ANNUAL REPORT

2013

Summary

Message from the Chairman of the Supervisory Board

At OTP Bank, we are committed to run our business in such a way that generates value for our clients, shareholders and employees, based on integrated financial services.

At the same time, we see that our sphere of activity and influence extends beyond the boundaries, as we are the largest independent group in Central and Eastern Europe that closely interconnects with the society, as a whole, through the projects we initiate.

Having a broad understanding of duties as financial services provider and focusing on new opportunities, we have surpassed by 30% last year`s performance.

Thus, OTP Bank Romania registered in 2013 an operating profit of 106.3 mil RON, 7% higher than in 2012, while the total assets reached 6,785 mil RON.

One insight worthy of being highlighted is the spectacular consumer loan evolution. The consumer loans doubled in volume, boosting OTP Bank Romania`s financial results. This performance was achieved through a thorough cost control activity, resulting in a consequent decrease of 4% in the total costs, as well as on 14% decrease in the total risk costs. In addition, the corporate loans volume increased by 5%.
As a result to our commitment to understand our clients` needs, 2013 also meant positive results in the deposits portfolio. Thus, the retail deposits (private individuals and SMEs) grew by 10% with a 17% growth of the deposits collected from private individuals, while the volume of corporate deposits doubled. In conclusion, the above mentioned performances prompted OTP Bank Romania to register a sustainable growth.

OTP Group posted in 2013 total incomes of 864,910 mil HUF (approx. 2,883 mil EUR equivalent), higher by 2% y-o-y. The operating profit remained stable, at 447.710 mil HUF (approx. 1,492 mil EUR equivalent).

We also address social issues and strive to improve the mark we make on the Romanian society. Our initiative, the Right to Read, OTP Bank Romania`s first national CSR program reached in 2013 more than 31,000 children who regained their right to be informed by handing them access to over 96,000 books.

In 2014, our strategic approach will place a special focus on agriculture, an area that carries a high economic potential, we will continue to concentrate on retail loans with or without guarantees and on credit cards, while also counting, on the companies segment, on products and services specially designed for SMEs and medium sized corporations.

2014 marks our 10th year of activity in Romania, but also the beginning of a period during which OTP Bank will secure and build up on its achievements.

Rigor and professionalism are the pillars of our endeavor and I am confident and optimistic about OTP Bank Romania`s prospects and wish the same to you all.

Kovács Antal György
Chairman of the Supervisory Board

OTP BANK ANNUAL REPORT 2013

FINANCIAL HIGHLIGHTS

Main components of the Statement of recognised income in RON million	2012 2012	2013 2013	Y/Y Y-o-Y
Consolidated after tax profit	**1,886.61**	**953.86**	**-49%**
Adjustments (total)	**-421.12**	**-1,216.73**	**189%**
Consolidated adjusted after tax profit without the effect of adjustments	**2,307.73**	**2,170.59**	**-6%**
Pre-tax profit	2,957.86	2,751.05	-7%
Operating profit	6,920.39	6,661.49	-4%
Total income	12,997.80	12,869.05	-1%
Net interest income	10,008.51	9,717.90	-3%
Net fees and commissions	2,332.68	2,483.85	6%
Other net non-interest income	656.60	667.30	2%
Operating expenses	-6,077.41	-6,207.55	2%
Total risk costs	-3,904.36	-4,053.93	4%
One off items	-58.17	143.48	-347%
Corporate taxes	-650.13	-580.46	-11%

"Main components of balance sheet closing balances in RON million"	2012	2013	Y-o-Y
Total assets	153,911	156,600	2%
Total customer loans (net, FX adjusted)	**97,914**	**94,210**	**-4%**
Total customer loans (gross, FX adjusted)	**115,347**	**112,850**	**-2%**
Allowances for possible loan losses (FX adjusted)	-17,433	-18,640	7%
Total customer deposits (FX adjusted)	**99,479**	**103,584**	**4%**
Issued securities	9,787	6,716	-31%
Subordinated loans	4,436	4,030	-9%
Total shareholders' equity	23,049	22,769	-1%

Indicators based on one-off adjusted earnings %	2012	2013	Y-o-Y
ROE (from adjusted net earnings)	10.2%	9.6%	-0.6%p
ROA (from adjusted net earnings)	1.5%	1.4%	-0.1%p
Operating profit margin	4.43%	4.37%	-0.06%p
Total income margin	8.31%	8.44%	0.13%p
Net interest margin	6.40%	6.37%	-0.03%p
Cost-to-asset ratio	3.89%	4.07%	0.18%p
Cost/income ratio	46.8%	48.2%	1.5%p
Risk cost to average gross loans	3.11%	3.51%	0.40%p
Total risk cost-to-asset ratio	2.50%	2.66%	0.16%p
Effective tax rate	22.0%	21.1%	-0.9%p
Net loan/(deposit+retail bond) ratio (FX adjusted)	95%	89%	-5%p
Capital adequacy ratio (consolidated, IFRS) - Basel2	19.7%	19.9%	0.2%p
Core Tier1 ratio - Basel2	14.7%	16.0%	1.4%p

Share Data	2012	2013	Y-o-Y
EPS diluted (HUF) (from unadjusted net earnings)	457	240	-47%
EPS diluted (HUF) (from adjusted net earnings)	563	546	-3%
Closing price (HUF)	4,150	4,100	-1%
Highest closing price (HUF)	4,391	5,302	21%
Lowest closing price (HUF)	2,960	4,059	37%
Market Capitalization (EUR billion)	4.0	3.9	-3%
Book Value Per Share (HUF)	5,409	5,390	0%
Tangible Book Value Per Share (HUF)	4,561	4,699	3%
Price/Book Value	0.8	0.8	-1%
Price/Tangible Book Value	0.9	0.9	-4%
P/E (trailing, from accounting net earnings)	9.5	17.9	89%
P/E (trailing, from adjusted net earnings)	7.7	7.9	2%
Average daily turnover (EUR million)	22	18	-19%
Average daily turnover (million share)	1.7	1.1	-32%

FX rates (in HUF)	2012 2012	2013 2013	Y-o-Y Y/Y
HUF/RON (closing)	65.7	66.3	1%
HUF/RON (average)	65.0	67.2	3%

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

	2012	2013	Variation 2013/2012 (%)
Loans			
Gross loans	**3,003,809**	**3,247,600**	**8%**
- from which:			
Individuals	**2,067,973**	**1,650,027**	**-20%**
Corporate	**935,836**	**1,597,573**	**71%**
Provisions	**199,230**	**238,696**	**20%**
Net Loans	**2,804,579**	**3,008,904**	**7%**
Investment securities available for sale	**10,451**	**7,365**	**-30%**
Investment securities at fair value trough profit and loss	**95,060**	**73,464**	**-23%**
Securities held-to-maturity	**291,666**	**143,197**	**-51%**
Liabilities from credit institutions			
- from which:			
Loans, net:	**21,993**	**11,025**	**-50%**
- from EBRD	**19,545**	**9,587**	**-51%**
- from Ministry of Finance	**2,448**	**1,438**	**-41%**
Deposits from Banks	**45,752**	**156,688**	**242%**
Deposits from Clients	**3,492,026**	**3,738,840**	**7%**
Derivatives at fair value with group members (liability)	**420,959**	**103,290**	**-75%**
Total Shareholders' Equity	**586,390**	**511,447**	**-13%**
Total assets	**4,639,553**	**4,610,954**	**-1%**

*According to the Separate Financial Statements for the year-end December 31, 2013 and 2012, prepared in accordance with the International Financial Reporting Standards as adopted by EU

All amounts are expressed in RON thousands, unless otherwise stated

Macroeconomic and financial environment

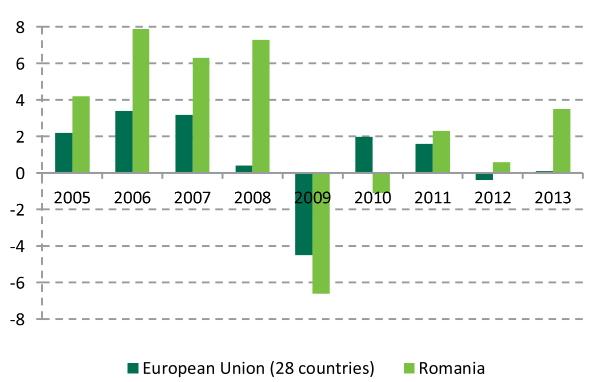
GDP rose by 3.5% in 2013, heavily supported by industry and agriculture

Romania recorded the second largest growth rate in the European Union in 2013, with a jump of 3.5%, coming right after Latvia (4.1%). What explains the rapid pace are industry and agriculture contributing by two thirds and one third, respectively, to the annual pace. In the case of industry, it was the external demand for machinery and transport equipment that lead to higher volumes. Construction activity suffered, especially given the lack of public investments. Services disappointed but we could see a positive pace in the case of IT&C and real estate activity, which are economic branches that have been doing well in the past 3 years. The non farm output maintained its uptrend and has been positive in the past 3 years and this shows that the underlying economic processes are constantly improving. Looking at the expenditure side of GDP, we emphasize the improvement of the households' consumption from 1.1% in 2012 to 1.3% in 2013. Investments undoubtedly remain the weak side of the story. They dropped 3.3% as businesses had not restarted expanding their capital base and the public component was refrained due to fiscal consolidation efforts.

Romania's fiscal and external deficit improved further in 2013

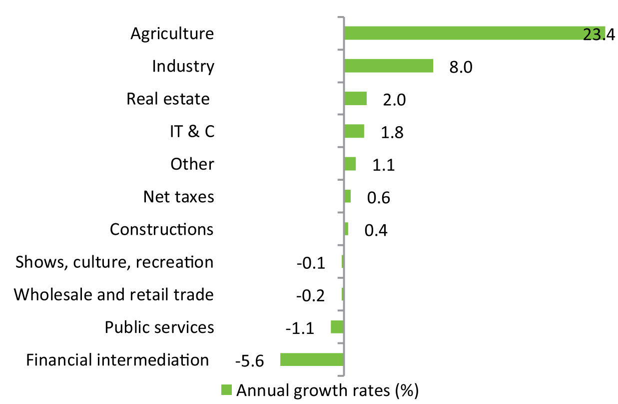
Romania had an ESA deficit of 2.3%, down from 3% the previous year. The fiscal consolidation process was continued despite the increase in public wages and pensions. However, revenue collection was weaker than in 2012 by 1 percentage point, to only 32.7% of GDP. Capital expenditure posted a further drop to 5.3% of GDP, from 5.8% in 2012 and 8% in 2011 and this had visible results in the weak constructions activity. The current account deficit shrank too, abruptly: it fell to 1.1% in 2013 from 4.4% in 2012 as the trade gap diminished significantly given that the feeble consumption led to weak imports while exports thrived due to demand for the machinery and transport equipment.

In 2013, Romanian GDP rose by 3.5% while in the European Union, GDP stagnated



Source: Eurostat, OTP Research

Industry and agriculture were main drivers of GDP growth



Source: NIS, OTP Research

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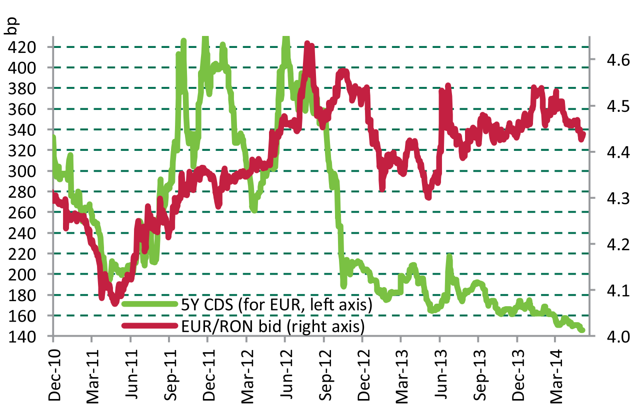
The ILO unemployment rate jumped to 7.3% and inflation to 4%

The unemployment rate bounced back in 2013, to 7.3% from 7.1% in the previous year. The total number of the unemployed grew by 4% YoY in December 2013 and the average duration also edged higher, to nearly 14 months, showing an uptrend in the past 3 years. Unfortunately, the deterioration of the labour market was not accompanied by lower inflation, to the contrary: inflation marked a steep jump from 3.3% in 2012 to 4%, due to a negative base effect that progressively pushed the annual inflation rate to 5% YoY in June 2013.

In 2013, the Central Bank continued the easing cycle and cut the base rate by 125 bps, to 4%

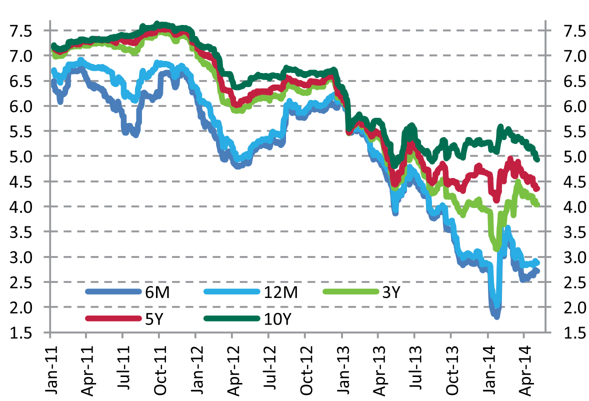
The Central Bank cut the base rate 4 times in 2013, starting in July: the first cut was delivered in a month when inflation rate started on a downward path that led it to 1.55% by the end of the year, from a high of 6% in January 2013. After the unfavorable base effect disappeared, the Central Bank felt comfortable on starting a base rate cut cycle. The inflation outlook for 2014 allowed the bank to do that, accompanied also by the persistently negative output gap which described the entire forecast horizon.
Another preferred monetary policy instrument was the repo auction: NBR organized weekly repo auctions and maintained a careful control of liquidity, especially in the first quarter of the year when it even capped the liquidity injected, fine-tuning a balance between the dynamics of the exchange rate and the inter banking rates. NBR had a net creditor position in H1 2013 but this changed in the second part of the year. Consequently, ROBOR3M dropped continuously throughout the year, from 6% in January 2013 to 2.6% in December 2013. In the last quarter, NBR allowed an excess liquidity in order to clearly signal the easing of the monetary policy.
Following significant portfolio inflows due to bond investors that were contemplating the

After the 2012 fall of 5.1%, the leu recovered 0.8% in 2013, on average; the CDS continued the downtrend



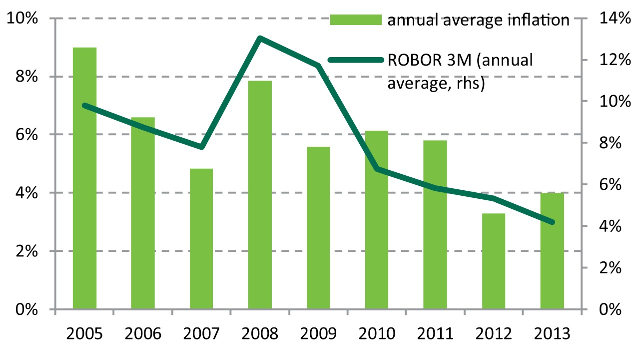
Source: Reuters

Bond yields fell between 130-150 bps on average in 2013 compared to 2012



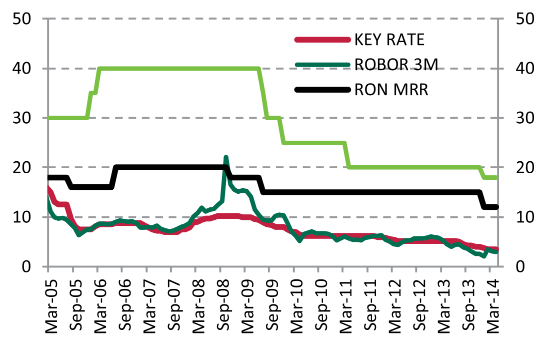
Source: NBR

Inflation rose to 4% on average from 3.3% in 2012
ROBOR3M (avg.) was 4.2% versus 5.3% in 2012



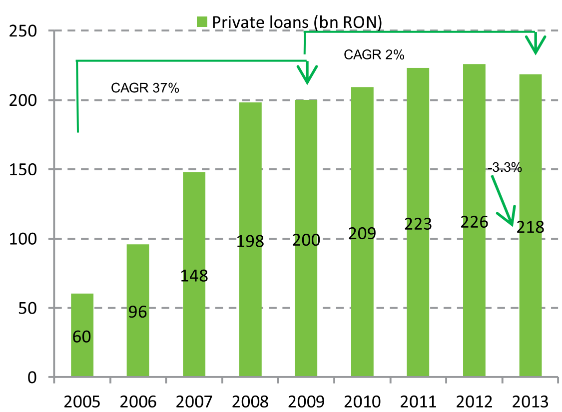
Source: NBR, OTP Research

Private loans growth remains subdued



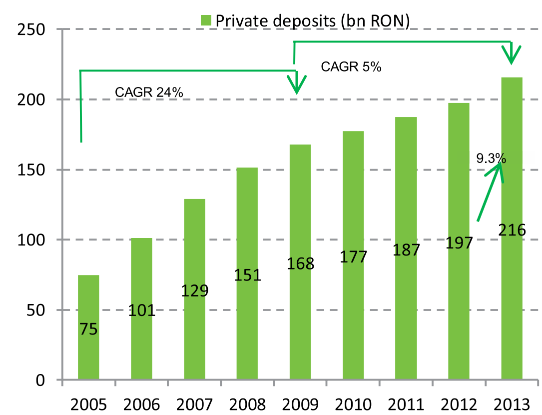
Source: NBR, OTP Research

Private loans growth remains subdued



Source: NBR, OTP Research

Private savings rose almost to the level of private loans in 2013



Source: NBR, OTP Research

easing cycle, the leu strengthened against the euro by 0.8% on average in 2013, to 4.42 from 4.46 in the previous year.
Households and companies continued to adjust their balance sheet and repay their debts, which imposed a negative dynamic on private lending. Household loans fell by 1.2%YoY while corporate loans by 5.1% YoY. Foreign currency loans were the most affected while the stock of RON denominated loans even added 0.7% YoY. Private savings grew strongly at 9.3% YoY, especially due to companies (+14.4% YoY) which postponed investment decisions and built up deposits.

Outlook 2014:

External financial package and country risk:
In September 2013 Romania signed another 2Y stand by agreement with the IMF, for EUR 2 bn which is accompanied also by EUR 2 bn support from European Union. The agreement will be treated as precautionary. Romania has repaid its debt to the IMF to a great extent and remaining principal as of May 2014 is EUR 3.2 with a final payment in January 2016. Also, the initial package warranted in 2009 by the international financial institutions also comprised a EUR 5 bn loan from EU and another EUR 1bn from the World Bank. The former is to be reimbursed between 2015- 2019 and the latter in 2022-2013. The FX reserves are adequate by all measures and stood at EUR 32.4 bn in April. Due to the good performance of macroeconomic and fiscal parameters, Romania managed to raise debt with a 30Y maturity from the international markets, for the first time in history. The rating agency S&P upgraded Romania to investment grade. At the moment

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of the current writing, the 5Y CDS is as low as 135 bps. **Central Bank:** The Central Bank continued the base rate cut cycle in 2014 and lowered the base rate by another 50 bps to 3.5%. Also, early in January it reduced the FX and RON mandatory reserves ratio by 2pp and 3pp, to 18% and 12% respectively. The market consensus is that the base rate cut cycle has ended for this year. However, another decline in the mandatory reserve ratio could be in the cards, given that the inflation outlook allows more easing and the current levels are high in a regional comparison. **Inflation:** In 2014, inflation exited the lower limit of the variation band of +/- 1 pp around the stationary 2.5% target. However, the Central Bank expects a 3.3% YoY inflation in December 2014 and it forecasted that the inflation would remain inside the interval for this forecast horizon (until Q1 2016). Inflationary pressures are seen as moderate given that the output gap remains negative, even if it is progressively diminishing.

Growth: the economic outlook for 2014 remains bright and Q1 high frequency indicators are promising, with industry and retail sales expected to contribute significantly to GDP growth. Although constructions disappointed in Q1, we see a noticeable progress in the residential and non-residential segment and only the civil engineering component is a drag. Again, the latter has to do with the public expenditure component. External trade figures look encouraging as well, this time imports have a much higher dynamics, in line with improved consumer confidence. The risks to growth scenario are mainly external. Additionally, the evolution of the fiscal gap is of more concern, given the low collection, low EU funds absorption and proposed CAS reduction.

OTP BANK ANNUAL REPORT 2013

BUSINESS RESULTS

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 financial partner.*

***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 branches.

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.

Our strategy also focused on products that have gained the title of "best-sellers" in the banking sector - personal loans and credit cards. Moreover, our clients showed an increasing interest in the portfolio of salary cards, investment funds and deposits.

OTP Bank Romania's approach

OTP Bank Romania is an integrated and self-funded financial services provider. Driven by a responsible, committed and highly professional approach, OTP Bank Romania understands the customers' current needs and daily realities, acting as a reliable financial advisor.

The support and the long experience of the Group have helped OTP Bank Romania to grow each year dynamically, but, at the same time, with care and responsibly, in accordance with the Romanian banking market challenges.

OTP Bank Romania is a bank with a strong local character and imprint, adapted to the particular needs of the Romanian market. OTP Bank Romania provides high quality customer services and guides its potential clients towards fair offers and services that always meet the highest standards.

The approach towards our customers is defined by solid values like trust, partnership and integrity, expressed through transparency, client-orientation and advisory approach.

We have built a young, dedicated team that is always engaged in an ongoing development process. OTP Bank Romania strongly believes that customer service is the key factor that makes the difference, as human quality cannot be overlooked.

With more than 9 years on the local market, OTP Bank intends to turn every challenge into an opportunity. Thus, the management team permanently adapts and develops all business decisions to the continuous changing landscape, having as main objective to further strengthen the bank's position on the local market and, most important, to strengthen the relationship we have with our clients.

Targets

Having a broad understanding of our duties as a financial services provider and focusing on new opportunities, we have surpassed last year`s performance. Thus, OTP Bank Romania registered, in 2013, an operating profit of 106.3 mil. RON, while the total assets reached 6.785 mil. RON.

One insight worthy of being highlighted is the spectacular consumer loan growth, boosting OPT Bank Romania`s financial results. This performance was achieved through a thorough cost control activity,

resulting in a consequent decrease of 4% in the total costs, as well as on 14% decrease in the total risk costs. In addition, the corporate loans volume ascended by 5%.

As a result to our commitment to understanding our clients` needs, 2013 also meant positive results in the deposits portfolio. Thus, the retail deposits grew by 9%, while the volume of corporate deposits doubled, reaching an increase of 110%.

In conclusion, the above mentioned performances prompted OTP Bank Romania to register a sustainable growth.

In 2014 we will continue our prudent business strategy, focusing on our client's interest and on our bank's safe development.

Objectives

In tackling the future, we have created a strategic approach that will place a special focus on agriculture, energy and telecommunications, areas carrying a high economic growth potential.

Also, in order to assume our board spectrum of services, we will continue to concentrate on retail loans with or without guarantees and on credit cards which registered good results in 2013 as well.

On the companies segment, we count on products and services designed for the agricultural sector, SMEs and medium sized corporations. We will further develop our products portfolio for SMEs and the Internet Banking platform.

2014 marks our 10th year of activity in Romania, but also the beginning of a period during which OTP Bank will secure and build up on its achievements.

Rigor and professionalism will be the pillars of our future endeavors and we are confident that our main strengths that kept us performing for the past 9 years will continue to represent the differentiating factor from other competitors.

Quality Assurance Projects

Projects and Processes Management quality statement

The mission of Project Management function is to provide project management leadership, expertise and experience, and training to project teams for initiating, planning, guiding implementations and project completions. The primary responsibilities are to manage and control triple project constraints by ensuring project plans are implemented on schedule, within budget, and within scope. Critical to successful project management involves maintaining project alignment to the strategic goals and mission of the Bank; whether projects are managed for the benefit of an organizational unit or for mission-critical purposes that benefit the entire Bank and surrounding community. Incorporating project management administration with best practice methods and standards ensure consistency if applied effectively and it is scalable to be administered across various sized projects.

Business process management function scope is to align all aspects of the Bank with the wants and needs of clients. It promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology. BPM attempts to improve processes continuously.

In terms of processes management, in 2013, OTP Bank has started the optimization of the lending flow for Legal entities, with the aim of creating a standardized flow for clients with exposures bellow 200,000 euros. The standardization will enable significant improvement of the critical client expectations (e.g. "time to yes", "time to cash"). Another important action area was represented by the optimization of the administrative activities performed by the Branches, in an effort to decrease the resources allocated to back-office type of work.

In terms of project management, in 2013, the dedicated team ensured the following main responsibilities:

- undertaking the Project Management role and functions for strategic projects, as decided by the local top management
- promoting the project management methodology within the organization, focusing on the benefits of this approach when the new initiatives correspond to the project definition
- we continued to permanently monitor, no matter the project, the client's impact, costs, benefits and resource allocation.

The most important projects of 2013 were focused on further expanding the cross-sell approach (e.g. including Group members), creating an activity management tool for SMEs and implementing an application for supporting the real-estate evaluations.

The successful implementation of the bank's business strategy depends on the performance of the critical business processes, on running efficient projects and on motivating employees to develop improvement initiatives at all levels of the organization.

We will continue to treat the project management standards and methodology based on some well-known rules: "keep it simple", "make it clear"; "give to the quality standard a higher priority than the one you give 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 2013, 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 2013. IT security policies and mechanisms were also permanently updated, in line with the security assurance objective.
In 2013, the IT and Logistics Division took action to implement mandatory projects enforced by the authorities and strategic projects governed by OTP Group policies, or defined by the top management of OTP Bank Romania, like the following:

Mandatory Projects:

- ***Upgrade of the PAID system –*** functional upgrade of the system in order to align with the system requirement, and capacity extension;
- ***SEPA – TARGET2 developments –*** project derived from the assumed EU alignment process related to the banking / financial market integration;
- ***Bridge bank –*** mandatory project required for implement transfer of viable business activities to a specially created unit, under central bank supervision;
- ***Introducing centralised management of users rights and identities –*** for offering accuracy, complete monitoring of users activity and enhanced data security;
- ***BAXTER project –*** strategic project aiming to integrate the Treasury activity at group level, increase monitoring and automation;
- ***FATCA project –*** mandatory project imposed by EU and US treaties;

Strategic Business Projects:

- ***Personal loans products –*** strategic orientation related actions defined with the purpose to sustain the Personal Loans sales through product related modifications;
- ***Improvement of OTPdirekt Internet Banking platform –*** strategic project to offer our customers one of the most effective and user-friendly platform on the market (customer care); Introducing and extending the SmartBank – smartphone platform;
- ***Development of new credit card business model –*** strategic project defined with the purpose to increase the credit card business through a new credit card product with unique feature on the market;
- ***SME Lending client acquisition –*** strategic project defined by OTP bank with the purpose to design and implement new lending products with high profitability and reduced operational costs;
- ***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;
- ***Leader project -*** strategic project defined with the purpose to develop an integrated Branch Management Evaluation System;
- ***MIS system implementation and enhance reporting capability –*** project dedicated to implement centralised reporting system to provide the management operatively with data needed for decisional support, and increase automation level both for local reporting requirements, and in relation with OTP group;
- ***Optimization of the Back Office tasks -*** strategic project having the goal to automate processes performed by

the branches to increase efficiency and time allocated for sales;

- ***Improvement of Outbound Call Center –*** extend system functionalities and increase automation, increase collection process efficiency;

Strategic Technology Projects:

- ***Up-grade of the core bank system server –*** to maintain the bank infrastructure at optimal level (we need to increase processing power, because the number of transactions will increase and also new modules will be added to our core-banking software);
- ***Capacity Plan Strategy -*** strategic plan to assure operational excellence, replace obsoleted servers and workstations, decrease operational risk;
- ***Extension of Engage+ platform –*** further development of the new Intranet platform in order to increase internal communication and information sharing, team working capabilities; implement various committees workflow and data storage;
- ***Optimisation of the End-of-Day processing –*** strategic initiative to reduce the processing time for the EoD in various IT systems, integration of the process, and also moving toward the 24x7 transactional system availability.

The following IT strategic objectives represented clear strategic directions in 2013:

- Enhanced customer-centered access channels to bank information and services;
- Secure & 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 technology 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 the OTP Group members;
- Looking forward to identify and respond to trends in the marketplace;
- 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.

Account Management, Sales Network and Bank Transactions

In 2013, OTP Bank Romania operated a restructuring process of its territorial network, by closing 4 territorial units and merging them with larger ones, and merging 2 units in a new location. Thus, its territorial network reached 84 banking units, by December 31, 2013. Furthermore, in some cases, the bank also proceeded to relocations, in order to reduce costs and to gain a better market position.

Starting 2013, the efforts of the sales force were focused on promoting consumer loans more actively, as the economic environment stabilized. OTP Bank Romania had shifted its focus from the mortgage backed loans, which were affected by new NBR regulations, to the personal loan without mortgage, a high margin product aimed to restart the lending activity. Also the credit card lending was restarted as well. Internal competitions and promotional campaigns for the customers were also developed during 2013.

A special attention was also given to the increase of liabilities, in order to further improve the liquidity and stability of the bank, activity sustained by dedicated fresh-money campaigns followed by retention campaigns. These liabilities acquisition actions were more predominant in the first part of 2013, and in the second the focus was in preserving the position, within normal costs.

OTP Bank Romania has successfully implemented international project "EMIR"- European Market Infrastructure Regulation. The project scope is to implement the Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (TRs). The main obligations are: obligation central clearing for certain classes of OTC derivatives, obligation to application of risk decrease techniques for OTC derivatives, obligation to report to trade repositories.

On November 7, 2013. the European Securities and Markets Authority (EMSA) approved the registrations of the first for trade repositories under EMIR (European Market Infrastructure Regulation). The registered trade repositories (TRs) include all derivative classes according EMIR : merchandise, bonds, foreign exchange, equity, inter-est rates and others.

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 and the debts related, about debit instruments (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.

In 2013 the layout of Internet Banking services was changed, adopting the Group level approach.

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.

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, 2013, was 31,539, divided as follows:

- Private individuals: 19,910;
- Legal entities: 11,629.

The number of OTPdirekt – SMS Alerts contracts, on December 31, 2013, was 26,292, divided as follows:

- Private individuals: 18,444;
- Legal entities: 7,848.

The number of SMSs messages sent to the clients during 2013 was 1,854,602.

The number of calls to the Contact Center received in 2013 was 67,877.

The number of transactions through OTPdirekt – Contact Center was 192 and through OTPdirekt - Internet Banking 1,002,511.

The SmartBank application was launched on December 7, 2012 and until the end of 2013 we registered 2,709 users.

The transaction volume through OTPdirekt was of:

- Contact Center: 779,866 Euro;
- Internet Banking: 2,655,558,423 Euro

Bank Card Business

In 2013, OTP Bank Romania managed to accelerate the development of 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.

As of December 31, 2013, the total card portfolio of OTP Bank Romania reached **260,000 cards,** representing an increase of almost **20%** compared to 2012. The newly card portfolio was due to sustained card sales activities. Most of the new sales consisted of salary cards, pension cards and credit cards, with focus on the installments credit card – recognized as one of the top credit cards on the market, in 2103 due to its exclusive features (reimbursement of all POS payments in 6 monthly interest-free installments, regardless of the accepting merchant, in Romania and everywhere in the world).

The total volume of card transactions performed by the clients of OTP Bank Romania reached **1,1 billion RON**, with an increase of **12%** compared to previous year.
On the card acceptance side, the total volume of ATM and POS transactions was of **1.3 billion RON**, which represents an increase of **18%** compared to 2012. Particularly, the Merchant POS transactions volume registered an increase of 14% in 2013, reaching 597 mil.RON.

Among the most important OTP Bank Romania card related projects in 2013 we mention: the development of the direct sales team, focused on credit cards and the introduction of the card loyalty platform, in cooperation with MasterCard – as a premiere on the Romanian market.

Currently, OTP Bank Romania offers one of the most complete card products portfolio on 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 2013, the main activities were associated with increasing the portfolio of clients both for liabilities and lending side. In the same time, the main challenge was to maintain the quality of the existing portfolio of loans, while increasing the portfolio of new consumer loans.

During 2013, OTP Bank Romania continuously offered lending solutions both through dedicated campaigns and 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 its 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.

At the end of 2013, the net outstanding balance decreased with approx. 1.2%, compared to 2012.

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 schemes, in order to be in line with the market and to better cover its client's needs. The maximum loan amount is

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

Also, in order to increase the new sales, OTP Bank Romania continued to promote the personal loan campaign "every 12th instalment with zero interest rate, if no delays are recorded".

In August 2013, OTP Bank Romania changed the pricing approach applied to personal loans, being established on a new tailor-made pricing mechanism considering the risk profile of the client.
At the end of 2013, the net growth of outstanding balance was of approximate

113.9%, compared to 2012.
In order to be in line with the market and to increase the new sales, starting June 2013, the maximum granted value for personal loan for retirees was increased from 44.000 RON to 66.000 RON for the applications that meet some predefined conditions.

Taking into consideration the current economic background and in order to be in line with the market practice, starting June 2013, the Personal Loan with Payment Protection Insurance – PPI, was launched (covering the following risks: involuntary unemployment for 6 months death by accident and disease, total permanent disability by accident and disease - grade I or II disability).

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 2013, the net outstanding balance decreased with proxy. 9.3%, compared to 2012.

Overdraft. The product meets the universal expenses on short term – the customers benefit 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 2013, the net outstanding balance decreased with approximate 10%, compared to 2012.

In order to sustain and increase the level of products and services used by the customers, after the first package of products and services was launched in 2012 – **Retirees package**, OTP Bank enlarged the range of products with 3 new packages addressed to different segment of clients: **OTP Savings** – for saving purpose, **OTP Lending** – containing better conditions related to the lending products and **OTP Salary** – benefits related both to savings and lending products addressed to clients with income transfer within the bank.

Liabilities

Taking into consideration the market evolution, 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.

At the beginning of 2013, one of the main strategic tasks was to increase the volume of savings products and OTP Bank Romania developed a successful fresh money campaign, followed by retention campaigns.

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, both in RON and EUR, after a prior investment in any of the three open-end investment funds, OTP AvantisRO, OTP Obligatiuni, OTP ComodisRO distributed by the Bank.

As of December 31, 2013 the outstanding balance of personal individual deposits was EUR 288,321,097 (annual change +15.30%).

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 be also accessed through a debit card issued in the name of the account's holder or his/ her empowered. As of December 31, 2013 the outstanding balance of savings accounts was EUR 21,696,064 (annual change + 33.7%).

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 on 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.

As of December 31, 2013 the outstanding balance of current accounts was of EUR 28,830,137 (annual change +18.59%).

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 accept

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 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

OTP Bank Romania continued its customer segmentation approach, SME business line continuing to targeting and managing legal entities with an annual turnover up to EUR 5 million, including all types of private entrepreneurs.

The Bank upholded 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 aim is to build a solid long term relationship with our clients and for this we have continued our consultative sale approach through our Mentor program by offering competent financial advisory via our dedicated staff (SME Relationship Managers), as well as value added services and products for their financing needs, but also liabilities products for daily activity via a wide range of alternative channels.

The SME lending portfolio suffered a contraction, in 2013, in line with the overall lending market and determined also by the decreasing appetite of legal entities to contract loans. 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 2013, 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.

According to the Bank's strategy, the commitment of sustaining the agricultural sector continued and new products dedicated to this sector were developed as well as special offers dedicated to the clients activating in this field. Our constant development and innovation of the offer dedicated to Agriculture sector was rewarded within the Financial Markets Gala at the category "Best banking product of the year": A dedicated package was developed for legal entities, private entrepreneurs and individual agrarian producers involved serving the specific needs of those clients who are cashing subsidies for their exploitations, while the portfolio of products designed for pre-financing APIA subsidies was completed with:

- The loan for pre-financing the subsidies granted to beneficiaries of Measure 215 – Payments regarding the welfare of animals – pigs;
- The loan for pre-financing the subsidies granted to beneficiaries of Measure 215 – Payments regarding the welfare of animals – poultry;
- Loan for pre-financing the subsidies granted for the current activities of the beneficiaries of the national direct complementary payments in the livestock sector for the cattle and sheep/goats.

Besides the agricultural novelties, several other products and services were improved throughout the year and new innovative ones were designed, such as:

➢ Launching **new types of packages** in order to attract new types of clients and recalibrating the existing offer for legal entities clients to provide a more competitive alternative:
    - **The OTP Smart Start package** for start-ups and micro enterprises (with turnover below 100.000 EUR) represents a bundle of discounted banking products and services (current account, debit card Visa Business, OTPdirekt and intra and inter-banking payments orders in RON by OTPdirekt) available based on a low monthly subscription fee. Starting with August 2013 the packages can be obtained also through the dedicated website www.smartimm.ro developed within **the Smart SME Project**, created with the purpose of

facilitating the easy opening of current accounts **« in 30 minutes and 3 steps»**.
- **The OTP Smart Business** is a package designed for legal entities clients which includes the basic products (current account, debit card Visa Business, OTPdirekt) and the possibility of customizing the benefits according to the banking profile of the client by adding additional options. The available options are offering free of charge inter-banking RON payments via OTPdirekt, free of charge payments in foreign currency up to 50.000 EUR, bonuses for the term deposits and liabilities available in the current accounts, free of charge SMS Alert service and discounts granted for the Direct Debit service.
- **Packages for cash rich clients** such as housing associations and religious entities were launched since March 2013, in order to provide a competitive liabilities offer for these categories of clients with special needs.

➢ Broadening the range of liabilities products offered with a **deposit with interest paid in advance** which offers our clients an alternative to the classical term deposits.

➢ Diversifying the targeted client's base for lending products by **launching the products dedicated to private entrepreneurs** (private authorized persons, individual enterprises, family enterprises and free lancers): Overdraft, Free purpose loan, Loan for acquisition of equipment and Loan for acquisition of real-estate.

➢ **Increasing the efficiency and quality of the lending activity** in order to offer our clients a fast and adequate response to their financing needs by:
- Launching the **Quick Loans** for financing working capital and acquisition of equipment. These loans are processed within a **dedicated flow based application developed internally** and the response is based on a particular scorecard (containing financial, qualitative and deal related information).
- Simplifying the **renewal process of the credit lines** by optimizing the entire approval and implementation process through decreasing the number of documents needed and processing these requests within the dedicated flow based application developed internally.

Within our constant strive to offer the best available services to our clients we have also redesigned the **Loyalty Program** and integrated it in our Mentor approach, the benefits offered being related to current account operations and lending products.

Besides the developments done for our clients, we have also focused on offering additional support to our sales force by developing internally a **new IT tool** (Activity Management) with a friendly interface designed to help them manage and monitor their daily activity and pipeline. 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.

In order to improve the communication with potential clients, from proximity perspective, and to optimize the organization of the Regional Centers sales force a **new role was created**: Account Manager with Sales responsibilities.

Also, in order to ensure the achievement of the planned results for the strategic objective, several **internal competitions and campaigns** were launched, such as:

✓ Cross-selling sales Competition
✓ SME Quick loans Competition and Promotion Campaign

- ✓ APIA SAPS Subsidies Accounts Campaign
- ✓ Packages competition
- ✓ Loans competition

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 Banker Magazine - which is a member of the leading international business newspapers group, the Financial Times Group – chose OTP Private Banking the "Best private bank in Central and Eastern Europe", in 2010 and 2011.

In 2009 and 2011, OTP Private Banking was also chosen by Euromoney (one of the most famous financial journal in the world) as "The best provider of Private Banking services in Hungary" (based on a detailed quantitative and qualitative assessment).

Private Banking activity in 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).

In 2013, the Private Banking strategy was based on portfolio management and investment counseling, based on 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, the holdings of our Private Banking clients in investment funds grew from 15% to 22% out of their total assets under management.

In terms of objectives set for this year, we have registered an increase with approximately 20% in the number of clients included in the Private Banking category, compared to December, 2012. Further on, the total assets under management for Private Banking clients also increased with 31%, compared to the figures registered in December, 2012.

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

Corporate Banking

In 2013, the Corporate Banking segment continued to focus on the same key pillars as for 2012 in order to generate sustainable results:

- Positioning as a **niche bank** on the Romanian corporate banking market, rather than playing as a corporate generalist bank;

- Focus on the **mid-market corporate segment** with annual turnover between 5 and 25 million EUR, mainly local and municipality related businesses, companies with good financial standing, cash rich companies, which include:
    - 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 major objectives were the increase of the corporate income, the development of the customer base, increase of non-interest income from transactional business, increase of corporate liabilities (in parallel with lowering of the concentration level) and maintaining a good quality of the loan portfolio.

For reaching these objectives, the Corporate Banking focused on:

- **Lending:**
    - Emphasis on Agri-business and transactional lending – short term facilities, mainly RON denominated loans;
    - Portfolio diversification and decrease of concentration by increasing the customer base with middle-sized companies with good financial standing;
    - Diversify the funding sources (Eximbank Hungary);
    - Lending campaigns (fixed interest rate for RON lending);
    - Strict monitoring of loan portfolio quality.

- **Liabilities:**
    - Special emphasis upon the current account;
    - Decrease of the concentration level;
    - Cold call campaigns;
    - Assuring joint teams with Treasury Regional Sales force in order to respond to sophisticated needs;
    - Generating salary conventions with corporate customers.

- **Cross-selling:**
    - Focus on salary cards, credit cards, personal loans;
    - Leveraging upon loans, cash management and treasury products;
    - Increase of ATM coverage;
    - Involvement of alternative sales forces based on signed corporate partnerships

- **Profitability:**
    - Acquisition of new clients for cash management transactions;
    - Special focus on promoting cash management offers aiming to increase the volumes on current accounts, increase the operations through the online platform;
    - Offers are built based on the ROA principle;
    - Continuous monitoring of the client's profitability and banking competition.

The corporate products team launched a new cash management product named „SWIFT MT942 Interim Transaction Report” (SWIFT message with the scope of communicating information regarding the intra-day debit/ credit transactions registered into the accounts of the clients).
The Corporate Banking segment continued to provide to the targeted companies a competitive and customer centered approach through a motivated sales force regionally coordinated.

Each corporate lead was assessed as a veritable business opportunity, with a view for turning each specific transaction into a long term relationship, attempting to maximize the benefits both for customer and the bank.

Thus, the Corporate Banking segment managed to position on the banking market as a player which provides high level quality services to the customers by understanding the market trends, the client needs and expectations, offering tailored-made solutions, servicing with pro-active approach, sharing expertise in a consultative manner.

Treasury

2013 is the third consecutive year of growth, 3.5% growth rate in 2013, the highest rate recorded by the Romanian economy in the last 5 years after 2.2 % in 2011 and 0.7 % in 2012.

In 2013, the current account of balance of payments recorded a deficit of 1.505 million EUR, an improvement compared to the EUR 5.843 million from 2012. This result was due to lower trade deficit, increasing surplus of the services balance recorded (with EUR 1.458 million) and current transfers (with 287 million euros).

At the end of 2013, Romania’s foreign debt amounted at 96.4 billion euros, of which 77.0 billion medium-and long-term debt (down 2.3% from end - 2012) and 19.5 billion short-term debt (down 6.8 % from 31.12.2012).

The budget implementation ended with a deficit of 15.77 billion RON, falling within the target agreed with the international partners.

The foreign direct investment reached 2.713 million EUR, with 26.8 % over the level recorded in 2012, becoming the highest value recorded in the last four years.

In December 2013, the inflation rate was 1.55%, decreasing to 1.06%, in January 2014.

The unemployment rate was at 7.1%, in December 2013, 0.2 percentage points below from the previous month and 0.4 percentage points above its level in December 2012.

In regards to the interbank market, RON finished 2013 depreciated by a yearly 4.5% against the EUR, at 4.5 RON/ EUR, after a volatile evolution consisting the lowest below 4.30 and the highest around 4.55. The Central Bank acted to provide the necessary balance on supply of hard currency against the local currency acting both sides - as buyer and seller - of hard currency through indirect interventions on interbank market.

Money market rates dropped significantly, from 5.25 pct short term - between overnight and one month, to below 2 pct for maturities up to one month, as The Central Bank cut the reference rate for several times, to 3.5 pct. At the same time, the Central Bank left significant liquidity in the market, which was the driver of the downside rally, during 2013.

OTP Bank Romania continued to work on developing its product range, taking advantage of OTP Group’s support and know-how. 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.

OTP Asset Management Romania, operational since April 2008, is positioned as an Innovative, dynamic player, client and performance oriented asset management company.

The company aims to satisfy its client's needs, offering high quality products and services.

The company is currently the 6th player on the market, with assets under management of RON 384 million and continues to maintain its position by offering its products to a large segment of individual and institutional clients.

Thus, the clients can access investments in equities, Bonds, T-bills diversifying their investment portfolio.

At the present moment, OTP Asset Management Romania manages six mutual funds, as follows.

- Four open end funds:
  - OTP AvantisRO (equity, RON);
  - OTP Obligatiuni (bond, RON);
  - OTP ComodisRO (money market, RON);
  - OTP Euro Bond (bond, EUR).
- Two closed end funds specialized in real estate investments which raise capital privately:
  - OTP Agri Fund
  - OTP Properties

In 2013, OTP Asset Management Romania transformed professionalism and energy into performance.

Due to its innovative character, client's orientation trend, as well as its constant perseverance of its team, the company obtained the recognition of the financial market.

OTP Euro Bond, the euro denominated bond fund has obtained for the second year in a row, the highest performance in the market being the leader of its category.

In 2013 the fund offered a 4.57% yield in euro, after obtaining 5.86% in 2012.

OTP Obligaţiuni and OTP ComodisRO the two open ended funds with an investment policy oriented towards fixed income instruments and money market positioned themselves on **the second place in each fund category, after offering constant and solid performance throughout 2013 for their clients.**

The company continued to grow, as it focused the sales force on assets growth and raising the number of investors in the existing funds.
Thereby, the total assets under management by the end of 2013 grew with 37%, reaching RON 384 million, while the number of investors in open ended funds increased by 22%, 1,092 new investors decided to invest in open ended funds.

The total number of investors, open ended and closed end reached 5,923 investors.

For the future, the company intends to enlarge its portfolio of funds, aiming to offer, innovative, modern products to meet continuous changing needs of its clients.

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 used to own.

Starting July, 2008, the activity was extended to promoting and distributing banking products and services offered by 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 became OTP Advisors S.R.L., a team of financial advisors focused on providing first class tailor made financial services for Romanian private individuals.

The sole shareholder of OTP Advisors S.R.L. is OTP Bank Romania S.A.(100%) , member of OTP Group.

A mobile sales force network was established at national level and was structured in such a way to increase the penetration of OTP Bank's products and services and to also enhance the cross selling ratio for the existing customers of the bank.

In 2013 OTP Advisors S.R.L. organization structure was established. The network was developed to 770 registered Consultants and 48 Area Sales Managers and 6 Regional directors in order to extend its national coverage and to compensate the OTP Bank Romania S.A. branches distribution. Main cities of Romania were covered: București, Ploiești, Pitești, Cluj, Târgu Mureş, Braşov, Timişoara, Oradea, Sibiu, Iași, Piatra Neamț, Bacău, Constanța, Craiova.

In 2013 Client Relationship Management software was tuned to a web based Consultant activity management platform and implemented in OTP Advisors S.R.L. Also in 2013 we launched www.otpadvisors.ro site that promotes OTP Advisors activities, sustains recruitment of agents and partners and acts as a link to the Customer Relationship Management platform for active consultants and employees.

OTP Advisors S.R.L. developed significantly its network and generated important sales volumes from the group total sales in Romania (OTP Bank Romania S.A. + partners): 40% from unsecured personal loans, 18% from mortgage loans & personal loans with mortgage, 60% from Credit cards. The company is also active in distributing SME and Corporate products.

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 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 supporting the beneficiary's staff to acquire project management skills.

The company implemented a large number of projects during the last year. Relevant project can be considered the consultancy services in project management for: "Pocsaj and Rosiori by-pass rehabilitation and construction" and "Schwaben business park and consultancy center".

In 2013 continue the implementation of other important projects "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 field. 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.

"Our target is to become one of the top 10 players on the Romanian leasing market, after the first 2 years of business. The products we will offer will be structured in a way that will ensure high customer satisfaction through competitive and transparent pricing, timely approval and efficient after-sale services. These ambitious tasks will be carried out by a young and professional team, with experience in the Romanian leasing industry", stated Mr. Mircea Dihel, General Manager of OTP Leasing Romania. The shareholders of OTP Leasing Romania IFN SA are Merkantil Bank Hungary, with 70% and OTP Bank Romania SA with 30% of the share capital.

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

IFRS REPORTS OF THE MAIN SUBSIDIARIES*

*According to the Summary of the full-year 2013 results (English translation of the original report submitted by OTP Bank Plc. to the Budapest Stock Exchange) published in Budapest, on March 7, 2014.

In the following parts of the Summary of the full-year 2013 results the after tax profit of the subsidiaries are presented without any received dividends and net cash transfers. The structural adjustments on the lines of subsidiaries' Statements of recognised income as well as description of calculation methods of performance indices are to be found in supplementary data annex.

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account in HUF mn	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	24,214	30,223	25%	588	5,730	4,563	-20%	676%
Income tax	-3,329	-3,536	6%	-269	-714	-552	-23%	105%
Profit before income tax	27,543	33,760	23%	857	6,444	5,115	-21%	497%
Operating profit	58,927	55,090	-7%	11,779	13,744	13,004	-5%	10%
Total income	95,732	92,966	-3%	22,520	23,081	23,520.8	2%	4%
Net interest income	74,671	72,908	-2%	17,493	18,050	18,482	2%	6%
Net fees and commissions	16,875	18,208	8%	4,342	4,656	4,655	0%	7%
Other net non-interest income	4,186	1,849	-56%	684	376	383	2%	-44%
Operating expenses	-36,804	-37,876	3%	-10,741	-9,337	-10,517	13%	-2%
Total risk costs	-31,384	-21,330	-32%	-10,922	-7,300	-7,889	8%	-28%
Provision for possible loan losses	-31,153	-20,723	-33%	-10,718	-7,305	-7,277	0%	-32%
Other provision	-230	-608	164%	-204	5	-612		200%
Main components of balance sheet	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
Total assets	1,292,031	1,343,595	4%	1,292,031	1,348,315	1,343,595	0%	4%
Gross customer loans	1,143,861	1,138,014	-1%	1,143,861	1,145,709	1,138,014	-1%	-1%
Gross customer loans (FX-adjusted)	1,165,889	1,138,014	-2%	1,165,889	1,139,664	1,138,014	0%	-2%
Retail loans	908,548	899,346	-1%	908,548	905,014	899,346	-1%	-1%
Corporate loans	257,342	238,668	-7%	257,342	234,649	238,668	2%	-7%
Allowances for possible loan losses	-178,538	-201,300	13%	-178,538	-196,101	-201,300	3%	13%
Allowances for possible loan losses (FX-adjusted)	-181,934	-201,300	11%	-181,934	-195,048	-201,300	3%	11%
Deposits from customers	979,054	1,054,713	8%	979,054	1,034,631	1,054,713	2%	8%
Deposits from customer (FX-adjusted)	996,850	1,054,713	6%	996,850	1,028,682	1,054,713	3%	6%

	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
Retail deposits	877,333	927,122	6%	877,333	897,806	927,122	3%	6%
Corporate deposits	119,517	127,591	7%	119,517	130,876	127,591	-3%	7%
Liabilities to credit institutions	36,356	44,351	22%	36,356	28,094	44,351	58%	22%
Subordinated debt	43,901	0	-100%	43,901	44,978	0	-100%	-100%
Total shareholders' equity	209,187	220,752	6%	209,187	216,780	220,752	2%	6%
Loan Quality	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	210,664	228,539	8%	210,664	231,417	228,539	-1%	8%
90+ days past due loans/gross customer loans (%)	18.4%	20.1%	1.7%p	18.4%	20.2%	20.1%	-0.1%p	1.7%p
Cost of risk/average gross loans (%)	2.63%	1.82%	-0.82%p	3.77%	2.54%	2.53%	-0.01%p	-1.25%p
Cost of risk/average (FX-adjusted) gross loans	2.67%	1.80%	-0.87%p	3.65%	2.54%	2.54%	-0.01%p	-1.12%p
Total provisions/90+ days past due loans (%)	84.8%	88.1%	3.3%p	84.8%	84.7%	88.1%	3.3%p	3.3%p
Performance Indicators (%)	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
ROA	1.8%	2.3%	0.5%p	0.2%	1.7%	1.3%	-0.3%p	1.2%p
ROE	11.6%	14.1%	2.5%p	1.1%	10.5%	8.3%	-2.2%p	7.1%p
Total income margin	7.22%	7.05%	-0.17%p	6.89%	6.83%	6.93%	0.11%p	0.05%p
Net interest margin	5.63%	5.53%	-0.10%p	5.35%	5.34%	5.45%	0.11%p	0.10%p
Cost/income ratio	38.4%	40.7%	2.3%p	47.7%	40.5%	44.7%	4.3%p	-3.0%p
Net loan to deposit ratio (FX-adjusted)	99%	89%	-10%p	99%	92%	89%	-3%p	-10%p
FX rates	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
HUF/BGN (closing)	148.9	151.8	2%	148.9	152.6	151.8	-1%	2%
HUF/BGN (average)	148.0	151.8	3%	144.7	152.3	152.2	0%	5%

- **The after tax profit grew by 25% in 2013 as a result of lower operating result and smaller risk cost**
- **In 4Q 2013 profit declined amid improving margins and higher risk costs**
- **Due to weak demand the recovery of lending business is still to come, at the same time the portfolio quality improved q-o-q (DPD90+ ratio: 20.1%) and provision coverage increased further (4Q 2013: 88.1%)**

DSK Group reached HUF 30.2 billion after tax profit in 2013 underpinning a 25% increase over the base period. Improving annual profitability was stemming mainly from the 32% lower risk cost while operating income deteriorated by 7%.

On the income side the net interest result melted down by 2% y-o-y. The change in interest accrual methodology starting from October 2012 played a key role in this setback (the Bank does not accrue interest on DPD180+ loans and also terminated the related provisioning) and lower interest income was realized on diminishing (-2% y-o-y) loan book. In 4Q 2013 these negative effects were offset by lower interest expenses on term deposits, thus the quarterly income margin improved by 11 bps q-o-q, whereas net interest margin for the full year decreased to 5.53%.

Net fees grew across the board (+8% y-o-y). Other revenues fell by 56%, driven partly by the non-realized loss on government securities.

Operating expenses grew by 3% on a yearly basis, owing mainly to personnel expenses. The development of other costs was determined mainly by higher deductible taxes, supervisory fees. The q-o-q 13% higher operating expenses were driven by the surge of marketing, auditory and advisory fees.

As for the FX-adjusted formation of DPD90+ loan volumes, after the spike experienced in the second quarter relating mainly to corporate loans, in the second half of the year it moderated significantly (quarterly change of DPD90+ loan volumes in HUF billion: 2Q: 9.1, 3Q: 2.9, 4Q: 0.1). Sale or write-down of non-performing loans (in the amount of HUF 1.6 billion) was booked only in the fourth quarter of the year, mainly corporate exposures were involved.

Parallel with the moderate pace of portfolio deterioration risk cost fell back by 32%, whereas the provision coverage ratio improved by 3.3 ppts, standing at 88% by end-2013.

The loan book contracted by 2% y-o-y (adjusted for FX-effect). Retail lending remained sluggish: the mortgage loan portfolio kept slowly eroding on quarterly and yearly basis as well (-1%, and -3%), despite increasing new volumes. The new origination of consumer loans decreased gradually with slightly increasing lending rates from 2H, thus the consumer loan portfolio diminished by 1% q-o-q. In 4Q 2013 the corporate book increased by 2% despite of narrowing markets; accordingly the market position of the Bank improved q-o-q.

The FX-adjusted deposit base – despite of persistently lower interest rate versus market rate – increased by 3% q-o-q and by 6% y-o-y. In the retail segment the expansion of sight deposit base continued further.

The capital position of DSK Bank remained strong: by end-December the capital adequacy ratio stood at 16.3%. The BGN 293 million subordinated loan with original maturity date of 2016 was paid back by DSK Bank to the mother company in the fourth quarter. The purpose of the transaction was to reduce liabilities to the mother company due to the improving liquidity position.

From mid-2013 DSK launched a project targeting SME and corporate clients with the aim of improving efficiency and potentially market share both in lending and deposit collection. That would include network rationalization, as well as product development and target-oriented customer segmentation. The project is to be completed by mid-2014.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	47,158	2,356	-95%	14,162	907	-8,906		-163%
Income tax	-13,690	-1,051	-92%	-4,111	-263	2,217	-943%	-154%
Profit before income tax	60,849	3,409	-94%	18,274	1,170	-11,123		-161%
Operating profit	121,541	124,223	2%	33,165	30,240	25,840	-15%	-22%
Total income	193,273	207,493	7%	52,782	51,379	46,390	-10%	-12%
Net interest income	170,001	184,041	8%	45,836	45,702	41,348	-10%	-10%
Net fees and commissions	20,998	21,990	5%	6,144	5,773	4,598	-20%	-25%
Other net non-interest income	2,273	1,462	-36%	802	-96	443	-562%	-45%
Operating expenses	-71,732	-83,270	16%	-19,617	-21,139	-20,550	-3%	5%
Total risk costs	-60,692	-120,814	99%	-14,892	-29,070	-36,963	27%	148%
Provision for possible loan losses	-59,567	-121,310	104%	-14,277	-29,257	-36,822	26%	158%
Other provision	-1,126	496	-144%	-614	187	-141	-176%	-77%
Main components of balance sheet closing balances in HUF mn	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
Total assets	1,027,763	940,320	-9%	1,027,763	1,003,692	940,320	-6%	-9%
Gross customer loans	843,424	833,223	-1%	843,424	873,722	833,223	-5%	-1%
Gross customer loans (FX-adjusted)	765,491	833,223	9%	765,491	842,442	833,223	-1%	9%
Retail and SME loans	730,480	792,928	9%	730,480	812,309	792,928	-2%	9%
Corporate loans	28,889	36,911	28%	28,889	26,268	36,911	41%	28%
Car financing loans	6,122	3,384	-45%	6,122	3,864	3,384	-12%	-45%
Allowances for possible loan losses	-129,491	-160,989	24%	-129,491	-192,655	-160,989	-16%	24%
Allowances for possible loan losses	-117,150	-160,989	37%	-117,150	-185,650	-160,989	-13%	37%
(FX-adjusted)	590,958	554,645	-6%	590,958	579,324	554,645	-4%	-6%
Deposits from customers	542,864	554,645	2%	542,864	559,764	554,645	-1%	2%
Deposits from customer (FX-adjusted)	432,160	429,805	-1%	432,160	422,960	429,805	2%	-1%
Retail and SME deposits	110,703	124,840	13%	110,703	136,804	124,840	-9%	13%
Corporate deposits	75,112	56,343	-25%	75,112	74,312	56,343	-24%	-25%
Liabilities to credit institutions	118,063	101,969	-14%	118,063	104,900	101,969	-3%	-14%
Issued securities	16,399	15,728	-4%	16,399	16,112	15,728	-2%	-4%

Subordinated debt	191,883	177,906	-7%	191,883	191,065	177,906	-7%	-7%
Total shareholders' equity	144,838	191,883	32%	144,838	172,237	191,883	11%	32%
Loan Quality	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	140,239	150,982	7.7%	140,239	195,226	150,982	-22.7%	7.7%
90+ days past due loans/gross customer loans (%)	16.6%	18.1%	1.5%p	16.6%	22.3%	18.1%	-4.2%p	1.5%p
Cost of risk/average gross loans (%)	7.57%	14.47%	6.90%p	7.21%	13.50%	17.12%	3.62%p	9.90%p
Cost of risk/average (FX-adjusted) gross loans (%)	8.46%	15.18%	6.72%p	7.86%	14.11%	17.44%	3.33%p	9.58%p
Total provisions/90+ days past due loans (%)	92.3%	106.6%	14.3%p	92.3%	98.7%	106.6%	7.9%p	14.3%p
Performance Indicators (%)	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
ROA	5.0%	0.2%	-4.7%p	5.7%	0.3%	-3.6%	-4.0%p	-9.3%p
ROE	28.0%	1.3%	-26.7%p	30.9%	1.9%	-19.2%	-21.0%p	-50.1%p
Total income margin	20.39%	21.09%	0.70%p	21.10%	19.62%	18.93%	-0.69%p	-2.16%p
Net interest margin	17.93%	18.70%	0.77%p	18.32%	17.45%	16.88%	-0.58%p	-1.44%p
Cost/income ratio	37.1%	40.1%	3.0%p	37.2%	41.1%	44.3%	3.2%p	7.1%p
Net loans to deposits (FX-adjusted)	119%	121%	2%p	119%	117%	121%	4%p	2%p
FX rates	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	7.26	6.55	-10%	7.26	6.80	6.55	-4%	-10%
HUF/RUB (average)	7.25	7.03	-3%	7.03	6.86	6.72	-2%	-4%

- **Due to doubling risk cost y-o-y the HUF 2.4 billion net result for 2013 is only a fraction of previous year's profit**
- **2013 total income grew by 7%**
- **Further portfolio deterioration, improving DPD90+ coverage (4Q 2013 106.6%)**
- **Consumer loans grew by 21% y-o-y (adjusted for loan sale/write-off)**
- **Growing branch network and slightly higher cost/income ratio: 2013 40.1%, +3 ppts y-o-y**

After tax profit of **OTP Bank Russia** for 2013 amounted to HUF 2.4 billion which is a fraction of the 2012 profit. The HUF 8.9 billion loss for the fourth quarter is attributable to higher risk cost due to methodology changes in provisioning, and also the weaker net interest income as a result of the higher provisions on interest on non-performing loans. Combined after-tax effect of these methodological changes on 4Q results was about HUF 13 billion.

Total income in 2013 increased by 7%, within that net interest income grew by 8% while net fees were up by 5%. The increase in total income was fuelled by the growth of the loan portfolio, while net interest margin improved (2013: 18.7%, +0.8 ppt y-o-y) and net fee margin was stable. Net interest income could improve in 2013 despite the fact that non-accrued interest of non-performing loans more than doubled (+135% y-o-y in RUB terms) due to higher volume of non-performing loans and the newly introduced methodological changes to provisioning. Increase in net fees was driven by the still outstandingly strong dynamics of the credit card business. Operating expenses grew in 2013 (+16% y-o-y), mainly due to the stronger business activity, the cost of newly opened 54 branches and the advisory expenses related to the transformation project since 2Q 2013. Accordingly, 2013 operating profit was higher by only 2% on yearly basis, cost/income ratio grew by 3 ppts to 40.1% y-o-y.

The significant loss in 4Q is due to the vigorously growing risk cost (+27% q-o-q). The significant increase is partly reasoned by methodological changes. Further deterioration of 4Q profitability was due to a bond transaction: OTP Bank Russia sold perpetual UT2 bonds issued by OTP Bank (Hungary) in the face value of EUR 80 million to the issuer. The tax payable on the gain of this transaction (about HUF 940 million) deteriorated the 4Q profit of OTP Bank Russia.

Nevertheless, as the transaction had no effect on the consolidated before-tax results, the HUF 4.6 billion before-tax gain has been eliminated from OTP Bank Russia's results similar to the HUF 4.6 billion before-tax loss in the results of the Corporate Centre. In the course of 4Q net interest margin declined by 58 bps to 16.88%, partly due to further portfolio deterioration, partly as a negative consequence of the methodology change in provisioning. Net fee margin also diminished, mainly because of higher loan related commission expenses paid to retailers. On the whole total income declined by 10% q-o-q (would have remained unchanged without shift in provisioning methodology), while operating expenses decreased by 3% owing to lower personnel costs. Consequently, cost/income ratio deteriorated by 3.2 ppts to 44.4%. In 4Q 2013 the branch network was extended by 31 branches, thus the total number of branches reached 200. At the same time the number of employees grew by 145 to 6,020. The number of active points of sales increased by 1.5% q-o-q and exceeded 32 thousand by end-December.

In 4Q the total loan portfolio deteriorated less than in the previous 2 quarters (2Q: +26, 3Q +23, 4Q +22 billion HUF increase in DPD90+ loans adjusted for sales, write-off and FX-effect), nevertheless, on yearly basis new formation of non-performing loans was substantial (2012: +54, 2013: +89 billion HUF). Risk cost jumped by 27% q-o-q, and almost doubled y-o-y due to changes in provisioning methodology and the deteriorating loan portfolio. Out of the sold/written-off RUB 10.8 billion non-performing loans in 2013, 86% was removed from the books in 4Q, which improved significantly the DPD90+ ratio and the coverage of the DPD90+ portfolio. DPD90+ ratio decreased by 4.2 ppts to 18.1% q-o-q by the end of December, without the portfolio cleaning the ratio would have been 23.7%. The DPD90+ ratio worsened in all segments but corporate loans. Due to the higher risk cost, coverage of DPD90+ loans improved significantly (4Q 2013: 106.6%, +7.9 ppts q-o-q, +14.3 ppts y-o-y).

Consumer loans remained the main products of the bank, however, total volumes are influenced by the effects of internal and external measures, that eventually result in portfolio shrinkage. In the course of 2H 2013 the Bank's main targets were the improvement of the profitability of consumer loan products and improvement of the risk profile of these portfolios. The new measures introduced by the supervisory authorities were aimed at cutting back market growth. The overall consumer lending market was less so characterised by the strong seasonal increase as in the previous years, consequently OTP Russia's consumer loan portfolio grew by 10% in 2013, while it shrank in 4Q by 2% q-o-q. Adjusted for sale and write-off of non-performing loans, these changes were +21% and +6%, respectively.

In case of POS loan products, the bank's 4Q volume growth (+3% adjusted for sales and write-offs) was even less than the otherwise moderated market growth; but the bank still keeps its second position in the market. With regards to credit card business, the bank showed robust growth (+35% y-o-y, +6% q-o-q adjusted for sales and write-offs). The bank lost one position compared to 3Q, currently being the seventh largest player in this segment. Cash loan disbursements were picking up; the adjusted portfolio growth was 10% q-o-q and 42% compared to end-2012.

Other retail and SME lending products sale is still muted; the large corporate segment increased again in 4Q following an expansion in the last two quarters, true from a weak base (2Q: +3%, 3Q +2%, 4Q: +41% q-o-q). Among the corporate banking products the Russian bank rather focuses on trade finance, bank guarantee, treasury products and documentary businesses.

In 2013 FX-adjusted total deposits grew by 2% y-o-y, while the quarterly decline was 1% in 4Q. Following the market trends, the offered interest rates on deposits were cut bank in 4Q, nevertheless, retail deposits grew q-o-q (+1%) as did SME deposits (+5%). In case of corporate deposits, the growth trend seen in the previous 3 quarters changed (-9% q-o-q), but the yearly volume is still up by 13%. FX-adjusted net loan-to-deposit ratio increased by 2 ppts y-o-y, and by 4 ppts q-o-q to 121%. The Russian bank made no bond issuance in the last 12 months; the phenomena of decreasing loans from credit institutions in 3Q continued in 4Q, too, partially due to payback of an intra-group funding (-24% q-o-q).

The capital adequacy ratio of the Russian bank stood at 14.2% at the end of December 2013.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF mn	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	528	6,716		2,696	3,076	1,792	-42%	-34%
Income tax	-2,180	-4,447	104%	-1,153	-1,133	-1,464	29%	27%
Profit before income tax	2,708	11,163	312%	3,848	4,209	3,256	-23%	-15%
Operating profit	33,511	40,285	20%	11,061	10,419	11,835	14%	7%
Total income	64,510	72,811	13%	19,315	18,599	20,528	10%	6%
Net interest income	49,586	53,385	8%	14,541	13,465	14,178	5%	-2%
Net fees and commissions	12,634	17,020	35%	3,685	4,887	5,167	6%	40%
Other net non-interest income	2,289	2,406	5%	1,089	248	1,184	378%	9%
Operating expenses	-30,998	-32,526	5%	-8,254	-8,180	-8,693	6%	5%
Total risk costs	-30,804	-29,122	-5%	-7,212	-6,210	-8,579	38%	19%
Provision for possible loan losses	-30,597	-27,431	-10%	-6,753	-6,235	-7,546	21%	12%
Other provision	-207	-1,692	717%	-460	24	-1,033		125%
Main components of balance sheet	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
Total assets	653,603	617,730	-5%	653,603	633,454	617,730	-2%	-5%
Gross customer loans	683,478	666,425	-2%	683,478	660,665	666,425	1%	-2%
Gross customer loans (FX-adjusted)	665,009	666,425	0%	665,009	643,790	666,425	4%	0%
Retail loans	301,183	316,443	5%	301,183	309,741	316,443	2%	5%
Corporate loans	328,332	313,536	-5%	328,332	297,300	313,536	5%	-5%
Car financing loans	35,494	36,447	3%	35,494	36,749	36,447	-1%	3%
Allowances for possible loan losses	-196,132	-183,559	-6%	-196,132	-184,455	-183,559	0%	-6%
Allowances for possible loan losses (FX-adjusted)	-191,239	-183,559	-4%	-191,239	-179,947	-183,559	2%	-4%
Deposits from customers	243,132	240,843	-1%	243,132	242,935	240,843	-1%	-1%
Deposits from customer (FX-adjusted)	237,188	240,843	2%	237,188	236,966	240,843	2%	2%
Retail and SME deposits	163,774	156,150	-5%	163,774	156,940	156,150	-1%	-5%
Corporate deposits	73,414	84,693	15%	73,414	80,027	84,693	6%	15%
Liabilities to credit institutions	242,571	208,352	-14%	242,571	200,930	208,352	4%	-14%
Subordinated debt	42,925	41,071	-4%	42,925	42,215	41,071	-3%	-4%
Total shareholders' equity	112,464	113,236	1%	112,464	115,881	113,236	-2%	1%
Loan Quality	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	248,671	230,744	-7%	248,671	237,254	230,744	-3%	-7%
90+ days past due loans/gross customer loans (%)	36.4%	34.6%	-1.8%p	36.4%	35.9%	34.6%	-1.3%p	-1.8%p
Cost of risk/average gross loans (%)	4.13%	4.06%	-0.06%p	4.00%	3.67%	4.51%	0.84%p	0.52%p
Cost of risk/average (FX-adjusted) gross loans (%)	4.43%	4.12%	-0.31%p	4.08%	3.78%	4.61%	0.83%p	0.53%p
Total provisions/90+ days past due loans (%)	78.9%	79.6%	0.7%p	78.9%	77.7%	79.6%	1.8%p	0.7%p
Performance Indicators (%)	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
ROA	0.1%	1.1%	1.0%p	1.6%	1.9%	1.1%	-0.7%p	-0.5%p
ROE	0.5%	6.0%	5.5%p	9.7%	10.6%	6.2%	-4.4%p	-3.5%p
Total income margin	9.01%	11.45%	2.44%p	11.81%	11.25%	13.02%	1.77%p	1.21%p
Net interest margin	6.93%	8.40%	1.47%p	8.89%	8.15%	8.99%	0.84%p	0.10%p
Cost/income ratio	48.1%	44.7%	-3.4%p	42.7%	44.0%	42.3%	-1.6%p	-0.4%p
Net loans to deposits (FX-adjusted)	200%	200%	1%p	200%	196%	200%	5%p	1%p
FX rates	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
HUF/UAH (closing)	27.38	26.17	-4%	27.38	26.99	26.17	-3%	-4%
HUF/UAH (average)	27.85	27.43	-2%	26.79	27.61	26.61	-4%	-1%

- **HUF 6.7 billion net profit boosted by y-o-y 20% higher operating results and by 5% lower risk costs**

- **Dynamic growth of consumer loans with accelerating cash loan and credit card disbursement in 4Q (+47% and +16% q-o-q) due to outstanding sales performance and successful cross-sale activity**

- **The DPD90+ ratio decreased to 34.6% (-1.8 ppts y-o-y) along with stagnating FX-adjusted loan book and decelerating new DPD90+ volumes**

- **Amid expanding consumer lending the cost-to-income ratio improved (2013: 44.7%, -3.4% ppts y-o-y)**

OTP Bank Ukraine posted HUF 6.7 billion after tax profit in 2013 against HUF 0.5 billion realized in 2012. The outstanding profitability improvement was boosted by strong operating results (+20% y-o-y), while risk costs moderated by 5%. In 4Q the bank reached HUF 1.8 billion net results thus it was already the 6th consecutive quarters when it made profit. As a result, in 4Q the bank's profit contribution to the consolidated earnings represented 17% versus 7% in 3Q 2013.

As for the main components of net earnings: in line with soaring disbursements of high-margin consumer loans – especially POS and cash loans – and parallel with the decline in interest expense attributable to lower interest rates on stagnating deposit volumes, net interest income grew. Also, in the corporate segment there was a shift into higher margin hryvnia loans, the overall volume of dollar-based loans declined amid lower lending rates. As a result, the yearly net interest margin improved by 1.47% ppts.

The remarkable y-o-y increase (35%) of net fee and commission income was related to the insurance fee income on consumer loans sold with payment protection policies. The overall volume of those loans increased substantially during 2013. Also, in 4Q there was a change in accounting methodology of those insurance fees: against the previous practice of booking those fees by 1 month after the disbursement of the loan, the bank started to recognise the fee income in the month of the disbursement. As a result in 4Q the bank practically recognised 4 months of such fees. Furthermore, stronger fee income was also supported by a pick-up in credit card related transactions.

The 5% y-o-y increase of operating expenses (FX-adjusted) was reasoned by higher costs related to enhanced consumer lending and stronger focus on agent-based distribution. Higher y-o-y other expenses were mainly due to higher collection-related legal advisory fees and supervisory fees related to deposit insurance. In the process of network rationalization 10 branches were closed in 2013, while the number of selling agents (own and contracted) increased further and reached 3.965 people. As a result of those developments the cost-to-income ratio improved by 3.4 ppts y-o-y to 44.7%.

The DPD90+ ratio (34.6%) declined by 1.8 ppts y-o-y supported by higher gross loan volumes, but also by slower portfolio deterioration (FX-adjusted quarterly DPD90+ loan formation in HUF billion: 1Q 2013: 4, 2Q: 18, 3Q: 0, 4Q: 2). The DPD90+ ratio of the consumer portfolio improved substantially (2013: 9.4% versus 11.0% in 2012) on the back of strong lending dynamics and falling default rates of new disbursements. Despite the overall portfolio deterioration decelerated in 2H and DPD90+ volumes shrank due to portfolio write-offs and sales, risk costs increased by 38% q-o-q. As a result, the coverage ratio of DPD90+ loans improved (79.6%).

The FX-adjusted loan portfolio stagnated on a yearly base, but advanced by 4% q-o-q. As a result of promotional campaigns and the development of the agent network the consumer portfolio showed a remarkable growth (+126% y-o-y, +23% q-o-q), the share of consumer loans within the retail segment reached 28% (2012: 13%). Out of the total consumer book cash loans represented 40% by December, their volumes increased almost 6-folds y-o-y, especially disbursements for the fourth quarter were strong. Customer demand for POS-loans was more moderate, their book grew "only" by 24% y-o-y. Both the mortgage and the SME sector lacked recovery.

On the liability side the shift from interbank facilities towards deposit-based financing continued. The FX-adjusted deposit base – being the key source of the hryvnia liquidity for the growing need of consumer lending – grew by 2% both on a yearly and quarterly basis. The volume of retail deposits, representing the bulk of total deposit book, diminished further (-5% y-o-y, -1% q-o-q) coupled with a slight decrease in the bank's market share. Corporate deposits, mainly in hryvnia, however kept growing by 15% y-o-y and by 6% q-o-q. As a result, the FX-adjusted net loan-to-deposit ratio stood at 200% by end-2013.

During 2013 the Ukrainian subsidiary paid back a substantial part of its intra-group funding in the amount of HUF 30 billion equivalent. The capital adequacy of the bank reached 20.6% by end-2013.

OTP BANKA HRVATSKA (CROATIA)
Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	3,714	2,210	-41%	1,053	578	197	-66%	-81%
Income tax	-1,039	-587	-44%	-367	-177	-32	-82%	-91%
Profit before income tax	4,754	2,797	-41%	1,419	756	229	-70%	-84%
Operating profit	8,497	7,910	-7%	2,134	2,092	2,147	3%	1%
Total income	22,550	22,697	1%	5,332	5,859	5,855	0%	10%
Net interest income	16,220	16,010	-1%	3,856	3,982	4,133	4%	7%
Net fees and commissions	4,660	4,878	5%	1,213	1,323	1,232	-7%	2%
Other net non-interest income	1,670	1,808	8%	263	554	491	-11%	87%
Operating expenses	-14,052	-14,787	5%	-3,198	-3,766	-3,709	-2%	16%
Total risk costs	-3,744	-5,113	37%	-715	-1,337	-1,918	43%	168%
Provision for possible loan losses	-2,988	-5,142	72%	-468	-1,212	-2,103	73%	350%
Other provision	-756	29	-104%	-247	-124	185	-249%	-175%
Main components of balance sheet closing balances in HUF mn	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
Total assets	519,570	538,112	4%	519,570	553,675	538,112	-3%	4%
Gross customer loans	351,410	379,177	8%	351,410	377,216	379,177	1%	8%
Gross customer loans (FX-adjusted)	356,608	379,177	6%	356,608	374,986	379,177	1%	6%
Retail loans	228,996	232,845	2%	228,996	231,553	232,845	1%	2%
Corporate loans	126,802	145,935	15%	126,802	142,953	145,935	2%	15%
Car financing loans	810	396	-51%	810	480	396	-17%	-51%
Allowances for possible loan losses	-23,740	-29,213	23%	-23,740	-27,230	-29,213	7%	23%
Allowances for possible loan losses (FX-adjusted)	-23,992	-29,213	22%	-23,992	-27,060	-29,213	8%	22%
Deposits from customers	407,754	421,276	3%	407,754	434,248	421,276	-3%	3%
Deposits from customer (FX-adjusted)	412,605	421,276	2%	412,605	430,977	421,276	-2%	2%
Retail deposits	365,764	375,582	3%	365,764	380,712	375,582	-1%	3%
Corporate deposits	46,841	45,694	-2%	46,841	50,265	45,694	-9%	-2%
Liabilities to credit institutions	37,832	40,944	8%	37,832	41,968	40,944	-2%	8%
Subordinated debt	1,489	1,521	2%	1,489	1,525	1,521	0%	2%
Total shareholders' equity	59,813	62,880	5%	59,813	62,756	62,880	0%	5%
Loan Quality	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	38,892	47,493	22.1%	38,892	48,059	47,493	-1.2%	22.1%

90+ days past due loans/gross customer loans (%)	11.1%	12.5%	1.5%p	11.1%	12.7%	12.5%	-0.2%p	1.5%p
Cost of risk/average gross loans	0.82%	1.41%	0.59%p	0.54%	1.28%	2.21%	0.93%p	1.67%p
Cost of risk/average (FX-adjusted) gross loans	0.84%	1.40%	0.56%p	0.52%	1.28%	2.21%	0.93%p	1.69%p
Total provisions/90+ days past due loans (%)	61.0%	61.5%	0.5%p	61.0%	56.7%	61.5%	4.8%p	0.5%p
Performance Indicators (%)	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
ROA	0.7%	0.4%	-0.3%p	0.8%	0.4%	0.1%	-0.3%p	-0.7%p
ROE	6.3%	3.6%	-2.7%p	7.1%	3.7%	1.2%	-2.4%p	-5.8%p
Total income margin	4.30%	4.29%	-0.01%p	4.09%	4.29%	4.26%	-0.04%p	0.16%p
Net interest margin	3.09%	3.03%	-0.06%p	2.96%	2.92%	3.00%	0.08%p	0.04%p
Cost/income ratio	62.3%	65.1%	2.8%p	60.0%	64.3%	63.3%	-0.9%p	3.4%p
Net loans to deposits (FX-adjusted)	81%	83%	2%p	81%	81%	83%	2%p	2%p
FX rates	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
HUF/HRK (closing)	38.59	38.94	1%	38.59	39.19	38.94	-1%	1%
HUF/HRK (average)	38.48	39.18	2%	37.62	39.48	39.01	-1%	4%

- **In 2013 after tax profit fell by 41% along with decreasing operating profit and rising provisioning**
- **FX-adjusted gross loans advanced by 6% due to strong corporate lending**
- **In 4Q DPD90+ ratio decreased to 12.5%, while the coverage improved q-o-q**

OTP banka Hrvatska posted HUF 2.2 billion after tax profit in 2013 against HUF 3.7 billion in the base period. The 7% lower operating result y-o-y and increasing risk costs (+37%) explain the diminishing net earnings.

In 2013 net interest income moderated by 1%. In spite of increasing gross loan book, the pricing of deposits didn't follow changes in reference rates to the same extent as for loans, thus the annual net interest margin shrank by 6 basis points.

Net fees improved by 5% y-o-y mainly due to higher utilization of deposit and money transfer services in the wake of the growing deposit book. Non-interest income increased by 8% y-o-y, although in 4Q other revenues moderated by 11% q-o-q due to the fall of FX result after tourist season.

The operating costs in 2013 expanded moderately by 5% y-o-y.

The share of loans with more than 90 days of delay reached 12.5% by the end of 4Q, underpinning a y-o-y 1.5 ppts deterioration, q-o-q 0.2 ppt improvement. Annual risk costs went up by 37% y-o-y and jumped by 43% on a quarterly basis, mainly due to ongoing litigations on CHF mortgage loans (litigation related provisioning represented HUF 196 million in 3Q and HUF 974 million in 4Q). Furthermore, the Croatian authorities prescribed stricter provisioning for banks, which also affected the risk costs of the corporate segment. As a result the coverage ratio of DPD90+ loans improved by 4.8 ppts q-o-q.

The gross loan portfolio advanced by 6% y-o-y, but stagnated q-o-q FX-adjusted. The yearly increase was mainly stemming from the municipal segment (+62% y-o-y, +14% q-o-q) – the Bank places particular emphasis on lending to state-backed companies with guarantees and adequate collaterals. Retail loans stagnated q-o-q due to sluggish demand.

The FX-adjusted deposit book grew by 2% y-o-y, but declined by 2% q-o-q due to seasonal reasons.

The capital adequacy ratio of the Bank reached 16% at the end of December.

OTP BANKA SLOVENSKO (SLOVAKIA)
Performance of OTP Banka Slovensko:

Main components of P&L account in HUF mn	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfer and one-offs	-1,161	1,153		-1,722	231	183	-21%	
Income tax	-182	-351	93%	-70	-85	-101	18%	44%
Profit before income tax	-979	1,503		-1,652	316	283	-10%	
Operating profit	3,440	4,099	19%	792	1,030	1,354	31%	71%
Total income	13,932	14,908	7%	3,371	3,664	4,214	15%	25%
Net interest income	12,019	12,088	1%	2,927	2,982	3,226	8%	10%
Net fees and commissions	2,930	3,101	6%	763	778	773	-1%	1%
Other net non-interest income	-1,017	-280	-72%	-318	-96	214	-323%	-167%
Operating expenses	-10,491	-10,810	3%	-2,579	-2,634	-2,859	9%	11%
Total risk costs	-4,420	-2,595	-41%	-2,444	-714	-1,071	50%	-56%
Provision for possible loan losses	-4,420	-2,594	-41%	-2,401	-721	-1,030	43%	-57%
Other provision	1	-2		-43	7	-41		-4%

Main components of balance sheet closing balances in HUF mn	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
Total assets	374,224	425,219	14%	374,224	404,300	425,219	5%	14%
Gross customer loans	291,991	339,602	16%	291,991	325,320	339,602	4%	16%
Gross customer loans (FX-adjusted)	297,590	339,602	14%	297,590	323,601	339,602	5%	14%
Retail and SME loans	226,616	265,686	17%	226,616	250,219	265,686	6%	17%
Corporate loans	70,444	73,497	4%	70,444	72,918	73,497	1%	4%
Allowances for possible loan losses	-21,042	-22,670	8%	-21,042	-21,854	-22,670	4%	8%
Allowances for possible loan losses (FX-adjusted)	-21,448	-22,670	6%	-21,448	-21,739	-22,670	4%	6%
Deposits from customers	299,014	332,452	11%	299,014	323,883	332,452	3%	11%
Deposits from customer (FX-adjusted)	304,624	332,452	9%	304,624	322,112	332,452	3%	9%
Retail and SME deposits	280,000	308,624	10%	280,000	294,196	308,624	5%	10%
Corporate deposits	24,625	23,827	-3%	24,625	27,916	23,827	-15%	-3%
Liabilities to credit institutions	6,074	25,821	325%	6,074	5,989	25,821	331%	325%
Issued securities	28,296	24,881	-12%	28,296	27,574	24,881	-10%	-12%
Subordinated debt	8,464	8,627	2%	8,464	8,673	8,627	-1%	2%
Total shareholders' equity	26,993	27,028	0%	26,993	27,257	27,028	-1%	0%

Loan Quality	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	34,823	39,044	12.1%	34,823	36,639	39,044	6.6%	12.1%
90+ days past due loans/gross customer loans (%)	11.9%	11.5%	-0.4%p	11.9%	11.3%	11.5%	0.2%p	-0.4%p
Cost of risk/average gross loans (%)	1.49%	0.82%	-0.67%p	3.31%	0.91%	1.23%	0.32%p	-2.08%p
Cost of risk/average (FX-adjusted) gross loans (%)	1.51%	0.81%	-0.70%p	3.20%	0.91%	1.23%	0.32%p	-1.97%p
Total provisions/90+ days past due loans (%)	60.4%	58.1%	-2.4%p	60.4%	59.6%	58.1%	-1.6%p	-2.4%p

Performance Indicators (%)	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
ROA	-0.3%	0.3%	0.6%p	-1.8%	0.2%	0.2%	-0.1%p	2.0%p
ROE	-4.0%	4.3%	8.3%p	-24.9%	3.4%	2.7%	-0.7%p	27.5%p
Total income margin	3.66%	3.73%	0.07%p	3.55%	3.68%	4.03%	0.35%p	0.48%p
Net interest margin	3.16%	3.02%	-0.14%p	3.08%	2.99%	3.09%	0.09%p	0.00%p
Cost/income ratio	75.3%	72.5%	-2.8%p	76.5%	71.9%	67.9%	-4.0%p	-8.7%p
Net loans to deposits (FX-adjusted)	91%	95%	5%p	91%	94%	95%	2%p	5%p

FX rates	2012	2013	Y-o-Y	4Q 2012	3Q 2013	4Q 2013	Q-o-Q	Y-o-Y
HUF/HRK (closing)	291	297	2%	291	298	297	-1%	2%
HUF/HRK (average)	289	297	3%	283	298	298	0%	5%

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

- **HUF 1.15 billion adjusted after tax profit, without banking tax in 2013, with improving operating profit and lower risk cost**

- **Further strengthening mortgage lending, consumer loans surged by 175% y-o-y**

- **FX-adjusted net loan-to-deposit ratio was 95% by end-2013 (+5 ppts y-o-y), with growing retail deposit base**

- **Improving cost efficiency: 4Q 2013 CIR at 67.9%, -4 ppts q-o-q**

In 2013 **OTP Banka Slovensko** posted HUF 1.15 billion after tax profit without the banking tax, compared to the similar sized loss in the preceding year. Apart from the 18% improvement of operating income y-o-y, the material increase of the profit was due to the 41% drop in risk cost (without the one-off positive element on this line in 1Q 2013 the risk cost would still have decreased by 24% y-o-y). The special banking tax paid by the bank amounted to HUF 1.1 billion in 2013, which is treated as an adjustment in the consolidated results in this Summary.

2013 total income grew by 7% y-o-y, fuelled by the growth of average assets, with total income margin slightly improving. The net interest margin moderated in line with market trends (2013: 3.02%, -14 bps y-o-y). Owing to the outstanding retail disbursement dynamics, net interest income grew by 1%. Net fees advanced by 6% y-o-y; while other net non-interest income showed HUF 737 million less loss compared to the base period. As a result of the stringent cost control, operating expenses grew only moderately. Consequently, operating profit increased by 19% in HUF terms in the course of 2013. Cost/income ratio showed substantial improvement (2013: 72.5%, -2.8 ppts y-o-y).

With regards to 4Q 2013, the operating profit increased by 31% q-o-q, at the same time after-tax profit dropped by 21% q-o-q due to the 50% rise of risk cost. Interest income improved significantly due to the strong lending activity, while interest expenses moderated owing to the favourable deposit pricing. Along with net fees staying flat, other net non-interest income improved, and on the whole total income margin improved by 35 bps to 4% q-o-q. Although operating expenses increased by 9% q-o-q, due to the substantial growth of income cost efficiency improved: 67.9%, -4.0 ppts q-o-q, -8.7 ppts y-o-y).

The volume of new DPD90+ loans was higher in 4Q on the quarterly basis, mainly due to the portfolio deterioration of the SME segment. On the whole DPD90+ ratio worsened by 0.2 ppt q-o-q, but improved by 0.4 ppt y-o-y, reasoned by the dynamic loan growth. Risk cost for 2013 dropped by 41% y-o-y. In the course of 4Q 2013 risk cost jumped significantly (+50%), the provision coverage of DPD90+ loans however returned to the 2Q level (-1.5 ppts q-o-q, -2.3 ppts y-o-y) after the rise in 3Q.

FX-adjusted total loans grew substantially, by 14% y-o-y, fuelled by remarkable increase in consumer loans (+175%) and retail mortgage loans (+14%). In both segments average loan size increased during 2013. The strong 4Q retail loan demand, supported by successful marketing campaigns had positive impact on loan volumes; the previously mentioned segments increased by 45% and 5% q-o-q, respectively. Concerning corporate and municipal loans growth was more moderate (+4% y-o-y, +1% q-o-q).

The deposit base grew by 9% and 3% y-o-y and q-o-q, respectively. Majority of the growth was provided by retail and SME deposits (+10% y-o-y, +5% q-o-q) similarly to previous quarters. Corporate and municipal deposits showed high volatility in 2013, the yearly decline in volumes was 3%, to that the 4Q q-o-q drop of 15% was the key trigger. As a result of the significant lending activity in 4Q, FX-adjusted net loan-to-deposit ratio grew to 95% by the end of 2013, representing a 5 ppts growth y-o-y and 2 ppts increase q-o-q.

OTP BANKA SRBIJA (SERBIA)
Performance of OTP banka Srbija:

Main components of P&L account in HUF mn	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
After tax profit w/o dividends, net cash transfers and one-offs	-4,934	-3,246	168%	-2,343	-834	-0,766		360%
Income tax	3	-11	-61%	3	0	-11		-443%
Profit before income tax	-4,937	-3,235	168%	-2,346	-834	-10,755		358%
Operating profit	-1,708	409	-124%	-1,253	325	57	-82%	-105%
Total income	6,322	7,580	20%	1,727	2,149	1,767	-18%	2%
Net interest income	3,071	4,553	48%	949	1,111	1,244	12%	31%
Net fees and commissions	1,604	1,671	4%	401	436	445	2%	11%
Other net non-interest income without the effect of revaluation of FX provisions	1,648	1,356	-18%	377	602	78	-87%	-79%
Operating expenses	-8,030	-7,171	-11%	-2,980	-1,824	-1,709	-6%	-43%
Total risk costs	-3,228	-13,644	323%	-1,093	-1,159	-10,812	832%	889%
Provision for possible loan losses	-3,159	-13,002	312%	-953	-1,116	-10,324	825%	983%
Other provision	-69	-642	832%	-140	-43	-488		249%
Main components of balance sheet closing balances in HUF mn	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
Total assets	122,994	86,136	-30%	122,994	105,737	86,136	-19%	-30%
Gross customer loans	90,026	91,648	2%	90,026	91,094	91,648	1%	2%
Gross customer loans (FX-adjusted)	91,320	91,648	0%	91,320	90,654	91,648	1%	0%
Retail loans	38,866	43,010	11%	38,866	42,488	43,010	1%	11%
Corporate loans	52,453	48,638	-7%	52,453	48,166	48,638	1%	-7%
Allowances for possible loan losses	-26,404	-36,989	40%	-26,404	-28,105	-36,989	32%	40%
Allowances for possible loan losses (FX-adjusted)	-26,774	-36,989	38%	-26,774	-27,980	-36,989	32%	38%
Deposits from customers	38,268	43,614	14%	38,268	48,161	43,614	-9%	14%
Deposits from customers (FX-adjusted)	38,875	43,614	12%	38,875	47,918	43,614	-9%	12%
Retail deposits	30,175	36,559	21%	30,175	35,362	36,559	3%	21%
Corporate deposits	8,699	7,054	-19%	8,699	12,556	7,054	-44%	-19%
Liabilities to credit institutions	17,088	6,984	-59%	17,088	10,721	6,984	-35%	-59%
Subordinated debt	37,561	8,349	-78%	37,561	8,377	8,349	0%	-78%
Total shareholders' equity	25,171	24,050	-4%	25,171	34,887	24,050	-31%	-4%
Loan Quality	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	47,329	44,793	-5%	47,329	46,238	44,793	-3%	-5%
90+ days past due loans/gross customer loans (%)	52.6%	48.9%	-3.7%p	52.6%	50.8%	48.9%	-1.9%p	-3.7%p
Cost of risk/average gross loans (%)	3.50%	14.31%	10.81%p	4.37%	4.88%	44.83%	39.94%p	40.46%p
Cost of risk/average gross loans (FX-adjusted) (%)	3.61%	14.21%	10.60%p	4.24%	4.89%	44.93%	40.05%p	40.69%p
Total provisions/90+ days past due loans (%)	55.8%	82.6%	26.8%p	55.8%	60.8%	82.6%	21.8%p	26.8%p
Performance Indicators (%)	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
ROA	-4.0%	-12.7%	-8.6%p	-8.0%	-3.2%	-44.5%	-41.3%p	-36.5%p
ROE	-18.7%	-53.8%	-35.2%p	-36.4%	-9.4%	-144.9%	-135.5%p	-108.6%p
Total income margin	5.17%	7.25%	2.08%p	5.89%	8.23%	7.31%	-0.93%p	1.42%p
Net interest margin	2.51%	4.35%	1.84%p	3.23%	4.26%	5.14%	0.89%p	1.91%p
Cost/income ratio	127.0%	94.6%	-32.4%p	172.5%	84.9%	96.8%	11.9%p	-75.8%p
Net loans to deposits (FX-adjusted)	166%	125%	-41%p	166%	131%	125%	-5%p	-41%p
FX rates	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
HUF/RSD (closing)	2.56	2.59	1%	2.56	2.60	2.59	0%	1%
HUF/RSD (average)	2.56	2.63	2%	2.50	2.61	2.60	0%	4%

- **In 2013 operating profit turned into positive territory supported mainly by the 48% improvement in net interest income**

- **DPD90+ ratio decreased q-o-q and y-o-y, changes in accounting method caused remarkable growth in provisioning in 4Q**

- **Gross loans stagnated, consumer loans surged by 26% y-o-y**

OTP banka Srbija posted HUF 13.2 billion net loss in 2013 against the negative result of HUF 4.9 billion last year. The 4Q loss jumped materially driven by changes in provisioning method.

The operating profit notably improved in 2013, the HUF 1.7 billion loss of base period was replaced by HUF 0.4 billion positive result. The 2013 total revenues expanded by 20% y-o-y, fuelled by net interest income surging by 48%. The improvement of net interest income was caused by several factors: consumer loans expanded, the interest bearing subordinated loan within the bank's liabilities was converted into equity in 2013 (in the amount of RSD 4.5 billion). The performing loan volumes increased, furthermore with lending interest rate remaining stable deposit rates moderated remarkably. As a result, annual net interest margin improved by 1.8 ppts y-o-y.

Apart from the marginal increase of annual net fees, other net non-interest revenues sank by 18% y-o-y and 87% q-o-q. The quarterly drop can be explained by lower suspended interest collection, in addition impairment on collaterals at the factoring company was booked on this line, too.

The 2013 operating expenses diminished by 11% y-o-y, mainly due to the base effect of costs related to litigations in 4Q 2012.

The DPD90+ ratio moderated to 48.9% (-3.7 ppts y-o-y, -1.9 ppts q-o-q), as a result of the write-down of non-performing loans. In 4Q the Bank revised its provisioning policy and assessed the collaterals of non-performing loans and the expected recovery of loans by adopting statutory regulations conservatively. The review generated notable increase in risk cost q-o-q. The coverage ratio of DPD90+ loans improved to 82.6% (+26.8 ppts y-o-y, +21.8 ppts q-o-q).

Performing loans expanded by 10% y-o-y. In the retail segment the Bank focused its lending activity on consumer loans that grew by 26% y-o-y and 3% q-o-q (FX-adjusted) due to the success of new cash loan products introduced in April. Loans in other segments stagnated or eroded marginally y-o-y and q-o-q, as well.

Deposits increased by 12% y-o-y and declined by 9% q-o-q FX-adjusted, the latter being explained by a single corporate deposit outflow.

The capital adequacy ratio of the Bank stood at 37.8%.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)
Performance of CKB:

Main components of P&L account in HUF mn	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
After tax profit w/o dividends and net cash transfer	-3,872	801	-121%	-3,449	503	-117	-123%	-97%
Corporate income tax	-7	0	-100%	6	0	0		100%
Pre-tax profit	-3,865	801	-121%	-3,455	503	-117	-123%	-97%
Operating profit	2,830	3,506	24%	589	1,159	650	-44%	10%
Total income	10,047	10,516	5%	2,456	2,945	2,490	-15%	1%
Net interest income	7,238	7,804	8%	1,767	2,128	1,892	-11%	7%
Net fees and commissions	2,489	2,475	-1%	600	710	636	-10%	6%
Other net non-interest income	319	237	-26%	89	107	-39	-136%	-143%
Operating expenses	-7,217	-7,010	-3%	-1,867	-1,786	-1,840	3%	-1%
Total risk costs	-6,695	-2,705	-60%	-4,044	-656	-767	17%	-81%
Provision for possible loan losses	-2,655	-3,007	13%	-1,622	-540	-861	59%	-47%
Other provision	-4,039	302	-107%	-2,422	-116	94	-181%	-104%
Main components of balance sheet closing balances in HUF mn	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
Total assets	208,633	196,209	-6%	208,633	206,285	196,209	-5%	-6%
Gross customer loans	147,244	164,124	11%	147,244	168,080	164,124	-2%	11%
Gross customer loans (FX-adjusted)	150,085	164,124	9%	150,085	167,196	164,124	-2%	9%
Retail loans	66,537	69,464	4%	66,537	68,935	69,464	1%	4%
Corporate loans	83,548	94,660	13%	83,548	98,261	94,660	-4%	13%
Allowances for possible loan losses	-46,252	-49,836	8%	-46,252	-49,525	-49,836	1%	8%
Allowances for possible loan losses (FX-adjusted)	-47,144	-49,836	6%	-47,144	-49,265	-49,836	1%	6%
Deposits from customers	157,924	145,882	-8%	157,924	157,274	145,882	-7%	-8%
Deposits from customers (FX-adjusted)	160,736	145,882	-9%	160,736	156,342	145,882	-7%	-9%
Retail deposits	123,886	119,378	-4%	123,886	124,071	119,378	-4%	-4%
Corporate deposits	36,851	26,505	-28%	36,851	32,272	26,505	-18%	-28%
Liabilities to credit institutions	21,671	18,013	-17%	21,671	18,453	18,013	-2%	-17%
Subordinated debt	2,041	4,173	104%	2,041	2,115	4,173	97%	104%
Total shareholders' equity	17,048	21,151	24%	17,048	21,363	21,151	-1%	24%
Loan Quality	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	60,034	61,339	2.2%	60,034	63,834	61,339	-3.9%	2.2%
90+ days past due loans/gross customer loans (%)	40.8%	37.4%	-3.4%p	40.8%	38.0%	37.4%	-0.6%p	-3.4%p
Cost of risk/average gross loans (%)	1.70%	1.93%	0.23%p	4.42%	1.32%	2.06%	0.74%p	-2.36%p
Cost of risk/average (FX-adjusted) gross loans (%)	1.72%	1.91%	0.19%p	4.28%	1.32%	2.06%	0.74%p	-2.22%p
Total provisions/90+ days past due loans (%)	77.0%	81.2%	4.2%p	77.0%	77.6%	81.2%	3.7%p	4.2%p
Performance Indicators (%)	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
ROA	-1.8%	0.4%	2.2%p	-6.5%	1.0%	-0.2%	-1.2%p	6.3%p
ROE	-23.3%	4.2%	27.5%p	-73.9%	10.2%	-2.2%	-12.4%p	71.8%p
Total income margin	4.55%	5.20%	0.64%p	4.62%	5.78%	4.91%	-0.87%p	0.28%p
Net interest margin	3.28%	3.86%	0.58%p	3.33%	4.18%	3.73%	-0.45%p	0.40%p
Cost/income ratio	71.8%	66.7%	-5.2%p	76.0%	60.6%	73.9%	13.3%p	-2.1%p
Net loans to deposits (FX-adjusted)	64%	78%	14%p	64%	75%	78%	3%p	14%p
FX rates	**2012**	**2013**	**Y-o-Y**	**4Q 2012**	**3Q 2013**	**4Q 2013**	**Q-o-Q**	**Y-o-Y**
HUF/EUR (closing)	291.3	296.9	2%	291.3	298.5	296.9	-1%	2%
HUF/EUR (average)	289.3	297.0	3%	283.3	298.0	297.6	0%	5%

- **HUF 801 million net earnings in 2013 as a result of improving operating performance and lower risk costs**

- **Gross loans grew by 9% y-o-y, reasoned by higher consumer loan demand and one-offs**

- **Customer deposits shrank by 9% y-o-y in line with management objectives**

The Montenegrin **CKB Bank** posted HUF 801 million after tax profit in 2013 versus a loss of HUF 3.9 billion a year ago. This improvement to a large extent was driven by improving operating profit (+24%) and the decline in risk cost, due to the higher base in 2012 caused by a one-off element. On a quarterly basis, in spite of the improvement in portfolio quality risk cost advanced, thus provision coverage of DPD90+ loans significantly improved (4Q 2013: 81.3%, +3.7 ppts q-o-q).

Operating profit for 2013 increased by 24% y-o-y, which is the result of advancing incomes and lower operating expenses. Regarding the income side net interest income increased by 8%, since the bank managed to pay lower interest on customer and interbank deposits in the course of the cutback of excess liquidity. Although net fees slightly decreased due to lower deposit base and decreasing number of card related and payment transactions, total income margin improved by 64 basis points y-o-y.

The 6% saving on operating expenses (y-o-y, FX-adjusted) was mainly driven by the 12% saving on personnel expenses. The decline of personnel expenses was partly offset by the 7% y-o-y growth of general and administrative costs. In the course of 4Q operating expenses grew by 3% q-o-q, mainly due to the higher IT and marketing expenditures. Accordingly, the cost to income ratio of the bank improved by 5.2 ppts to 66.7% in 2013: while the branch network shrank by 2 branches (4Q: 29 branches) and number of active employees slightly increased (4Q 2013: 449 people, +27 people y-o-y).

The total loan book advanced by 9% y-o-y (FX-adjusted), reflecting partly the stronger consumer loan demand supported by successful sales campaigns. Also, there was a one-off loan book growth in 3Q related to loans to the Montenegrin Government15, which boosted the yearly growth numbers.

On the quarterly basis however, there was a slight decrease in total loans (-2%), mainly due to the 21% q-o-q drop of municipal loans. Throughout the whole year cash loan sales were spectacular with 31% y-o-y volume increase, whereas in 4Q volumes grew by 9%. The mortgage loan book kept shrinking (-6% y-o-y and -2% q-o-q).

After a significant increase of FX-adjusted DPD90+ loan volumes in 2Q, the new formation was negative in 3Q and 4Q as well, as a result the DPD90+ ratio decreased to 37.4% by the end of December. In 4Q mortgage book quality stagnated (its DPD90+ ratio stood at 23.5%), while SME and LME as well as consumer loan portfolios quality slightly improved.

15 The loan origination to the Montenegrin Government is related to the executed state guarantees provided to the EUR 42 million loans of Podgorica Aluminium Factory (KAP). The KAP exposure was previously included in the loan book of OTP Bank (Hungary) and in 3Q 2013 it was fully repaid.

The deposit base decreased by 9% y-o-y mainly as a result of lower retail deposit volumes (-5% y-o-y). Due to the strong liquidity position of the bank, deposit rates were cut back further in 4Q, which resulted in declining deposit volumes. Retail deposits shrank by 4%, while corporate deposits dropped by 18% q-o-q, both declines affecting mainly the term deposit segments.

In order to comply with changes in local regulation, and maintain the stable capital position, CKB received EUR 10 million subordinated loan from OTP Bank in April 2013 (later converted into ordinary shares in 3Q), which was followed by an EUR 7 million subordinated loan from the mother company in 4Q. Accordingly, by the end of 2013 CKB's capital adequacy level grew to 14.4%.

OTP BANK ANNUAL REPORT 2013

FINANCIAL STATEMENTS

2013

To the Shareholders of OTP Bank Romania S.A.
Bucharest, România

Independent Auditor’s Report

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1. We have audited the accompanying separate financial statements of OTP Bank Romania S.A. (the "Bank"), which comprise the separate statement of financial position as at December 31, 2013, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Separate Financial Statements

2. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Order of the National Bank of Romania Governor no. 27/2010, as amended ("Order 27/2010), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

3. Our responsibility is to express an opinion on these separate financial statements based on our audit. We conduct our audit in accordance with Auditing Standards issued by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the separate financial statements give a true and fair view of the financial position of OTP Bank Romania S.A. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and Order 27/2010.

Other Matters

7. This report is made solely to the Bank’s shareholders as a body. Our audit work has been undertaken so that we might state to the Bank’s shareholders those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank’s shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Report on conformity of the Administrator’s report with the Separate Financial Statements

In accordance with Order of the National Bank of Romania Governor no. 27/2010, article 16.1, point e we have read the Administrators’ Report attached to the separate financial statements. The Administrator’s Report is not a part of the separate financial statements. In the Administrators’ Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

Petr Pruner, Audit Partner
Free translation from the original Romanian binding version
Registered with the Chamber of Financial Auditors in Romania under certificate no. 4147/11/01/2012

On behalf of:
DELOITTE AUDIT S.R.L.
Registered with the Chamber of Financial Auditors in Romania Under certificate no. 25/25/06/2001
Bucharest, România
21 March 2014

Deloitte Audit - SRL

OTP BANK ROMANIA S.A.
Unconsolidated Income Statement and
Statement of Comprehensive Income as at December 31, 2013

UNCONSOLIDATED INCOME STATEMENT	**Note**	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Interest Income	**6**	**259,770**	**249,016**
Interest Expense	**7**	**(155,568)**	**(166,668)**
Net interest income		**104,202**	**82,348**
Fee and commission income	**8**	72,123	71,289
Fee and commission expense	**8**	(16,139)	(14,516)
Net fee and commission income		**55,984**	**56,774**
Impairment losses	**9**	**(114,874)**	**(64,207)**
Net interest, fee and commission income after impairment losses		**45,311**	**74,916**
Trading income, net	**10**	70,914	49,937
Gains (losses) on derecognition of assets other than held for sale - net		(716)	(1,731)
Gains or losses on financial assets and liabilities designated as at fair value through profit or loss - net		5,883	5,891
Income from dividend		804	204
Other operating income	**13**	5,087	3,791
Total non-interest income		**81,971**	**58,093**
Income before non-interest expense		**127,282**	**133,009**
Salaries and related expenses	**11**	(88,502)	(93,919)
Other administrative expenses	**12**	(85,023)	(89,938)
Depreciation of tangible and Intangible assets		(21,618)	(21,790)
Other operating expenses	**13**	(2,168)	(16,645)
Total non-interest expense		**(197,311)**	**(222,291)**
Profit / (Loss) before income taxes		**(70,029)**	**(89,283)**
Deferred tax expense		113	14,614
Net Loss for the period		**(69,916)**	**(74,668)**

Unconsolidated Statement of Comprehensive Income		**Year ended December 31, 2013**	**Year ended December 31, 2012**
Net loss after tax		**(69,916)**	**(74,668)**
Other components of comprehensive income, after tax that will be reclassified to income statement			
Revaluation of financial assets available for sale		218	60
Total comprehensive loss for the reporting period		**(69,698)**	**(74,608)**
Basic earnings per ordinary share (face value RON 240) in RON	**29**	**(22.89)**	**(26.83)**

These financial statements have been authorized for issue by the management in March, 2014.

OTP BANK ROMÂNIA Administrația Centrală 1. Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

All amounts are expressed in RON thousands, unless otherwise stated

OTP BANK ROMANIA S.A.
Unconsolidated Statement of Financial Position as at December 31, 2013

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	December 31, 2013	December 31, 2012
ASSETS			
Cash	14	103,736	96,200
Current accounts and deposits at banks	15	378,207	475,879
Accounts with the National Bank of Romania	16	499,709	486,723
Securities held-to-maturity	17	143,197	291,666
Loans and advances to customers, net	18	3,247,601	3,003,809
Investment securities - Available for sale	20	7,365	10,451
Investment securities at fair value through profit and loss	20	73,464	95,060
Investment in Associates and Subsidiaries	21	556	210
Tangible assets, net	19	136,358	145,276
Intangible assets, net	19	10,691	12,039
Tangible assets classified as held for sale	19, 4.2.3	4,766	4,440
Investment property, net	19	**1,848**	**1,848**
Derivatives	26	179	13,966
Other assets, net	22	**3,276**	**1,988**
Total assets		**4,610,954**	**4,639,553**
LIABILITIES			
Due to Banks		156,688	45,752
Demand deposits from banks	23	106,654	45,752
Term deposits from banks	23	*50,034*	*0*
Due to customers		3,738,840	3,492,026
Demand deposits from customers	24	539,601	394,418
Term deposits from customers	24	*3,199,239*	*3,097,608*
Total deposits		3,895,528	3,537,778
Borrowings	25	11,024	21,993
Derivatives	26	103,290	420,959
Provisions		22,810	11,540
Other financial liabilities	28	66,855	60,894
Total liabilities		**4,099,507**	**4,053,164**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	29	*732,909*	*732,909*
Share capital restatement		*42,751*	*42,751*
Total share capital		775,660	775,660
Accumulated deficit		(264,212)	(189,270)
Total shareholders' equity		**511,447**	**586,389**
Total liabilities and shareholders' equity		**4,610,954**	**4,639,553**

These financial statements have been authorized for issue by the management in March, 2014.

OTP BANK ROMÂNIA
Administrația Centrală
1.
Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

All amounts are expressed in RON thousands, unless otherwise stated

OTP BANK ROMANIA S.A.
Unconsolidated Statement of Cash Flows
as at December 31, 2013

UNCONSOLIDATED STATEMENT OF CASH FLOWS	Note	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows from operating activities			
Profit / (Loss) after taxation		**(69,916)**	**(74,669)**
Adjustments for non-cash items:			
Depreciation expense	11	21,618	21,790
Loss/(Gain) on disposals of fixed assets		72	5,598
Charge / (Release) of other provisions		0	7,583
Impairment losses on loans and advances to customers		91,552	56,746
Impairment losses on sundry transactions		23,259	7,461
Other adjustments		0	(27,041)
Valuation of derivative transactions		(317,669)	75,120
Total adjustments for non-cash items		**(181,168)**	**147,257**
Net profit / (loss) adjusted for non-cash items		**(251,084)**	**72,588**
Changes in operating assets and liabilities			
(Increase)/decrease of restricted cash at National Bank of Romania		(12,986)	(96,148)
(Increase) / decrease of loans and advances to customers		(335,342)	(523,885)
(Increase)/ decrease of other assets		(1,289)	(529)
Increase / (decrease) of demand deposits		206,085	(38,066)
Increase/(decrease) of term deposits		151,665	734,449
Increase / (decrease) of other liabilities		0	(23,861)
Total changes in operating assets and liabilities		**8,133**	**51,960**
Net cash provided by / (used in) operating activities		**(242,951)**	**124,548**
Cash flows from investing activities			
Proceeds from / (Purchase of) investments available for sale		2,698	(1,134)
Proceeds from / (Purchase of) sale of investments held to maturity		147,248	(53,010)
Proceeds from / (Purchase of) investments at fair value through profit and loss		21,596	(6,013)
(Purchase)/sale of tangible and intangible assets, net		(8,345)	(18,217)
Dividends received		586	204
Net cash from/(used in) investing activities		**163,783**	**(78,170)**
Cash flows from financing activities			
(Decrease) / increase of borrowings		(10,968)	(1,282)
Proceeds from issue of shares		0	190,000
Net cash provided by/ (used in) financing activities		**(10,968)**	**188,718**
Net increase/(decrease) in cash and cash equivalents		**(90,136)**	**235,096**
Cash and cash equivalents at beginning of period	14	**572,078**	**336,982**
Cash and cash equivalents at end of period	14	**481,942**	**572,078**

These financial statements have been authorized for issue by the management in March, 2014.

OTP BANK ROMÂNIA
Administrația Centrală
1.
Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

All amounts are expressed in RON thousands, unless otherwise stated

OTP BANK ROMANIA S.A.
Unconsolidated Statement of Changes in Equity.
For the period ended December 31, 2013

UNCONSOLIDATED 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, 2012	**542,909**	**42,751**	**(147,985)**	**437,674**
Net income recognized directly in equity	0	0	(60)	(60)
Net loss for the period ended December 31, 2012	*0*	*0*	*(74,669)*	*(74,669)*
Tangible Assets Revaluation reserve, Net	0	0	33,445	33,445
Increase in share capital	190,000	0	0	190,000
Balance as of January 1st, 2013	**732,909**	**42,751**	**(189,270)**	**586,390**
Net income recognized directly in equity	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**

All amounts are expressed in RON thousands, unless otherwise stated

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 66-68 Buzești Street, District 1, Bucharest, Romania
The Bank’s tax identification number is RO 7926069

Members of Statutory and Supervisory Boards as at 31 December 2013

Management Board (MB):

László Diósi – Chairman Of The Management Board and CEO
Gábor Istvan Ljubičić – Vice-Chairman Of The Management Board and Deputy CEO
György Bodó - Member Of The Management Board and Deputy CEO
György Gáldi - Member Of The Management Board and Deputy CEO
Gabriela Mihailescu - Member Of The Management Board and Deputy CEO
Dragos Ioan Mirica - Member Of The Management Board and Deputy CEO
Radu Catalin Petrea - 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
Miklós Németh - Member
Ibolya Veres Rajmonné - 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” or ”National Bank of Romania”) 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, travellers’ 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, 2013, the shareholders' structure of the Bank was the same as at the end of year 2012, as follows:

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.	0.000130985%	4	960
Total	**100%**	**3,053,787**	**732,908,880**

Organizational Structure and Number of Employees

As at 31 December 2013, 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 31 December 2013 was 939 (December 31, 2012: 1,050) and includes all employees with labour contract.

The average number of employees in year 2013 was 908 (1,065 during the year 2012).

All amounts are expressed in RON thousands, unless otherwise stated

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.

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 31 December 2013 as well as at 31 December 2012.
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 1st 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 1st of January 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.

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

The separate financial statements of the Bank for the period ended 31 December 2013 and comparative data for the period ended as at 31 December 2012 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 separate financial statements are prepared in terms of the purchasing power of the Romanian New Leu ("RON") as of December 31, 2013 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 2013, 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 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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 authorisation 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:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 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 2014:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined), The Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Bank in the period of initial application except for IFRS 9 the effects of which can be material. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39.
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- 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 1 July 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 1 July 2014),

- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

The new requirements on accounting for financial liabilities address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value.

With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income section of the income statement, rather than within profit or loss.

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 and 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 Nádor utca 16, 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, 2013 which is expected to be available for public use on internet address: www.otpbank.hu as of April 2014.

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 associate is 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

Unrealized foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement (Please see Note 10).

Unrealized foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement (Please see Note 10).

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, which 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, loans and 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 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 with the change in fair value 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).

All amounts are expressed in RON thousands, unless otherwise stated

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; and

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which shall be measured at cost. 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:

- Corporate clients,
- Retail,
- SME,

Subsequently, it was determined that retail portfolio consists of several products that have different risk profile mainly due to the loan purpose and collateral type. Therefore, based on the experience of the Bank's retail credit exposures are further divided into three sub 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.

The carrying amount as of 31st of December 2013 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 263,616 thousand lei as of December 31, 2013 (261,865 thousand lei as of December 31, 2012);
- Accumulated depreciation of fixed assets in amount of 138,665 thousand lei as of December 31, 2013 (134,559 thousand lei as of December 31, 2012);
- The Net fixed assets balance as at 31st December 2013 in amount of 124,951 thousand lei (127,306 thousand lei as of December 31, 2012).

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, 2012 and of land as at December 31, 2013, 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. In 2013 there was additional revaluation performed only for the land held by the Bank.

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. 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.

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 71

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%. (2012:16%).

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, 2012 balances to conform to the presentation as of December 31, 2013.

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.

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 legal risk, 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 analysed area of activity.

Exposure to higher risk Eurozone countries
Concerns about the creditworthiness of certain Eurozone countries persisted during 2013.

The continuing recession in a number of countries, the wider political and economic consequences of fiscal austerity programs and other government actions, and concerns about the viability of some countries' financial institutions have led to volatility of spreads on sovereign bonds, although diminishing compared with 2012.

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: Portugal, Italy, Ireland, Greece and Spain.
The Bank has assessed its sovereign and corporate net exposure to these countries not to exceed 5% of its total assets (31 December 2012: 5%).
The Bank believes this exposure is not impaired as at 31 December 2013 and 31 December 2012.

4.1 Market Risk Management

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, equity risk and foreign exchange currency risks.

During 2013 the Bank did managed a reduced sized trading book portfolio, within the limits established by the NBR Regulation 22/2006, namely the trading-book business is normally less than 5 % of the total assets and EUR 15 million, so the market risk only refers to foreign exchange risk for the whole balance sheet. Trading limits are approved only for foreign exchange currency deals, it is not allowed to perform proprietary trading deals with money market, fixed income and equity instruments.

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

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 (Trading book)

Interest rate risk is the risk of recording losses or not to achieve expected profits as a result of fluctuations in 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 unfavourable 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 2013 the Bank encouraged also 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. 18/2009 with further amendments.
At December 2013, the Bank had a low exposure to the interest rate risk on banking book, 3.63% of own funds (3.26% as of December 2012).
During 2013 the exposure on local currency increased as a consequence of focusing the lending activity of the Bank on RON. In the same time interest rate exposure on foreign currencies decreased, due to the slowdown/stop of lending activity in the respective currencies and to the reimbursements from the existing loan portfolio.
Weighted average effective interest rates (%) for loans to customers were as follows:

Loans granted to customers	December 31, 2013				December 31, 2012			
	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	10.73	11.68	15.12	N/A	11.24	8.43	16.48	5.96
Personal loans with mortgage	6.25	5.06	12.34	N/A	6.24	6.05	12.70	N/A
Housing	5.95	4.71	11.18	N/A	6.06	5.96	12.75	N/A
Car loans	8.72	11.27	11.35	N/A	8.51	12.51	11.19	N/A
Corporate loans	4.90	5.23	9.79	1.89	2.66	4.29	4.66	1.87

The impact in the economic value of the bank due to potential changes in interest rates is presented below:

	December 31, 2013	December 31, 2012
Impact in the economic value of the Bank of a 200 bp interest rate shock (Ths. RON)	15,516	16,233
Own funds (Ths. RON) IFRS	427,646	498,349
Exposure (% of Own funds)	3.63%	3.26%
Impact in earnings for one year of a 200 bp interest rate shock (Ths. RON)	2,364	1,803
Exposure (% of Own funds)	0.55%	0.36%

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

The following is a summary of the Bank's interest rate gap position as at December 31, 2013 and December 31, 2012:

December 31, 2013	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**Total**
ASSETS						
Cash and cash equivalents	103,736	0	0	0	0	103,736
Current accounts and deposits at banks	378,207	0	0	0	0	378,207
Accounts with the National Bank of Romania	499,709	0	0	0	0	499,709
Treasury securities	5,524	17,929	19,769	99,975	0	143,197
Loans, gross	1,816,131	1,089,873	290,838	270,459	18,996	3,486,297
Derivatives	179	0	0	0	0	179
Total assets	**2,803,486**	**1,107,802**	**310,607**	**370,434**	**18,996**	**4,611,326**
LIABILITIES						
Due to Banks	156,688	0	0	0	0	156,688
Demand deposits from banks	*106,654*	*0*	*0*	*0*	*0*	*106,654*
Time deposits from banks	*50,034*	*0*	*0*	*0*	*0*	*50,034*
Due to customers	2,029,831	1,114,796	560,736	21,360	12,117	3,738,840
Demand deposits customers	*539,601*	*0*	*0*	*0*	*0*	*539,601*
Time deposits customers	*1,490,230*	*1,114,796*	*560,736*	*21,360*	*12,117*	*3,199,239*
Borrowings	9,622	1,402	0	0	0	11,024
Derivatives	2,184	30,677	70,429	0	0	103,290
Other Liabilities	62,075	0	0	0	0	62,075
Total liabilities	**2,260,400**	**1,146,875**	**631,165**	**21,360**	**12,117**	**4,071,917**
Net assets interest rate sensitivity	543,086	(39,073)	(320,558)	349,074	6,879	539,409
Net assets cumulative interest rate sensitivity	543,086	504,013	183,455	532,529	539,408	0

December 31, 2012	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**over 5 years**	**Total**
ASSETS						
Cash and cash equivalents	96,200	0	0	0	0	96,200
Current accounts and deposits at banks	333,311	362	142,206	0	0	475,879
Accounts with the National Bank of Romania	486,723	0	0	0	0	486,723
Treasury securities	97,289	3,980	94,279	96,117	0	291,665
Loans, net	1,609,646	1,164,678	262,931	141,573	24,211	3,203,039
Derivatives	13,966	0	0	0	0	13,966
Total assets	**2,637,135**	**934,055**	**499,416**	**237,690**	**24,211**	**4,332,507**
LIABILITIES						
Due to Banks	45,752	0	0	0	0	45,752
Demand deposits banks	*45,752*	*0*	*0*	*0*	*0*	*45,752*
Time deposits banks	*0*	*0*	*0*	*0*	*0*	*0*
Due to customers	1,988,676	1,169,954	292,615	37,476	3,305	3,492,026
Demand deposits customers	*394,418*	*0*	*0*	*0*	*0*	*394,418*
Time deposits customers	*1,594,258*	*1,169,954*	*292,615*	*37,476*	*3,305*	*3,097,608*
Borrowings	13,256	2,410	6,327	0	0	21,993
Derivatives	11,803	0	305,878	103,278	0	420,959
Other Liabilities	54,305	0	0	0	0	54,305
Total liabilities	**2,113,792**	**1,172,365**	**604,820**	**140,754**	**3,305**	**4,035,036**
Net assets interest rate sensitivity	523,343	(238,310)	(105,404)	96,936	20,906	297,471
Net assets cumulative interest rate sensitivity	523,343	285,033	179,629	276,565	297,471	0

 All amounts are expressed in RON thousands, unless otherwise stated

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 market interest rates. During 2013 the Bank didn't hold trading 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 foreign exchange rates.
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 and NOK.

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 are lower than the prudential limits imposed by the National Bank of Romania. The exposure to the limits is monitored on a daily basis by Market Risk Department.

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**

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December 31, 2012							
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	9,379	87,209	(77,830)	77,661	**(169)**	2	(2)
EUR	1,943,233	824,068	1,119,166	(1,119,716)	**(550)**	6	(6)
CHF	704,841	26,044	678,797	(675,877)	**2,920**	(29)	29
Other	7,953	13,706	(5,753)	6,653	**900**	(9)	9
HUF	97,632	22,430	75,202	(74,941)	**261**	(3)	3
Total	**2,763,038**	**973,457**	**1,789,581**	**(1,786,220)**	**3,362**	**(34)**	**34**

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 682,7 million RON (1,077 million RON as of December 31, 2012). These deposits have contractual maturities between 5 and 7 years and remaining maturities between 2 months and 7 years (contractual maturities of 5 and 7 years and remaining maturities between 7 months and 2 years, as of December 31, 2012).

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 31.12.2013 was 303.7 million RON (1,066 million RON as of December 31, 2012) 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, 2013 and December 31, 2012. Included in the tables are the Bank’s assets and liabilities at carrying amounts, structured by local and main foreign currencies.

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December 31, 2012	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	1,494,233	830	434,183	2	29	**1,929,277**	1,318,323	**3,247,601**
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**	556	**556**
Tangible assets, net	0	0	0	0	0	**0**	136,358	**136,358**
Intangible assets, net	0	0	0	0	0	**0**	10,691	**10,691**
Tangible assets classified as held for sale	0	0	0	0	0	**0**	4,766	**4,766**
Investment property, net	0	0	0	0	0	**0**	1,848	**1,848**
Derivatives	162	0	0	0	0	**162**	17	**179**
Other assets, net	0	0	0	0	0	**0**	3,276	**3,276**
Total assets	**1,813,008**	**118,106**	**437,587**	**6,572**	**5,144**	**2,380,418**	**2,230,536**	**4,610,954**
LIABILITIES								
Due to Banks	0	0	0	49	0	**49**	156,639	**156,688**
Demand deposits from banks	0	0	0	49	0	**49**	106,605	**106,654**
Term deposits from 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 from customers	137,306	26,536	7,847	7,600	4,524	**183,812**	355,789	**539,601**
Term deposits from 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	12,781	0	0	0	0	**12,781**	10,030	**22,810**
Other financial liabilities	6,913	191	16,373	227	1	**23,704**	43,150	**66,855**
Total liabilities	**1,377,087**	**387,341**	**142,736**	**22,987**	**16,249**	**1,946,399**	**2,153,108**	**4,099,507**
Net Assets / Liabilities	**435,921**	**(269,235)**	**294,851**	**(16,415)**	**(11,104)**	**434,019**	**77,429**	**511,448**

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2011	EUR	USD	CHF	HUF	OTHER FCY	Total FCY	RON	Total
ASSETS								
Cash	16,311	4,246	4,134	6,956	5,760	**37,406**	58,794	**96,200**
Current accounts and deposits at banks	104,016	3,018	199,056	97	2,119	**308,306**	167,572	**475,879**
Accounts with the National Bank of Romania	172,029	0	0	0	0	**172,029**	314,694	**486,723**
Securities held-to-maturity	45,152	0	0	90,577	0	**135,730**	155,936	**291,666**
Loans and advances to customers, net	1,603,263	2,115	501,652	2	74	**2,107,105**	896,704	**3,003,809**
Investment securities - Available for sale	2,463	0	0	0	0	**2,463**	7,988	**10,451**
Investment securities at fair value through profit and loss	0	0	0	0	0	**0**	95,060	**95,060**
Investment in Associates and Subsidiaries	0	0	0	0	0	**0**	210	**210**
Tangible assets, net	0	0	0	0	0	**0**	145,276	**145,276**
Intangible assets, net	0	0	0	0	0	**0**	12,039	**12,039**
Tangible assets classified as held for sale	0	0	0	0	0	**0**	4,440	**4,440**
Investment property, net	0	0	0	0	0	**0**	1,848	**1,848**
Derivatives	0	0	0	0	0	**0**	13,966	**13,966**
Other assets, net	0	0	0	0	0	**0**	1,988	**1,988**
Total assets	**1,943,234**	**9,379**	**704,841**	**97,632**	**7,953**	**2,763,039**	**1,876,514**	**4,639,552**
LIABILITIES								
Due to Banks	0	0	0	21	0	**21**	45,731	**45,752**
Demand deposits banks	0	0	0	21	0	**21**	45,731	**45,752**
Term deposits banks	0	0	0	0	0	**0**	0	**0**
Due to customers	791,293	84,421	14,810	19,234	13,705	**923,462**	2,568,563	**3,492,026**
Demand deposits customers	110,970	14,871	7,468	8,075	2,379	**143,764**	250,654	**394,418**
Term deposits customers	680,323	69,549	7,342	11,159	11,326	**779,698**	2,317,909	**3,097,608**
Borrowings	19,545	2,448	0	0	0	**21,993**	0	**21,993**
Derivatives	0	0	0	0	0	**0**	420,959	**420,959**
Provisions	7,033	0	0	(0)	0	**7,033**	4,507	**11,540**
Other financial liabilities	6,198	340	11,235	3,174	1	**20,948**	39,946	**60,894**
Total liabilities	**824,068**	**87,209**	**26,044**	**22,430**	**13,706**	**973,457**	**3,079,707**	**4,053,164**
Net Assets / Liabilities	**1,119,166**	**(77,830)**	**678,797**	**75,202**	**(5,753)**	**1,789,582**	**(1,203,193)**	**586,389**

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 levels of equity indices and values of individual stocks.

During 2013 and 2012 the Bank didn't hold trading positions on equities.

4.1 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 and including "31-60 DPD" bucket 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 2013.

Bank's strategy regarding credit risk management includes:

- Putting a heavy emphasis on preventing problems faced by borrowers;
- Approval Loans Department reorganization by creating regional centres;
- Improving soft collection activities;
- Customer loyalty program individuals, especially for unsecured mortgage products by offering new products facilities in accessing credit;
- Continuing the problems prevention program for individual debtors, started in 2009, by rescheduling and/or restructuring their credits;
- 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 related only to corporate business portfolio.

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

	December 31, 2013	December 31, 2012
Construction	38,314	33,757
Hotels and restaurants	9,068	4,144
Other Industries (Furniture, Food and beverages, Fashion, Chemical, Forestry)	45,193	24,760
Other services	10,859	10,801
Others	4,913	6,800
Trade and finance	52,404	54,974
Transportation	7,118	2,314
Total	**167,869**	**137,549**

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 equipments 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.

All amounts are expressed in RON thousands, unless otherwise stated

The Bank accepts as collaterals those specified below which are capped at exposure value:

	December 31, 2013	December 31, 2012
Type of collaterals (to the extent of the exposures)	**Book value in LCY**	
Cash collaterals	1,143,357	1,020,645
Bank guarantees and cash sureties	34,023	3,812
Guarantees from public administration	37,165	22,285
Revenue assignment	1,891	441
Assignment of other receivables	100,516	74,181
Registration of pledge for stock	101,594	246,092
Mortgages	1,821,736	1,422,213
Other	103,403	238,904
Securities - other securities	73,951	0
Total	**3,417,636**	**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. In 2012, two of these reposessed buildings were reclassified as "Investment Property" when the Bank decided to rent them and signed contracts for predetermined periods of time. The gross value of Investment property elements is 2,031 thousand RON and the Bank recognized an impairment loss of 183 thousand RON for them as at December 31, 2013 , resulting a net book value of 1,848 thousand RON .
The value of these assets has not changed during 2013 as compared to 2012

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 2013, is presented below:

	December 31, 2012	Additions	Disposals	December 31, 2013
Gross book value of tangible assets classified as held for sale	4,953	326	-	5,279
Impairment	(513)	-	-	(513)
Net balances of tangible assets classified as held for sale	**4,440**	**326**	**-**	**4,766**
Investment Property	2,031	-	-	2,031
Impairment to Investment Property	(183)	-	-	(183)
Net balances of Investment Property	**1,848**	**-**	**-**	**1,848**

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

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

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
0 - 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**

2012	Gross loans Without Identified Provisions	Gross loans With Identified Provisions	Provision	TOTAL gross loans
within maturity	364,218	2,062,914	10,421	2,427,132
0 - 15 days	9,089	368,110	44,783	377,200
16 - 30 days	1,542	33,327	3,259	34,868
31 - 60 days	1,383	93,833	16,264	95,216
61 - 90 days	832	31,902	6,362	32,734
91 - 180 days	187	62,915	22,328	63,102
more than 180 days	2,166	170,621	95,811	172,786
Total gross	**379,417**	**2,823,622**	**199,230**	**3,203,039**

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

2013	Within maturity	Overdue 1 to 30 Days	Overdue more than 30 Days	Total
Corporate	324,231	16,027	7,649	347,906
Mortgage	0	0	0	0
Consumer loans	98	0	0	98
	324,328	**16,027**	**7,649**	**348,004**

2012	Within maturity	Overdue 1 to 30 Days	Overdue more than 30 Days	Total
Corporate	146,059	5,496	1,826	153,381
Mortgage	0	0	0	0
Consumer loans	218,159	5,135	2,742	226,036
	364,218	**10,631**	**4,568**	**379,417**

All amounts are expressed in RON thousands, unless otherwise stated

4.2.5 Analysis of restructured loans and receivables, gross

Restructured loans receivable, amounting RON 149,700 thousand as of december 31, 2013 (181,354 as of December 31, 2012) 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 2013 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 31,2013		December 31,2012
	Gross amount	Provision	Gross amount	Provision
Retail loans				
Overdue up to 30 days	11,220	629	12,127	639
Overdue from 31 to 90 days	6,675	645	10,007	870
Overdue more than 90 days	538	229	1,184	445
Retail loans - TOTAL	**18,433**	**1,504**	**23,318**	**1,954**
SME loans				
Overdue up to 30 days	4,939	1,536	10,764	2,718
Overdue from 31 to 90 days	16,496	3,561	5,392	1,973
Overdue more than 90 days	50,622	28,402	50,283	33,780
SME loans - TOTAL	**72,057**	**33,499**	**66,438**	**38,470**
Corporate loans				
Overdue up to 30 days	13,634	5,091	35,834	9,924
Overdue from 31 to 90 days			24,084	6,556
Overdue more than 90 days	45,576	30,357	31,680	10,253
Corporate loans - TOTAL	**59,210**	**35,448**	**91,598**	**26,734**
TOTAL	**149,700**	**70,450**	**181,354**	**67,158**

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, 2013	December 31, 2012
Amounts with the National Bank of Romania (Note 16)	499,709	486,723
Treasury Bills (Note 17)	143,197	291,666
Total	**642,907**	**778,389**

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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, 2013		December 31, 2012	
	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)	33	Aaa	2,985	Aaa
Bank of New York Mellon	5	Aaa	12	Aaa
Danske Bank Aktieselskab	268	Aaa	90	Aaa
Deutsche Bank AG	456	Aaa	504	Aaa
Mizuho Corporate Bank LTD	28	Aa3	42	Aa3
OTP Bank PLC	119,348	Ba1	245,336	Ba1
Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna	40	A2	127	A2
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	1,973	Aaa	93	Aaa
Standard Chartered Bank (ex Amex)	38	Aaa	2	Aaa
Standard Chartered Bank (Germany) GMBH	870	Aaa	562	Aaa
UBS AG (Head Office- Zurich)	827	Aaa	1,414	Aaa
Banca Comerciala Romana S.A	556	Baa3	437	Baa3
Banca de Export-Import a Romaniei Eximbank SA	85,026	Baa3	0	Baa3
Banca Italo Romena Spa Italia Volpago Del Montello suc. Bucuresti	10,001	Baa2	25,004	Baa2
Banca Millennium SA	8,501	Baa3	0	Baa3
Banca Transilvania S.A	5,000	Baa3	0	Baa3
BRD-Groupe Societe Generale SA	0	Baa3	70,154	Baa3
CEC Bank SA	110,010	Baa3	30,005	Baa3
Citibank Europe Plc Dublin suc. Romania	0	Baa3	22,144	Ba1
Garanti Bank SA	35,003	Baa3	40,007	Baa3
ING Bank N.V. Amsterdam-suc. Bucuresti	0	Aaa	35,430	Aaa
Royal Bank of Scotland PLC	226	Aa1	1,482	Aaa
TOTAL	**378,209**		**475,878**	

4.2 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 unfavourable 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 – calculated on a daily basis and 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, 2013 and December 31, 2012).

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.

Cumulated amount of two stand-by facilities contracted with parent-company for liquidity crisis purpose only and undrawn as at December 31, 2013 represented RON 964,210,500 (952,170,500 RON as of December 31, 2012).
In January 2013, the stand-by facility of EUR 100,000,000 received in 2008 from the parent-company has been amended for extending the maturity from 2014 to 2016. The second stand-by facility of EUR 115,000,000 from parent-company is having maturity date in 2017.

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**
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**
Tangible assets, net	0	0	0	0	0	136,358	**136,358**
Intangible assets, net	0	0	0	0	0	10,691	**10,691**
Tangible assets classified as held for sale	0	0	0	0	0	4,766	**4,766**
Investment property	0	0	0	0	0	1,848	**1,848**
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 from banks	106,654	0	0	0	0	0	**106,654**
Term deposits from 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 from customers	539,552	1	11	6	33	0	**539,601**
Term deposits from 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**
Shareholders' equity	0	0	0	0	0	511,447	**511,447**
Total liabilities and shareholders' equity	**1,939,026**	**880,459**	**582,180**	**690,104**	**2,902**	**516,284**	**4,610,955**
Net liquidity gap	(787,055)	(694,474)	(1,916)	342,176	1,419,227	(277,959)	**0**
Cumulative net liquidity GAP	**(787,055)**	**(1,481,529)**	**(1,483,444)**	**(1,141,269)**	**277,959**	**0**	**0**

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2012	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	96,200	0	0	0	0	0	**96,200**
Current accounts and deposits at banks	333,311	362	142,206	0	0	0	**475,879**
Accounts with the National Bank of Romania	486,723	0	0	0	0	0	**486,723**
Securities held-to-maturity	97,289	3,980	94,279	96,117	0	0	**291,666**
Loans and advances to customers, net	184,281	160,220	567,291	567,712	1,524,305	0	**3,003,809**
Investment securities - Available for sale	0	0	0	0	0	10,451	**10,451**
Investment securities at fair value through profit and loss	0	0	0	0	0	95,060	**95,060**
Investment in Associates and Subsidiaries	0	0	0	0	0	210	**210**
Tangible assets, net	0	0	0	0	0	145,276	**145,276**
Intangible assets, net	0	0	0	0	0	12,039	**12,039**
Tangible assets classified as held for sale	0	0	0	0	0	4,440	**4,440**
Investment property, net	0	0	0	0	0	1,848	**1,848**
Derivatives	13,966	0	0	0	0	0	**13,966**
Other assets, net	0	0	0	0	0	1,988	**1,988**
Total assets	**1,211,771**	**164,562**	**803,776**	**663,830**	**1,524,305**	**271,310**	**4,639,553**
LIABILITIES							
Due to Banks	45,752	0	0	0	0	0	**45,752**
Demand deposits banks	45,752	0	0	0	0	0	**45,752**
Time deposits banks	0	0	0	0	0	0	**0**
Due to customers	1,338,013	722,270	1,080,073	348,363	3,307	0	**3,492,026**
Demand deposits customers	394,418	0	0	0	0	0	**394,418**
Time deposits customers	943,595	722,270	1,080,073	348,363	3,307	0	**3,097,608**
Borrowings	1,858	482	8,717	10,936	0	0	**21,993**
Derivatives	11,803	0	305,878	103,278	0	0	**420,959**
Provisions	0	0	11,540	0	0	0	**11,540**
Other financial liabilities	60,894	0	0	0	0	0	**60,894**
Total liabilities	**1,458,320**	**722,752**	**1,406,207**	**462,577**	**3,307**	**0**	**4,053,163**
Shareholders' equity	0	0	0	0	0	586,389	**586,389**
Total liabilities and shareholders' equity	**1,458,320**	**722,752**	**1,406,207**	**462,577**	**3,307**	**586,389**	**4,639,553**
Net liquidity gap	(246,549)	(558,190)	(602,431)	201,253	1,520,997	(315,080)	**0**
Cumulative net liquidity GAP	**(246,549)**	**(804,739)**	**(1,407,170)**	**(1,205,917)**	**315,080**	**0**	**0**

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 month, 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

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 89

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.

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.

4.3 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 factors other than external risks, such as credit risk 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 identified 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 at the end of each calendar year by each organizational unit. The self- assessment allows the identification and assessment of operational risks afferent to the previous year within each unit, as well as the measures to be taken for diminishing the loss caused by the occurrence of operational risk events.

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 claims* – represents number of claims 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 expired 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 and Restructuring &Work-out Directorate, Digital Banking Directorate, Accounting Directorate, Risk Retail Directorate, Banking Security Directorate, IT & Communications Directorate, Operational and 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,
- Continuous training for staff and permanent support for all organizational units;
- Information of organizational units about decisions of Risk Management Committee and Board of Directors.
- 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 systems by performing annual self-evaluation for activities and processes developed in all the Bank's units, in order to report all the potential and occurred risks which were identified during the year, with the scope to eliminate or diminish them.
- Preparation of contingency plans for the continuity of Bank's activity in unpredictable situations. The continuity plan is one of the instruments used

by the Bank for the operational risks management.

- To avoid unexpected operational losses, with large consequences for the activity; To avoid registering a large number of operational events loss generator, with a small consequence on the organizational unit activity and with a high probability of occurrence; To improve the operational efficiency, the operational risk management process;

- To improve the reporting process and the monitoring of losses caused by operational risk; To improve the control measures taken or implementation of new controls;

- Permanent monitoring the operational risk indicators; The review of limits set established by the Bank;

- To use diminishing techniques for risk management;

- To periodically inform the Risk Management Committee and the Management Board of operational risk exposure of the Bank;

- Preparing study cases for operational risk events and crisis scenarios for operational risk.

The Bank has an historical database aligned to the Group's requirements, where the operational risk loss events, monthly reported by all organizational units, are centralized. The database represents an automated system named SAS OpRisk Monitor that is accessed using the SAP ERP Portal and is managed by the Operational and Market Risk Department together with the Group.

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, 2013	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
FINANCIAL ASSETS				
Cash	103,736	96,200	103,736	96,200
Current accounts and deposits at Banks	378,207	475,879	378,207	475,879
Accounts with the National Bank of Romania	499,709	486,723	499,709	486,723
Securities held-to-maturity	143,197	291,666	143,197	291,666
Loans and advances to customers, net	3,247,601	3,003,809	3,247,601	3,003,809
Investment securities - Available for sale	7,365	10,451	7,365	10,451
Investment securities at fair value through profit and loss	73,464	95,060	73,464	95,060
Derivatives	**179**	**13,966**	**179**	**13,966**
FINANCIAL LIABILITIES				
Demand deposits from banks	106,654	45,752	106,654	45,752
Term deposits from banks	50,034	0	50,034	0
Demand deposits from customers	539,601	394,418	539,601	394,418
Term deposits from customers	3,199,239	3,097,608	3,199,239	3,097,608
Borrowings	11,024	21,993	11,024	21,993
Derivatives	**103,290**	**420,959**	**103,290**	**420,959**

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 93

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, 2013 and December 31, 2012 as being based on yield curves (Please refer to Note 17 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:

				December 31, 2013
	Level 1	**Level 2**	**Level 3**	**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**	**80,280**	**0**	**80,280**

Financial Assets for which fair value is disclosed				**December 31, 2013**
Cash	103,736	0	0	**103,736**
Current accounts and deposits at banks	0	378,207	0	**378,207**
Accounts with the National Bank of Romania	0	499,709	0	**499,709**
Loans and advances to customers, net	0	3,247,601	0	**3,247,601**
Total Financial Assets for which fair value is disclosed	**103,736**	**4,125,517**	**0**	**4,229,253**

				December 31, 2012
	Level 1	**Level 2**	**Level 3**	**TOTAL**
Financial Assets measured at fair value				
Financial assets available for sale	***0***	***10,451***	***0***	**10,451**
Investment securities at fair value through profit and loss	***0***	***95,060***	***0***	**95,060**
Derivative financial instruments	***0***	***13,966***	***0***	**13,966**
Interest rate swaps	0	13,966	0	**13,966**
Total Financial Assets measured at fair value	**0**	**119,477**	**0**	**109,026**

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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**

Financial Assets for which fair value is disclosed				**December 31, 2013**
Due to Banks	0	156,688	0	**156,688**
Due to customers	0	3,738,840	0	**3,738,840**
Borrowings	0	11,024	0	**11,024**
Total Financial Liabilities for which fair value is disclosed	**0**	**3,906,552**	**0**	**3,906,552**

	Level 1	Level 2	Level 3	December 31, 2012 TOTAL
Financial Liabilities measured at fair value				
Derivative financial instruments				
Forward transaactions	0	11,803	0	**11,803**
Currency interest rate swaps	0	409,156	0	**409,156**
Total Financial Liabilities measured at fair value	**0**	**420,959**	**0**	**420,959**

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.

6. INTEREST INCOME

	Year ended December 31, 2013	Year ended December 31, 2012
Interest on current loans	224,615	210,397
Total interest on loans	**224,615**	**210,397**
Term deposits with other banks	9,232	14,724
Demand deposits and accounts with the Central Bank	9,931	9,724
Total interest on deposits with banks	**19,163**	**24,447**
Interest on treasury securities, net	15,992	14,172
Total interest income	**259,770**	**249,016**

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 95

7. INTEREST EXPENSE

	Year ended December 31, 2013	Year ended December 31, 2012
Term deposits	149,370	160,124
Demand deposits	5,717	5,743
Total interest on customers' deposits	**155,088**	**165,868**
Interest on other borrowed funds	480	800
Total interest expense	**155,568**	**166,668**

8. FEES AND COMMISSIONS INCOME AND EXPENSES

FEES AND COMMISSIONS INCOME	Year ended December 31, 2013	Year ended December 31, 2012
Card related fees and commissions	6,360	5,622
Fee income from other services	3,964	4,281
Payment transfers	20,932	18,677
Cash management fees	9	9
Lending business	36,454	38,576
Deposit and turnover fees and commissions	4,402	4,124
Total	**72,123**	**71,289**

FEES AND COMMISSIONS EXPENSE	Year ended December 31, 2013	Year ended December 31, 2012
Deposit and turnover fee and commission expenses	1,144	2,262
Expenses on card operations	11,826	10,287
Other services	3,168	1,967
Total	**16,139**	**14,516**

9. IMPAIRMENT LOSSES

	Note	Year ended December 31, 2013	Year ended December 31, 2012
Allowance for loans receivable	18	(291,117)	(69,611)
Release of provisions for loans receivable	18	200,048	13,385
(Allowance) / release of provision for advances to customers	18	(482)	(519)
Impairment losses on loans and advances to customers before unwind of interest		**(91,551)**	**(56,745)**
Total impairment losses on loans and advances to customers after unwind of interest		**(91,551)**	**(56,745)**
Impairment losses on other assets			
(Impairment losses) / Recoveries from sold receivables		(12,074)	(16,453)
(Allowance) for / Recoveries on other Off BS commitments		(9,235)	7,203
Operational risk provisions		(729)	(351)
Litigation risk provisions		(32)	146
Impairment losses for fixed assets	19	0	2,172
Impairment losses on Investment property		0	(183)
Impairment losses for inventory		0	6
Impairment losses on AFS instruments		(1,253)	0
Total Impairment losses on other assets		**(23,324)**	**(7,461)**
Total Impairment losses on loans and other assets		**(114,874)**	**(64,207)**
TOTAL		**(114,874)**	**(64,207)**

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10. TRADING INCOME, NET

	Year ended December 31, 2013	Year ended December 31, 2012
Foreign exchange income	24,572,496	10,272,986
Foreign exchange expenses	(24,839,000)	(10,200,693)
Foreign exchange incomes related to derivatives	906,091	419,178
Foreign exchange expenses related to derivatives	(568,673)	(441,534)
Total trading income	**70,914**	**49,937**

11. PERSONNEL EXPENSES

	Year ended December 31, 2013	Year ended December 31, 2012
Salaries	64,777	69,612
Social insurance contributions	20,005	20,953
Other employee benefits	3,720	3,354
Total	**88,502**	**93,919**

The amount presented as "Salaries" for the year ended as at December 31, 2012 and 2013 does not include expenses with collaboration contracts. For the year ended as at December 31, 2013, the amount of expenses with collaboration contracts was 5,048 thousand RON (4,079 thousand RON as at December 31, 2012)
These types of expenses have been reclassified to Note 12 under "Fees for experts and services" caption.

12. OTHER ADMINISTRATIVE EXPENSES

	Year ended December 31, 2013	Year ended December 31, 2012
Rent and utilities expenses	14,213	16,898
Insurance premiums	2,428	1,768
Fees for experts and services	11,349	13,590
Cards related expenses	2,950	3,512
Advertising	9,670	8,782
Taxes	19,659	18,534
Other administrative expenses	24,755	26,853
Total	**85,023**	**89,938**

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 97

13. OTHER OPERATING INCOME AND EXPENSES

	Year ended December 31, 2013	Year ended December 31, 2012
Rent income	348	231
Fees from banking services	2,822	2,413
Insurance fee income	606	777
Other operating income	1,312	370
Total other operating income	**5,087**	**3,791**
Expenses due to revaluation of tangible assets	0	(1,876)
Other operating expenses	(2,168)	(14,769)
Total other operating expense	**(2,168)**	**(16,645)**
Total, NET	**2,919**	**(12,854)**

Included in "Other operating expenses" In 2012, is the amount 11,417 thousand RON paid by the Bank to OTP Factoring S.R.L. based on a sale of receivable agreement signed in 2008. In 2013 the related amount was: 1,581 thousand RON.

14. CASH

	December 31, 2013			December 31, 2012		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Cash	51,167	37,181	88,348	46,198	37,406	83,603
Cash in ATM	15,388	0	15,388	12,597	0	12,597
Total	**66,555**	**37,181**	**103,736**	**58,794**	**37,406**	**96,200**

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

Cash and cash equivalents	December 31, 2013	December 31, 2012
Cash and cash equivalents	103,736	96,200
Current accounts and deposits at banks	378,207	475,879
Cash at the National Bank of Romania	499,709	486,723
	981,652	**1,058,802**
less Pledged deposits at banks	0	0
less Compulsory reserves at National Bank of Romania	(499,709)	(486,723)
Total cash and cash equivalents	**481,943**	**572,079**

All amounts are expressed in RON thousands, unless otherwise stated

15. CURRENT ACCOUNTS AND DEPOSITS AT BANKS

	December 31, 2013			December 31, 2012		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	0	6,332	6,332	0	4,993	4,993
Deposits at banks	257,941	113,934	371,875	167,572	303,313	470,886
Total	**257,941**	**120,266**	**378,207**	**167,572**	**308,306**	**475,879**

Placements existing in Bank's accounting books as at 31 December 2013 (as well as at 31 December 2012) 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, 2013		December 31, 2012	
	RON	FCY	RON	FCY
Current accounts at banks	-	-	-	-
Deposits at banks	1.9% - 3.00%	1.75%	6% - 6.50%	0.02% - 4.81%

Currents accounts with banks are non-interest bearing deposits.

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

16. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA (NBR)

	December 31, 2013			December 31, 2012		
	RON	FCY	Total	RON	FCY	Total
Compulsory reserves	209,587	290,123	499,709	314,694	172,029	486,723
Total	**209,587**	**290,123**	**499,709**	**314,694**	**172,029**	**486,723**

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, 2013, the reserve was set up at the following rates which were also available as of December 31, 2012:

RON: 15% of the borrowed funds in local currency;
Foreign currency: 20% of the borrowed funds in other than local currency.

The interest rate paid by the National Bank of Romania for minimum compulsory reserve as of December 31, 2013 was as follows:

RON: 0.59% (December 31, 2012: 1.30%)
EUR: 0.36% (December 31, 2012: 0.56%).

All amounts are expressed in RON thousands, unless otherwise stated

17. SECURITIES HELD-TO-MATURITY

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

Total treasury securities issued by the Romanian Ministry of Finance held by the Bank as of December 31, 2013 stand for RON 143,197 thousand (291,666 thousand as of December 31,2012).
From the total of securities held-to-maturity, RON 43,222 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, 2013 and December 31, 2012.

Moody's ratings available for Romania as at 31.12.2013 were as follows:

Romania
- Local currency: Baa3
- Foreign currency: Baa3

The structure of bonds and other fixed-yield securities as at December 31, 2013 and December 31, 2012 was the following:

	December 31, 2013	December 31, 2012
Fixed rate Bonds	143,197	291,666
TOTAL Securities held-to-maturity	**143,197**	**291,666**

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:

	December 31, 2013	December 31, 2012
Loans, gross	3,441,913	3,163,616
Impairment losses on loans	(237,071)	(195,542)
Loans, net	3,204,842	2,968,074
Other advances to customers	44,384	39,423
Impairment losses on advances to customers	(1,625)	(3,687)
Other advances to customers, net	42,759	35,736
Total loans and advances to customers, NET	**3,247,601**	**3,003,809**
Impairment losses on loans and advances to customers, Total	**(238,696)**	**(199,230)**

All amounts are expressed in RON thousands, unless otherwise stated

"Other advances to customers" mainly comprise: recoverable amounts from transactions with non-banking clients RON 32,725 (RON 22,741 as of December 31, 2012) representing principally Bills of exchange and cheques, other sundry debtors RON 7,496 (RON 10,055 as of December 31, 2012), deferred expenses RON 2,537 (RON 2,970 as of December 31, 2012), overdue commissions RON 1,625 (RON 3,687 as of December 31, 2012) 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, 2013			December 31, 2012		
	RON	FCY	Total	RON	FCY	Total
Loans, gross	1,386,406	2,055,507	3,441,913	923,059	2,240,557	3,163,616
Other advances to customers	36,369	8,015	44,384	29,758	9,665	39,423
Impairment losses on loans and advances to customers	(104,451)	(134,245)	(238,696)	(59,800)	(139,430)	(199,230)
Total loans and advances to customers, NET	**1,318,323**	**1,929,277**	**3,247,601**	**893,017**	**2,110,792**	**3,003,809**

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

				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%**

				December 31, 2012
	Total loans	RON	FCY	%
Legal entities	935,836	259,761	676,076	31.15%
Individuals	2,067,973	633,257	1,434,716	68.85%
Total loans and advances to customers, NET	**3,003,809**	**893,018**	**2,110,792**	**100%**

d) Concentration by sector

	December 31, 2013	%	December 31, 2012	%
RETAIL	1,607,954	50%	1,431,989	48%
Consumer loans	549,438	17%	298,943	10%
Housing	1,058,517	33%	1,133,046	38%
CORPORATE	1,639,647	50%	1,571,820	52%
Trade and finance	449,943	14%	479,563	16%
Manufacturing	213,802	7%	220,688	7%
Transportation and communications	39,869	1%	26,568	1%
Services	332,726	10%	107,712	4%
Agriculture and forestry	128,497	4%	105,820	4%
Real estate and construction	141,595	4%	123,476	4%
Other sectors	333,215	10%	507,993	17%
Total loans and advances to customers, NET	**3,247,601**	**100%**	**3,003,809**	**100%**

e) Impairment losses

	Loans and interest receivable RON ('000)	Loans and interest receivable RON ('000)
	December 31, 2012	**December 31, 2012**
Balances at January 1st	**(199,230)**	**(207,209)**
Charge during the year	(291,117)	(69,611)
Release during the year	200,048	13,385
Charge on Provision on advances to customers	(482)	(519)
Write-off of Provisions related to previously written-off loans, directly through BS accounts *)	52,085	64,724
Balance at December 31st	**(238,696)**	**(199,230)**

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 12,074 thousand RON (please refer to Note 9, for lines "(Impairment losses) / Recoveries from sold receivables" (expense of 16,453 thousand RON as of December 31,2012)

*) During year 2013 the Bank sold defaulted receivables to OTP Faktoring Zrt (group member company), for which the written off provision value was 52,085 thousand RON (64,724 thousand RON as of December 31,2012), as presented in Note 18 e).

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, 2012	**118,223**	**46,787**	**9,667**	**16,755**	**191,432**	**9,039**	**55,753**	**256,218**
Additions	5,039	4,691	1,623	1,856	13,209	**4,249**	3,918	21,376
Transfers from construction in progress	*1,089*	*191*	*1,123*	*756*	***3,159***	***(7,020)***	*3,861*	*0*
Disposals	(6,209)	(4,412)	(935)	(1,014)	**(12,570)**	0	0	**(12,570)**
Revaluation reserve GBV	**42,204**	**4,417**	**(1,139)**	**(1,531)**	**43,952**		**(5,736)**	**38,212**
Gross book value December 31, 2012	**159,257**	**51,483**	**9,216**	**16,066**	**236,022**	**6,268**	**57,797**	**300,081**
Accumulated depreciation as of January 1st, 2012	**(26,983)**	**(28,982)**	**(8,295)**	**(13,178)**	**(77,438)**	**0**	**(42,308)**	**(119,741)**
Dep'n charge for 1 year period ended December 31, 2012	(5,068)	(5,222)	(549)	(1,512)	(12,351)	0	(9,439)	(21,790)
Accumulated depreciation of disposals	2,280	3,002	1,678	1,011	6,971	0	0	6,971
Revaluation reserve GBV cumulated depreciation	**(9,183)**	**(1,928)**	**0**	**353**	**(10,758)**		**5,989**	**(4,769)**
Accumulated depreciation December 31, 2012	**(38,955)**	**(33,130)**	**(7,166)**	**(13,325)**	**(93,576)**	**0**	**(45,758)**	**(139,327)**
Net book value December 31, 2012	**120,303**	**18,354**	**2,050**	**2,741**	**142,447**	**6,268**	**12,039**	**160,754**

All amounts are expressed in RON thousands, unless otherwise stated

Gross book value January 1st, 2013	**159,257**	**51,483**	**9,216**	**16,066**	**236,022**	**6,268**	**57,797**	**300,081**
Additions	571	4,483	1,853	1,811	8,718	**10,450**	8,323	17,041
Transfers from construction in progress	*0*	*3,818*	*1,853*	*1,811*	***7,482***	***(8,858)***	*8,323*	*72*
Disposals	(1,877)	(5,615)	(333)	(320)	**(8,145)**		(8,450)	**(16,595)**
Revaluation reserve GBV	**(5,244)**		**0**	**0**	**(5,244)**		**0**	**(5,244)**
Gross book value December 31, 2013	**152,707**	**50,351**	**10,736**	**17,557**	**231,351**	**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	(5,057)	(6,199)	(778)	(346)	(12,380)	0	(9,238)	(21,618)
Accumulated depreciation of disposals	2,760	5,278	333	95	8,466	0	8,018	16,484
Accumulated depreciation December 31, 2013	**(41,252)**	**(34,050)**	**(7,610)**	**(13,576)**	**(96,488)**	**0**	**(46,979)**	**(143,467)**
Net book value December 31, 2013	**111,455**	**16,301**	**3,126**	**3,981**	**134,862**	**7,860**	**10,691**	**151,816**

The table above contains, along with "Tangible assets, net" and "Intangible assets, net", also the Tangible assets classified as held for sale (4,766 thousand RON net value as of December 31,2013 and 4,440 thousand RON net value as of December 31, 2012). 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 31st December 2013 that would have been recognized had the assets been carried under the cost model was 124,951 thousand RON (127,306 thousand RON as of December 31, 2012) as presented in Note 3.10.

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:

	December 31, 2013	December 31, 2012
Quoted shares	**0**	**7,316**
- OTP Green Energy	0	3,846
- Fondul de Investitii Proprietatea	0	3,470
Unquoted shares, from which	**648**	**672**
SNCDD	14	38
SWIFT	60	60
OTP Asset Management SAI S.A.	574	574
Other investments, from which:	**80**	**0**
Fundatia "Dreptul la Educatie"	80	0
Investment funds, from which:	**6,636**	**2,463**
- OTP AGRI Fund	2,014	2,461
- OTP Properties	2,014	2,462
- OTP Eurobond	2,608	2,463
TOTAL Available for sale investments	**7,364**	**10,451**

All amounts are expressed in RON thousands, unless otherwise stated

Investment funds at Fair Value through Profit and Loss		
	December 31, 2013	**December 31, 2012**
- OTP Comodis	73,464	79,212
- BRD Simfonia	0	15,847
TOTAL Investments at fair value through profit and loss	**73,464**	**95,060**

The Bank has investments in OTP Comodis Fund , OTP Properties, OTP Agri Fund 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 or Non-member states of the European Union.

OTP Agri Fund and OTP Properties are closed end funds specialized in real estate investments.

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 headquarter 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 headquarter in Bucharest , Buzesti 66-68.
OTP Factoring Romania Srl has main activity the management of receivables portfolio purchased from various banking and financial institutions and nonbank financial institutions.

Bank's Foundation Right to Education was registered On 23 December, 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.

All amounts are expressed in RON thousands, unless otherwise stated

21. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

	Gross book value as at December 31, 2013	December 31, 2013 Net book value	Percentage owned as at December 31, 2013
OTP Advisor SRL	4,729	346	100%
OTP Consulting Romania SRL	210	210	75%
Total	**4,939**	**556**	

Gross book value of OTP Advisors Srl as of December 31, 2013 was 4,729 thousand RON, for which an impairment of 4,383 thousand RON was recorded, to a net book value of 346 thousand RON.
The gross value of OTP Consulting Romania Srl did not change in 2013 as compared to 2012.
OTP Advisors offers direct sales services for the lending products of OTP Bank.
OTP Advisors SRL has the headquarter 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 headquarter in Bucharest, Calea 13 Septembrie 114.

22. OTHER ASSETS, NET

	December 31, 2013	December 31, 2012
Consumables	2,971	1,972
Currency adjustment account	306	16
Total	**3,276**	**1,988**

23. DUE TO BANKS

	December 31, 2013			December 31, 2012		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Demand deposits from banks	106,605	49	106,654	45,731	21	45,752
Term deposits from banks	50,034	0	50,034	0	0	0
Total	**156,639**	**49**	**156,688**	**45,731**	**21**	**45,752**

24. DUE TO CUSTOMERS

	December 31, 2013			December 31, 2012		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Demand deposits from customers	355,789	183,812	539,601	250,654	143,764	394,418
Term deposits from customers	1,484,210	1,715,028	3,199,239	2,317,909	779,698	3,097,608
Total	**1,839,999**	**1,898,841**	**3,738,840**	**2,568,563**	**923,462**	**3,492,026**

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Included in layout "Term deposits from customers" are deposits of 682.7 million RON from OTP Financing Netherlands B.V. (member of the mother-company group), with remaining maturities between 7 months and 2 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:

- 115,000 thousand RON maturing on 20th of February 2014;
- 189,000 thousand RON maturing on 4th of February 2015.
- 109,638 thousand RON (30 million CHF) maturing on 23rd of December 2020.
- 269,082 thousand RON (60 million EUR) maturing on 30th of July 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:

Term deposits	December 31, 2013	December 31, 2012
RON	0.50% - 9%	5%
EUR	0.50% - 5%	2.50%
USD	0.30% - 3%	1.75%
CHF	1% - 2.70%	0%
HUF	1.75% - 3.5%	2%
GBP	1.50% - 3%	0%

Sight deposits	December 31, 2013	December 31, 2012
RON	0.1% - 3.74%	0.75% - 9.03%
EUR	0.10% - 0.50%	0.30% - 4.50%
USD	0.10% - 1.75%	0.30% - 3.3%
CHF	0.25%	0.10% - 2.80%
HUF	0.1% - 1.8%	1.75% - 5%
GBP	0.10%	2.5% - 3.25%

25. BORROWINGS

	December 31, 2013	December 31, 2012
Loans from European Bank for Reconstruction and Development	9,587	19,545
Loans from Ministry of Finance	1,438	2,448
Total	**11,024**	**21,993**

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 10,000,000 (current balance 9,587 thousand RON) with the purpose of sustaining the development of small and medium enterprises.

All amounts are expressed in RON thousands, unless otherwise stated

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 2013.

2. Ministry of Finance

As at 31st of December 2013 the outstanding amount (principal) of the credit facility signed with Ministry of Finance on 14th of February 2003, with maturity in February 2015, was RON 1,438 thousand. The loan represents a Subsidiary Loan Agreement within the Rural Financing Project and the reimbursement is made by semester payments.

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, 2013			December 31, 2012		
	Notional amount	**Asset**	**Liability**	**Notional amount**	**Asset**	**Liability**
Intercompany cross currency interest rate derivatives	303,721	0	101,106	1,065,721	0	409,156
Short term currency instruments	1,520	162	2,167	668,874	13,966	11,803
Options	2,920	17	17			
	308,160	**179**	**103,290**	**1,734,595**	**13,966**	**420,959**

27. TAXATION

The Bank has computed the deferred tax as of December 31, 2013 using the statutory legal rate of 16% (2012: 16%).

The income tax expense / release for the year comprises:

	December 31, 2013	**December 31, 2012**
Current income tax expense	0	0
Deferred tax release / (charge) to profit and loss	113	14,614
Total income tax release / (charge) to profit and loss	**113**	**14,614**

The deferred tax liability 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)**
Revaluation reserve for tangible and intangible assets:	43,015	4,237
Deferred tax liability as of December 31, 2012 - Fair-value adjustment of AFS shares	(169)	(27)
Loan loss provisions / impairment:	78,754	12,601
Fair value of securities through Profit and Loss	(1,073)	(156)
Deferred tax ASSET as of December 31, 2012		**16,655**
Deferred tax ASSET / LIABILITIES net as of December 31, 2013		**(16,655)**

All amounts are expressed in RON thousands, unless otherwise stated

Reconciliation of fiscal losses versus accounting losses

	December 31, 2013	December 31, 2012
Net Statutory (Loss) / profit of the period	(69,916)	(74,669)
Not taxable income	(17,533)	(23,914)
Not deductible expenses	23,311	18,164
Fiscal result (loss)	**(64,138)**	**(80,419)**
Carried fiscal loss	(164,035)	(216,165)
Total carried forward	**(228,173)**	**(164,423)**

28. OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Other due amounts from interbank transactions	12,433	14,272
Other due amounts from transactions with non-banking clients	43,164	32,218
Stock-exchange and other clients' accounts	502	821
Current taxes	4,002	5,527
Sundry creditors	3,861	4,234
Unearned income	2,115	2,761
Expense to be paid	778	1,061
	66,855	**60,894**

In caption "Other due amounts from interbank transactions" the main part (RON 12,433 thousand at 31.12.2013; RON 14,272 thousand as at 31 December 2012) 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", 16,838 thousand RON (11,420 thousand RON as at December 2012) relate to promissory notes, cheques and payment orders in relation to clients.

29. SHARE CAPITAL

	December 31, 2013	December 31, 2012
Share capital as of January 1, 2012	**732,909**	**542,909**
Increase of share capital	0	190,000
Share capital at the end of the period	**732,909**	**732,909**

No change has been made in respect of share capital in 2013.

As at 31 December 2013 the Bank's share capital amounted RON 732,909 thousand and consisted of 3,053,787 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 31 December 2013, the Bank's entire share capital was registered at the Commercial Register and fully paid in.

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:

All amounts are expressed in RON thousands, unless otherwise stated

	2013	2012
Loss after tax in the accounting period	(69,916)	(74,669)
Average number of ordinary shares outstanding during the period	3,053,787	2,782,954
Earnings per ordinary share (face value RON 240) in RON	**(22.89)**	**(26.83)**

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, 2013 and December 31, 2012 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. 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, 2012 are the following:

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 109

	December 31, 2013	December 31, 2012
Import letters of credit and other commitments, out of which:	366,511	182,156
Confirmed Letters of credit	14,015	13,071
Unutilised credit limits	352,496	169,085
Letters of guarantee and other guarantees	239,632	221,601
Other financial commitments	336,708	471,912
Total guarantees and other financing commitments	**942,851**	**875,669**

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 16)	499,709	486,723
Treasury Bills issued by National Bank of Hungary (Note 17)	0	90,577
Treasury Bills (Note 17)	143,197	201,088
Total	**642,907**	**778,389**

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, 2013 and December 31, 2012 are presented below:

All amounts are expressed in RON thousands, unless otherwise stated

	Management		Parent company		Other Related parties	
	December 31, 2012	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Assets						
Due from other banks	0	0	119,356	245,336	0	0
Loans and advances to customers, net	1,715	1,663	8	0	15,806	2,049
Other assets	0	0	0	44	12,579	600
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	1,285	882
Total assets	**1,715**	**1,663**	**119,364**	**245,380**	**29,670**	**3,531**
Liabilities						
Due to other banks	0	0	144	136	0	587
Due to customers	804	2,603	0	0	737,966	1,134,920
Loans from banks	0	0	0	0	0	0
Other liabilities	0	0	0	547	0	7,040
Fair Value of Derivatives Financial Instruments	0	0	101,106	409,156	0	0
Total liabilities	**804**	**2,603**	**101,250**	**409,839**	**737,966**	**1,142,548**
Income statement items						
Interest and Commission income	0	0	9,075	1,544	988	790
Interest and Commission expenses	0	0	11	114	58,341	79,757
Other income	0	0	0	0	334	185
Other expenses	0	0	78	26	7	4
Net result (expense) from derivative deals	0	0	101	(24,036)	0	0
Total income statements items	**0**	**0**	**9,265**	**(22,351)**	**59,670**	**80,735**
Other commitments	45	51	995,102	19,873	662	17,343
Off-balance sheet commitments	**45**	**51**	**995,102**	**19,873**	**662**	**17,343**

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, 2013, respectively December 31, 2012 were as follows:

	December 31, 2013	December 31, 2012
Salary for key management personnel	11,009	10,397
Short-term and long-term benefits	3,117	4,188
Termination benefits	58	540
Total benefits for key management personnel	**14,184**	**15,125**

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

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market rental review in order to adjust the prices to the market level.
During year 2013, 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.

	December 31, 2013	December 31, 2012
Not later than 1 year	3,183	2,309
Later than 1 year and no later than 5 years	39,975	30,485
Later than 5 years	5,896	19,993
Total	**49,054**	**52,788**

34. RESTRICTED ASSETS

As of December 31, 2013 and December 31, 2012 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).

35. CONTINGENCIES

As of December 31, 2013 (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 216 law-suits and as a plaintiff in 22 law-suits.

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

All amounts are expressed in RON thousands, unless otherwise stated

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, 2013 the Bank was administrating and monitoring transferred loans in original currencies amounting CHF 441,2 million representing 1,612 million RON equivalent (CHF 512.6 million representing 1,880 million RON equivalent as at December 31, 2012) and EUR 92.2 million representing 413.5 million RON equivalent (EUR 110.5 million representing 489 million RON equivalent as at December 31, 2012).

37. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In January 2014, the National Bank of Romania reduced the rates for minimum obligatory reserves for RON from 15% to 12% and for currency from 20% to 18%. The Bank did not encountered any other significant event during the period between the balance sheet date and the issuing date of the current Financial Statements and accompanying Notes.

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CORPORATE GOVERNANCE

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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 Kovács graduated from the Budapest University of Economics in 1985.

From 1979 to 1990, he was Chief Officer and Head of Department at the City Council of Nagyatád.

Between 1990 and 1995, he worked for K&H Bank Ltd. (KBC Group) as 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.

Starting 1997, he became, for a year, the County Director of Tolna County as well.

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

Since 2007 July, 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).

At present, while compiling the report in June 2014, Mr. Kovács has become Chairman of the Board of Directors of OTP Mortgage Bank Ltd.

Dr. Miklós Németh

Member of the Supervisory Board, OTP Bank Romania

Miklós Németh (49) has been a Member of the Supervisory Board since 2012. Between 2004-2007, he was Member of the Board of Directors of OTP Bank Romania.

He joined OTP Bank in 1996 and he is working on the Commercial Banking Division as head of the Project Finance Directorate. From 2007, he holds the senior managing director position on the Directorate.

Besides this position, Miklós Németh has had other assignments within OTP Group, such as: managing director of OTP Financing Netherlands BV and managing director of Air-Invest LLC.

Regarding his academic background, he graduated at the Technical University of Budapest, afterwards he studied at the Budapest University of Economic Studies and obtained there a postgraduate degree. He received his Dr. degree in 1996.

Enikő Zsakó

Member of the Supervisory Board, OTP Bank Romania

Enikő Zsakó (51) has been Member of the Supervisory Board since 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. Since 2007 she has been the head of Bank Group Coordination, Analyzing and Methodology Department, being responsible for the coordination and supervision of the internal audit activities of the OTP group members.

She graduated as Electrical Engineer from the Technical University of Cluj-Napoca in 1985 and as Banking Consultant in 1997 from 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 has been the chairperson of the Audit Section of the Hungarian Economic Association since 2011.

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 the Chairman of the Supervisory Board at OTP Mortgage Bank and the 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.

Tibor Csonka

Member of the Supervisory Board, OTP Bank Romania

Regarding his academic background Tibor Csonka graduated from Szent István University in 2002 Faculty of Economics and Social Sciences, as 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 months 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 2007, April and 2008, September Mr. Csonka was the Sales Director of Budapest Region.

Between 2007 and 2011 he was the Deputy Managing Director of the South – Transdanubian Region.

Since April 2011, he has been the Managing Director of the Micro and Small Enterprises Department at Budapest.

Besides these positions, since 2011, Tibor Csonka is member of the Management Board of Merkantil Bank Ltd. and Merkantil Car Ltd. Since 2012 he has also become Vice President of Chamber of Commerce and Industry.

Tamás Vörös

Member of the Supervisory Board, OTP Bank Romania

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 headquarters 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 from 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.

At present, Mr. Vörös is 40 years old.

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 (47) 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 (46) 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 Bodó

Member of the Management Board, OTP Bank Romania
Deputy CEO, Head of the IT and Logistics Division, OTP Bank Romania

György Bodó (53) has over 25 years of experience in the area of Information and Communication Technology (ICT) and over 20 years in managerial position in different companies in engineering or financial business. He also gained more than 15 years of international experience with companies from Austria, Germany, France, Canada and Hungary.

György Bodó joined OTP Bank Romania in August 2005, when he took over the position of Deputy CEO, Head of the IT and Logistics Division, and member of various committees as well. Since May, 2007 he has been a member of the Management Board and president of the IT Development Committee.

Regarding his academic background, Mr. György Bodó graduated the University "Gh. Asachi" of Iasi, in 1985, specialized in Computer Science and Automation. He has also attended an Executive MBA in General Management, at the Sheffield University, UK, which he graduated with Honour in 2008. In 2009, he has been awarded with CMI Level 7 Diploma in Strategic Management and Leadership (QCF) issued by the Chartered Management Institute UK.

In addition, he attended several specialized courses, in Romania and abroad, such as Credit Risk Management and Operational Risk Management (BASEL II), in Austria; Planning and Organization/Project Management courses, in Germany; IT System Management in supporting the banking activity, in Canada; Leading and Managing People, Customer Care, Time Management, Sales and Negotiation Techniques, IFRS, Activating Change and Team Synergy, in Romania etc.

His previous work experience includes financial institutions such as: Volksbank Romania S.A., where he was Director of the IT Division; BNP – Dresdner Bank (Romania) S.A., as Head of the IT Department; Romanian Loan Guarantee Fund (FRGC), where he coordinated the IT System Department, as Director.

Mr. Bodó considers that the mission of the IT and Logistics Division is to provide all structures of the Bank with high level services, able to support the business processes, in the goal to achieve the Bank's overall financial objectives and keep the competitive advantages. The big challenge for Mr. Bodó is to get the balance between the required agility to adjust quickly to the market changes, have and keep the technological advantage, respect the regulatory requirements framework, and have under control the associated operational risk, and all these with reasonable and acceptable cost.

György Gáldi

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

György Gáldi (50) 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 (41) 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.

Radu Cătălin Petrea

Member of the Management Board, OTP Bank Romania
Deputy CEO Financial Markets, OTP Bank Romania

Radu Cătălin Petrea (39) joined OTP Bank's team in 2007 as Executive Director of the Treasury Directorate, continuously accepting next responsibilities within the bank. Since 2013 he has taken new roles within the executive management team as Deputy CEO of the Financial Market Directorate and member of the Management Board of the Bank.

He is one of the pioneers of the local Financial Markets with over 20 years of experience in the field. Throughout his professional career, Radu Cătălin Petrea had worked for several large banks in various management positions, accumulating experience in a wide spectrum of areas.

Mr. Petrea is also an active member of several business organizations, constantly involved in promoting the Romanian business climate and a constant supporter of young entrepreneurship and educational programs.

Mr. Petrea holds a bachelor degree in Economics, obtained an MBA degree from Aston University, UK and graduated an executive program with the Stanford University, California.

Gabriela Mihăilescu

Member of the Management Board, OTP Bank Romania
Deputy CEO, Head of Finance & Planning Division

Gabriela Mihăilescu (36) occupied the position of CEO of Financial and Planning Division at OTP Bank Romania and Member of the Management Board at OTP Bank Romania since December 2012 till the end of 2013.

Regarding her academic background, Gabriela Mihăilescu graduated The Bucharest University of Economic Studies, Faculty of Business Administration in Foreign Languages (1997 - 2001). She also obtained a Master degree in Finance and Controlling at the University of Orléans, France (2001 - 2002) and a Doctoral degree at The Bucharest University of Economic Studies (2012).

Gabriela Mihăilescu began her professional activity in 2002, as financial analyst in the Management Control Department, at BRD – Group Société Générale, Bucharest and joined OTP Bank Romania in March 2005, as Manager of Controlling and Reporting Department. In the following years, she occupied several positions within the Finance & Planning Division and had an active role in strategic decisions, being also a member in several committes and ALCO president starting with 2012.

In 2006, she took over the position of Director of Controlling, Reporting and Planning Directorate and developed and implemented the Bank`s Controlling and budget activities. Beginning with 2007, she put as well the bases of the ALM system, she was in charge of liquidity management and funding decisions, as Director of the Controlling, ALM and Reporting Directorate.
She coordinated the implementation of SAP financial and controlling modules, managed the implementation of a cost control and cost allocation system and she developed and reorganized Treasury Middle Office activity.

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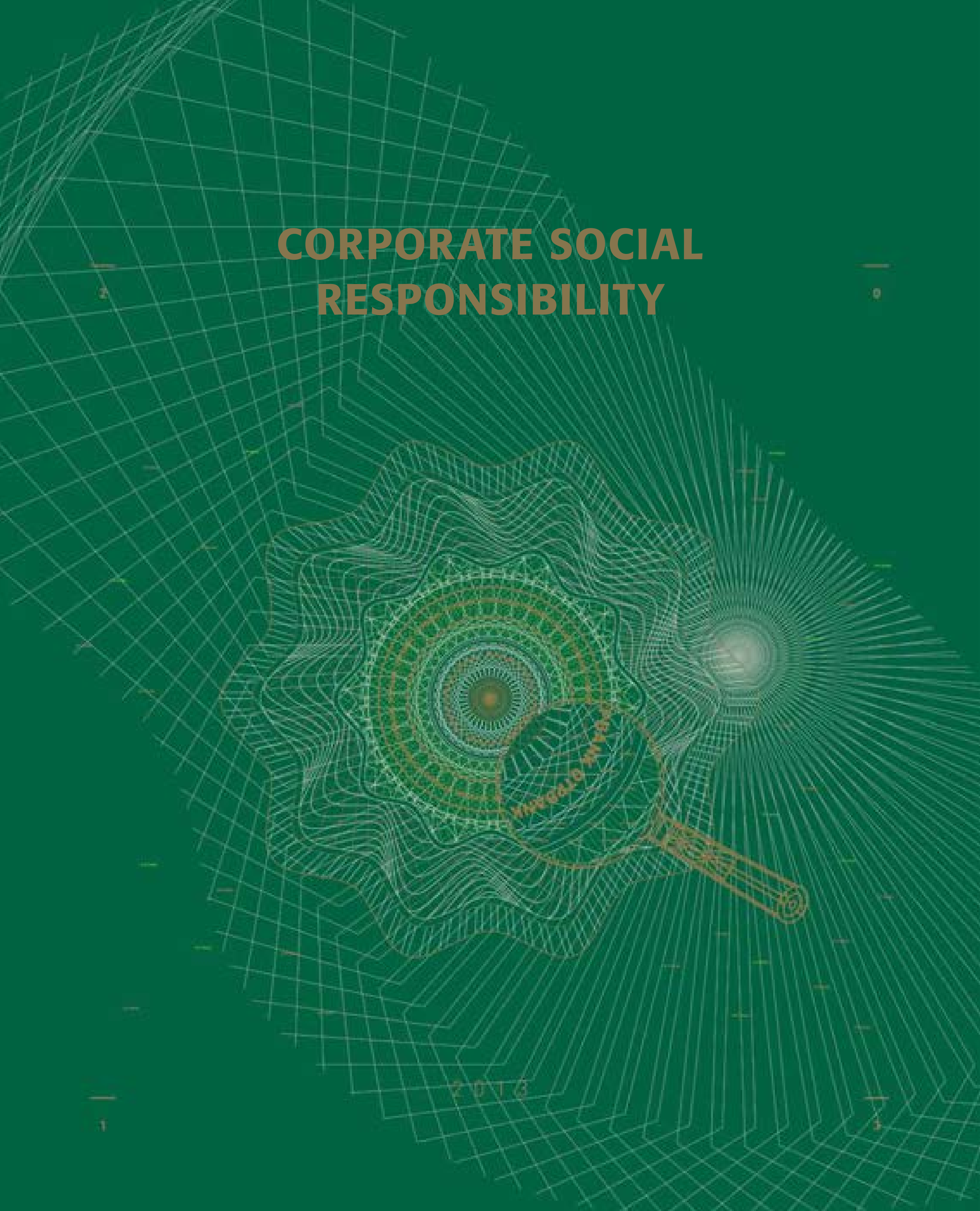
CORPORATE SOCIAL RESPONSIBILITY



2013

Corporate Social Responsibility

Traditional corporate social responsibility (CSR) needs to deliver better for both companies and society. Executives need a new approach to engage the external environment.

OTP Bank believes that the best way to evolve is to integrate external engagement (IEE) into business decision making at every level of the company.

OTP Bank Romania`s CSR projects are an extension of our employees' and our organization's values as a whole.

The engagement with the community through our activities is the core pillar in our CSR strategy. Consequently, we strive to engage as an interactive business community.

Since the beginning of our activity in Romania, we endeavoured and succeeded in including CSR projects in our development strategy. We build our programs upon our core values, such as trust, partnership and integrity, which we keep in mind whenever we interact with our clients and our employees.

OTP Bank Romania plays an important role in social activities, in a frame time of long term CSR strategies, starting the interaction with our clients, based on trust and respect, to special internal programs for our employees run 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, co-operate, 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

Job quality should be a key objective of any employer. Happy employees create happy customers that produce business results. Employees want fair, respectful, healthy and democratic workplaces that value their engagement.

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.

With an ethical approach and a healthy working philosophy, OTP Bank Romania turned social responsibility into a general practice within the organization.

To name a few examples: we constantly recycle paper and other used materials, we are responsible in the way we use our energy by implementing intelligent systems of cutting energy consumption and we encourage our employees to be part of voluntaries programs, such as blood donations, trees planting activities and others.

Right to Read CSR Campaign

In 2014 we have 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 benefited of a limited collection of books. Given this tough reality, the campaign aimed at endowing the disadvantaged general schools from the Romanian villages.

The main objectives of the campaign are:

- Raise the number of schools endowed with new libraries through direct donations;
- Get the public to support the access to reading by asking them to donate books, in all the territorial banking units of OTP Bank Romania and in our partners' locations;
- Raise engagement among employees in order to support and promote the campaign.

The target audiences are school children, teachers, local authorities, the wider Romanian public, opinion leaders and the mass-media.

The initial objectives were entirely surpassed and the campaign became a huge success. Up to the end of 2012, we succeeded in fully equipping **165 rural schools** with books and proper furniture.

More than 31,000 children won back their natural right to read by receiving over **103,000 books**, by October, 2013.

The civil society played an important role in obtaining these positive results. People understood the need of these disadvantaged children and joined the campaign by donating an impressive number of books.

Also, the campaign benefits of a dedicated website: **www.estedreptulmeu.ro**, which is updated in real time and allows a close interaction with its visitors. You can find more details about the project and the way people get involved by also accessing our Facebook page. By the end of 2013, the "Right to Read" **Facebook** page had reached almost **31,000 fans**.

We always look ahead, to the future, planning the next steps. So, our next activity comes naturally: the launch of the Right to Read Foundation, through which we affirm a financially responsible attitude among pupils from secondary schools.

Our motivation is to teach young people from an early age the value of money and the importance of the financial resources in their development. Recent studies show a level of financial education below the average in Romania, therefore the need to support financial education for the new generation is well validated. It is a mission that we are all accountable for.

To embark on our mission, we will use the input of a 20 years' experience of Fáy András Foundation, founded by OTP Bank Hungary. Fáy András' trainers have already delivered the first training sessions, which will be soon taken over by the trainers from our foundation. During these training courses, youngsters are given basic financial and economic concepts, in an appropriate language, based on a non-formal methodology.

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.

otpbank
The right to a better world

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.

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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 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 risks can be considered as follows:

- Inadequate monitoring of customers transactions;
- Improper due diligence;
- Non-compliance with legal requirements related to the relevant secret and data protection;
- Non-effective liquidity risk management;
- Non-compliance with U.S. Patriot Act requests;
- Breach of conflict of interest and ethical rules;
- Non-compliance with prudential requirements (capital adequacy and reserve creation);
- Non-compliance with MiFID regulations.

Compliance Direction is a strategic unit within the organizational structure of the Bank. Compliance Directorate role is to identify and monitor the compliance risks that affect the Bank, to elaborate regulations, standards and recommendations regarding the compliance risks litigation, and initiate supervision and audit of Bank business processes impacted by the compliance risks.

One of the major responsibilities of the Compliance Directorate is the compliance risk assessment through the compliance audit function.

Compliance objective function according to the Bank Policy and legal requirements is to ensure a legitimate and good governance and concrete operations in accordance with legislative and regulatory framework and maintain a good reputation of the business.

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 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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