the shareholders' equity of the Ukrainian banking group in HUF terms dropped as a result of weakening UAH against HUF, whereas losses realized in 2014 had a negative impact on equity, too. The Ukrainian shareholders' equity includes that of 3 entities: the Bank, the Leasing and Factoring companies.
The standalone equity of the Bank under IFRS reached HUF 28.4 billion. The standalone capital adequacy ratio of the Bank under local regulation stood at 10.4% at the end of 2014, thus it exceeded the regulatory minimum.
This capital adequacy ratio under local regulation did not incorporate the impact of the capital conversion booked in the fourth quarter of 2014. The equity of the Leasing company was HUF –2.7 billion on 31 December 2014. Leasing and Factoring companies are exempt from banks' capital adequacy rules.
The Ukrainian Factoring company received HUF 19 billion equivalent capital increase in September 2014, but had a negative equity of HUF 21.3 billion at the end of December 2014.
In 2015 the equity of the Factoring company is expected to be raised by converting mother company financing into equity.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP Banka Hrvatska:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit without the effect of adjustments	2,210	104	(95)
Income tax	(587)	(524)	(11)
Profit before income tax	2,797	628	(78)
Operating profit	7,910	7,528	(5)
Total income	22,697	25,427	12
Net interest income	16,010	17,924	12
Net fees and commissions	4,878	5,203	7
Other net non-interest income	1,808	2,300	27
Operating expenses	(14,787)	(17,899)	21
Total provisions	(5,113)	(6,900)	35
Provision for possible loan losses	(5,142)	(5,747)	12
Other provision	29	(1,153)	
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	538,112	654,793	22
Gross customer loans	379,177	467,749	23
Gross customer loans (FX-adjusted)	402,380	467,749	16
Retail loans	247,310	298,265	21
Corporate loans	154,650	169,209	9
Car financing loans	420	275	(34)
Allowances for possible loan losses	(29,213)	(38,725)	33
Allowances for possible loan losses (FX-adjusted)	(30,927)	(38,725)	25
Deposits from customers	421,276	518,313	23
Deposits from customer (FX-adjusted)	452,534	518,313	15
Retail deposits	404,009	463,720	15
Corporate deposits	48,525	54,593	13
Liabilities to credit institutions	40,944	51,453	26
Subordinated debt	1,521	0	(100)
Total shareholders' equity	62,880	71,156	13
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	47,493	62,222	31
90+ days past due loans/gross customer loans	12.5%	13.3%	0.8
Cost of risk/average gross loans	1.41%	1.36%	(0.05)
Cost of risk/average (FX-adjusted) gross loans	1.32%	1.32%	0.00
Total provisions/90+ days past due loans	61.5%	62.2%	0.7
Performance Indicators	**2013**	**2014**	**ppts**
ROA	0.4%	0.0%	(0.4)
ROE	3.6%	0.2%	(3.4)
Total income margin	4.29%	4.26%	(0.03)
Net interest margin	3.03%	3.01%	(0.02)
Cost/income ratio	65.1%	70.4%	5.3
Net loans to deposits (FX-adjusted)	82%	83%	1
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/HRK (closing)	38.9	41.1	6
HUF/HRK (average)	39.2	40.4	3

On 24 April 2014 OTP banka Hrvatska accomplished the purchase process of Banco Popolare Croatia (BPC) acquiring a 98.37% stake in the bank. The Croatian P&L was adjusted for certain items which are directly in connection with the acquisition and integration, these corrections are shown on consolidated level, among adjustment items. In the third quarter OBH increased its stake in BPC to 100%.

The integration of BPC was successfully completed by the end of the year.

OTP banka Hrvatska posted HUF 104 million after-tax profit in 2014 (with BPC) against HUF 2.2 billion in the base period. The operating profit lagged behind that of in the base period by 5% y-o-y, while rising risk costs pushed down the results, moreover the effective tax rate notably increased.

The annual net interest income went up by

12% y-o-y as a result of changing accounting rules in the last quarter: the rental income (HUF 0.3 billion) was reclassified from other income to net interest income. The net interest margin remained stable at 3%.

Operating expenses surged notably due to the consolidation of BPC's costs. Due to accounting changes in the fourth quarter the depreciation of real estate revaluation in amount of HUF 1.1 billion was reclassified to other risk costs from operating cost.

The DPD90+ ratio indicates a y-o-y 0.8 ppt increase (13.3%). The annual risk costs for loan losses went up by 12% y-o-y, which is explained by deteriorating portfolio and further provisioning for ongoing litigations on CHF mortgage loans (2014: HUF 0.6 billion).

The coverage ratio of DPD90+ loans (62.2%) improved by 0.7 ppt y-o-y.

The FX-adjusted DPD0–90 loan book advanced by 15% y-o-y as a result of the BPC acquisition. BPC loan portfolio contributed mainly to the retail book; this and the success of cash loan lending were reflected in the 40% y-o-y growth in consumer loans. The corporate loan volumes grew at a fast pace as well, mainly municipal segment expanded notably (+22% y-o-y).

The FX-adjusted deposit book surged by 15% y-o-y.

The capital adequacy ratio reached 15% at the end of December.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko*:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	1,153	32	(97)
Income tax	(351)	(334)	(5)
Profit before income tax	1,503	366	(76)
Operating profit	4,099	5,894	44
Total income	14,908	17,098	15
Net interest income	12,088	14,207	18
Net fees and commissions	3,101	3,000	(3)
Other net non-interest income	(280)	(109)	(61)
Operating expenses	(10,810)	(11,204)	4
Total provisions	(2,595)	(5,528)	113
Provision for possible loan losses	(2,594)	(5,277)	103
Other provision	(2)	(251)	
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	425,219	464,296	9
Gross customer loans	339,602	369,624	9
Gross customer loans (FX-adjusted)	360,216	369,624	3
Retail loans	281,769	298,109	6
Corporate loans	78,002	71,234	(9)
Car financing loans	445	281	(37)
Allowances for possible loan losses	(22,670)	(22,785)	1
Allowances for possible loan losses (FX-adjusted)	(24,044)	(22,785)	(5)
Deposits from customers	332,452	375,687	13
Deposits from customer (FX-adjusted)	352,881	375,687	6
Retail deposits	327,676	358,890	10
Corporate deposits	25,206	16,797	(33)
Liabilities to credit institutions	25,821	17,729	(31)
Issued securities	24,881	18,609	(25)
Subordinated debt	8,627	14,818	72
Total shareholders' equity	27,028	30,501	13

* P&L account lines and indicators are adjusted for banking tax

Loan Quality	2013	2014	%/ppts
90+ days past due loan volume (in HUF million)	39,044	38,211	(2)
90+ days past due loans/gross customer loans	11.5%	10.3%	(1.2)
Cost of risk/average gross loans	0.82%	1.49%	0.67
Cost of risk/average (FX-adjusted) gross loans	0.77%	1.45%	0.68
Total provisions/90+ days past due loans	58.1%	59.6%	1.5
Performance Indicators	**2013**	**2014**	**ppts**
ROA	0.3%	0.0%	(0.3)
ROE	4.3%	0.1%	(4.2)
Total income margin	3.73%	3.84%	0.11
Net interest margin	3.03%	3.19%	0.16
Cost/income ratio	72.5%	65.5%	(7.0)
Net loans to deposits (FX-adjusted)	95%	92%	(3)
FX rates	**2013**	**2014**	**Change**
	HUF	**HUF**	**%**
HUF/EUR (closing)	296.9	314.9	6
HUF/EUR (average)	296.9	308.7	4

* P&L account lines and indicators are adjusted for banking tax and Deposit Protection Fund contributions.

In 2014 OTP Banka Slovensko posted HUF 32 million adjusted10 after-tax profi t.

The reason for the signifi cant y-o-y drop was the doubling of risk cost. As a favourable development, the rate of DPF contribution shrank to one-fi fth in 2H, and there was no banking tax paid in the last quarter of 2014. According to the law, the rate of banking tax will be halved (0.2%) starting from 2015.

The main reason for the 76% drop of pre-tax profi t is the 113% y-o-y surge of risk cost. In 2014 operating profi t grew by 44% y-o-y, due to the increasing total income and stringent cost control. Total income grew by 15% y-o-y supported by the higher loan portfolio and the y-o-y 11 bps improvement of total income margin. Due to the outstanding retail loan (especially consumer loans) and SME loan disbursement dynamics and lower funding cost NII increased by 18% y-o-y. Net fee and commission income decreased by 3% on the yearly basis (–7% in EUR terms), partly reasoned by the lower income as a result of corporate and municipal deposit outfl ow.

Due to the stringent cost control operating expenses remained unchanged y-o-y in local currency terms (+4% in HUF). As a result of those developments the cost-to-income ratio improved in 2014 by 7 ppts to 65.5% y-o-y.

DPD90+ portfolio decreased y-o-y by 2% in the course of 2014, partly because of NPL sale/write-off in the amount of EUR 20 million.

The DPD90+ ratio improved by 1.2 ppts y-o-y to 10.3%. Provision coverage of DPD90+ loans increased by 1.6 ppts to 59.6% on the yearly basis.

FX-adjusted DPD0–90 loans expanded by 4% y-o-y, mainly due to the dynamic growth of consumer loans. Due to the lower yield environment and the fi erce pricing competition mortgage loan disbursements in 2014 fell back y-o-y, and the FX-adjusted gross portfolio shrank by 3% y-o-y. Retail consumer loans kept growing, thee yearly growth was 69%. Corporate loan segment suff ered a decrease y-o-y (–9%).

FX-adjusted deposits grew by 6% on yearly basis.

Bulk of the annual growth was generated by the retail and SME segment (+10% y-o-y), while corporate deposits dropped signifi cantly (–33% y-o-y). FX-adjusted net loan-to-deposit ratio stood at 92% by the end of 2014 (–2.9 ppts y-o-y).

After the EUR 18 million subordinated capital increase in the third quarter 2014, OBS received another EUR 10 million share capital in the fourth quarter; thus the capital adequacy ratio increased to 13.5% by the end of 2014.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(13,246)	50	(100)
Income tax	(11)	4	(137)
Profit before income tax	(13,235)	46	(100)
Operating profit	409	1,359	232
Total income	7,580	8,556	13
Net interest income	4,553	6,613	45
Net fees and commissions	1,671	1,851	11
Other net non-interest income	1,356	92	(93)
Operating expenses	(7,171)	(7,197)	0
Total provisions	(13,644)	(1,313)	(90)
Provision for possible loan losses	(13,002)	(1,202)	(91)
Other provision	(642)	(111)	(83)
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	86,136	109,509	27
Gross customer loans	91,648	99,011	8
Gross customer loans (FX-adjusted)	94,717	99,011	5
Retail loans	44,283	44,549	1
Corporate loans	50,435	54,462	8
Allowances for possible loan losses	(36,989)	(33,010)	(11)
Allowances for possible loan losses (FX-adjusted)	(37,916)	(33,010)	(13)
Deposits from customers	43,614	66,934	53
Deposits from customer (FX-adjusted)	45,531	66,934	47
Retail deposits	38,224	43,850	15
Corporate deposits	7,308	23,084	216
Liabilities to credit institutions	6,984	6,206	(11)
Subordinated debt	8,349	2,542	(70)
Total shareholders' equity	24,050	30,197	26
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	44,793	43,355	(3)
90+ days past due loans/gross customer loans	48.9%	43.8%	(5.1)
Cost of risk/average gross loans	14.31%	1.26%	(13.05)
Cost of risk/average (FX-adjusted) gross loans	13.74%	1.24%	(12.50)
Total provisions/90+ days past due loans	82.6%	76.1%	(6.5)
Performance Indicators	**2013**	**2014**	**ppts**
ROA	(12.7%)	0.1%	12.8
ROE	(53.8%)	0.2%	54.0
Total income margin	7.25%	8.75%	1.50
Net interest margin	4.35%	6.76%	2.41
Cost/income ratio	94.6%	84.1%	(10.5)
Net loans to deposits (FX-adjusted)	125%	99%	(26)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/RSD (closing)	2.6	2.6	0
HUF/RSD (average)	2.6	2.6	0

OTP banka Srbija posted HUF 50 million profit after-tax in 2014, against the negative result of HUF 13.2 billion in the base period. The 2014 positive result was due to y-o-y lower risk costs, while the operating profit developed favourably as well.

The annual total revenues expanded by 13% y-o-y, fuelled mainly by rise of DPD0–90 loan volumes and decreasing funding costs.

The notable change in net interest income and other income is explained by local accounting rule changes: suspended interest income (HUF 1.1 billion) was transferred from other income line to net interest income line. Excluding the effect of this methodological change the net interest income went up significantly by 21% y-o-y, while other income moderated by 10% y-o-y; the latter reflects negative FX results. The increasing number of money transactions alongside the expanding deposit book caused 11% y-o-y surge in net fee income.

The DPD90+ ratio improved to 43.8% (–5.1 ppts y-o-y), due to increasing gross loan portfolio and loan write-offs. In the last quarter corporate loan volumes were written off in the amount of HUF 4 billion. The risk costs materially diminished in 2014. The coverage ratio of DPD90+ loans changed to 76.1% (–6.4 ppts y-o-y).

The FX-adjusted DPD0–90 loan book expanded by 14% y-o-y. Mainly the rise of large corporate loan book (+8% y-o-y) caused this expansion. The retail volumes stagnated, while the Bank focused its lending activity on consumer loans which grew by 10% y-o-y (FX-adjusted) due to the success of cash loan products.

FX-adjusted deposits increased by 47% y-o-y, mainly as a result of corporate deposit inflow (+216% y-o-y). The net loan-to-deposit ratio declined to 99%, which is the lowest for the last couple of years.

The capital adequacy ratio of the Bank reached 31.5% at the end of December.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	801	391	(51)
Income tax	0	19	n/a
Profit before income tax	801	372	(54)
Operating profit	3,506	3,789	8
Total income	10,516	11,518	10
Net interest income	7,804	8,359	7
Net fees and commissions	2,475	2,877	16
Other net non-interest income	237	282	19
Operating expenses	(7,010)	(7,729)	10
Total provisions	(2,705)	(3,417)	26
Provision for possible loan losses	(3,007)	(3,069)	2
Other provision	302	(348)	(215)
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	196,209	195,770	0
Gross customer loans	164,124	158,297	(4)
Gross customer loans (FX-adjusted)	174,062	158,297	(9
Retail loans	73,670	70,955	(4)
Corporate loans	100,392	87,342	(13)
Allowances for possible loan losses	(49,836)	(50,981)	2
Allowances for possible loan losses (FX-adjusted)	(52,854)	(50,981)	(4)
Deposits from customers	145,882	142,593	(2)
Deposits from customer (FX-adjusted)	155,441	142,593	(8)
Retail deposits	127,162	114,506	(10)
Corporate deposits	28,279	28,087	(1)
Liabilities to credit institutions	18,013	19,990	11
Subordinated debt	4,173	2,219	(47)
Total shareholders' equity	21,151	22,840	8
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	61,339	62,808	2
90+ days past due loans/gross customer loans	37.4%	39.7%	2.3
Cost of risk/average gross loans	1.93%	1.90%	(0.03)
Cost of risk/average (FX-adjusted) gross loans	1.80%	1.85%	0.05
Total provisions/90+ days past due loans	81.2%	81.2%	0
Performance Indicators	**2013**	**2014**	**ppts**
ROA	0.4%	0.2%	(0.2)
ROE	4.2%	1.8%	(2.4)
Total income margin	5.20%	5.88%	0.68
Net interest margin	3.86%	4.26%	0.4
Cost/income ratio	66.7%	67.1%	0.4
Net loans to deposits (FX-adjusted)	78%	75%	(3)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/EUR (closing)	296.9	314.9	6
HUF/EUR (average)	296.9	308.7	4

The Montenegrin CKB Bank posted HUF 391 million after-tax profit in 2014 (–51% y-o-y), as a result of the 8% increase in operating profit and higher risk cost (+26%).

Total income as well as operating expenses grew by 10% y-o-y in 2014. Net interest margin improved by 41 bps to 4.26% y-o-y, owing to favourable deposit pricing enabled by the cutback of excess liquidity. So interest expenses dropped by 43% in EUR terms. Net fees and commissions income grew by 16% y-o-y.

With regards to operating expenses, the 10% yearly growth in 2014 was driven mainly by the growth of personnel costs in relation to the cut-back of employees in 2H – in the last 12 months number of employees decreased by 22 to 427. On the whole cost-to-income ratio of CKB grew in 2014 (2014: 67,1%, +0.4 ppt y-o-y).

DPD90+ ratio grew to 39.7% by the end of 2014 (+2.3 ppts y-o-y). Provision coverage of DPD90+ loans decreased by 0.1 ppt to 81.2% y-o-y. Risk indicators are biased because of the write-off of non-performing loans in the fourth quarter in the amount of EUR 32 million and due to the purchase of loans from OTP by the Montenegrin factoring company in the amount of EUR 30 million.

The FX-adjusted DPD0–90 loans decreased by 12% y-o-y, partly because of a loan disbursed in the third quarter of 2013 to the Montenegrin state and repaid gradually in 2014, but also due to scheduled large corporate loan repayments in 2014. FX-adjusted retail loans decreased by 4% y-o-y. Throughout the whole year cash loan sales were spectacular with 8% y-o-y volume increase. The mortgage loan book kept shrinking (–11% y-o-y); and the corporate and municipal loan book also decreased (–13% y-o-y).

The FX-adjusted deposit base decreased by 8% y-o-y mainly as a result of the cut-back of deposit volumes due to the strong liquidity position of the bank. Net loan-to-deposit ratio stood at 75% at the end of 2014 (–3 ppts y-o-y). The Montenegrin bank repaid EUR 7 million subordinated loan to the Group in the last quarter of 2014. Its capital adequacy ratio stood at 14.75% at the end of 2014.

OTP BANK ANNUAL REPORT 2014

FINANCIAL STATEMENTS

OTP BANK ROMANIA S.A.
Income Statement and Statement of Comprehensive Income as at December 31, 2014

INCOME STATEMENT	Note	Year ended December 31, 2014	Year ended December 31, 2013
Interest Income	6	**259,788**	**259,770**
Interest Expense	6	**(84,433)**	**(155,568)**
Net interest income		**175,356**	**104,202**
Fee and commission income	7	73,920	72,123
Fee and commission expense	7	(16,870)	(16,139)
Net fee and commission income		**57,049**	**55,984**
Impairment losses	8	**(162,371)**	**(114,874)**
Net interest, fee and commission income after impairment losses		**70,034**	**45,311**
Trading income, net	9	46,751	70,914
Gains (losses) on derecognition of assets other than held for sale - net		(76)	(716)
Gains or losses on financial assets and liabilities designated as at fair value through profit or loss - net		1,413	5,883
Income from dividend		0	804
Other operating income	12	4,579	5,087
Total non-interest income		**52,668**	**81,971**
Income before non-interest expense		**122,702**	**127,282**
Salaries and related expenses	10	(88,557)	(88,502)
Other administrative expenses	11	(86,130)	(85,023)
Depreciation of tangible and Intangible assets		(17,803)	(21,618)
Other operating expenses	12	(4,993)	(2,168)
Total non-interest expense		**(197,483)**	**(197,311)**
Profit / (Loss) before income taxes		**(74,781)**	**(70,029)**
Deferred tax expense		(129)	113
Net Loss for the period		**(74,910)**	**(69,916)**

Statement of Other Comprehensive Income		Year ended December 31, 2014	Year ended December 31, 2013
Net loss after tax		**(74,910)**	**(69,916)**
Fair value reserve for financial assets available for sale		1,328	218
Total comprehensive loss for the reporting period		**(73,582)**	**(69,698)**
Basic loss per ordinary share (face value RON 240) in RON	29	**(23.34)**	**(22.89)**

These financial statements have been authorized for issue by the management in April, 2015.

OTP BANK ROMÂNIA S.A. Administrația Centrală 3. Director General Adjunct

Mr. László Diósi
President and CEO

Mr. Attila Lanczendorfer
CFO

All amounts are expressed in RON thousands, unless otherwise stated

OTP BANK ROMANIA S.A.
Statement of Financial Position
as at December 31, 2014

STATEMENT OF FINANCIAL POSITION	Note	December 31, 2014	December 31, 2013
ASSETS			
Cash	13	132,747	103,736
Current accounts and deposits at banks	14	152,054	378,207
Accounts with the National Bank of Romania	15	457,219	499,709
Securities held-to-maturity	16	161,520	143,197
Loans and advances to customers, net	18	3,294,465	3,247,601
Loans and advances to banks	17	332,329	0
Investment securities - Available for sale	20	24,166	7,365
Investment securities at fair value through profit and loss	20	23,806	73,464
Investment in Associates and Subsidiaries	21	210	556
Tangible assets, net	19	128,942	136,358
Intangible assets, net	19	12,878	10,691
Tangible assets classified as held for sale	19, 4.2.3	5,381	4,766
Investment property, net	19	3,012	1,848
Derivatives assets	26	4,092	179
Other assets, net	22	**1,518**	**3,276**
Total assets		**4,734,339**	**4,610,954**
LIABILITIES			
Due to Banks		101,078	156,688
Demand deposits from banks	23	71,077	106,654
Term deposits from banks	23	*30,001*	*50,034*
Due to customers		3,976,232	3,738,840
Demand deposits from customers	24	673,384	539,601
Term deposits from customers	24	*3,302,848*	*3,199,239*
Total deposits		4,077,310	3,895,528
Borrowings	25	6,357	11,024
Derivatives liabilities	26	75,887	103,290
Deferred tax liability, net	27	(222)	0
Provisions		25,320	22,810
Other financial liabilities	28	**61,694**	**66,855**
Total liabilities		**4,246,345**	**4,099,507**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	29	*782,909*	*732,909*
Share capital restatement		*42,751*	*42,751*
Total share capital		825,660	775,660
Accumulated deficit		(337,665)	(264,212)
Total shareholders' equity		**487,994**	**511,447**
Total liabilities and shareholders' equity		**4,734,339**	**4,610,954**

These financial statements have been authorized for issue by the management in April, 2015.

OTP BANK ROMÂNIA S.A. Administrația Centrală 3. Director General Adjunct

Mr. László Diósi
President and CEO

Mr. Attila Lanczendorfer
CFO

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OTP BANK ROMANIA S.A.
Statement of Cash Flows
as at December 31, 2014

STATEMENT OF CASH FLOWS	Note	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows from operating activities			
Profit / (Loss) after taxation		**(69,916)**	**(74,669)**
Adjustments for non-cash items:			
Depreciation expense	**19**	17,803	21,618
Loss/(Gain) on disposals of fixed assets		122	72
Impairment losses on loans and advances to customers		151,603	91,552
Impairment losses on sundry transactions		8,925	23,259
Valuation of derivative transactions		(31,081)	(317,669)
Total adjustments for non-cash items		**147,372**	**(181,168)**
Net profit / (loss) adjusted for non-cash items		**72,462**	**(251,084)**
Changes in operating assets and liabilities			
(Increase)/decrease of restricted cash at National Bank of Romania		42,491	(12,986)
(Increase) / decrease of loans and advances to customers		(198,468)	(335,342)
(Increase) / decrease of loans and advances to banks		(332,329)	0
(Increase)/ decrease of other assets		1,758	(1,289)
Increase / (decrease) of demand deposits		98,206	206,085
Increase/(decrease) of term deposits		83,576	151,665
Total changes in operating assets and liabilities		**(304,766)**	**8,133**
Net cash provided by / (used in) operating activities		**(232,304)**	**(242,951)**
Cash flows from investing activities			
Proceeds from / (Purchase of) investments available for sale		(41,956)	2,698
Proceeds from / (Purchase of) sale of investments held to maturity		(17,749)	147,248
Proceeds from / (Purchase of) investments at fair value through profit and loss		49,657	21,596
(Purchase)/sale of tangible and intangible assets, net		(122)	(8,345)
Dividends received		0	586
Net cash from/(used in) investing activities		**(10,170)**	**163,783**
Cash flows from financing activities			
(Decrease) / increase of borrowings		(4,668)	(10,968)
Proceeds from issue of shares		50,000	0
Net cash provided by/ (used in) financing activities		**45,332**	**(10,968)**
Net increase/(decrease) in cash and cash equivalents		**(197,142)**	**(90,136)**
Cash and cash equivalents at beginning of period	**13**	**481,942**	**572,078**
Cash and cash equivalents at end of period	**13**	**284,800**	**481,942**

These financial statements have been authorized for issue by the management in April, 2015.

OTP BANK ROMÂNIA S.A.
Administrația Centrală
3.
Director General Adjunct

Mr. László Diósi
President and CEO

Mr. Attila Lanczendorfer
CFO

All amounts are expressed in RON thousands, unless otherwise stated

OTP BANK ROMANIA S.A.
Statement of Changes in Equity.
For the period ended December 31, 2014

STATEMENT OF CHANGES IN EQUITY	Share Capital RON '000	Share capital restatement reserve RON '000	Retained earnings/ Accumulated deficit RON '000	Total RON '000
Balance as of January 1st, 2013	**732,909**	**42,751**	**(189,270)**	**586,390**
Fair value reserve for financial assets available for sale	0	0	218	218
Net loss for the period ended December 31, 2013	*0*	*0*	*(69,916)*	*(69,916)*
Tangible Assets Revaluation reserve, Net	0	0	(5,244)	(5,244)
Balance as of December 31, 2013	**732,909**	**42,751**	**(264,212)**	**511,447**
Fair value reserve for financial assets available for sale	0	0	1,328	1,328
Net loss for the period ended December 31, 2014	*0*	*0*	*(74,910)*	*(74,910)*
Revaluation reserves	*0*	*0*	*129*	*129*
Increase in share capital	50,000	0	0	50,000
Balance as of December 31, 2014	**782,909**	**42,751**	**(337,665)**	**487,994**

All amounts are expressed in RON thousands, unless otherwise stated

NOTE 1: GENERAL OVERVIEW ON BANK AND ITS OPERATIONS

OTP BANK ROMANIA SA (hereinafter the "Bank" or "OTP Romania") was established as a private bank in 1995, under the official name "Banca Comercială RoBank S.A. and Trade Register number J40/10296/1995.
In July 2004, OTP Bank Ltd (Hungary) became the main shareholder of the Bank and in July 2005 the Bank was officially registered with the Romanian Trade Register under the name "OTP Bank Romania S.A."
The Head Office of the Bank is seated in Romania, Bucharest, 66-68 Buzeşti Street, District 1,
The Bank's tax identification number is RO 7926069

Members of Statutory and Supervisory Boards as at December 31, 2014

Management Board (MB):

László Díosi – Chairman of the Management Board and CEO
Gábor Istvan Ljubičić – Vice-Chairman of the Management Board and Deputy CEO
György Gáldi - Member of the Management Board and Deputy CEO
Lanczendorfer Attila – Member of the Management Board and Deputy CEO
Dragos Ioan Mirica – Member of the Management Board and Deputy CEO

Supervisory Board (SB):

Antal Gyorgy Kovács – Chairman of The Supervisory Board
Tamás Endre Vőrős – Vice-Chairman of The Supervisory Board
Eniko Zsakó – Member
Tibor Laszlo Csonka – Member
Pal Antal Ildiko – Member
Ibolya Veres Rajmonné Veres – Member

The Bank is managed by the Chief Executive Officer (CEO), who also acts as Chairman of Board of Directors. In his absence, the CEO is fully represented by his representatives (other members of the Bank's Board of Directors).

Scope of the Business:
The Bank holds universal banking license issued by the National Bank of Romania ("NBR") and carries out business in Romania.

The basic activity of the Bank is the provision of a wide range of banking and financial services to various entities, mainly to large and medium enterprises, private individuals, and institutional customers.
The Bank's core scope of business, under the Banking authorization from the NBR, is as follows:

- other activities representing intermediation of money – acceptance of deposits and other repayable funds;
- lending including, inter alia: consumer credit, mortgage credit, factoring with or without recourse, financing of commercial transactions, including forfeiting;
- money transfer services;
- issuing and administering means of payment, such as credit cards, travelers' cheques and other similar means of payments, including issuing of electronic money;
- issuing guarantees and commitments;
- trading for own account and/or for account of clients, according to law, in:
  - money market instruments, such as: cheques, bills, promissory notes, certificates of deposit;
  - foreign exchange;
  - transferable securities and other financial instruments;
  - exchange and interest rate instruments;
- consultancy related to capital structure, business strategy and other related issues, consultancy and other services related to mergers and purchase of undertakings as well as other advice services;
-

- intermediation on the inter-banking market ;
- credit reference services related to provision of data and other credit references;
- safe custody services;
- operations with precious metals, gems and objects thereof;
- acquiring of participations in the capital of other entities.

The Bank is authorized to operate any other activities or services that are included in the financial field, abiding by the special laws regulating those activities, where appropriate:

- Depositing assets of investment funds and investment companies;
- Distribution of investment funds' units and investment companies' shares;
- Data processing services, database management or other such services for third parties;
- Carrying out automatic payment operations in the accounts of customers (both natural and legal entities), under the mandate granted by clients in this respect;
- Safekeeping and administration of the financial instruments;
- Participation in securities issues and other financial instruments by underwriting and selling them or by selling them and the provision of services related to such issues;
- Acting as agent in case of syndicated loan transactions and of the loans granted by non-resident banks;
- Portfolio management and advice;
- Managing portfolio of movable and/or immovable assets, which are the property of the credit institution, but are not used for the performance of its financial activities ;
- Non-financial mandate or commission operations, especially in the account of other entities within the group the Bank relates, respectively:
  - Bank assurance activity, according to the provisions of Law 32/2000 on insurance companies and insurance supervision, with the subsequent amendments and supplements;
  - Mandate operations: acting as marketing agent for the voluntary pension funds.

Shareholders' Structure:

The majority shareholder of the Bank, OTP Bank Nyrt. (Hungary) is listed on the Budapest Stock Exchange and fully consolidates the Financial Statements of OTP Bank Romania S.A. The registered Head Office of the parent company is: 16 Nador Street, Budapest, 1051, Hungary.

As at December 31, 2014, the shareholders' structure of the Bank was similar as at the end of year 2013, as follows:

December 31, 2014

Shareholder's Name	Percentage of ownership	Number of shares	Amount (RON)
1. OTP Bank Nyrt	99.99987738%	3,262,116	782,907,840
2. Merkantil Bank zRt.	0.00012262%	4	960
Total	**100%**	**3,262,120**	**782,908,800**

December 31, 2013

Shareholder's Name	Percentage of ownership	Number of shares	Amount (RON)
1. OTP Bank Nyrt	99.99986902%	3,053,783	732,907,920
2. Merkantil Bank zRt.	0.00013098%	4	960
Total	**100%**	**3,053,787**	**732,908,880**

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Organizational Structure and Number of Employees

As at December 31, 2014, the Bank's network structure comprised the Head office and 84 units (56 branches and 28 agencies) distributed in all counties of Romania.

The total number of Bank's employees as of December 31, 2014 was 923 (December 31, 2013: 946) and includes all employees with labor contract.
The average number of employees in year 2014 was 886 (908 during the year 2013).

NOTE 2: CAPITAL ADEQUACY AND REGULATORY REQUIREMENTS

The Bank calculates capital adequacy based upon the regulations issued by the National Bank of Romania ("NBR"). In administration of its regulatory capital, the Bank aims to ensure an adequate level of business prudence and assets and liabilities monitoring, as well as to continuously maintain the Bank's regulatory capital above the minimum level required by the NBR. To accomplish this, when preparing the yearly business plan, the Bank also prepares a plan of adequacy of regulatory capital considering its business objectives and applying the knowledge gained from previous experience.

In 2013, the Bank monitored the development of requirements for regulatory capital and prepared reports on the required levels of the Bank's regulatory capital on a monthly basis. These reports have been submitted periodically to the National Bank of Romania and to the Board of Directors' meetings for periodical analysis.

Tier 1	**December 31, 2014**
CET	
Share capital	782,909
Retained earnings	(322,336)
Other intangible assets	(12,878)
Deductions	(47,573)
Tier 2	
Other adjustments	(14,091)
Deductions	14,091
Own Funds	**400,122**

Own funds requirements for:	
Credit Risk	216,202
Market Risk	2,327
Operational Risk	34,092
OWN FUNDS REQUIREMENTS	**252,621**

CET1 Capital ratio	**12.67%**
T1 Capital ratio	**12.67%**
Total capital ratio	**12.67%**

Minimum Compulsory Capital ratio	**8%**

Tier 1	**December 31, 2013**
Share capital	732,909
Retained earnings	(254,834)
Other intangible assets	(10,691)
Deductions Tier 1	(43,530)
Tier 2	
Deductions Tier 2	(37,749)
Revaluation Reserves	37,749
Own Funds	**423,854**

Own funds requirements for:	
Credit Risk	229,255
Market Risk	834
Operational Risk	36,207
OWN FUNDS REQUIREMENTS	**266,295**

Total capital ratio	**12.73%**

Minimum Compulsory Capital ratio	**8%**

All amounts are expressed in RON thousands, unless otherwise stated

The structure of regulatory capital of the Bank is reported based on the provision of NBR in force regulations and comprises:

- the Bank's basic regulatory capital and additional regulatory capital (including subordinated debt) less the value of deductible items under a special regulation;
- supplementary regulatory capital.

The Bank has complied with the capital adequacy ratio required by the National Bank of Romania ("NBR") as at December 31, 2014 as well as at December 31, 2013.
The Bank is also subject to other regulatory requirements of the NBR, including those pertaining to lending limits, liquidity, foreign currency exposure, interest rate risk etc. Starting with January 1, 2008, the Bank applies provisions of National Bank of Romania (NBR) – Financial Supervisory Authority (FSA) regulations harmonized with Basel requirements, which state that the minimum capital adequacy ratio is 8%.

Starting with January 1, 2014, provisions of CRD IV and CRR adopted by NBR are applicable for capital adequacy calculation.

Capital management

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. The Bank's capital level of the planning process is based on a regular capital structure analysis and a forecast which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Bank. This analysis principally leads to adjustments of the level of the Bank's dividend pay-out, identification of future capital needs and maintenance of a balanced capital composition.

The Bank's capital principally consists of the following balances: share capital, reserve funds, and cumulated results from prior years.
The National Bank, as the local regulatory authority, oversees the Bank's compliance with the capital adequacy ratio on a stand-alone basis and imposed a minimum ratio of 10%.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Basis of Preparation

Statement of Compliance

These financial statements include statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements.

The financial statements of the Bank for the period ended December 31, 2014 and comparative data for the period ended as at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.
The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all periods presented.

The accompanying financial statements are prepared in terms of the purchasing power of the Romanian New Leu ("RON") as of December 31, 2014 and are expressed in thousand Romanian Lei ("RON"), rounded to the nearest thousand.
The Bank's management assessed the functional currency of the Bank to be RON, which is also the presentation currency of these financial statements.

In 2014, the Bank adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the EU that are relevant to its operations. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies that have affected the amounts reported for the current or prior year.

The Bank decided not to adopt any of the standards or interpretations before the date of their effectiveness which were prepared for issue as at the date of the authorization of these financial statements, but not yet effective.

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements"**, IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 32 "Financial instruments: presentation"**– Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 36 "Impairment of assets"** - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014),
- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after January 1, 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Entity's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee

Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),

- **IFRIC 21 "Levies"** adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at March 2015:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after January 1, 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after January 1, 2016),
-
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after January 1, 2017),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after July 1, 2014),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and

IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2016).

The Entity has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

Key sources of estimation uncertainty

The presentation of financial statements in conformity with IFRS requires the management of the Bank to make judgments about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules or/ and other factors could result in a change in estimates that could have a material impact on the reported financial position and results of operations.

Significant areas of subjective judgment include:

- Provisioning for incurred credit losses and identified contingencies involve many uncertainties about the outcome of those risks and require the management of the Bank to make many subjective judgments in estimating the loss amounts.

- Where no legal requirements are available, the amounts recognized as provisions for other liabilities and other assets are based on the management's judgments and represent the best estimate of receivables / expenditures required to settle an asset / liability of uncertain timing or amount resulting from a right / obligation.

- Income tax rules and regulations have undergone significant changes in recent years and there are little historical precedent or interpretative rulings on a number of complex issues affecting the Banking industry. Also, tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Accordingly there is a high level of inherent uncertainty about the ultimate outcome of examinations by the tax authorities.

- In connection with the current economic environment, based on currently available information the management has considered all relevant factors which could have effect on valuation and impairment of assets and liabilities in these financial statements, impact on the liquidity, funding of operations of the Bank and other effects these may have on financial statements. All such impacts, if any, have been reflected in these financial statements. There is a high level of uncertainty about future development which could result in material change in market value of securities and increased impairment of assets. The management of the Bank continues to monitor the situation and further possible impact of financial crisis and economic slowdown on its operations.

- For financial instruments for which there is no observable market price, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank's accounting policy on fair value measurements is disclosed in Note 5.

3.2 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.3 Separate and consolidated financial statements

The Bank is part of the consolidation group of OTP Group. Consolidated financial statements for all group entities are prepared by OTP Bank Nyrt, the parent company with its seat at 16 Nádor Street, 1051 Budapest, Hungary. OTP Bank Nyrt. is also the immediate consolidating entity of the Bank.

3.3.1 Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities According to IAS 27 (Consolidated and separate financial Statements), a parent need not present consolidated financial statements if and only if:

- the parent is itself a wholly-owned subsidiary, or the parent is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not preparing consolidated financial statements;

- the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

- the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market;

- the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

All conditions mentioned above are met and ultimate parent company OTP Bank Nyrt is in the process of finalizing the preparation of consolidated financial statements as at December 31, 2014 which is expected to be available for public use on internet address: ***www.otpbank.hu*** as of April 2015.

3.3.2 Associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a "joint venture". Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The associates are presented at cost less impairment. For details related to Bank's subsidiaries and affiliates please refer to Note 21.

3.4 Foreign currency translation

Transactions denominated in foreign currency are recorded at the exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in income statement at the date of settlement using the exchange rate ruling on that date. Monetary assets and liabilities denominated in foreign currency are expressed in RON at the balance sheet date. For reference purposes we present below the exchange rates applicable at the end of the Reporting periods for major foreign currencies:

	RON / CHF	RON / USD	RON / EUR	RON / 100 HUF
Exchange rate as at December 31, 2013	3.6546	3.2551	4.4847	1.5091
Exchange rate as at December 31, 2012	3.6681	3.3575	4.4287	1.5135

All amounts are expressed in RON thousands, unless otherwise stated

Unrealized foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement (Please see Note 9).

3.5 Interest Income and Expense

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, until the final maturity of the debt. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.6 Fee and commission income and expense

Fees and commissions are recognized as income or expense in the profit or loss account on accrual basis, as they are earned.

Fees and commission income consist mainly of fees received for foreign currency transactions, for loans and for issuing of guarantees and letters of credit. Fee and commission expenses mainly comprise of commissions from interbank and cards transactions values' commissions, legal fees or insurance premiums charges.

Revenue from various services of the Bank performs is recognized when the following conditions are satisfied:
- persuasive evidence of an arrangement exists;
- the services have been rendered;
- the fee or commission is fixed or determinable;
- collectability is reasonably assured.

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument.
Therefore, in accordance with IAS 18, the difference is made between:

- **fees that are integral part of the effective interest rate of a financial instrument**

Such fees are generally deferred and recognized as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value and the change in fair value is recognized in profit or loss the fees are recognized as revenue when the instrument is initially recognized.

- **fees earned as services are provided**

All fees within this group are deferred in balance sheet as other liabilities and amortized on straight-line basis over related period (as fee revenues).

The service-related fees include, in particular, fees charged by an entity for servicing a loan. For example, in case of revolving lines of credit (where the borrower has the option to make multiple borrowings up to a specified maximum amount, to repay portions of those borrowings, and then re-borrow under the same contract) net fees are recognized as fee revenues on a straight-line basis over the period the revolving line of credit is active.

- **fees earned on the execution of a significant act**

This treatment is applicable to wide range of standard banking services and related fees (money transfers, foreign currency exchange, etc.) and fees charged due to additional services performed upon client's request (fee for an agreement copy, fee for agreement change upon borrower's request, etc.).

Such fees are treated as one-off fees related to specific service that is provided by the Bank and therefore accounted for on cash basis.

3.7 Financial assets

3.7.1 Classification

According to IAS 39 (Financial Instruments: Recognition and Measurement) the Bank classifies its financial assets into the following categories:

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- **At Fair value through Profit and Loss (FVTPL)**

A FVTPL asset is either a financial asset that is designed on initial recognition as one to be measured at fair value with fair value changes recognized in Profit or Loss (this designation is irrevocable), or a financial asset classified as held for trading.
The Bank's management opted for the first category – FVTPL not designated as trading - then designating the investments in units of funds.

- **Treasury securities – held to maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity.

- **Investment securities – available for sale**

Available-for-sale financial assets are non-derivative financial assets that the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices.

3.7.2 Financial instruments – initial recognition, measurement and de-recognition

The Bank initially recognizes its financial assets at their fair value plus transaction costs (for the financial assets not carried at fair value through profit and loss) that are directly attributable to the acquisition or issue of the financial instrument. Financial assets are derecognized when the Bank's rights to receive cash flows have expired or when it has substantially transferred all risks and rewards of ownership.

Accordingly, purchase of held-to-maturity and purchase and sale of available for sale financial assets are recognized on the trade date (the date when the Bank commits the purchase or sell), and loans are recognized when cash is advanced to the borrowers.

According to IAS 39, the election to designate a financial instrument as FVTPL has to be made at initial recognition of the financial instrument and cannot subsequently be revoked. A financial instrument may upon initial recognition be designed as at FVTPL only if it meets certain conditions specified by IAS 39.

3.7.3 Subsequent measurement and fair value

After initial recognition, a Bank shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- loans and receivables as defined in Note 3.7.1, which shall be measured at amortized cost using the effective interest rate method;
- held-to-maturity investments as defined in Note 3.7.1, which shall be measured at amortized cost using the effective interest rate method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment. Investments quoted are measured at fair value which represent quoted price on Stock Exchange.

3.8 Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The policy related to impairment of loans is specifically disclosed in caption "Loans and advances to customers".

With the exception of Available-for-Sale (AFS) equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

3.9 Loans and advances to customers

At the origination of a financial instrument, it is assumed that the Bank concludes transaction on market terms; therefore value at which it will be initially recognized in books will be equal to the net cash flow paid or received by the Bank. Loans and receivables are subsequently measured at amortized cost using the effective interest method, and are subject to impairment testing.

When financial assets are impaired by credit losses the Bank records the impairment in a separate account - a provision account rather than directly reducing the carrying amount of the asset.

Consequently, loans are presented on the balance sheet at their outstanding unpaid principal balances net of charge offs, unamortized premiums or discounts, net of deferred fees or costs on originated loans and the allowance for loan losses.

Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. All loans and advances are recognized when cash is advanced to borrowers.

3.9.1 Impairment of loans

OTP Bank Romania establishes loans loss allowances and provisions using a methodology of impairment identification and measurement in accordance with IFRS requirements (IAS 39).

3.9.2 Specific provision

According to paragraph 64 of IAS 39, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

For determining whether a specific exposure is individually significant (for the risk management process or / and financial reporting), first there were established materiality thresholds.
Objective evidence about impairment includes observable data that comes to the attention of the Bank.

The created provision corresponds to the difference between the carrying amount of the exposure and the net present value of estimated future cash flows, assuming that the exposure will default and undergo a collateral collection process. These cash flows account for projected principal and interest payments made by the borrower, collateral collection, reduced by any costs related to the collection process. In order to calculate their present value, expected cash flows are discounted using the effective interest rate.

If the Bank determines that no objective evidence of impairment exists for an individually assessed exposure, it includes the exposure in a group of assets with similar credit risk characteristics and collectively assesses them for impairment. The exposures that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

3.9.3 Collective provision

As per IAS 39, the Bank calculates the required loan loss provision collectively for loans that are not individually significant as well as for loans that are individually significant but for which no objective evidence of impairment exists at the balance sheet date.

This is achieved by including the loans in a group with other loans which have similar credit risk characteristics. Based on current approach to the credit risk in the Bank, it has been decided that main division of exposures would be into the following portfolios:

- Personal loans;
- Mortgage loans;
- Overdrafts and credit cards.

Additionally, each sub portfolio is divided into five more homogenous groups (buckets) based on the number of days overdue, as follows: 0DPD, 1-30 DPD, 31-60 DPD, 61-90 DPD, 91 – 365 DPD and over 1 year.

The collective assessment is based on transaction approach, meaning that each loan is taken into consideration separately no matter how many loans a specific client has.

For collective assessment of impairment, the amount of impairment loss expected by the Bank is computed on each separate exposure using a formula based on the below mentioned parameters, as follows:

Probability of default

For a given bucket, probability of default represents the ratio of clients for which default occurred during a given time horizon to the total number of clients which are not in default at the beginning of that horizon.

Recovery indicator

The recovery indicator parameter informs what fraction of transactions that have been in default, exited default in a natural manner (without collateral collection) during a given t-month horizon.

Loss Amount

Loss Amount (LA) in collective assessment relates to loss of the Bank in case of defaulting and non-returning to the normal (non-default) situation. Such cases mainly involve necessity of hard collection process and strictly depend on collaterals.

Exposure at default

The exposure at default (EAD) represents the amount the Bank can expect to lose, on average, over the period of time in which it extends credits. This estimate includes on-balance items as well as off-balance items (free lines, contingent claims and potential future exposure), the latter typically weighted by the so-called CCF (credit conversion factor).

Gross amortized cost

EAD for balance sheet exposure is represented by the gross amortized cost (GAC) that is the carrying amount of loan that would have been if the impairment had not been recognized.

3.10 Tangible and intangible assets

Property, plant and equipment that qualify for recognition as tangible assets are initially measured at cost. Subsequent to initial recognition fixed assets are stated at their revaluated cost less accumulated depreciation value and accumulated impairment losses, over their estimated useful life until December 31, 2014.

The carrying amount as of December 31, 2014 that would have been recognized had the assets been carried under the cost model, is presented below:

- Gross balance of fixed assets in amount of 254,351 thousand lei as of December 31, 2014 (263,616 thousand lei as of December 31, 2013);
- Accumulated depreciation of fixed assets in amount of 143,328 thousand lei as of December 31, 2014 (138,665 thousand lei as of December 31, 2013);
- The Net fixed assets balance as at December 31, 2014 in amount of 110,742 thousand lei (124,951 thousand lei as of December 31, 2013).

The Bank makes the revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The last revaluation of Bank's fixed assets was performed as at December 31, 2013 and of land as at December 31, 2014, by an independent appraiser, the fair value being determined from market-based evidence and where there was no market-based evidence of fair value the appraiser estimated fair value using an income or a depreciated replacement cost approach.

The last revaluation of Bank's fixed assets was performed as at December 31, 2013 and of land as at December 31, 2014, by an independent appraiser, the fair value being determined from market-based evidence and where there was no market-based evidence of fair value the appraiser estimated fair value using an income or a depreciated replacement cost approach.

The revaluation was treated by restating proportionately with the change in value the gross carrying amount and accumulated depreciation of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

If an asset's carrying amount is increased as a result of a revaluation, the Bank recognizes the increase in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the Bank recognizes the decrease in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. The revaluation surplus included in equity in respect of an item is transferred to retained earnings in its entirety when the asset is derecognized.

Intangible assets are measured at revalued cost less accumulated amortization, over their estimated useful life ranging from 1 to 5 years. Intangibles represent licenses and purchased or in-house developed software. The Bank mainly includes in this category the software developments which are amortized over a period of 3 years, having an annual amortization rate of 33%.

Depreciation / amortization of tangible and intangible assets is charged to the income statement line "Depreciation of tangible and intangible assets". Land and works of art are not depreciated.

Assets-in-progress are not depreciated until they are placed into use. Maintenance and repairs are expensed when incurred and improvements are capitalized.

All tangible and intangible assets except for land are depreciated using the straight-line method to allocate their costs to their residual value over their estimated useful lives, as presented below:

Type of Assets	Useful life in years	Depreciation rate per annum in %
ATMs	8	12.5%
Telecommunication equipment	5	20%
Fixture, fittings and office equipment	3	33%
Computers	3	33%
Heavy bank program (safes)	20	5%
Transportation means	4	25%
Air-conditioning facilities	5-8	20% - 12.5%
Buildings and structures	10-50	10%-2%

The carrying values of property, equipment and software are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 69

At the balance sheet date the Bank reviews the carrying value of its non-current tangible assets, estimated useful life and method of depreciation. The Bank also reassesses the recoverable amount in order to determine the extent (of any) of the impairment loss. Where the carrying amount of premises and equipment is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

An impairment loss on tangible assets other than land and buildings is recognized in profit or loss. An impairment loss on land and buildings is recognized in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset.

At balance sheet date, the Bank assesses as well whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or has decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. If the estimated recoverable amount exceeds the carrying value of an asset, a reversal of an impairment loss is recognized.

3.11 Leasing

A Lease is defined as an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for the agreed period of time.
Leases can be accounted as finance or operating leases, depending on whether the lease in question is simple short-term hire arrangement (an operating lease), whereby rentals are dealt with in profit or loss with the only impact on the statement of financial position relating to the timing of payments, or whether the lease is similar in nature to an arrangement for financing the acquisition of an asset (a finance lease), where the financial statements presentation will depart from the legal form of the transaction and be based on the economic substance, i.e. as if the asset had been purchased by the user.
For details please refer to Note 33..

3.12 Interest-bearing Borrowings and borrowing costs

Borrowings are initially measured at fair value. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost, with any difference between cost and redemption value being recognized in income over the period of the borrowings.

Costs for the amounts borrowed are recognized in profit and loss in the period in which they occur.

3.13 Derivative Financial Instruments

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forward and swap agreements. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are initially recognised at acquisition cost, which includes transaction expenses and which is subsequently re-measured to fair value.

Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The Bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised.

There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of recognized income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.14 Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit, computed in accordance with Romanian tax rules and accrued for in the period to which it relates. Deferred tax is provided for in full, using the liability method, on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts in the financial statements (Please see Note 27 for details).

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 16%. (2013:16%).

3.15 Contingencies

A contingent liability is:
(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

(b) a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.
A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank.

A contingent asset is not recognized in the accompanying financial statements but is disclosed when an inflow of economic benefits is probable.

3.16 Provisions

A provision is recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect in financial statements of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

3.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand, current accounts and deposits at banks, placements with banks and with the National Bank of Romania and treasury bills issued by the Government of Romania with an original maturity of less than 90 days, if any. Restricted assets, including compulsory reserves, are excluded.

3.18 Related parties

Counterparty is considered related to the Bank if:

(a) directly, or indirectly through one or more intermediaries, the party:
 (i) controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 (ii) has an interest in the Bank that gives it significant influence over the Bank; or
 (iii) has joint control over the Bank;
(b) the party is an associate of the Bank (as mentioned in Note 3.3.2);
(c) the party is a joint venture in which the Bank is a venture;
(d) the party is a member of the key management personnel of the Bank or its parent;
(e) the party is a close member of the family of

any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

3.19 Employee benefits

Short-term employee benefits:
Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expenses when the services are rendered.

Post-retirement benefits:
The Bank pays the contribution to the Romanian State funds on behalf of its employees for health care, pension and unemployment benefits.

The Bank's contributions relating to defined contribution plans are charged to income statement in the period to which they relate.

3.20 Comparatives

Where necessary, certain reclassifications have been made to December 31, 2013 balances to conform to the presentation as of December 31, 2014.

3.21 Subsequent events

Post-reporting date events that provide additional information about the Bank's position as of the balance sheet data (adjusting events) are reflected in the financial statements. Post- reporting date events that are not adjusting events are disclosed in the notes when they have material effect over the financial statements.

3.22 Going concern

These financial statements have been prepared on a going concern basis. The Bank's ability to continue as a going concern is dependent on its ability to generate sufficient future cash flows and profit in order to meet capital requirements, finance normal operations and to comply with regulatory requirements.

Management is confident that financial support will be provided by the shareholders, if required, and that the Bank will be able to generate sufficient future cash flow to continue its operations in the foreseeable future.

3.23 Basic earnings per share

The Bank reports earnings per share attributable to the holders of ordinary shares. The Bank calculated earnings per share on ordinary shares by dividing profits attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Details of Earnings per Share (EPS) are presented in Note 29.

NOTE 4: RISK MANAGEMENT

The primary risks associated with financial instruments that the Bank faces are:

- market risk – which refers to exposures to market factors as interest rate;
- credit risk;
- liquidity risk;
- operational risk.

Other risks managed by bank are reputational risk and risk due to outsourcing activities.

The "Risk Management" Note presents information's related to Bank's exposure to each type of risk mentioned above, its' objectives, policies as well as assessment and management processes.
Bank's risk related policies and management approach are assessed periodically and updated to the changes that occurred on each analyzed area of activity.

Exposure to higher risk Eurozone countries
Concerns about the creditworthiness of certain Eurozone countries persisted during 2014.

Eurozone member states have asserted that they will continue to provide support to countries under existing financial assistance program until they have regained market access provided they comply with such programs.

The Bank regards the following Eurozone countries as higher risk: Ireland, Spain, Portugal, Italy and Greece. In view of limiting potential losses due to country risk exposure, the bank is managing country exposure by means of limits which are set annually and updated periodically according to market evolutions, in compliance with a prudent policy, based on the experience of OTP Bank Nyrt Hungary.

The Bank has assessed its sovereign and corporate net exposure to these countries not to exceed 5% of its total assets (December 31, 2013: 5%).

The Bank believes this exposure is not impaired as at December 31, 2014.

4.1 Market Risk Management

Market risk is the risk of loss related to balance-sheet and off-balance sheet items due to adverse changes in market prices, such as, for example, stock prices, interest rates, currency exchange rates.

The Bank's objective in market risk management is to ensure appropriate management of the risks generated by trading activities, through the implementation of procedures, models and adequate application of monitoring and risk control related with trading activities.

In view of limiting potential losses due to market risk exposure, the bank manages market risk exposure by means of a set of limits which shall be set annually and updated periodically according to market conditions, in compliance with a prudent policy, based on the experience of OTP Bank Nyrt Hungary.
The limits are established according to the potential loss and the value of the Bank's equity capital. Market risk limits are set up by OTP Bank Nyrt Hungary and are managed in Market Risk Portal system.

Market Risk Department, as part of the Risk Division, has the following responsibilities:
- To monitor the compliance with the existing limits, but also to report any limit exceeding to the Bank's management;
- To revise and submit for approval any application/ request of new limits establishment;
- To prepare and to transmit consolidated reports regarding market risks towards / to the Risk Management Committee and Board of Directors.

4.1.1 Interest Rate Risk (Banking book)

Interest rate risk is the risk of recording losses or not to achieve expected profits as a result of fluctuations in the level of market interest rates. The management of this risk concerns balance sheet items, as well as off balance sheet items sensitive to changes in interest rates.

OTP Bank Romania S.A. assumes a conservative approach towards risks and has implemented in this regard a risk management system that identifies, evaluates, manages and controls the risks related to its activity in a prudent manner.

Regarding the interest rate risk on the Banking book, the Bank manages its exposure with the aim of limiting the potential losses due to unfavorable fluctuations of the interest rates, in such a way that these losses do not threat the profitability of the Bank, the own funds or the safety of operations.

The Bank grants loans with mainly variable interest rate indexed by reference (ex.: Euribor, Robor) and aims to harmonize the financing structure with the structure of assets and other liabilities so as to maintain a low interest rate risk exposure.

In 2014, the Bank also granted the local currency loans with fixed interest rate (consumer loan mostly). On liabilities side bank supported higher maturities for client deposits.

The monitoring of the exposure to interest rate risk of banking book and the compliance with the internal limits is done at least monthly, within the Asset and Liability Management Committee.

For the assessment of the interest rate risk on the Banking book, the Bank uses re-pricing gap analysis, modified duration analysis and stress test scenarios estimating the possible effects of interest rate changes on bank profits and economic value. The methodology used for measuring the impact of an interest rate shock in the economic value of the Bank is the standardized one from the NBR Reg. 5/2013 with further amendments.

At December 2014, the Bank had a low exposure to the interest rate risk on banking book, 3.10% of own funds (3.67% as of December 2013). During 2014, the exposure on local currency slightly decreased, and the exposure in foreign currencies did not changes considerably.

Interest rates on loans granted to customers	December 31, 2014				December 31, 2013			
	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	10.90	11.10	12.20	N/A	10.73	11.68	15.12	N/A
Personal loans with mortgage	6.00	5.40	7.80	N/A	6.25	5.06	12.34	N/A
Housing	8.00	4.80	7.50	N/A	5.95	4.71	11.18	N/A
Car loans	7.30	5.58	7.20	N/A	8.72	11.27	11.35	N/A
Corporate loans	4.90	5.60	7.70	5.70	4.90	5.23	9.79	1.89

	December 31, 2014	December 31, 2013
Impact in the economic value of the Bank of a 200 bp interest rate shock (Ths. RON)	12,422	15,516
Own funds (Ths. RON) IFRS	400,122	427,646
Exposure (% of Own funds)	3.10%	3.63%
Impact in earnings for one year of a 200 bp interest rate shock (Ths. RON)	2,206	2,364
Exposure (% of Own funds)	0.55%	0.56%

All amounts are expressed in RON thousands, unless otherwise stated

The following is a summary of the Bank's interest rate gap position as at December 31, 2014 and December 31, 2013:

December 31, 2014	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**Total**
ASSETS						
Accounts with the National Bank of Romania	457,245	0	0	0	0	457,245
Deposits at banks	143,991	0	0	0	0	143,991
Reverse Repo	332,329	0	0	0	0	332,580
Treasury securities (T-Bills & Bonds, Securities)	30,616	0	19,899	154,209	0	204,724
Loans, gross	1,810,362	1,127,752	371,363	208,742	14,934	3,533,152
Total assets	**2,774,543**	**1,127,752**	**391,262**	**362,951**	**14,934**	**4,671,441**
LIABILITIES						
Interbank Borrowings	525,923	368,055	0	0	0	893,978
Repos & Loans Fin. Institutions	*5,764*	*530*	*0*	*0*	*0*	*6,294*
Deposits from customers	*1,068,999*	*828,873*	*638,482*	*34,004*	*18,315*	*2,588,673*
Sight deposits & Saving accounts	231,494	0	0	0	0	231,494
Term deposits	*837,505*	*828,873*	*638,482*	*34,004*	*18,315*	*2,357,180*
Total liabilities	**1,600,686**	**1,197,458**	**638,482**	**34,004**	**18,315**	**3,488,945**
Net Derivatives & Spot Instruments	3,462	(77,355)	(185)	0	0	(74,078)
Assets-Liabilities GAP interest rate sensitivity	1,177,319	(147,061)	(247,405)	328,947	(3,381)	1,108,418
Assets-Liabilities cumulative GAP interest rate sensitivity	1,177,319	1,030,258	782,853	1,111,800	1,108,419	0

December 31, 2013	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**Total**
ASSETS						
Accounts with the National Bank of Romania	499,709	0	0	0	0	499,709
Deposits at banks	371,829	0	0	0	0	371,829
Reverse Repo	0	0	0	0	0	0
Treasury securities (T-Bills & Bonds, Securities)	77,493	17,929	22,377	99,975	0	217,773
Loans, gross	1,735,024	1,089,873	290,838	270,459	18,996	3,405,190
Total assets	**2,684,055**	**1,107,802**	**313,215**	**370,434**	**18,996**	**4,494,501**
LIABILITIES						
Interbank Borrowings	838,720	0	0	0	0	838,720
Repos & Loans Fin. Institutions	9,610	1,402	0	0	0	11,012
Deposits from customers	1,291,119	701,158	560,736	21,339	12,117	2,586,469
Sight deposits & Saving accounts	257,833	0	0	0	0	257,833
Term deposits	1,033,286	701,158	560,736	21,339	12,117	2,328,636
Total liabilities	**2,139,449**	**702,560**	**560,736**	**21,339**	**12,117**	**3,436,201**
Net Derivatives & Spot Instruments	(1,359)	(105,790)	130	0	0	(107,149)
Assets-Liabilities GAP interest rate sensitivity	956,826	(114,186)	(247,392)	349,094	6,878	951,221
Assets-Liabilities cumulative GAP interest rate sensitivity	956,826	842,640	595,248	944,342	951,221	0

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 75

4.1.2 Interest Rate Risk (Trading book)

The interest rate risk refers to the fluctuation in the value of financial instruments included in the trading book due to the changes in the level of market interest rates. Holding of sovereign, corporate and municipal bonds for trading purposes is not permitted and consequently there were no limits approved for 2014 for interest rate risk generated by such instruments. The very low limits approved (basis point value-bpv type) for 2014 corresponding to interest rate risk of trading portfolio are attached exclusively to FX forward and FX swap deals, initiated by foreign exchange desk.
During 2014, the Bank policy regarding interest rate risk generated by fixed-income securities of the Trading Book portfolio was to have no open positions on financial instruments exposed to interest rate risk.

4.1.3 Currency Risk

Currency risk is the risk of loss resulting from changes in the level of foreign exchange rates on the market.
The currency fluctuations induce the risk of losses in value in respect of net monetary assets.
The Bank manages its exposure to movements in exchange rates by permanently adjusting its assets and liabilities mix, based on the market movements in exchange rates. The Bank may trade currencies and take positions in the followings currencies: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, PLN NOK and PLN.

Regarding the money market and currency market operations, the risk profile is a reduced one, being unitary managed by using Kondor+ and Market Risk Portal by OTP Bank Hungary.
The open foreign exchange currency position is managed continuously an automatic basis within Kondor+ according to the internal rules and also considering the NBR regulations. There is a VaR (Value at Risk) system which monitors this position throughout OTP Bank Group in a module of Kondor+ system. The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

The FX net open position limits are assigned by the Bank and the exposure to the limits is monitored on a daily basis by Market Risk Department by means of Market Risk Portal.

December 31, 2014							
FX	**Assets**	**Liabilities and equity**	**Net position of balance sheet**	**Net position of off-balance sheet**	**Total**	**Gains (losses) incurred for a change of +1% in currency exchange rate**	**Gains (losses) incurred for a change of -1% in currency exchange rate**
USD	13,651	170,551	(156,899)	156,425	**(474)**	5	(5)
EUR	1,649,909	1,550,238	99,671	(121,249)	**(21,578)**	216	(216)
CHF	374,833	143,646	231,187	(238,219)	**(7,032)**	70	(70)
Other	12,544	14,753	(2,209)	3,809	**1,600**	(16)	16
HUF	9,673	32,026	(22,352)	(309,755)	(332,107)	3,321	(3,321)
Total	**2,060,611**	**1,911,214**	**149,398**	**(508,989)**	**(359,591)**	**3,596**	**(3,596)**

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2013							
FX	**Assets**	**Liabilities and equity**	**Net position of balance sheet**	**Net position of off-balance sheet**	**Total**	**Gains (losses) incurred for a change of +1% in currency exchange rate**	**Gains (losses) incurred for a change of -1% in currency exchange rate**
USD	118,106	387,341	(269,235)	268,970	**(265)**	3	(3)
EUR	1,813,008	1,377,087	435,921	(432,101)	**3,821**	(38)	38
CHF	437,587	142,736	294,851	(292,464)	**2,387**	(24)	24
Other	5,144	16,249	(11,104)	11,428	**324**	(3)	3
HUF	6,572	22,987	(16,415)	16,135	**(280)**	3	(3)
Total	**2,380,418**	**1,946,399**	**434,019**	**(428,032)**	**5,987**	**(60)**	**60**

An important part of term deposits due to clients is represented by RON deposits taken from OTP Financing Netherlands B.V. (member of OTP Bank Plc. group) representing RON 793.9 million (682.7 million RON as of December 31, 2013). These deposits have contractual maturities between 5 and 7 years and remaining maturities between 2 months and 6 years (contractual maturities of 5 and 7 years and remaining maturities between 2 months and 7 years, as of December 31, 2013).

In order to cover the currency position mismatch due to the significant portion of financing sources received in RON while most important part of placements were made in foreign currency, the Bank entered into derivative transactions with mother-company during year 2008. The notional value of these transactions as at December 31, 2014 was RON 188.7 million (303.7 million RON as of December 31, 2013) and the contractual maturities are of 5 and 7 years, respectively (remaining maturities between 2 months and 7 years).

In the following table there is summary of the Bank's exposure to foreign currency exchange rate risk as of December 31, 2014 and December 31, 2013. Included in the tables are the Bank's assets and liabilities at carrying amounts, structured by local and main foreign currencies.

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2014	EUR	USD	CHF	HUF	OTHER FCY	Total FCY	RON	Total
ASSETS								
Cash	37,957	2,607	2,043	9,290	8,065	**59,961**	72,786	**132,747**
Current accounts and deposits at banks	4,381	781	379	366	4,444	**10,350**	141,703	**152,054**
Accounts with the National Bank of Romania	181,434	0	0	0	0	**181,434**	275,785	**457,219**
Securities held-to-maturity	0	0	0	0	0	**0**	161,520	**161,520**
Loans and advances to customers, net	1,422,230	6,459	372,412	17	35	**1,801,153**	1,493,312	**3,294,465**
Loans and advances to banks	0	0	0	332,329	0	**332,329**	0	**332,329**
Investment securities - Available for sale	3,495	0	0	0	0	**3,495**	20,671	**24,166**
Investment securities at fair value through profit and loss	0	3,805	0	0	0	**3,805**	20,001	**23,806**
Investment in Associates and Subsidiaries	0	0	0	0	0	**0**	210	**210**
Derivatives	4,092	0	0	0	0	**4,092**	0	**4,092**
Other assets, net	0	0	0	0	0	**0**	1,518	**1,518**
Total assets	**1,653,588**	**13,651**	**374,833**	**342,002**	**12,544**	**2,396,619**	**2,187,507**	**4,584,126**
LIABILITIES								
Due to Banks	0	0	0	107	0	**107**	100,971	**101,078**
Demand deposits from banks	*0*	*0*	*0*	*107*	*0*	***107***	*70,970*	***71,077***
Term deposits from banks	*0*	*0*	*0*	*0*	*0*	***0***	*30,001*	***30,001***
Due to customers	1,523,226	168,407	127,471	31,904	14,751	**1,865,758**	2,110,473	**3,976,232**
Demand deposits from customers	*145,532*	*48,744*	*7,571*	*9,576*	*2,107*	***213,531***	*459,852*	***673,384***
Term deposits from customers	*1,377,693*	*119,663*	*119,900*	*22,328*	*12,644*	***1,652,227***	*1,650,621*	***3,302,848***
Borrowings	5,788	569	0	0	0	**6,357**	0	**6,357**
Derivatives	353	0	0	1	0	**354**	75,533	**75,887**
Provisions	13,498	0	0	0	0	**13,498**	11,821	**25,320**
Deferred tax liability, net	0	0	0	0	0	**0**	(222)	**(222)**
Other financial liabilities	7,673	1,574	16,176	13	2	25,438	36,256	61,694
Total liabilities	**1,550,537**	**170,551**	**143,646**	**32,026**	**14,753**	**1,911,513**	**2,334,832**	**4,246,345**
Net Assets / Liabilities	**103,051**	**(156,899)**	**231,187**	**309,977**	**(2,209)**	**485,106**	**(147,325)**	**337,781**

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2013	EUR	USD	CHF	HUF	OTHER FCY	Total FCY	RON	Total
ASSETS								
Cash	23,643	3,049	2,534	5,749	2,206	**37,181**	66,555	**103,736**
Current accounts and deposits at banks	1,437	114,227	871	821	2,910	**120,266**	257,941	**378,207**
Accounts with the National Bank of Romania	290,123	0	0	0	0	**290,123**	209,587	**499,709**
Securities held-to-maturity	0	0	0	0	0	**0**	143,197	**143,197**
Loans and advances to customers, net	1,494,209	830	434,183	2	29	**1,929,253**	1,318,348	**3,247,601**
Loans and advances to customers, net	0	0	0	0	0	**0**	0	**0**
Investment securities - Available for sale	3,409	0	0	0	0	**3,409**	3,956	**7,365**
Investment securities at fair value through profit and loss	0	0	0	0	0	**0**	73,464	**73,464**
Investment in Associates and Subsidiaries	0	0	0	0	0	**0**	557	**557**
Derivatives	162	0	0	0	0	**162**	17	**179**
Other assets, net	0	0	0	0	0	**0**	3,276	**3,276**
Total assets	**1,812,983**	**118,106**	**437,587**	**6,572**	**5,144**	**2,380,393**	**2,076,897**	**4,457,291**
LIABILITIES								
Due to Banks	0	0	0	49	0	**49**	156,639	**156,688**
Demand deposits banks	*0*	*0*	*0*	*49*	*0*	***49***	*106,605*	***106,654***
Term deposits banks	*0*	*0*	*0*	*0*	*0*	***0***	*50,034*	***50,034***
Due to customers	1,347,807	385,713	126,363	22,711	16,247	**1,898,841**	1,839,999	**3,738,840**
Demand deposits customers	*137,306*	*26,536*	*7,847*	*7,600*	*4,524*	***183,812***	*355,789*	***539,601***
Term deposits customers	*1,210,501*	*359,176*	*118,516*	*15,112*	*11,724*	***1,715,028***	*1,484,210*	***3,199,239***
Borrowings	9,587	1,438	0	0	0	**11,024**	0	**11,024**
Derivatives	0	0	0	0	0	**0**	103,290	**103,290**
Provisions	8,990	0	0	0	0	**8,990**	10,030	**19,019**
Deferred tax liability, net	0	0	0	0	0	**0**	0	**0**
Other financial liabilities	6,913	191	16,373	227	1	23,704	43,150	66,855
Total liabilities	**1,373,296**	**387,341**	**142,736**	**22,987**	**16,249**	**1,942,608**	**2,153,108**	**4,095,716**
Net Assets / Liabilities	**439,688**	**(269,235)**	**294,851**	**(16,415)**	**(11,104)**	**437,785**	**(76,211)**	**361,574**

All amounts are expressed in RON thousands, unless otherwise stated

4.1.4 Equity Risk

Equity risk is the risk of loss resulting from changes in the level of prices of capital securities and other financial instruments. The Bank policy regarding equity risk management is not to have open positions on capital securities.
During 2014, the Bank did not hold trading positions on capital securities.

4.2 Credit Risk Management

The credit risk is associated to all facilities and loans granted by the Bank, being the risk that a party to a financial transaction will be unable to fulfil its obligations thus causing financial losses to the other party. Bank's main objectives regarding credit risk management are represented by:

- increasing the profitability of the credit products;
- increasing the capacity to collect overdue receivables; the focus will be on soft collection activity including "31-60 DPD" bucket related to consumer loans and "91-150 DPD" bucket related to loans with an exposure lower than RON 20.000 in this activity;
- maintaining the solvency indicator within normal limits so that the capital requirement for credit risk is not increasing excessively;
- maintaining the portfolio quality by monitoring the evolution of a set of indicators which is detailed in Risk Strategy 2014.

Bank's strategy regarding credit risk management includes:

- putting a heavy emphasis on preventing problems faced by borrowers;
- starting with October 2013, a pilot program was established, regarding the involvement of external parties (bailiffs) in the harder soft collection activity, without starting any formalized actions;
- encouraging lending activity (in RON) both to private individuals and to companies;
- customer loyalty program for individuals by offering new products facilities in accessing credit;
- monitoring new loan portfolio, especially for new consumer loans to individuals, through reports at least monthly and information presented for the Management Board and Supervisory Board of the Bank;
- involving the territorial network and the Corporate Banking Division in managing the problems clients are faced with.

Credit risk is managed in compliance with lending norms approved by the Board of Directors, based on the risk related type of products.

As part of overall credit risk management, the credit concentration risk is actively managed using standard tools (e.g. analysis, assessment, setting of internal limits, reporting and use of risk mitigation techniques as appropriate). The Bank aims not to take any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, selected industry sectors and collateral providers. The system of internal limits is established such that the Bank complies with regulatory limits set in respect of concentration risk.
The structure of economic sector risk concentration is presented in Note 18 d).

The structure of collateral securing impaired loans is similar to the structure of collateral securing past due and not impaired loans (please refer to Note 4.2.2 - "Collaterals received from customers").

4.2.1 Individually impaired assets

The Bank regularly re-assesses all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on watchlist and which are classified as individually significant.

The Bank calculated provision for individually impaired loans to corporate business portfolio.

The breakdown of these individual provisions recorded for exposures on legal entities, structured by industry is as follows:

	December 31, 2014	December 31, 2013
Construction	34,742	38,314
Hotels and restaurants	8,867	9,068
Other Industries (Furniture, Food and beverages, Fashion, Chemical, Forestry)	71,209	45,193
Other services	17,493	10,859
Others	7,132	4,913
Trade and finance	86,001	52,404
Transportation	9,934	7,118
Total	**235,377**	**167,869**

4.2.2 Collaterals received from customers

The Bank established limits for the granted loan amounts depending on the type of collateral. Examples of the recommended restrictions of loans (as percentages from the collateral value) in connection with customer ratings are shown below:

Recommended loan value (% of collateral)

Collateral type/Customer rating	Recommended value (% collateral)*	
	Area 1	Area 2
Mortgage		
A. Residential	**85**	**75**
B. Non-residential		
b1.) offices (A, B, C classes) & other commercial (warehouses, stores, cafes, etc.)	75	70
b2.) industrial buildings (production facilities, etc.), agricultural buildings	60	60
b3.) Free land		
- Urban land(Intravilan)	80	70
- other types of land	50	50
Pledge		
Cars **	60	
Buses or trucks **	50	
Other fixed assets; other vehicles (Locomotives, wagons, Machines and equipment's, manufacture lines)***	40	
Pledge on goods****	50	
Guarantees issued by SME Guarantee Fund	**100**	

Area 1

- main city of the county;
- areas around main city of the county;
- touristic areas: Valea Prahovei (between Cimpina and Brasov), Black Sea cities (between Navodari and Vama Veche);
- Bucharest and Ilfov area.

Area 2

- cities / areas which are not in Area 1;

* same % for all ratings

** we take in consideration - Insurance value, resulted from the insurance policy

*** for other vehicles and equipment's we take into consideration:

- Values of the invoices (invoice < 6 months);
- Market value of the valuation report (invoice > 6 months);

**** with the followings exceptions:

- perishable goods (except alcohol, refreshments and mineral water)
- plants and animals
- IT components.

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The Bank accepts as collaterals those specified below:

	December 31, 2014	December 31, 2013
Type of collaterals (to the extent of the exposures)	**Book value in LCY**	
Cash collaterals	44,649	1,020,645
Bank guarantees and cash sureties	37,772	3,812
Guarantees from public administration	58,741	22,285
Revenue assignment	3,043	441
Assignment of other receivables	234,900	74,181
Registration of pledge for stock	338,305	246,092
Mortgages	2,006,756	1,422,213
Other	113,957	238,904
Securities - other securities	6,836	0
Total	**2,844,959**	**3,028,573**

4.2.3 Collaterals as result of foreclosure procedures

Collaterals obtained as a result of foreclosure procedures have been included in the presentation of Tangible and Intangible Assets (Note 19) starting with year 2007, under the "Land and Buildings" category. The gross value of Investment property elements is 3,195 thousand RON and the Bank recognized an impairment loss of 183 thousand RON for them as at December 31, 2014, resulting a net book value of 3,012 thousand RON.

The value of these assets has changed during 2014 as compared to 2013 as another repossessed building became the property of the Bank.

Investment properties are measured initially at cost. Transaction costs are included in the initial measurement. After initial recognition, bank measures investment properties using the cost model.

The movement related to these assets during 2014, is presented below:

	December 31, 2013	Additions	Disposals	December 31, 2014
Gross book value of tangible assets classified as held for sale	5,279	614	-	5,894
Impairment	(513)	-	-	(513)
Net balances of tangible assets classified as held for sale	**4,766**	**614**	**-**	**5,381**
Investment Property	2,031	1,164	-	3,195
Impairment to Investment Property	(183)	-	-	(183)
Net balances of Investment Property	**1,848**	**1,164**	**-**	**3,012**

4.2.4 Quality of Loans receivable

The loans receivable portfolio has been structured below based on the overdue days in repayment in order to present a clear view of the quality of these financial assets.
If any portion of a loan receivable (principal amount, interest, etc.) is overdue, the entire loan receivable is considered as an overdue receivable.

All amounts are expressed in RON thousands, unless otherwise stated

4.2.4.1. The quality of loans receivable (within maturity as well as overdue loans receivable):

2014	Gross loans Without Identified Provisions	Gross loans With Identified Provisions	Provision	TOTAL gross loans
within maturity	657,428	2,313,843	62,003	2,971,271
1 - 15 days	2,676	142,816	8,487	145,493
16 - 30 days	891	40,616	7,692	41,507
31 - 60 days	2,033	133,441	48,832	135,474
61 - 90 days	1,012	48,297	10,814	49,308
91 - 180 days	493	72,605	32,775	73,097
more than 180 days	2,228	187,410	135,695	189,638
Total gross	**666,762**	**2,939,028**	**306,298**	**3,605,789**

2013	Gross loans Without Identified Provisions	Gross loans With Identified Provisions	Provision	TOTAL gross loans
within maturity	367,086	2,563,898	76,861	2,930,984
1 - 15 days	10,807	139,466	7,222	150,273
16 - 30 days	5,219	48,212	11,211	53,431
31 - 60 days	4,027	61,519	8,337	65,546
61 - 90 days	514	35,626	9,016	36,140
91 - 180 days	508	59,911	28,660	60,419
more than 180 days	2,600	186,903	97,389	189,503
Total gross	**390,762**	**3,095,535**	**238,696**	**3,486,297**

For certain loans granted to customers, which were overdue for more than 90 days at the reporting dates, the Bank received collaterals of significant higher amounts than the related exposures. Therefore, the total provision recorded by the Bank for these loans is less than the total exposure as at each of the reporting dates.

4.2.4.2. Quality of loans past due but not impaired

2014	Overdue 1 to 30 Days	Overdue more than 30 Days	Gross loans	Provision	Carrying amount
Consumer	65,081	25,078	90,159	14,560	75,599
Corporate	5,558	5,883	11,441	495	10,946
Housing	98,086	58,387	156,473	7,070	149,403
	168,725	**89,348**	**258,073**	**22,125**	**235,948**

2013	Overdue 1 to 30 Days	Overdue more than 30 Days	Gross loans	Provision	Carrying amount
Consumer	51,837	20,461	72,298	12,768	59,530
Corporate	21,780	9,413	31,193	1147	30,046
Housing	104,389	52,901	157,290	6,486	150,804
	178,006	**82,775**	**260,781**	**20,401**	**240,380**

The table above shows the gross loans which are past due but not impaired acordingly to the Bank IFRS provision methodology and are presented based on the collective type of impairment.

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4.2.4.3 Quality of loans individually impaired

2014	Gross loans	Provision	Carrying amount
Low-fair risk	293	71	222
Watch list	34,217	6,389	27,828
Substandard	64,753	35,097	29,656
Doubtful	14,187	8,373	5,814
Loss	317,211	190,988	126,223
	430,661	**240,918**	**189,743**

2013	Gross loans	Provision	Carrying amount
Low-fair risk	3,862	727	3,135
Watch list	51,448	9,088	42,360
Substandard	79,088	27,740	51,348
Doubtful	95,248	29,332	65,916
Loss	207,595	100,983	106,612
	437,241	**167,870**	**269,371**

4.2.5 Analysis of restructured loans and receivables, gross

Restructured loans receivable, amounting RON 232,628 thousand as of December 31, 2014 (RON 149,700 as of December 31, 2013) being the gross value of their principal, represent loans for which the repayment terms have been rescheduled based on an agreement between the Bank and its clients in order to avoid early overdue payments. Starting year 2009, the Bank developed a special program for supporting retail debtors, which was still in progress at 2014 year-end.

The following table shows the quantitative analysis of the receivable that were classified as restructured loans as at the year-end (principal amounts):

	December 31,2014		December 31,2013	
	Gross amount	Provision	Gross amount	Provision
Retail loans				
Overdue up to 30 days	7,649	689	11,220	629
Overdue from 31 to 90 days	3,041	762	6,675	645
Overdue more than 90 days	2,704	2,217	538	229
Retail loans - TOTAL	**13,394**	**3,668**	**18,433**	**1,504**
SME loans				
Overdue up to 30 days	5,053	520	4,939	1,536
Overdue from 31 to 90 days	8,386	1,815	16,496	3,561
Overdue more than 90 days	46,001	25,559	50,622	28,402
SME loans - TOTAL	**59,440**	**27,895**	**72,057**	**33,499**
Corporate loans				
Overdue up to 30 days	13,464	7,571	13,634	5,091
Overdue from 31 to 90 days	69,744	38,664		
Overdue more than 90 days	71,548	26,654	45,576	30,357
Corporate loans - TOTAL	**154,756**	**72,888**	**59,210**	**35,448**
TOTAL	**227,590**	**104,451**	**149,700**	**70,450**

Outstanding for active restructured loans at the end of the year for the loans with DPD higher than 0

All amounts are expressed in RON thousands, unless otherwise stated

4.2.6 Concentration of credit risk to Romanian Government

The following table presents the Bank's credit risk to companies controlled by the Romanian Government, municipalities and similar exposures:

	December 31, 2014	December 31, 2013
Amounts with the National Bank of Romania (Note 15)	457,219	499,709
Treasury Bills (Note 16 and 20)	178,150	143,197
Total	**635,369**	**642,906**

4.2.7 Concentration of credit risk to counterparties – other banks

The following table presents the counterparty risk related to the deposits placed by the Bank to other credit institutions, based on ratings available for Romanian and Hungarian Banks, as follows:

	December 31, 2014		December 31, 2013	
	Amounts in thousands RON equiv.	Moody's Rating for counterparty's country of origin	Amounts in thousands RON equiv.	Moody's Rating for counterparty's country of origin
Bank of America, N.A. (New York Branch)	37	Aaa	33	Aaa
Bank of New York Mellon	0	Aaa	5	Aaa
Danske Bank Aktieselskab	336	Aaa	268	Aaa
Deutsche Bank AG	1,248	Aaa	456	Aaa
Mizuho Corporate Bank LTD	35	A1	28	Aa3
OTP Bank PLC	11,369	Ba1	119,348	Ba1
Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna	86	A2	40	A2
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	426	Aaa	1,973	Aaa
Standard Chartered Bank (ex Amex)	280	Aaa	38	Aaa
Standard Chartered Bank (Germany) GMBH	1,081	Aaa	870	Aaa
UBS AG (Head Office- Zurich)	222	Aaa	827	Aaa
Banca Comerciala Romana S.A	2,148	Baa3	556	Baa3
Banca de Export-Import a Romaniei Eximbank SA	0	Baa3	85,026	Baa3
Banca Italo Romena Spa Italia Volpago Del Montello suc. Bucuresti	0	Baa2	10,001	Baa2
Banca Millennium SA	0	Baa3	8,501	Baa3
Banca Transilvania S.A	0	Baa3	5,000	Baa3
CEC Bank SA	85,000	Baa3	110,010	Baa3
Garanti Bank SA	47,000	Baa3	35,003	Baa3
NEXTEBank SA	2,297	Baa3	0	Baa3
Royal Bank of Scotland PLC	486	Aa1	226	Aa1
TOTAL	**152,051**		**378,207**	

4.3 Liquidity Risk Management

The liquidity risk is associated either to the difficulty of an entity to raise necessary funds in order to meet all the commitments when they fall due or to the possibility of incurring losses if the entity has to sell assets in unfavorable conditions or has to attract more expensive supplementary funding.

The Bank's objective regarding liquidity risk is to maintain an adequate level of liquidity by ensuring the optimal mix of funding and lending transactions in order to achieve the budget.

As stated on the "Liquidity Strategy" and on the "Liquidity risk administration policy" of the Bank, permanently improved and updated in compliance with the local requirements for a prudent regulation but also, in compliance with group requirements, OTP Bank Romania S.A. has implemented an internal system of identification, measurement, monitoring and control of the liquidity risk, structured on two levels: the current liquidity management – the continuity of the activity in normal conditions (the assurance of cash flows for normal business operations) and the management of liquidity on crisis situations; – the continuity of the activity in different crisis conditions.

OTP Bank Romania S.A. manages the liquidity risk considering: the estimation of the cash flows needs and of the operative liquidity, the daily banking book structure, the liquidity GAP – on each currency and overall, the level and the structure of the liquid assets portfolio, the liquidity indicators having early warning limits internally established, the simulation regarding the liquidity indicators levels, the risk assessment on crisis situations by using stress tests.

If the indicators monitored in the reports enumerated above, register an attention or crisis level the Assets and Liabilities Committee evaluates the situation and disposes necessary measures needed for the indicators to revert to normal levels. In case the indicators deteriorate below the accepted limits by ALCO, the alternative plan for liquidity management in crisis situations will be activated. This plan comprises the existing stand-by refinancing agreements with maturities over 1 year without early reimbursement clauses.

Strict monitoring and prudent management of liquidity is supervised by the Assets and Liabilities Management Committee.

The following tables show an analysis of assets, liabilities and equity according to their remaining maturities, reflecting the remaining period between the balance sheet date and the contractual maturity date (as of December 31, 2014 and December 31, 2013).

The analysis has been prepared on the basis of the most prudent consideration of maturity dates in cases where the repayment schedules facilitate earlier repayment. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "no fixed maturity" category.

Liabilities to clients due within one month principally include current accounts from which the clients are authorized to make withdrawals at call. The Bank's historical experience shows, however, that these accounts represent a stable source of funding.

In the first semester of 2014, a significant part of OTP Group funding reached maturity (40 mil CHF on 20th February 2014) and new long-term deposit agreements were signed with OTP Group (35 mil EUR on January 31, 2014 and 15 mil EUR on 20th February 2014) cumulated amount of two stand-by facilities contracted with parent-company for liquidity crisis purpose only and undrawn as at December 31, 2014 represented RON 963,652 thousand (964,211 thousand RON as of December 31, 2013).

December 31, 2014	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	No fixed maturity	Total
ASSETS							
Cash and cash equivalents	132,747	0	0	0	0	0	**132,747**
Current accounts and deposits at banks	152,054	0	0	0	0	0	**152,054**
Accounts with the National Bank of Romania	457,219	0	0	0	0	0	**457,219**
Securities held-to-maturity	3,965	0	19,899	137,657	0	0	**161,520**
Loans and advances to customers, net	105,932	191,824	647,936	920,682	1,403,707	24,384	**3,294,465**
Loans and advances to banks	332,329	0	0	0	0	0	**332,329**
Investment securities - Available for sale	8,770	0	0	15,396	0	0	**24,166**
Investment securities at fair value through profit and loss	0	0	0	0	0	23,806	**23,806**
Investment in Associates and Subsidiaries	0	0	0	0	0	210	**210**
Derivatives	4,092	0	0	0	0	0	**4,092**
Other assets, net	0	0	0	0	0	1,518	**1,518**
Total assets	**1,197,108**	**191,824**	**667,835**	**1,073,735**	**1,403,707**	**49,918**	**4,584,126**
LIABILITIES							
Due to Banks	101,078	0	0	0	0	0	**101,078**
Demand deposits from banks	71,077	0	0	0	0	0	**71,077**
Term deposits from banks	30,001	0	0	0	0	0	**30,001**
Due to customers	1,649,334	1,025,324	643,727	111,868	545,688	291	**3,976,232**
Demand deposits from customers	673,091	0	2	0	0	291	**673,384**
Term deposits from customers	976,242	1,025,324	643,726	111,868	545,688	(0)	**3,302,848**
Borrowings	1,984	531	3,842	0	0	0	**6,357**
Derivatives	0	0	0	0	0	75,887	**75,887**
Provisions	0	0	0	0	0	25,320	**25,320**
Other financial liabilities	61,673	0	0	0	0	22	**61,695**
Total liabilities	**1,814,069**	**1,025,855**	**647,569**	**111,868**	**545,688**	**101,520**	**4,246,569**
Net liquidity GAP	**(616,961)**	**834,031**	**(20,266)**	**(961,866)**	**(858,019)**	**51,602**	

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December 31, 2013	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	No fixed maturity	Total
ASSETS							
Cash and cash equivalents	103,736	0	0	0	0	0	**103,736**
Current accounts and deposits at banks	378,207	0	0	0	0	0	**378,207**
Accounts with the National Bank of Romania	499,709	0	0	0	0	0	**499,709**
Securities held-to-maturity	5,524	17,929	19,769	99,975	0	0	**143,197**
Loans and advances to customers, net	164,616	168,056	560,495	932,305	1,422,129	0	**3,247,601**
Loans and advances to banks	0	0	0	0	0	0	**332,329**
Investment securities - Available for sale	0	0	0	0	0	7,365	**7,365**
Investment securities at fair value through profit and loss	0	0	0	0	0	73,464	**73,464**
Investment in Associates and Subsidiaries	0	0	0	0	0	556	**556**
Derivatives	179	0	0	0	0	0	**179**
Other assets, net	0	0	0	0	0	3,276	**3,276**
Total assets	**1,151,971**	**185,985**	**580,264**	**1,032,280**	**1,422,129**	**238,325**	**4,610,954**
LIABILITIES							
Due to Banks	156,688	0	0	0	0	0	**156,688**
Demand deposits banks	106,654	0	0	0	0	0	**106,654**
Time deposits banks	50,034	0	0	0	0	0	**50,034**
Due to customers	1,688,557	849,315	579,789	613,442	2,902	4,837	**3,738,840**
Demand deposits customers	539,552	1	11	6	33	0	**539,601**
Time deposits customers	1,149,005	849,314	579,778	613,436	2,869	4,837	**3,199,239**
Borrowings	1,932	467	2,391	6,233	0	0	**11,024**
Derivatives	2,184	30,677	0	70,429	0	0	**103,290**
Provisions	22,810	0	0	0	0	0	**22,810**
Other financial liabilities	66,855	0	0	0	0	0	**66,855**
Total liabilities	**1,939,026**	**880,459**	**582,180**	**690,104**	**2,902**	**4,837**	**4,099,508**
Net liquidity GAP	**(787,055)**	**(694,474)**	**(1,916)**	**342,176**	**1,419,227**	**233,488**	

Taking into consideration the specific of banking activity, especially due to deposits taken from non-banking clients with maturities concentrated on maturity strips below 3 months, the most significant liquidity gap is recorded on first and second maturity strips. Still, these deposits are renewed in a significant proportion at each maturity date. On the other hand, placements made by the Bank to clients are concentrated on maturity strips over 3 months and over 5 years, which improves significantly the liquidity gap on these strips.

For the presentation of Assets and Liabilities based on the remained maturity, the Bank took into consideration all Balance Sheet items, not only the monetary ones.

Fair value of the Bank's Financial Assets and Liabilities

The fair value of the Bank's financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All amounts are expressed in RON thousands, unless otherwise stated

Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Market inputs are used in valuation models to the maximum extent. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly impact on the estimates. Therefore, the estimated market fair values may not be realised in the current sale of the financial instrument.

Management's assessment of fair values

Where the fair value of financial instruments cannot be derived from active market, the Bank establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis models. Deciding on the model inputs requires judgment.

Cash, Amounts due from Banks, and Balances with the National Bank of Romania and Placements with Other Banks

The carrying values of cash and balances with central banks are generally deemed to approximate their fair value.

The estimated fair value of amounts due from banks that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing amounts due from banks is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral level 2 of the fair value estimate. Provisions are not taken into consideration when calculating fair values.

Loans

Generally, the fair value of variable yield loans that are regularly re-valued approximates their carrying value with no significant changes in credit risks. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit risks.

The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. The fair value of loans does not significantly differ from their book value.

Held-to-Maturity Financial Investments

The fair value of securities recorded in the portfolio is stated at the price determined by valuation techniques based on level 2 of the fair value estimate. For government and banking bonds, whose issuers have rating comparable with the country rating, fair value is calculated using the market yield curve without credit margin. For other types of bonds the credit margin reflecting the issuer's credit risk is applied in addition to the market yield curve.

Amounts due to Banks and Deposits from the National Bank of Romania and Other Banks and Amounts due to Customers

The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as at the statement of financial position date. The fair value of term deposits at variable interest rates approximates their carrying values as at the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities level 2 of the fair value estimate.

Amounts owed to customers approximate their fair values as the vast majority of such deposits bear variable interest rates, and the management has the ability to revalue at short notice.

4.4 Operational Risk

Operational risk represents the likelihood of losses arising from any performed activity poorly or wrongly defined, errors caused by people, systems malfunction or loss arising from the external environment. The operational risk management represents identifying, determining/ assessing, monitoring and diminishing operational risks. Loss event arisen from an operational risk represents an event or incident occurred as a result of a process / activities that produce real results other than expected, with a negative financial impact / positive impact on profit or the Bank's capital and is caused by human error, intentional damage, erroneous or improper operation processes / activities and systems or caused by external factors other than credit or market risk.

The Bank has a governance framework for operational risk which includes policies and processes for identification, evaluation, monitoring and control/decreasing operational risk. Policies and procedures are based on the size, nature and complexity of Bank's activities and regularly they are adjusted in function of the profile of operational risk in case of change and external evolutions of the market. Policies and procedures include additional risks prevalent in certain operational activities and cover the periods when the operational risk might increase.

Operational risks are identified in 2 ways:

a) First, all loss events that actually occurred must be collected (direct loss/ real for the Bank and also collateral losses, derived from unrealized profit);
b) Second, all operational risk events generating potential losses, which might lead to direct/real financial losses, if they are not detected and corrected, must be identified.

Each organizational unit is responsible with the periodical collection and management of data regarding the operational risk loss events.

The Bank prepares annually the risks self-assessment that is performed every year by each organizational unit. The self- assessment allows the identification and assessment of potential operational risks within each unit, as well as the measures to be taken for diminishing the loss caused by the occurrence of operational risk events.

The main key indicators for operational risk are:

1) *Staff turnover rate* represents the number of employees who left the Bank reported to total number of employees in the Bank. This rate will be calculated cumulated for each 3 months. Evolution of this indicator will be monthly presented as a percentage.
2) *Rapid growth of activity* represents total number of assets at the end of the month reported to number of total assets at the beginning of month. This indicator will be monthly presented as a percentage.
3) *Number of legal claims* represents the number of litigations the Bank is implied in, in order to evaluate operational and reputational risk. This indicator will be monthly presented in absolute value.
4) *The periodicity and/or gravity of operational risk* events which might lead to losses from errors, omissions and any operational risk event, represent number of events reported monthly, grouped on organizational units which report.
5) *Monthly share of real (direct) losses for Bank*, coming from operational risk events reported to total equity of the Bank. This rate will be monthly presented as a percentage. According to Strategy of significant risks management of OTP Bank Romania SA the total direct (real) loss from operational risk events will be

presented and at the end of each quarter will be checked if the operational risk recorded by Bank exceeds the limit of 2% in own funds of the Bank.

6) *Number of complaints* – represents number of complaints received by the Bank. This indicator will be monthly presented in absolute value. There are also presented the causes which generated occurrence of complaints and the stage regarding their solution.
7) *The number of valid and suspended loans' policies in month/ Total number of loans' policies in force*. This indicator shall be shown monthly as a percentage.
8) *Total calls answered/ Total calls received*. This indicator shall be shown monthly as a percentage.
9) *Total number of (external/ internal) frauds incidents per month*. This indicator shall be shown monthly as figures.
10) *Total number of IT systems' incidents recorded per month*. This indicator shall be shown monthly as figures.
11) *Total number of overruns for counterparty limits of the Bank per month*. This indicator shall be shown monthly as figures.
12) *Total number of loans approved with deviations (PL)/ Total number of new loans approved*. This indicator shall be shown monthly as a percentage.
13) *Total number of loans approved with deviations (Quick Loans)/ Total number of new loans approved*. This indicator shall be shown monthly as a percentage.
14) *Vintage NPL rate in 6th month after disbursement to granted personal loan portfolio* - Total number of new PL loans approved with more than 90 DPD bucket (NPL vintage after 6 M) / Total number of new loans approved. This indicator shall be shown monthly as a percentage.
15) *Share of newly disbursed/ granted loans getting into 1+ delinquency on first payment (FPD1+)*. This indicator shall be shown monthly as a percentage.

The key risk indicators are calculated with the support of: Human Resources Directorate, Legal Directorate, Restructuring &Work-out Directorate, Digital Banking Directorate, Accounting Directorate, Risk Retail Directorate, Compliance and Bank Security Directorate, IT & Communications Directorate, Market Risk Department, Credit Approval Directorate and Credit Risk Department that are periodically providing the data.

Bank's policies regarding operational risk aims:

- Periodical revision of the framework of operational risk management within the Bank;
- Provisioning for operational risk in order to minimize the impact generated by recorded losses from operational risk events ;
- Permanent support for organizational units in order to prepare reports for operational risk;
- Information of organizational units about decisions of Risk Management Committee and Management Board;
- Evaluation of the exposure to operational risk based on the recorded losses history and permanent update of database regarding events which generate losses from operational risks, reported by the organizational units;
- Evaluation of activities and processes, products and sistems by performing annual self-evaluation for activities and processes developed in all the Bank's units, in order to report all the potential and occured risks which were identified during the year, with the scope to eliminate or diminish them;
- Preparation of scenarios for the continuity of Bank's activity in unpredictible situations. The continuity plan is one of the instruments used by the Bank for the operational risks management.

Starting with 2010, the Bank has a new data base, also aligned to the Group's requirements, where operational risk events monthly reported by all organizational units are centralized. The data base represents an automated system that helps streamline the reporting activity of operational risk events.

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the carrying amounts of financial assets and financial liabilities presented on the Bank's balance sheet, and their fair values:

LINES OF THE BALANCE SHEET	Carrying amounts		Fair values	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
FINANCIAL ASSETS				
Cash	132,747	103,736	132,747	103,736
Current accounts and deposits at Banks	152,054	378,207	152,054	378,207
Accounts with the National Bank of Romania	457,219	499,709	457,219	499,709
Securities held-to-maturity	161,520	143,197	161,520	143,197
Loans and advances to customers, net	3,294,465	3,247,601	3,294,465	3,247,601
Loans and advances to banks	332,329	0	332,329	0
Investment securities - Available for sale	24,166	7,365	24,166	7,365
Investment securities at fair value through profit and loss	23,806	73,464	23,806	73,464
Derivatives	**4,092**	**179**	**4,092**	**179**
FINANCIAL LIABILITIES				
Demand deposits from banks	71,077	106,654	71,077	106,654
Term deposits from banks	30,001	50,034	30,001	50,034
Demand deposits from customers	673,384	539,601	673,384	539,601
Term deposits from customers	3,302,848	3,199,239	3,302,848	3,199,239
Borrowings	6,357	11,024	6,357	11,024
Derivatives	**75,887**	**103,290**	**75,887**	**103,290**

Methods and assumptions in consideration to the fair value of financial instruments:

- Short term financial assets and liabilities, defined as those with remaining maturities of 90 days or less - the fair value approximates their carrying amounts due to their short term maturity. The following instruments were considered predominantly short-term: on the assets side, cash, current account and deposits at banks, accounts with NBR and on the liabilities side demand deposits from banks and demand deposits from customers as well as certain term deposits from customers.

- Securities held-to-maturity - the fair value of these instruments equal their carrying amount as of December 31, 2014 and December 31, 2013 as being based on yield curves (Please refer to Note 16 for details)

- Securities available for sale - quoted securities are presented in accompanying financial statements at their fair value.

- Loans and advances to customers, net - the fair value of loans equal their carrying amounts due to the fact that interests are re-priced to market on regular basis as the loans bear variable interest rates.

- Borrowings and deposits from customers granted attracted at variable interest rates - the fair value of such instruments approximates their carrying amounts due to the fact that interest rates are re-priced to market on regular basis.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

All amounts are expressed in RON thousands, unless otherwise stated

	Level 1	Level 2	Level 3	December 31, 2014 TOTAL
Financial Assets measured at fair value				
Financial assets available for sale	**0**	**6,808**	**0**	**6,808**
Other securities - Unit Funds	0	6,808	0	**6,808**
Investment securities at fair value through profit and loss	**0**	**23,806**	**0**	**23,806**
Derivative financial instruments	**0**	**4,092**	**0**	**4,092**
Forward transactions	0	3,679	0	**3,679**
Interest rate swaps	0	6	0	**6**
Currency options	0	407	0	**407**
Total Financial Assets measured at fair value	**0**	**34,706**	**0**	**34,706**

Financial Assets for which fair value is disclosed				December 31, 2014
Cash	132,747	0	0	**132,747**
Current accounts and deposits at banks	0	152,054	0	**152,054**
Accounts with the National Bank of Romania	0	457,219	0	**457,219**
Loans and advances to customers, net	0	3,294,465	0	**3,294,465**
Total Financial Assets for which fair value is disclosed	**132,747**	**3,903,738**	**0**	**4,036,484**

	Level 1	Level 2	Level 3	December 31, 2013 TOTAL
Financial Assets measured at fair value				
Financial assets available for sale	**0**	**6,636**	**0**	**6,636**
Other securities - Unit Funds	0	6,636	0	**6,636**
Investment securities at fair value through profit and loss	**0**	**73,464**	**0**	**73,464**
Derivative financial instruments	**0**	**179**	**0**	**179**
Interest rate swaps	0	162	0	**162**
Currency options	0	17	0	**17**
Total Financial Assets measured at fair value	**0**	**80,279**	**0**	**80,279**

	Level 1	Level 2	Level 3	December 31, 2014 TOTAL
Financial Liabilities measured at fair value				
Derivative financial instruments				
Forward transactions	0	0	0	**0**
Currency options	0	55	0	**55**
Currency interest rate swaps	0	75,832	0	**75,832**
Total Financial Liabilities measured at fair value	**0**	**75,887**	**0**	**75,887**

Financial Liabilities for which fair value is disclosed				December 31, 2014
Due to Banks	0	101,078	0	**101,078**
Due to customers	0	3,976,232	0	**3,976,232**
Borrowings	0	6,357	0	**6,357**
Total Financial Liabilities for which fair value is disclosed	**0**	**4,083,667**	**0**	**4,083,667**

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	Level 1	Level 2	Level 3	December 31, 2013 TOTAL
Financial Liabilities measured at fair value				
Derivative financial instruments				
Forward transactions	0	2,167	0	**2,167**
Currency options	0	17	0	**17**
Currency interest rate swaps	0	101,106	0	**101,106**
Total Financial Liabilities measured at fair value	**0**	**103,290**	**0**	**103,290**

Fair value of financial Instruments

Fair value of financial Instruments

Below there are details related to the hierarchy levels:

- Level 1: quoted market price in an active market for an identical instrument;
- Level 2: valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: valuation techniques which are not based on observable inputs.

NOTE 6: INTEREST INCOME

	Year ended December 31, 2014	Year ended December 31, 2013
INTEREST INCOME		
Interest on loans and advances to customers *	242,418	224,615
Total interest on loans	**242,418**	**224,615**
Deposits and accounts with other banks	3,780	12,220
Demand deposits and accounts with the Central Bank	1,782	4,332
Total interest on deposits with banks **	**5,562**	**16,552**
Reverse repo agreements **	936	2,610
Interest on treasury securities, net	10,872	15,992
Total interest income	**259,788**	**259,770**
INTEREST EXPENSE		
Term deposits	78,953	148,522
Demand deposits	3,476	5,113
Total interest on customers' deposits **	**82,429**	**153,636**
Interest expense on accounts and deposits with other banks **	1,723	1,452
Interest on other borrowed funds	280	480
Total interest expense	**84,433**	**155,568**
Net interest income	**175,356**	**104,202**

* Included under interest income for year ended December 31, 2014 is a total of RON 27,144 thousand (2013: RON 17,628 thousand) relating to impaired financial assets.

** Comparative amounts from 2013 were restated to reflect the current presentation.

All amounts are expressed in RON thousands, unless otherwise stated

NOTE 7: FEES AND COMMISSIONS INCOME AND EXPENSES

FEES AND COMMISSIONS INCOME	Year ended December 31, 2014	Year ended December 31, 2013
Card related fees and commissions	7,030	6,360
Fee income from other services	4,051	3,964
Payment transfers	21,829	20,932
Cash management fees	13	9
Lending business	36,749	36,454
Deposit and turnover fees and commissions	4,249	4,402
Total	**73,920**	**72,123**

FEES AND COMMISSIONS EXPENSE	Year ended December 31, 2014	Year ended December 31, 2013
Deposit and turnover fee and commission expenses	1,143	1,144
Expenses on card operations	13,674	11,826
Other services	2,054	3,168
Total	**16,870**	**16,139**

NOTE 8: IMPAIRMENT LOSSES

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Allowance for loans receivable	18	(366,536)	(291,117)
Release of provisions for loans receivable	18	216,681	200,048
(Allowance) / release of provision for advances to customers	18	(1,748)	(482)
Impairment losses on loans and advances to customers		**(151,603)**	**(91,551)**
Impairment losses on other assets			
(Impairment losses) / Recoveries from sold receivables	(7,221)	(12,074)	7,203
(Allowance) for / Recoveries on other Off BS commitments		(2,312)	(9,235)
Operational risk provisions		33	(729)
Litigation risk provisions		(921)	(32)
Impairment losses on AFS instruments		(347)	(1,253)
Total Impairment losses on other assets		**(10,768)**	**(23,324)**
Total Impairment losses on loans and other assets		**(162,371)**	**(114,874)**

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NOTE 9: TRADING INCOME, NET

	Year ended December 31, 2014	Year ended December 31, 2013
Foreign exchange income	22,580,191	24,572,496
Foreign exchange expenses	(22,578,538)	(24,839,000)
Foreign exchange incomes related to derivatives	216,786	906,091
Foreign exchange expenses related to derivatives	(171,688)	(568,673)
Total trading income	**46,751**	**70,914**

NOTE 10: PERSONNEL EXPENSES

	Year ended December 31, 2014	Year ended December 31, 2013
Salaries	66,646	64,777
Social insurance contributions	19,533	20,005
Other employee benefits	2,378	3,720
Total	**88,557**	**88,502**

The amount presented as "Salaries" for the year ended as at December 31, 2014 and 2013 does not include expenses with management contracts. For the year ended as at December 31, 2014, the amount of expenses with collaboration contracts was 5,217 thousand RON (5,048 thousand RON as at December 31, 2013).
These types of expenses have been reclassified to Note 11 under "Fees for experts and services" caption.

NOTE 11: OTHER ADMINISTRATIVE EXPENSES

	Year ended December 31, 2014	Year ended December 31, 2013
Rent and utilities expenses	13,277	14,213
Insurance premiums	1,797	2,428
Fees for experts and services	12,771	11,349
Cards related expenses	3,106	2,950
Advertising	9,475	9,670
Taxes	21,010	19,659
Other administrative expenses	24,694	24,755
Total	**86,130**	**85,023**

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NOTE 12: OTHER OPERATING INCOME AND EXPENSES

	Year ended December 31, 2014	Year ended December 31, 2013
Rent income	304	348
Fees from banking services	2,141	2,822
Insurance fee income	560	606
Other operating income	1,575	1,312
Total other operating income	**4,579**	**5,087**
Other operating expenses	(4,993)	(2,168)
Total other operating expense	**(4,993)**	**(2,168)**
Total, NET	**(414)**	**2,919**

NOTE 13: CASH

	December 31, 2014			December 31, 2013		
	RON	FCY	Total	RON	FCY	Total
Cash	53,622	59,961	113,583	51,167	37,181	88,348
Cash in ATM	19,163	0	19,163	15,388	0	15,388
Total	**72,786**	**59,961**	**132,747**	**66,555**	**37,181**	**103,736**

For purposes of the statement of cash flows, the Bank considers cash on hand, current accounts and deposits at banks as cash and cash equivalents, as follows:

Cash and cash equivalents	December 31, 2014	December 31, 2013
Cash and cash equivalents	132,747	103,736
Current accounts and deposits at banks	152,054	378,207
Cash at the National Bank of Romania	457,219	499,709
	742,019	**981,652**
less Compulsory reserves at National Bank of Romania	(457,219)	(499,709)
Total cash and cash equivalents	**284,800**	**481,943**

All amounts are expressed in RON thousands, unless otherwise stated

NOTE 14: CURRENT ACCOUNTS AND DEPOSITS AT BANKS

	December 31, 2014			December 31, 2013		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Current accounts at banks	0	8,053	8,053	0	6,332	6,332
Deposits at banks	141,703	2,297	144,001	257,941	113,934	371,875
Total	**141,703**	**10,350**	**152,054**	**257,941**	**120,266**	**378,207**

Placements existing in Bank's accounting books as at 31 December 2014 (as well as at 31 December 2013) are free of any obligation or commitment (not pledged).

The interest rates received by OTP Bank Romania S.A. for current accounts and deposits at banks as at the reporting dates were the following:

	December 31, 2014		December 31, 2013	
	RON	**FCY**	**RON**	**FCY**
Deposits at banks	0.7% - 1.00%	0.85% - 0.95%	1.9% - 3.00%	1.75%

Currents accounts with banks are non-interest bearing deposits.

Placements with other banks represent short term excess liquidity placed on money market.

NOTE 15: ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA (NBR)

	December 31, 2014			December 31, 2013		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Compulsory reserves	275,785	181,434	457,219	209,587	290,123	499,709
Total	**275,785**	**181,434**	**457,219**	**209,587**	**290,123**	**499,709**

The National Bank of Romania ("NBR") requires Romanian commercial banks to maintain certain reserves ("compulsory reserve") computed in accordance with specific regulations by applying a percentage to the average balance of other borrowed funds (deposits from clients and borrowings) on a definite period of time and whose withdrawal are restricted.
As at December 31, 2014, the reserve was set up at the following rates:

RON: 10% of the borrowed funds in local currency (December 31, 2013: 15%);
Foreign currency: 14% of the borrowed funds in other than local currency (December 31, 2014: 20%).

The interest rate paid by the National Bank of Romania for minimum compulsory reserve as of December 31, 2014 was as follows:

RON: 0.32% (December 31, 2013: 0.59%)
EUR: 0.32% (December 31, 2013: 0.36%).

All amounts are expressed in RON thousands, unless otherwise stated

NOTE 16: SECURITIES HELD-TO-MATURITY

Treasury securities represent financial instruments held-to-maturity (treasury certificates), issued by the Romanian Ministry of Finance, denominated in RON.

Total treasury securities issued by the Romanian Ministry of Finance held by the Bank as of December 31, 2014 stand for RON 161,520 thousand (143,197 thousand as of December 31, 2013).
From the total of securities held-to-maturity, RON 20,707 thousand have residual maturity of less than 1 year.
The treasury bonds are unencumbered and at the immediate disposal of the Bank as at December 31, 2014 and December 31, 2013.

Moody's ratings available for Romania as at December 31, 2014 were as follows:

Romania
- Local currency: Baa3
- Foreign currency: Baa3

The structure of bonds and other fixed-yield securities as at December 31, 2014 and December 31, 2013 was the following:

	December 31, 2014	December 31, 2013
Fixed rate Bonds	161,520	143,197
TOTAL Securities held-to-maturity	**161,520**	**143,197**

NOTE 17: LOANS AND ADVANCES TO BANKS

	December 31, 2014	December 31, 2013
Loans and advances to banks	332,329	0
Total loans and advances to banks	**332,329**	**0**

The loans and advances to bank presented above as at December 31, 2014 represents a reverse repo agreement between the Bank and OTP Bank Plc. This agreement is denominated in HUF and is renewed monthly. This reverse repo agreement is encumbered with Hungary treasury bills. As at December 31, 2013 were not made this type of transactions.

NOTE 18: LOANS AND ADVANCES TO CUSTOMERS, NET

a) Structure of loans (gross and net amounts)

The item "Loans and advances to customers, net" includes all financial assets which are not classified as "Financial assets at fair value through profit or loss", "Financial assets available for sale" or "Securities held-to-maturity" and has the following structure:

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	December 31, 2014	December 31, 2013
Loans, gross	3,576,635	3,441,913
Impairment losses on loans	(308,863)	(237,071)
Loans, net	3,267,772	3,204,842
Other advances to customers	29,154	44,384
Impairment losses on advances to customers	(2,461)	(1,625)
Other advances to customers, net	26,693	42,759
Total loans and advances to customers, NET	**3,294,465**	**3,247,601**
Impairment losses on loans and advances to customers, Total	**(311,324)**	**(238,696)**

"Other advances to customers" mainly comprise: recoverable amounts from transactions with non-banking clients RON 16,439 (RON 32,725 as of December 31, 2013) representing principally Bills of exchange and cheques, other sundry debtors RON 7,717 (RON 7,496 as of December 31, 2013), prepayed expenses RON 2,943 (RON 2,537 as of December 31, 2013), overdue commissions RON 2,461 (RON 1,625 as of December 31, 2013) which are totally impaired and other amounts related to banking transactions in course of settlement. All mentioned amounts are stated in thousand RON.

b) Structure of loans by currency (gross and net amounts)

Structure by currency	December 31, 2014			December 31, 2013		
	RON	FCY	Total	RON	FCY	Total
Loans, gross	1,621,113	1,955,522	3,576,635	1,386,406	2,055,507	3,441,913
Other advances to customers	23,938	5,215	29,154	36,369	8,015	44,384
Impairment losses on loans and advances to customers	(151,739)	(159,584)	(311,324)	(104,451)	(134,245)	(238,696)
Total loans and advances to customers, NET	**1,493,312**	**1,801,153**	**3,294,465**	**1,318,323**	**1,929,277**	**3,247,601**

c) Structure of loans by type of ownership (net amounts)

				December 31, 2014
	Total loans	RON	FCY	%
Legal entities	1,701,885	890,964	810,921	51.66%
Individuals	1,592,580	602,348	990,232	48.34%
Total loans and advances to customers, NET	**3,294,465**	**1,493,312**	**1,801,153**	**100%**

				December 31, 2013
	Total loans	RON	FCY	%
Legal entities	1,597,573	723,549	874,024	49.19%
Individuals	1,650,027	594,774	1,055,253	50.81%
Total loans and advances to customers, NET	**3,247,600**	**1,318,323**	**1,929,277**	**100%**

d) Concentration by sector for legal entities and by product for individuals

	December 31, 2014	%	December 31, 2013	%
RETAIL	**1,586,483**	**48%**	**1,607,954**	**50%**
Consumer loans	579,617	18%	549,438	17%
Housing	1,006,866	31%	1,058,517	33%
CORPORATE	**1,707,982**	**52%**	**1,639,647**	**50%**
Trade and finance	441,900	13%	449,943	14%
Manufacturing	237,458	7%	213,802	7%
Transportation and communications	39,214	1%	39,869	1%
Services	119,131	4%	332,726	10%
Agriculture and forestry	123,067	4%	128,497	4%
Real estate and construction	161,060	5%	141,595	4%
Other sectors	586,152	18%	333,215	10%
Total loans and advances to customers, NET	**3,294,465**	**100%**	**3,247,601**	**100%**

e) Impairment losses

	Loans and interest receivable RON ('000)	Loans and interest receivable RON ('000)
	December 31, 2014	**December 31, 2013**
Balances at January 1st	**(238,696)**	**(199,230)**
Charge during the year	(366,536)	(291,117)
Release during the year	216,681	200,048
Charge on Provision on advances to customers	(1,748)	(482)
Release of Provisions related to written-off and transferred loans , directly through BS accounts *)	83,260	57,805
Foreign exchange differences impact **)	(4,285)	(5,720)
Balance at December 31st	**(311,324)**	**(238,696)**

For provisioned loans which are sold to other companies (soft collection, in Bank's case), the release of the provision is recorded in correlation to the receivable in the Balance Sheet to its net book value, while the gain / loss realized as a result of receivables selling prices compared to the net book value receivable is recognized in the Profit and Loss Accounts.

The impact in the Profit and Loss account from the selling of these receivables was expense of 7,221 thousand RON (please refer to Note 9, for lines "(Impairment losses) / Recoveries from sold receivables" – expense of 12,074 thousand RON as of December 31, 2013)

*) During year 2014, the Bank sold defaulted receivables to OTP Faktoring Zrt (group member company), for which the written off provision value was 83,260 thousand RON (57,805 thousand RON as of December 31, 2013).

**) 2013 comparative information was restated to reflect the current presentation.

NOTE 19: TANGIBLE AND INTANGIBLE ASSETS, NET

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value January 1st, 2013	**160,331**	**52,155**	**9,396**	**14,139**	**236,022**	**6,268**	**57,791**	**300,081**
Additions	908	4,623	1,853	1,811	9,195	10,755	16,220	36,170
Transfers from construction in progress	*(356)*	*(1,183)*	*211*	*(120)*	*(1,448)*	*(1,449)*	*432*	*(2,465)*
Disposals	(8,532)	(5,597)	(514)	(821)	(15,464)	(9,163)	(16,341)	(40,968)
Gross book value December 31, 2013	**152,707**	**51,181**	**10,735**	**15,129**	**229,753**	**7,860**	**57,670**	**295,283**
Accumulated depreciation January 1st, 2013	**(38,955)**	**(33,130)**	**(7,165)**	**(13,325)**	**(92,574)**	**0**	**(45,758)**	**(138,332)**
Dep'n charge for 1 year period ended December 31, 2013	(5,056)	(4,763)	(778)	1,782	(8,815)	0	(9,238)	(18,053)
Accumulated depreciation of disposals	2,759	2,345	333	(536)	4,900	0	8,017	12,917
Accumulated depreciation December 31, 2013	**(41,252)**	**(35,548)**	**(7,610)**	**(12,079)**	**(96,489)**	**0**	**(46,979)**	**(143,468)**
Net book value December 31, 2013	**111,455**	**15,633**	**3,125**	**3,050**	**133,264**	**7,860**	**10,691**	**151,815**

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value January 1st, 2014	**152,707**	**51,181**	**10,735**	**15,129**	**229,753**	**7,860**	**57,670**	**295,283**
Additions	2,156	6,447	204	1,954	10,761	5,002	19,938	35,701
Transfers from construction in progress	*750*	*4,192*	*2*	*386*	*5,330*	*(5,331)*	*1,446*	*6,776*
Disposals	(1,748)	(3,211)	(913)	(1,026)	(6,898)	(10,333)	(11,060)	(28,291)
Gross book value December 31, 2014	**153,115**	**54,417**	**10,026**	**16,057**	**233,616**	**2,529**	**66,548**	**302,693**
Accumulated depreciation January 1st, 2014	**(41,252)**	**(35,548)**	**(7,610)**	**(12,079)**	**(96,489)**	**0**	**(46,979)**	**(143,468)**
Dep'n charge for 1 year period ended December 31, 2014	(4,651)	(4,344)	(623)	(1,130)	(10,748)	0	(7,054)	(17,802)
Accumulated depreciation of disposals	572	3,055	774	1,013	5,414	0	364	5,778
Accumulated depreciation December 31, 2014	**(45,331)**	**(36,837)**	**(7,459)**	**(12,196)**	**(101,823)**	**0**	**(53,669)**	**(155,492)**
Net book value December 31, 2014	**107,784**	**17,580**	**2,567**	**3,861**	**131,793**	**2,529**	**12,879**	**147,201**

The table above contains, along with "Tangible assets, net" and "Intangible assets, net", also the Tangible assets classified as held for sale (RON 5,381 thousand net value as of December 31,2014 and RON 4,766 thousand net value as of December 31, 2013). These assets represent collateral obtained as a result of foreclosure procedures and are included under "Land and Buildings" caption (for more details please refer to Note 4.2.3.) The Net carrying amount of fixed assets as of December 31, 2014 that would have been recognized had the assets been carried under the cost model was RON 110,742 thousand (RON 124,951 thousand as of December 31, 2013) as presented in Note 3.10.

All amounts are expressed in RON thousands, unless otherwise stated

NOTE 20: INVESTMENT SECURITIES, AVAILABLE FOR SALE AND AT FAIR VALUE TRHOUGH PROFIT AND LOSS

Investments in securities represent quoted and unquoted shares classified as Available for sale, as follows:

Available for sale

	December 31, 2014	December 31, 2013
Unquoted shares, from which	**648**	**648**
SNCDD	14	14
SWIFT	60	60
OTP Asset Management SAI S.A.	574	574
Other investments, from which:	**80**	**80**
Fundatia "Dreptul la Educatie"	80	80
Investment funds, from which:	**6,808**	**6,636**
- OTP AGRI Fund	0	2,014
- OTP Properties	0	2,014
- OTP Eurobond	2,694	2,608
- OTP Expert	2,022	0
- OTP Premium Return	2,091	0
Securities, from which:	**16,630**	**0**
- Bonds issued by Ministry of Finance	16,630	0
TOTAL Available for sale investments	**24,165**	**7,364**

Investments funds at fair value through profit and loss

	December 31, 2014	December 31, 2013
- OTP Comodis	20,001	73,464
- OTP Dollar Bond	3,805	0
TOTAL Investments at fair value through profit and loss	**23,806**	**73,464**

The Bank has investments in OTP Comodis Fund, OTP Dollar Bond, OTP Expert, OTP Premium Return and OTP Eurobond. These investments are managed by OTP Asset Management SAI which is a funds administration company.

OTP Comodis Investment Fund, investment policy consists of investing the assets mainly in instruments with fixed income such as: bank deposits, deposit certificate and government bonds, up to maximum 100% of the Fund's assets, and in bonds (corporate, municipal), up to maximum 50% of the Fund's assets.

OTP EuroBond also makes investments in instruments with fixed income but denominated in Euro, such as municipal, corporate or government bonds guaranteed by the state, T-bills, bank deposits and other monetary instruments on both European Union Member States and Non-member states of the European Union.

In 2014 OTP Agri Fund were transformed in OTP Premium Return and OTP Properties in OTP Expert.

OTP Expert and OTP Premium Return are closed end funds specialized in assets placements and money-market transactions.

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Details of other investments held by the Bank which are classified as available for sale:

Other investments classified as available for sale	Invested value (RON)	Number of shares owned by the Bank	Ownership %
OTP Factoring Romania SRL	225	34	15%
OTP Real Estate Services SRL	20	20	10%
OTP Leasing IFN Romania S.A.	10	1	less than 1%
SC Aloha Buzz SRL	10	1	5%
SC Favo Consultanta SRL	10	1	5%
SC Tezaur Cont SRL	10	1	5%
Visa	40	1	less than 1%
Total	**325**		

For all investments except for SWIFT and Visa, the main activity of the unquoted companies is developed in Romania.
OTP Leasing Romania IFN S.A has the headquarters in Bucharest, Nicolae Caramfil n. 79, sector 1.
OTP Real Estate Services SRL offers services of promotion for real estates, property management and utilization of real estates and other indirectly related real estate activities.
OTP Real Estate Services SRL has the headquarters in Bucharest, Buzesti 66-68.
OTP Factoring Romania SRL has main activity the management of receivables portfolio purchased from various banking and nonbank financial institutions.
Bank's Foundation Right to Education was registered on December 23, established according to Bank's GSM meeting from October 2013.
The Foundation was created with guidance and know-how of Fáy Foundation support which is ready to offer us their 20 years best practice in delivering financial education for pupils and students.
The project's scope is to develop a new dimension of Bank approach in Romania as education provider by creating its institutional and organizational framework.

NOTE 21: INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

	Gross book value as at December 31, 2014	Gross book value as at December 31, 2013	Percentage owned as at December 31, 2014
OTP Advisor SRL	4,729	4,729	100%
OTP Consulting Romania SRL	210	210	75%
Total Gross	**4,939**	**4,939**	
	Provision as at December 31, 2014	**Provision as at December 31, 2013**	
OTP Advisor SRL	**(4,729)**	**(4,383)**	
Total Net	**210**	**556**	

Gross book value of OTP Advisors SRL as of December 31, 2014 was 4,729 thousand RON, for which an impairment of 4,729 thousand RON was recorded, to a net book value of 0 RON.
The gross value of OTP Consulting Romania SRL did not change in 2014 as compared to 2013. OTP Advisors offers direct sales services for the lending products of OTP Bank.
OTP Advisors SRL has the headquarters in Bucharest, 83 Dacia Street. OTP Consulting Romania S.R.L offers services for the support of foreign investments in Romania and consultancy for local authorities and SME in their process for accessing EU funds and implementing the projects.
OTP Consulting Romania SRL has the headquarters in Bucharest, Calea 13 Septembrie 114.

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NOTE 22: OTHER ASSETS, NET

	December 31, 2014	December 31, 2013
Consumables	1,583	2,971
Currency adjustment account	(65)	306
Total	**1,518**	**3,276**

NOTE 23: DUE TO BANKS

	December 31, 2014			December 31, 2013		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Current accounts and demand deposits from banks	70,970	107	71,077	106,605	49	106,654
Term deposits from banks	30,001	0	30,001	50,034	0	50,034
Total	**100,971**	**107**	**101,078**	**156,639**	**49**	**156,688**

NOTE 24: DUE TO CUSTOMERS

	December 31, 2014			December 31, 2013		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Customers' current accounts	459,852	213,531	673,384	355,789	183,812	539,601
Deposits from customers	1,650,621	1,652,227	3,302,848	1,484,210	1,715,028	3,199,239
Total	**2,110,473**	**1,865,758**	**3,976,232**	**1,839,999**	**1,898,841**	**3,738,840**

Included in layout "Term deposits from customers" are deposits of 793.9 million RON from OTP Financing Netherlands B.V. (member of the mother-company group), with remaining maturities between 2 months and 7 years for which there are no contractual bindings regarding advance repayment. As part of the Bank's strategy for the following financial years, the majority of the deposits from Group members will be reimbursed without renewing them.

The maturity structure of the deposits taken from OTP Financing Netherlands B.V. is as follows:

- 189,000 thousand RON maturing on February 4, 2015.
- 111,819 thousand RON (30 million CHF) maturing on December 23, 2020.
- 268,926 thousand RON (60 million EUR) maturing on July 30, 2018.
- 67,232 thousand RON (15 million EUR) maturing on February 20, 2019.
- 156,874 thousand RON (35 million EUR) maturing on January 31, 2018.

The parent company will continue to provide to the Bank any financial support that might be necessary to comply with the central bank's regulatory requirements.

According to the currency and amount deposited by the clients, the Bank pays interest rates in the following ranges:

All amounts are expressed in RON thousands, unless otherwise stated

Term deposits	December 31, 2014	December 31, 2013
RON	0.40% - 7.30%	0.50% - 9%
EUR	0.15% - 5.50%	0.50% - 5%
USD	0.15% - 2.85%	0.30% - 3%
CHF	0.25% - 1.60%	1% - 2.70%
HUF	0.75% - 2.82%	1.75% - 3.5%
GBP	1.20% - 2.30%	1.50% - 3%

Sight deposits	December 31, 2014	December 31, 2013
RON	0.20% - 0.90%	0.1% - 3.74%
EUR	0.12% - 0.37%	0.10% - 0.50%
USD	0.15%	0.10% - 1.75%
CHF	0%	0.25%
HUF	0.5% - 0.6%	0.1% - 1.8%
GBP	0.50%	0.10%

NOTE 25: BORROWINGS

	December 31, 2014	December 31, 2013
Loans from European Bank for Reconstruction and Development	5,788	9,587
Loans from Ministry of Finance	569	1,438
Total	**6,357**	**11,025**

1. European Bank for Reconstruction and Development

The Bank signed in 2007 a Loan contract with European Bank for Reconstruction and Development in total amount of EUR 10,000 thousand (current balance 5,788 thousand RON) with the purpose of sustaining the development of small and medium enterprises.
The Loan is intended to enable the Bank to provide mid-term financing to its Small and Medium clients, mainly for investment purposes. The Bank may finance from the Loan proceeds the following types of development projects: investment projects including purchase of machinery, purchase of real estate, working capital requirements for production purposes or provision of services and new projects or modernization or expansion of existing businesses.
This loan was fully engaged as at December 31, 2008 for which the Bank pays bi-annual instalments, and maturity in year 2016.

2. Ministry of Finance

As at December 31, 2014 the outstanding amount (principal) of the credit facility signed with Ministry of Finance on February 14, 2003, with maturity in February 2015, was RON 569 thousand. The loan represents a Subsidiary Loan Agreement within the Rural Financing Project and the reimbursement is made by semester payments.

All amounts are expressed in RON thousands, unless otherwise stated

NOTE 26: DERIVATIVES

The fair value of the derivative financial instruments is included in "Derivatives". Changes in their fair value that do not qualify for hedge accounting are recognized in the income statement lines "Foreign exchange expenses related to derivatives" and respectively "Foreign exchange incomes related to derivatives".

The financial derivative instruments at face and fair values as at December 31, 2013 and December 31, 2012 were as follows:

	December 31, 2014			December 31, 2013		
	Notional amount	**Asset**	**Liability**	**Notional amount**	**Asset**	**Liability**
Intercompany cross currency interest rate derivatives	188,721	0	75,832	303,721	0	101,106
Short term currency instruments	3,982	3,685	0	1,520	162	2,167
Options	5,159	407	55	2,920	17	17
	197,862	**4,092**	**75,887**	**308,161**	**179**	**103,290**

NOTE 27: TAXATION

The Bank has computed the deferred tax as of December 31, 2014 using the statutory legal rate of 16% (2013: 16%).The bank's strategy has been not to recognize deferred tax asset from fiscal losses carried forward. The income tax expense / release for the year comprises:

	December 31, 2014	December 31, 2013
Current income tax expense	0	0
Deferred tax release / (charge) to profit and loss	(129)	113
Total income tax release / (charge) to profit and loss	**(129)**	**113**

The deferred tax asset as of December 31, 2014 is reconciled as follows:

	Temporary difference	Tax effect
Revaluation reserve for tangible and intangible assets:	36,994	4,021
Deferred tax liability as of December 31, 2014 - Fair-value adjustment of AFS shares	1,715	18
Loan loss provisions / impairment:	80,581	12,893
Deferred tax ASSET as of December 31, 2014		**16,932**
Deferred tax ASSET / LIABILITIES net as of December 31, 2014		**(16,932)**

The deferred tax asset as of December 31, 2013 is reconciled as follows:

	Temporary difference	Tax effect
Revaluation reserve for tangible and intangible assets:	(37,251)	4,150
Deferred tax liability as of December 31, 2013 - Fair-value adjustment of AFS shares	(387)	18
Loan loss provisions / impairment:	80,721	12,915
Deferred tax ASSET as of December 31, 2013		**(17,084)**
Deferred tax ASSET / LIABILITIES net as of December 31, 2013		**(17,084)**

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 107

Reconciliation of fiscal losses versus accounting losses

	December 31, 2014	December 31, 2012
Net Statutory (Loss) / profit of the period	(74,910)	(69,916)
Not taxable income	(16,310)	(17,533)
Not deductible expenses	30,601	23,311
Fiscal result (loss)	**(60,618)**	**(64,138)**
Carried fiscal loss	(225,752)	(164,035)
Total carried forward	**(286,370)**	**(228,173)**

NOTE 28: OTHER LIABILITIES

	December 31, 2014	December 31, 2013
Other due amounts from interbank transactions	11,276	12,433
Other due amounts from transactions with non-banking clients	28,419	43,164
Stock-exchange and other clients' accounts	10,212	502
Current taxes	3,812	4,002
Sundry creditors	4,013	3,861
Unearned income	2,201	2,115
Expense to be paid	1,762	778
	61,694	**66,855**

In caption "Other due amounts from interbank transactions" the main part (RON 11,276 thousand at December 31, 2014; RON 12,433 thousand as at December 31, 2013) comprises amounts to be reconciled based on interbank settlement process (promissory notes, cheques and payment orders).

From the total amount of “Other due amounts from transactions with non-banking clients”, 7,474 thousand RON (16,838 thousand RON as December 2013) relate to promissory notes, cheques and payment orders in relation to clients.

NOTE 29: SHARE CAPITAL

	December 31, 2014	December 31, 2013
Share capital as of January 1st	**732,909**	**732,909**
Increase of share capital	50,000	0
Share capital at the end of the period	**782,909**	**732,909**

During the year 2014, it has been made a raise of share capital in amount of RON 50,000 thousand.

As at December 31, 2014 the Bank’s share capital amounted RON 782,909 thousand and consisted of 3,262,120 registered ordinary shares with face value of RON 240 per share. All of the shares are ordinary shares and no special rights are attached to them. Voting rights per share are equivalent to the face value per share.

As at December 31, 2014, the Bank’s entire share capital was registered at the Commercial Register and fully paid in.

All amounts are expressed in RON thousands, unless otherwise stated

Earnings per share

Loss per share attributable to shares of the Bank (there are only common shares issued by the Bank) are computed as net profit for the relevant year attributable to the common shareholders divided by weighted average number of common shares outstanding during the year as follows:

	2014	2013
Loss after tax in the accounting period	(74,910)	(69,916)
Average number of ordinary shares outstanding during the period	3,210,037	3,053,787
Loss per ordinary share (face value RON 240) in RON	**(23.34)**	**(22.89)**

NOTE 30: OFF BALANCE SHEET FINANCIAL COMMITMENTS

Issued guarantees and letters of credit

The Bank issues guarantees and letters of credit on behalf of its customers. The credit risk on guarantees is similar to that arising from granting of loans. In the event of a claim on the Bank as a result of a customer's default on a guarantee these instruments also present a degree of liquidity risk to the Bank.

All letters of credit issued by the Bank are collateralized. As at December 31, 2014 and December 31, 2013 the probability of material loss arising in connection with letters of credit is considered to be remote and accordingly no provision has been established.

The primary purpose of these instruments is to ensure that funds are available to a customer as required.
Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.
Documentary and commercial letters of credit, which are written undertaking by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized, and because of this carry a lower risk.

Credit commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it result from the possibility of unused portions of loan authorizations being drawn by the customer and, seconds, from these drawings subsequently not being repaid as due.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

All amounts are expressed in RON thousands, unless otherwise stated

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The aggregate amounts of outstanding guarantees, commitments, and other off balance sheet items as of December 31, 2013 and December 31, 2013 are the following:

	December 31, 2014	December 31, 2013
Import letters of credit and other commitments, out of which:	379,156	366,511
Confirmed Letters of credit	*9,923*	*14,015*
Unutilized credit limits	*369,233*	*352,496*
Letters of guarantee and other guarantees	244,261	239,632
Other financial commitments	284,330	336,708
Total guarantees and other financing commitments	**907,748**	**942,851**

NOTE 31: CONCENTRATION OF ASSETS DUE BY GOVERNMENT AND HELD WITH THE CENTRAL BANK

The assets due by Government and the Central Bank are as follows:

	December 31, 2013	December 31, 2012
Amounts with the National Bank of Romania (Note 15)	457,219	499,709
Treasury Bills (Note 16 and 20)	178,150	143,197
Total	**635,369**	**778,389**

NOTE 32: RELATED PARTIES

The Bank enters into transactions with related parties, which are members of OTP Group, in the normal course of the business. All related party transactions were made under substantially similar terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated parties. The most significant transactions represent time deposits, loans and the respective interest and fees received/paid. The volume of related parties transactions, outstanding balances and related expense and income for the periods ended December 31, 2014 and December 31, 2013 are presented below:

All amounts are expressed in RON thousands, unless otherwise stated

	Management		Parent company		Other Related parties	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Assets						
Due from other banks	0	0	11,369	119,356	0	0
Loans and advances to customers, net	1,810	1,715	7	8	19,379	15,806
Loans and advances to banks	0	0	323,329	0	0	0
Other assets	0	0	0	0	0	12,579
Securities with fixed income	0	0	0	0	0	0
Fair Value of Derivatives Financial Instruments	0	0	0	0	0	0
Investment in Associates and Subsidiaries	0	0	0	0	783	1,285
Total assets	**1,810**	**1,715**	**343,705**	**119,364**	**19,379**	**29,670**
Liabilities						
Due to other banks	0	0	(488)	(144)	(481)	0
Due to customers	(1,345)	(804)	0	0	(818,291)	(737,966)
Loans from banks	0	0	0	0	0	0
Other liabilities	0	0	0	0	(15)	0
Fair Value of Derivatives Financial Instruments	0	0	(77,862)	(101,106)	0	0
Total liabilities	**(1,345)**	**(804)**	**(78,351)**	**(101,250)**	**(818,787)**	**(737,966)**
Income statement items						
Interest and Commission income	0	0	3,530	9,075	22,142	23,554
Interest and Commission expenses	0	0	(796)	(11)	(19,459)	(58,341)
Other income	0	0	0	0	53	7
Other expenses	0	0	0	(78)	(6)	(334)
Net result (expense) from derivative deals	0	0	7,412	101	180	0
Total income statements items	**0**	**0**	**10,147**	**9,087**	**(17,805)**	**(35,114)**
Other commitments	0	45	997,308	995,102	(1,397)	662
Off-balance sheet commitments	**0**	**45**	**997,308**	**995,102**	**(1,397)**	**662**

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank.

The cumulated short term, long term and termination benefits granted to directors and other members of key management during periods ended December 31, 2014, respectively December 31, 2013 were as follows:

	December 31, 2014	December 31, 2013
Salary for key management personnel	10,620	11,009
Short-term and long-term benefits	4,430	3,117
Termination benefits	970	58
Total benefits for key management personnel	**16,020**	**14,184**

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NOTE 33: OPERATING LEASE ARRANGEMENTS

Non-cancellable operating lease commitments

Operated leases relate to leases of locations where the Bank's branches are developing their activity.

The Lease contracts are concluded for periods that vary between 1 year and 10 years. All contracts are subject to yearly market rental review in order to adjust the prices to the market level.

During year 2014, most part of the rental contracts were revised to the market price which is lower than the initial contractual price.

The Bank does not have an option to purchase any of the leased locations at the expiry of the lease periods.

The Bank recognizes the lease payments under operating leases as expenses, on a straight-line basis over the lease term.

Residual lease payments	December 31, 2014	December 31, 2013
Due not later than 1 year	10,634	3,183
Due later than 1 year and no later than 5 years	15,108	39,975
Due later than 5 years	741	5,896
Total	**26,484**	**49,054**

NOTE 34: RESTRICTED ASSETS

As of December 31, 2014 and December 31, 2013 the Bank didn't hold any restricted assets, except for the Compulsory reserve at NBR (please refer to Note 16 for the details about Minimum compulsory reserve amounts).

NOTE 35: CONTINGENCIES

As of December 31, 2014 (as well as at the issuance date of these financial statements), the Bank was involved in several lawsuits. Claims against the Bank are made in the normal course of business. The management of the Bank believes that the ultimate liability of the Bank, if any, arising from such actions or complaints will not have a material adverse effect over the financial position or result of future operations of the Bank. As at the year-end, the Bank acted as defendant in 393 law-suits and as a plaintiff in 20 law-suits.

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NOTE 36: BANK ACTING AS AN AGENT

OTP Bank Romania SA shall act as Agent on behalf of OTP Bank Nyrt and OTP Financing Solutions B.V. for the loans receivables which were sold to these two entities.
Each loan Agreement shall be administered and monitored by the Agent in the ordinary course of its business and in accordance with Agent's usual practices. OTP Bank Nyrt and OTP Financing Solutions B.V. pay to OTP Bank Romania a specific agency fee, on a monthly basis, for the performance of account-keeping and monitoring tasks pertaining to the credit portfolio purchased. Agent does not bear any credit risk related to loans administered.

During the normal course of business the Bank sells loans for which it does not retain a 'continuing involvement'

Bank acts as Agent on behalf of OTP Bank Nyrt. and OTP Financing Solutions B.V. by performing the following activities:

- as a security agent, the Bank will record and monitor all the collaterals on behalf of the client;
- as a paying agent, the Bank will decide the interest rate periods and values and will calculate and collect the principal, interest and other commissions;
- the Bank will keep the client informed of any actions taken under the Loan Agreement.

"Transferred Receivables" comprise the aggregate amount of the Outstanding Loan under the Loan Agreement, all types of interest accrued but not paid as of the Settlement Date and all fees related.

At December 31, 2014 the Bank was administrating and monitoring transferred loans in original currencies amounting CHF 408.8 million representing 1,524 million RON equivalent (CHF 441.2 million representing 1,612 million RON equivalent as at December 31, 2013) and EUR 87.1 million representing 390.3 million RON equivalent (EUR 92.2 million representing 413.5 million RON equivalent as at December 31, 2013).

NOTE 37: SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On January 8, 2015, OTP Bank Romania S.A completed the acquisition of Banca Millennium S.A. based on NBR decision approving the transaction (nr 1403/10.12.2014, nr. 1451/30.12.2014 and nr. 1454/30.12.2014) and by complying with the provisions of the Share Purchase Agreement signed by OTP Bank Romania S.A. as Purchaser and Banco Comercial Português S.A. and Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda. as Sellers, on July 30, 2014.

OTP Bank Romania holds 12,127,799 shares out of 12,127,800 as of January 8, 2015.

The last share is still held by Millennium bcp Participações, SGPS until the legal merger date, planned for October 31, 2015 in the merger project, in order to ensure access to the IT services provided by the Banco Comercial Português group.

Also, on January 8, 2015 OTP Bank Nyrt, the main shareholder, increased the share capital of OTP Bank Romania with RON 175,344 thousand, by subscribing and paying in cash 730,600 new shares. The capital increase is a part of the planned structure of the acquisition and subsequent legal merger.

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CORPORATE GOVERNANCE

Supervisory Board

The supervisory Board ensures the supervisory function within the Bank, by exercising the permanent control over the Management Board activity and also over its activity of compliance with strategies and policies in force.

The Supervisory Board consists of the Chairman and 5 members.

Antal Kovács

Chairman of the Supervisory Board, OTP Bank Romania

Mr. Antal Mr. Antal Kovács graduated from the Budapest University of Economics in 1985. From 1979 to 1990, he worked as chief officer and head of department at the City Council of Nagyatád.

Between 1990 and 1995 he was working for K&H Bank Ltd. (KBC Group) as a chief officer, head of department and later as an assistant branch manager.

Afterwards, from 1995, he became the county director of OTP Bank Plc. responsible for Somogy County.

After 1997, he became the county director of Tolna County as well.

From 1998 to July 2007, Mr. Kovács was the managing director of the South-Transdanubian Region of OTP Bank Plc.

Since July 2007, he became Deputy CEO of OTP Bank Plc. responsible for the Retail Division (Retail banking and product development, investment services, electronic banking services, branch network and sales partnership management and management of the OTP subsidiaries' retail division).

In 2014, Mr. Kovács was elected Chairman of the Board of Directors of OTP Mortgage Bank Ltd.

Pal-Antal Ildiko

Member of the Supervisory Board,
OTP Bank Romania

Ildiko Pal-Antal (49) has been Member of the Supervisory Board and President of the Audit Committee since December 2014. She has relevant experience in the administration, financial audit of several non-banking financial institutions of various sizes.

She graduated the Economic Sciences Faculty - Finance and Accounting Section - at Babes-Bolyai University of Cluj-Napoca in 1988, had worked for a short period of time in the Romanian banking system, then as chief accountant and economic manager for commercial companies. In 2001 Mrs. Pal-Antal Ildiko set up her own company, SC Consulta Carpatica SRL. The company offers a wide range of services, performing book-keeping and accounting expertise activities, financial audit, tax consultancy, business and management consultancy.

Mrs. Ildiko Pal-Antal has obtained several professional qualifications: chartered accounting expert (1996), financial auditor (2001), insolvency practitioner (2005), tax consultant (2007) and has been an active member of the respective Romanian national professional bodies since her certification.

Tibor Csonka

Member of the Supervisory Board, OTP Bank Romania

Regarding his academic background Tibor Csonka graduated at Szent István University in 2002 Faculty of Economics and Social Sciences, certified agricultural economist.

He joined OTP Bank Hungary in 2002. Initially he worked as a RM of the Central Hungarian Region in Budapest and after a few month in 2003 he became a Corporate Customer Relationship Manager at the Corporate Customer Relationship Department.

In 2005 he became Corporate Customer Relationships Director of the North – Buda area.

Between April 2007 and September 2008 Mr. Csonka was the sales director of Budapest Region.

Between 2008 and 2011 he was the Deputy Managing Director of the South – Transdanubian Region.

From April 2011 until 2014 he was the Senior Managing Director of the Micro and Small Enterprises Department in Budapest.

Since May 2014, Mr. Csonka has been leading the reformulated Small and Medium Enterprises Directorate with extended responsibilities as a Senior Managing Director.

Besides these positions, Tibor Csonka is member of the Management Board of Merkantil Bank Ltd. and Merkantil Car Ltd. since 2011 and since 2012 he is a vice president of Chamber of Commerce and Industry. In 2014 he became member of the Management Board of Garantiqa Creditguarantee Co. Ltd. as well.

Tamás Vörös

Member of the Supervisory Board, OTP Bank Romania

Tamás Vörös (41) became Member of the Supervisory Board of OTP Bank Romania in 2012.

He joined OTP Bank Hungary in 1996 and initially worked in the branch network as controller and chief accountant. Between 2000 and 2007 he was deputy managing director of South Transdanubian Region responsible for finance and operations. Between 2007 and 2012 he worked as director of Retail Planning and Analyzing Department at the headquarter of OTP Bank. Since 2012 he has been the Managing Director of Retail Business Development and Subsidiary Management Directorate.

Besides these positions, Tamás Vörös is member of the Supervisory Board of OTP Life Annuity.

Regarding his academic background Tamás Vörös graduated at Budapest University of Economic Sciences (1991-1996), having major qualification in Finance and minor qualification in Actuarial Mathematics. He also obtained a certificate from Swiss Finance Institute for attending the course of Senior Management Program in Banking.

Ibolya Dr. Rajmonné Veres

Member of the Supervisory Board,
OTP Bank Romania

Mrs. Ibolya dr. Rajmonné Veres is Master of Science of Project management from Budapest University of Economic Sciences and Public Administration. She got her first degree in Economics at the College of Commerce and Economics, Szolnok.

Mrs. Ibolya dr Rajmonné Veres is the head of Retail Consumer Loans Department at OTP Bank Hungary. She is also Member of the Management Board at Merkantil Bank Zrt, as well as at Merkantil Car Zrt.

In 1996, Mrs. Ibolya dr. Rajmonné Veres started her career at K&H Communication Marketing & Advertising Agency as a Media Planner, where she became Communication Manager in a year. In 1999 she changed to Kereskedelmi és Hitelbank Plc (K&H Bank, subsidiary of KBC), where she filled different positions in the Retail Division, such as marketing manager, product and program manager.

In 2003, Mrs. Veres moved on to Santander Consumer Finance Hungary Zrt. as Managing Director of Sales and Marketing and she was also the Member of the Management Board.

In 2007, she joined OTP Bank Hungary, as the Head of Retail Consumer Loans Department.

Zsakó Enikő

Member of the Supervisory Board, OTP Bank Romania

Enikő Zsakó has been Member of the Supervisory Board since December 2007. Between 2004 and 2007 she was Member of the Board of Directors of OTP Bank Romania. Besides this position, Enikő Zsakó is also member of the Audit Committee of OTP Bank Russia.

She joined OTP Bank Plc. Internal Audit Directorate in 1993. Between 2001 and 2007 she was the leader of the IT audit area and between 2007 and 2014 the head of Bank Group Coordination, Analyzing and Methodology Department. In 2014 she was appointed Deputy Managing Director of the Internal Audit Directorate, being responsible especially for the coordination and supervision of the internal audit activities of the OTP group members.

She graduated as Electrical Engineer at the Technical University of Cluj-Napoca in 1985, and as Banking Consultant in 1997 at the International Banking School in Budapest. She obtained a postgraduate degree in Economics at the Budapest Business School, Finance and Accounting College in 2008.

She has earned the designation of Certified Internal Auditor conferred by the Institute of Internal Auditors, and of Certified Information System Auditor granted by the Information Systems Audit and Control Association.

Enikő Zsakó was elected in 2011 chairperson of the Audit Section and in 2014 member of the Supervisory Board of the Hungarian Economic Association.

Attila Lanczendorfer

Member of the Supervisory Board, OTP Bank Romania

Attila Lanczendorfer (36) was Member of the Supervisory Board of OTP Bank Romania between January and April 2014.

He spent 12 years from his professional career with OTP Group in various positions. Between 2002 and 2007 at OTP Bank's Management Information System Department he was a controller specialized in controlling of the performance of OTP Bank Plc and that of its different subsidiaries in the Central and Eastern European Region. From 2007 to 2014, while working as an Investor Relations Officer, he was deputy head of the Investor Relations and Debt and Capital Markets Department of OTP Bank Plc. Since April 2014 he has been the Chief Financial Officer of OTP Bank Romania S.A.

As working experience outside OTP Group, Attila Lanczendorfer was associate at Invescom Corporate Finance Ltd., being involved in corporate finance and M&A advisory projects in 2007.

Regarding his academic background, Attila Lanczendorfer graduated at Budapest University of Economic Sciences and Public Administration in 2002, as Master of Science in Finance. He passed his Level 3 CFA exam in 2007.


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Management Board

The management Board ensures the management function within the Bank, through the fulfillment of all the necessary and useful actions for the achievement of the Bank's business objectives.
The Management Board implements the Bank's strategies and policies, delegated duties to middle management/permanent committees and overseas the performance of the delegated responsibilities, remaining in charge of the performance of the Bank in front of the Supervisory Board.

The Management Board consists of Chairman, Vice-Chairman and the other members. The Chairman of the Management Board is the Chief Executive Officer.

László Diósi

Chairman of the Management Board and CEO of OTP Bank Romania

László Diósi (48) has been Chairman of the Management Board and CEO of OTP Bank Romania, since May 2007.

Starting with September 2005, László Diósi took over the position of Deputy CEO, Head of the Retail Division, after joining OTP Bank Romania as Retail Project Manager, in May 2005.

Between 2006 and 2008, he has also been Member of the Administration Council of OTP Garancia Asigurari S.A.

László Diósi is an experienced professional, with high performances in a wide spectrum of bank areas, such as mortgage banking, financial analysis, training, staff coordination, project management, insurances, finances, accounting, facultative private pension funds, management of investments, negotiations.

In terms of education, László Diósi started at the Semmelweis Medical University. After three years, he attended an IT programming course that apparently decided his future career. Later on, he studied at the Finance and Accounting College and graduated with a specialization in Finance. He completed his studies with a business management course that he attended at Chilterns University College – Open Business School.
He is currently attending University of Reading's Henley Business School's Executive MBA.

Previous to his coming to Romania, László Diósi held top management or administrative positions in various financial organizations, such as: Chairman of the Board at K&H Pension Fund in Budapest, Hungary (2004-2005); Member of the Administration Council at Argosz Insurance (2004); Chairman of the Supervisory Board at ABN – AMRO Fund Service LTD (2003-2004); Chairman of the Supervisory Board at K&H Asset Management RT (2002), Deputy CEO, Head of Retail Division at K&H Bank, Hungary (2002 - 2004) etc.

Gábor Ljubičić

Vice-Chairman of the Management Board, OTP Bank Romania
Deputy CEO, Head of the Retail Banking Division, OTP Bank Romania
Member of the Supervisory Board, OTP Asset Management Romania

Gábor Ljubičić (47) has been Deputy CEO of OTP Bank Romania and head of Retail Banking Division, since 2007. He is also Vice-Chairman of the Management Board at OTP Bank Romania, since 2012.
Regarding his academic background, Gábor Ljubičić graduated from the College of Finance and Accountancy with Bank specialization in 1993 and obtained a Master of Business Administration degree from the University of Corvinus in 2007.

Gábor Ljubičić has a long and prodigious career with OTP Group. He joined the Bank in 1986 and initially worked in the branch network as Manager, Branch Network Coordinator and afterwards, as Deputy District Director. Starting with 1997, he led the projects for electronic banking services and later became the Head of the Electronic Services Directorate.

Between 2001 and 2007, he occupied various managerial positions at OTP Bank, as Deputy Executive Director for Banking Group and Branch Network Directorate, Executive Director at Downtown Region and Deputy Executive Director for Northern Hungary Region.

Besides these positions, Gábor Ljubičić had other professional assignments, such as: Member of the Board at OTP Mortgage Bank (2003-2007) and Member of the Supervisory Board at OTP Asset Management, since 2008.

György Gáldi

Member of the Management Board, OTP Bank Romania Deputy CEO, Head of Lending & Risk Management Division, OTP Bank România

György Gáldi (52) has been Chief Risk Officer, Head of Lending and Risk Management Division at OTP Bank Romania, since January, 2012 and Deputy CEO and Member of the Management Board of OTP Bank Romania, since August 2012.

He has an engineering and economist academic background and collected three diplomas of Budapest University of Technology and Budapest University of Economics. Beyond such, he completed several courses among others at several short-term courses at Oxford University, Institute for Management Development Lausanne (1992), Institute for Public-Private Partnerships Washington D.C. Based on such learning and accumulated professional experience, he has been acting as lecturer of various universities and colleges, focusing mainly on risk management topics and structured and project finance related subjects. He has also participated as speaker, mainly on the same themes, at several Hungarian, European and North-American business forums/ conferences since 1994, making studies, publications, also concerning these topics.

In terms of professional experience, György Gáldi started as a researcher at Budapest University of Technology, followed by a period when he worked as adviser within the Ministry of Transport Communication and Water Management.

He started his banking career at K&H Bank Structured and Project Finance area, as Unit Head (1993) and becoming Executive Director (2001), being responsible for a large number of cash-flow based transactions in various sectors (e.g. energy/ power, telecommunications, transport, utilities, real estate etc.), industrial production. Between 2005 and 2007, the responsibility was extended also for the large corporate relationship management, as well acting as Senior Executive Director.

Afterwards, he became Executive Director of MKB Bank Zrt., being responsible for Structured, Real Estate and Project Financing's risk management in 2007 and becoming Chief Risk Officer in October 2008. From April 2009 he was also Deputy CEO and Member of Board of Directors. He acted as chairman of the bank's central credit committee during 39 months and as member of several other decision making and steering committees, for a longer period of time.

He has also fulfilled membership in Board of Directors and in Supervisory Board in various companies since 1994, which are active mainly on various infrastructure/ service industry/ financing sub-sectors.
György Gáldi joined OTP Bank Romania in January, 2012, as Chief Risk Officer, Head of Lending and Risk Management Division and Member of the Management Board and Deputy CEO, 7 months later. He is in charge among others of (i) intensification of the group-wide collection activities of the OTP Bank in Romania; (ii) the adoption of the risk handling practice best matching time to time developments of the business activity; (iii) introduction of business standards assuring the largest efficiency of the applied risk handling technics and practices.

Dragoș Ioan Mirică

Member of the Management Board, OTP Bank Romania
Deputy CEO Corporate Banking, OTP Bank Romania

Dragoș Ioan Mirică (42) has been Member of the Management Board and Deputy CEO Corporate Banking since May 2013.

Starting with 2008, Dragoș Ioan Mirică took the assignment to manage the activity of the corporate business line, after joining OTP Bank Romania as Director of Large Corporate Directorate, in May 2006.

Dragoș Ioan Mirică is a highly skilled financial professional with extensive experience in banking and financial institutions, negotiations, business and people management, analytical budgeting activity and financial appraisal. He employs excellent planning skills to ensure consistent, continuous and efficient operations.

With respect to the educational background, Dragoș Ioan Mirică graduated in 1993 the University Pierre Mendès, Grenoble, France, having his Bachelor degree in Business Administration. He also graduated in 1996 the Academy of Economic Studies, Bucharest, the Faculty of Economic Studies in Foreign Languages, French Department, obtaining his license in Business Administration, Finance and Banking.

During his career, Dragoș Ioan Mirică held senior administrative and professional positions in several banks acting in Romania, such as UniCredit Bank and BRD-Société Générale and he was involved in business advisory as well.

OTP BANK ANNUAL REPORT 2014

CORPORATE SOCIAL RESPONSIBILITY

2014

Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to a business practice that involves participating in initiatives in the benefit of the society.

OTP Bank has a responsibility towards millions and for over 10 years, it has been a stable and sound participant of the economy and society in the eyes of its clients, colleagues and shareholders alike.

Corporate Social Responsibility (CSR)

OTP Bank develops financial literacy among young and adult people alike with the goal to create a new financial culture.

The engagement with the community through our activities is the core pillar in our CSR strategy.

OTP Bank Romania plays an important role in social activities, in a frame time of long term CSR strategies, starting from the interaction with our clients, based on trust and respect, to special internal programs for our employees in the following areas: education, youth, culture, arts, environment, sports and human rights.

OTP Equal Opportunity Program

We are committed to offering support to those that help social groups as part of their mission. We analyze and find those who need us most in their activity, with focus on children. We are aware that there is no other way one can support a society's growth than supporting the development of its young generation.

Children are our future, so we are always looking for opportunities to improve their lives through partnerships with youngsters' organizations and associations.

OTP Community Building Program

The Community Building Grant Program seeks to support, strengthen and build on communities. OBR team believes culture is a heritage that is entrusted to us for future development. In this respect, we choose to offer our logistic and financial aid to create and develop special events, theatre festivals, concerts. We also support the endeavors of actors and film makers that are related to communities. Exhibitions and artists' associations receive our support, too.

OTP Sport Program

Sport has unique attributes that enable it to contribute to peoples' development process. Its potential to set the foundation for healthy child development and its ability to connect people, make it a development tool that can be used to meet a range of objectives.

OTP Bank believes that sport should be an important component of any comprehensive development program. We support sport from a development perspective and we point out that it increases individuals' ability to organize, lead, foster networking, communicate, cooperate, manage, evaluate, become goal-oriented and self-directing, become more active, inform each other and develop a sense of responsibility and fair play.

Hence, OTP Bank Romania stands as a reliable partner for sport organizations and competitions that sustain professional behavior.

Employees

We are responsible for our employees and for preserving jobs. The role of our employees is decisive and crucial to the performance of the OTP Group, therefore it is our primary goal to formulate and retain a group of talented and committed employees.

In order to build a close-knit community we add even greater importance to the involvement of our staff, to internal communication and to their opinion and feed-back. For high-standard and customer-oriented service and the efficient operation of the organisation, we give particular importance to our staff.

We value our employees, as they are our most important resource. They are the starting engine for every achievement, for every good result that we have had in 10 years of presence on the local market.

Right to Read CSR Campaign

In 2014, we celebrated 4 years of success for one of our most beloved and well-known CSR campaign, "Right to Read".

We had a challenging insight: a large number of schools in the rural area did not have a library or they benefit of a limited collection of books. Given this tough reality, the campaign aimed at endowing the disadvantaged general schools from the Romanian villages.

The initial objectives were entirely surpassed and the campaign became a huge success. Up to the end of 2014, we succeeded in fully equipping 167 rural schools with books and proper furniture.

More than 32,000 children won back their natural right to read by receiving over 101,000 books, by December, 2014.

otpbank
right to education

Right to Education Foundation

In October 2014, was launched *Right to Education Foundation*, a strategic CSR project that supports and promotes the financial education among high-school students. The Foundation is endorsed both by OTP Group and the local subsidiary of the group, OTP Bank Romania, and the Group's Foundation, Fáy András in Hungary, with over 20 years of experience.

The strategic objective of the Foundation remains supporting the financial education of the new generation, but also, this year one of the goals is obtaining the license for adults' education as well. Since its launch in 2014, over 400 high school students benefit from a unique methodology merging the world's best economic educational elements and means. Our foundation created a stimulating environment and the transfer of knowledge as an exciting experience.

The objective of financial education programs is to teach future generations the importance of a conscious and prudent financial attitude, so they can evaluate their options and goals with due caution.

OK Center is a successful educational brand, supported at European level by Fáy András Foundation and implemented in Romania by Right to Education Foundation. OK Center trainings are free, with constantly updated content and program development, by creating an inter-related, successive system of modules.

A strategic objective for 2015 is obtaining new financing sources, both through applying for internal financing programs and European ones.

Special CSR logo

All the corporate social responsibility activities of OTP Bank Romania are developed under the same identity umbrella.

The graphic representation of the special logo, a dove, symbol of love and peace, gets you to think of simplicity and purity, but also takes you as a viewer in an aspirational area. The dove brings us hope and, along with the slogan "the right to a better world", reminds us that we have a natural right to education, healthy climate and cleaner environment.

CSR annual report

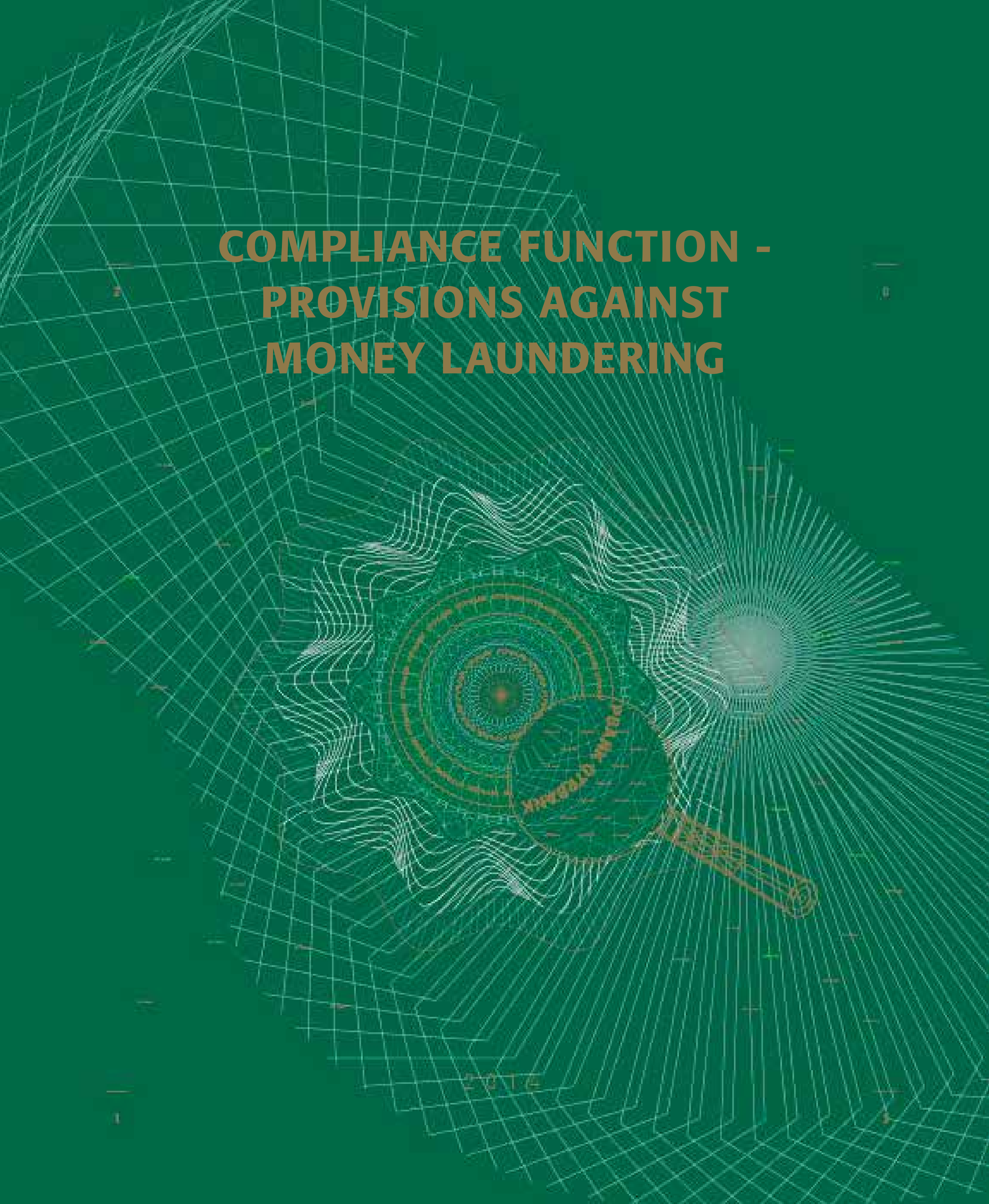
Starting 2009, OTP Bank Romania publishes an annual CSR report, highlighting the most important social responsibility projects and programs, as well as the annual results achieved in this area. Both the OTP Group's CSR annual report and OTP Bank Romania's report are made in accordance with the Global Reporting Initiative G3 guidelines. These are most frequently used and internationally appreciated sustainability reporting guidelines.

The CSR annual report gives an account of the bank's performance during the year, from the perspective of sustainability and corporate social responsibility. The report is available to all our stakeholders. We have made an effort to include all material information of concern to our stakeholders, while keeping this information straightforward and comprehensible.

Part of OTP Bank's mission is to continue to act in a responsible way towards society and its customers as it did since the foundation of the bank.

OTP BANK ANNUAL REPORT 2014

COMPLIANCE FUNCTION - PROVISIONS AGAINST MONEY LAUNDERING



Compliance Function – Provisions Against Money Laundering

One of the major risk categories is the compliance risks that impact the Bank's activity.

In OTP Bank Romania, Compliance Function was implemented on the Bank's organizational structures in order to manage this type of risks.

Compliance function has a major role to assist institution management regarding the legal and regulatory provisions and regarding the standards that is required to meet and to assess the possible impact of any changes in the legal and regulatory framework on the institution's activities.

Compliance function has to assist institutions management in identifying, evaluating, monitoring and reporting of compliance risks, in order to be compliant with the legal provisions framework, with the internal regulations and international best practices.

Compliance risk is the current or future risk that could affect the profits and capital, which may lead to fines, damages and/or termination of contracts or that may affect the reputation of a credit institution as a result of infringement or non-compliance with legal and regulatory framework, with agreements, recommended practices or ethical standards.
Compliance and Bank Security Directorate is a strategic unit within the organizational structure of the Bank.

Compliance and Bank Security Directorate role is to identify and monitor the compliance risks that affect the Bank, to elaborate regulations, standards and recommendations regarding the compliance risks mitigation, and initiate supervision of Bank business processes impacted by the compliance risks.

One of the major responsibilities of the Compliance and Bank Security Directorate is the compliance risks assessment
OTP Bank Romania is committed to comply with legal expectations at all times in the field of action against money laundering and the financing of terrorism.

Compliance with these assumes continuous development of the relevant internal rules and controls, and keeping up an efficient and up-to-date group level anti money laundering program. In order to ensure a high standard compliance with action against money laundering, the Bank management and staff cooperate with the compliance area. Development and supervision of an anti-money laundering program is a duty of the Compliance and Bank Security Directorate, but keeping illegal money away from the institution is a shared responsibility of all employees.

The key program elements are regulation of activities aimed at knowing and screening the customers, compliance with the reporting obligations, cooperating with the relevant authority, educating the employees and compliance with the requirements of document retention. In order to ensure efficient compliance with the “Know Your Customer” expectations, the Bank’s compliance area applies the customer segmentation in its anti-money laundering systems, as well as matching risk-based transaction screening.

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