Annual Report

2012

otpbank

Summary

Message from the Chairman of the Supervisory Board

While the fiscal consolidation in countries from Central and Eastern Europe, where OTP Group is present has taken its toll through lower GDP growth, the economic activity remained in the positive territory in most of the markets.

2012 was a stabilizing year for OTP Group, following our strategy of a cautious risk policy, high provisions and strict cost control actions.

The financial results of OTP Group for the year 2012 show a EUR 518,4 million adjusted after tax profit (excluding the special banking levy), the impact of early repayment of FX mortgages, dividends and positive tax shield of investment impairment charges). The accounting profit including all the adjustments represented EUR 423.7 million, which is by 46% higher than in 2011. The key reason behind the improvement was the base effect of the early FX prepayment and goodwill impairment.

In 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.

Thus, we successfully continued the "Customer Protection Program", ensuring both customer care and the bank's safety. Another strategic project that we are proud of is OTP Mentor, a program that allows us to assume the role of financial advisors, offering integrated solutions to our clients.

OTP Bank Romania continued its social involvement activities, gaining international recognition and impressive results through the "Right to Read" campaign, the bank's first national CSR program.

The "Right to Read" campaign managed to reach out to 143 disadvantaged schools in rural areas, providing library equipment and books. More than 29,000 children regained their right to read, having access to over 92,000 books, by December 31, 2012. "The Right to Read" was awarded the gold medal during the prestigious international competition SABRE Awards and was nominated to the PR News CSR Awards, one of the major social responsibility competitions in the US.

2012 also brought predictable satisfactory financial results for the Romanian subsidiary of OTP Group:

- **OTP Bank Romania** registered assets in value of EUR 1,585.7 million
- The **deposit portfolio of OTP Bank Romania**, for both retail and corporate segments registered a significant growth, of 46%, respectively 21%. The success of the deposit collection was marked by the increasing market share

in 2012, supported by the 41% volume expansion. Household deposits showed a 9% growth in the fourth quarter, due to deposit collection and retention campaigns.

- Regarding the **lending activity**, in 2012 the re-launch and upswing of RON consumer lending was the key milestone. Due to continuous lending campaigns, consumer loans gained further ground in 4Q, even after the interest rate hikes in 3Q. The **market share** on this segment rose from 3,5% to 4%, in 2012.
- The aggregated volumes of **micro and small companies and corporate loans** expanded by **10%**, in 2012.
- In 2012, the **operating expenses** went up by 2%, which reflects solid cost control, bearing in mind the inflationary environment.
- The **net interest income** decreased by 14%, while the **after tax profit** w/o dividends, net cash transfers and one-offs decreased to EUR –19.68 million in 2012. The setback can be partially explained by the elevated provisions. Moreover, the risk cost was set aside by the loan quality deterioration seen in previous quarters, while the DPD90+ ratio remained Q-o-Q flat at 15.9%.
- In 4Q 2012, OTP Group increased the **registered capital** of OTP Bank Romania by EUR 11.09 million, giving a boost to the capital adequacy ratio that reached 15.6%, after a previous capital increase of EUR 31,05 million registred in February, 2012.

In 2012, the biggest challenge for OTP Bank Romania was to develop and introduce a new strategy, which corresponds to the changing global and local economic environment. The major aspects of this strategy are: self funding, higher yield products, more focus on active customer relationships, clearer customer approach on a better segmentation basis and rigorous cost measures.

In 2013, we will continue our prudent strategy and at the same time take advantage of the extending loans volume and of the fact that OTP Bank Romania is a self-financed bank.

Further more, we will focus on those products that have gained the title of "best-sellers" in the banking sector - personal loans and credit cards. Moreover, our clients are showing an increasing interest in our portfolio of salary cards, investment funds and deposits.

Therefore, we strongly believe that we have the best premises for a good year, with positive results, satisfied customers and efficient employees.

We trust that our business approach conveys a win-win situation and brings benefits for both the company and our most important partners, our customers.

Kovács Antal György
Chairman of the Supervisory Board

OTP Bank

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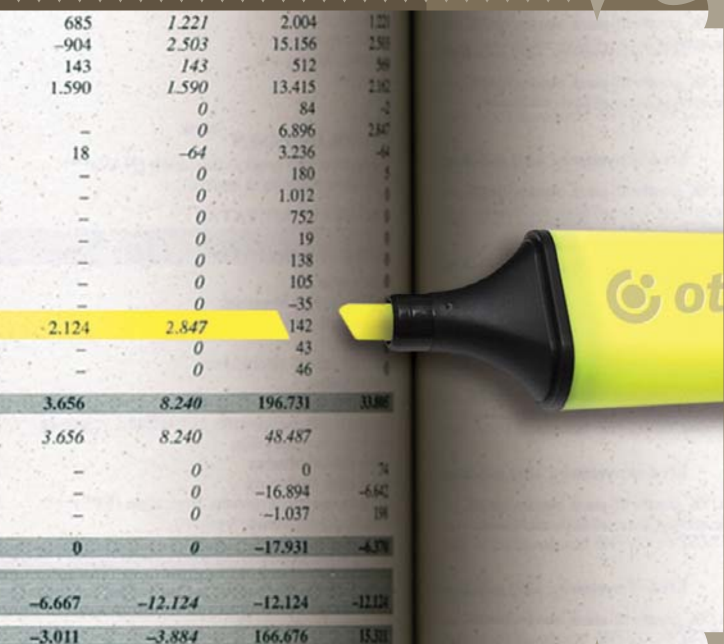
2012



Financial Highlights

*OTP Group**

		According to IFRS Group Audited Annual Report	According to IFRS Group Audited Annual Report	
Profit and Loss Account (in RON thousands)	**Note**	**2011**	**2012**	**Variation (%)**
Net interest income		10,505,896	10,327,770	-1.7%
Net interest income after provisioning		5,231,880	6,647,973	27.1%
Non-interest Income	**24**	2,440,244	2,469,471	1.2%
Total income (with net fees)		12,946,139	12,797,242	-1.2%
Operating cost	**25**	6,706,332	6,775,849	1.0%
Profit before tax		2,048,431	2,330,859	13.8%
Profit after tax		1,395,643	1,947,102	39.5%
Balance Sheet (in RON thousands)	**Note**	**2011**	**2012**	**Variation (%)**
Total assets		141,536,381	153,910,607	8.7%
Loans and advances to customers	**8**	111,661,857	114,853,858	2.9%
Retail loans		37,151,131	40,692,726	9.5%
Corporate loans		35,342,348	35,300,837	-0.1%
Housing loans		34,288,664	34,217,547	-0.2%
Municipal loans		4,879,714	4,642,596	-4.9%
Interbank loans and advances	**5**	5,866,200	5,430,924	-7.4%
Deposits from customers	**14**	88,786,638	99,691,189	12.3%
Retail deposits		60,267,740	65,228,321	8.2%
Corporate deposits		24,971,999	29,851,514	19.5%
Municipal deposits		3,069,543	3,987,262	29.9%
Issued securities	**15**	11,278,798	9,787,293	-13.2%
Provisions for possible loan losses	**8**	4,393,964	3,454,269	-21.4%
Shareholders' equity		19,679,617	23,049,049	17.1%

Note*: The Information presented above was computed based on data extracted from OTP Group Consolidated Financial Statements
Exchange rates used to translate the OTP Group Consolidated Financial Statements from HUF foreign currency into RON are the following:

	2011	**2012**
Exchange rate HUF / RON for Profit and Loss Account translation (average year)	**72.07**	**62.50**
Exchange rate HUF / RON for Balance Sheet translation (closing rate)	**60.04**	**65.71**

Considering the significant variation in currency exchange rate (HUF / RON) in 2012 compared to 2011, the Change in year 2012

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

	2011	2012	Variation (%)
Loans			
Gross loans	**2,536,671**	**3,003,809**	**18%**
- from which:			
Individuals	**1,601,051**	**2,067,973**	**29%**
Corporate	**935,620**	**935,836**	**0%**
Provisions	**207,209**	**199,230**	**-4%**
Net Loans	**2,329,462**	**2,804,579**	**20%**
Investment securities available for sale	**9,378**	**10,451**	**11%**
Investment securities at fair value trough profit and loss	**89,047**	**95,060**	**7%**
Securities held-to-maturity	**238,656**	**291,666**	**22%**
Liabilities from credit institutions			
- from which:			
Loans, net:	**23,275**	**21,993**	**-6%**
- from EBRD	**19,888**	**19,545**	**-2%**
- from Ministry of Finance	**3,387**	**2,448**	**-28%**
Deposits from Banks	**65,790**	**45,752**	**-30%**
Deposits from Clients	**2,775,604**	**3,492,026**	**26%**
Derivatives at fair value with group members (liability)	**334,430**	**420,959**	**26%**
Total Shareholders' Equity	**437,675**	**586,390**	**34%**
Total assets	**3,752,010**	**4,639,553**	**24%**

* According to the Separate Financial Statements for the year-end December 31, 2012 and 2011, 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

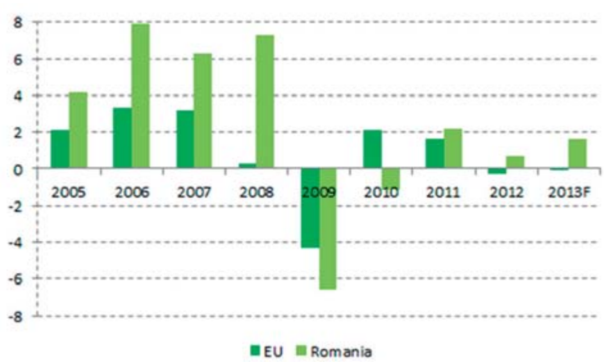
GDP rose by 0.7% in 2012, supported exclusively by services

The economy managed to expand, in 2012 and it was in the recovery phase of the business cycle, but agriculture suffered a large loss and value added fell by 21.6% YoY. Without agriculture, GDP would have expanded by 2.2% YoY, more than in 2011, when the hike was of 1.5% YoY (without agriculture). In 2012, services offered the only support to GDP growth, while industry fell by 1% YoY and constructions only marginally (-0.3% YoY). Looking at the expenditure side, consumption rose even more than during the previous year, by 1.2% YoY, supported by both private and public expenditure. Investments were also strong (+4.9% YoY), although weaker than in 2011 (+7.3% YoY). This is explained to a great extent by a lower public investment, driven by the need to continue the fiscal consolidation process.

Romania's fiscal stance further improved in 2012, as the deficit shrank by 2.7 percentage points

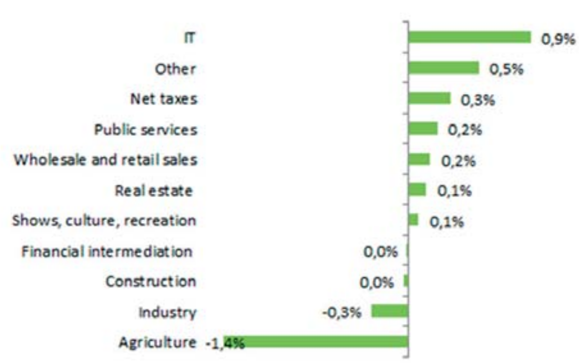
Indeed, the ESA budget deficit was significantly lower in 2012, to 2.9% YoY, compared to 5.6% YoY in 2011 and it was driven mainly by the expenditure side adjustment. The adjustment referred exclusively to capital investments, if we analyze its share in GDP: they came down from 7.9% in 2011 to only 5.6%. This cut was inherent given the poor absorption of EU funds, much lower than expected. Compensation of employees fell marginally as a weight in GDP to 7.8% but nominally, it stood higher by 4.4% YoY as the public employees' wages were hiked once in June by 8% and in December by 7.4%.

Romanian GDP rose by 0.7% while in the European Union, GDP fell by 0.3%



Source: Eurostat, OTP Research
F = forecast

Contribution to GDP growth
Services boosted the economy in 2012



Source: NIS, OTP Research
Note: "Other" refers to "Professional, scientific & technical activities; activities of administrative services and support services"

The ILO unemployment rate fell to 7%, its long term average

The unemployment rate, which is a lagging business cycle indicator, appears to have peaked at 7.4% in 2011, the fourth year post recession. In 2012 however, it came down to 7% which is its annual average since 2000. During the boom period of 2005-2008, average annual unemployment rate stood slightly below 7% at 6.7%. Employment rose by 125 thousand persons in 2012, to 9.3 mn people. Out of the total employed people, 1.9 mn are self-employed and 6.2 mn are employees. According to national statistics, the average gross wage rose by 4.6% YoY so the real wage evolution was positive, as average inflation stood at 3.3% YoY, in 2012.

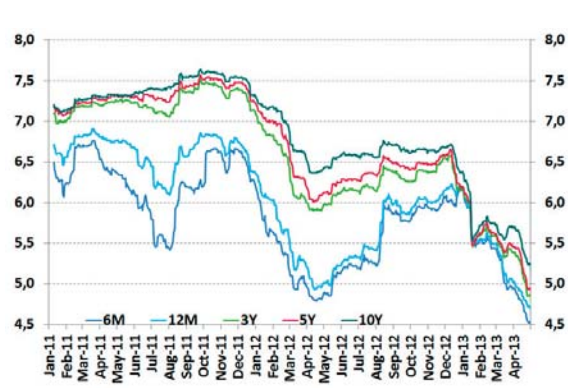
In 2012, the Central Bank continued the easing cycle and cut the base rate to 5.25%

The Central Bank cut the base rate three times in 2012, all in the first quarter: the base rate fell from 6% at the end of 2011 to 5.25% at the end of Q1 2012. However, the easing cycle was interrupted as inflation pressures started to increase: first, the political instability in the second and third quarter had caused the leu to depreciate and made room to worsened inflation expectations. Then, starting September, inflation jumped to 5.3% YoY as a result of food inflation, given the bad agricultural year. The CB missed its inflation target by 1% as inflation was 5% YoY in December.
To fight leu's depreciation, the Central Bank capped the liquidity injected at the repo auction in August for 3 weeks and then later on in September. Starting September 2012, it maintained the cap until February 2013. Consequently, ROBOR rates rose in H2 2012 and new loan interest rates started to climb again reaching 10.5% in December after they had touched the minimum at 9.6%, in April. Average interest rates for new deposits in RON stood at 5.3%, in December 2012. The Central Bank managed to limit leu's depreciation in 2012. The average EUR/RON rate was 4.456, higher by 5.1% than in 2011.

The leu lost 5.1% to the euro on average, in 2012
The CDS came down more than 200 bp, to 194 bp

Source: Reuters, OTP Research

Bond yields fell by some 100 bp in 2012

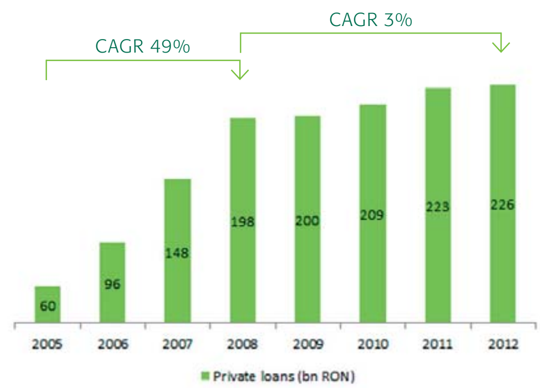


Source: NBR, OTP Research

Inflation fell to 3.3% on average from 5.8% in 2011
ROBOR3M (avg.) was 5.3% versus 5.8% in 2011

Source: NBR, OTP Research

Private loans growth remains subdued



Source: NBR, OTP Research

Lending pace weakened significantly in 2012 and private loans advanced by 1.3% YoY, only due to corporate loans (+2.2% YoY), while the household segment remained almost flat (+0.2% YoY). In the case of households, mortgage lending had a strong rhythm (+11% YoY), but the consumer segment exhibited net outflows. The latter was under the spell of NBR's regulation which started to show its impact in Q2 2012. This regulation restricted consumer loans in two ways: first, the maximum maturity was reduced to 5 years. Second, foreign denominated loans were affected because the terms of lending were tightened. On the other hand, the cost of risk was an adverse factor to lending: NPL ratio rose from 14.3%, in December 2011 to 18.3%, in December 2012.

Outlook 2013:

External financial package and country risk: In March 2011, Romania has signed a two years standby agreement with the IMF, worth 3.5 bn EUR. The arrangement came with additional support from the European Union and the World Bank. In March 2013, the IMF Board approved a 3 month extension of the agreement, until June 30, 2013. The 7th and 8th reviews have been postponed until that date, which gives the Government time to fulfill reduce arrears and take action in what regards the planned sales of stakes in state owned companies. While the ESA deficit target has been met, the cash deficit target has been missed, as in 2012 the cash budget deficit stood at 2.5%, 0.3% higher than the target. Beside this, the planned absorption of EU funds was much weaker than planned. In 2013, the ESA deficit target is 2.4% and the cash deficit is 2.1%. Several fiscal measures have been put into place to help continue the fiscal consolidation: among others, they regard increasing the tax base by taxing agricultural revenues, by implementing several taxes on the energy companies and companies exploiting natural resources. Also, the government should receive exceptional revenue from renting frequency bands to mobile operators. Expectations are that another agreement with the IMF will be signed. At the date of the current writing, May 8, the 5Y CDS (euro) stood at 171 bp, reflecting a much improved risk perception compared to previous few years post crisis.

Central Bank: The Central Bank announced at its Board meeting (May 2) on monetary policy issues that it envisages a new rate cut cycle, but for the moment it kept the base rate at 5.25%. In order to enhance the transmission mechanism, it shrank the variation corridor around the base rate from +/- 4 percent to +/- 3 percent. Consequently, the interest rate for the ON deposit facility is lifted by 1 percent to 2.25% and the Lombard rate becomes 8.25%.

Inflation: In Q1 2013 inflation rate was rather high, between 5-6% YoY as a result of a base effect on food prices, given that 2012 has been a bad agricultural year and also from the hikes of administered prices. Inflation is expected to remain elevated in H1 and come down in the second semester. The Central Bank sees inflation at 3.2% YoY in December 2013. Upward pressure will be still felt in H2 2012 from the liberalization of energy prices.

Growth: Flash GDP data pointed to an unexpected positive surprise: in Q1, GDP rose by 0.5% QoQ and 2.1% YoY (gross). Domestic demand is expected to support GDP growth in 2013, especially households' consumption. The full effect from increasing the wages of public employees in 2012 is expected to be felt this year. Additionally, pensions have been increased by 4% in 2013. The expected GDP growth is 1.6% and until now, exports have surprised positively. Also, the agricultural year has started on a good foot. Lastly, the external picture has shifted favorably and risks coming from external environment have decreased compared to the previous year: the banking system crisis has been tamed although efforts are still needed to preserve the current equilibrium. At the European level, bailout mechanisms have been put into place. Central Banks around the world, such as the Federal Reserve, ECB and Bank of Japan have taken significant steps to further ease monetary policy, in order to stimulate lending and therefore growth.

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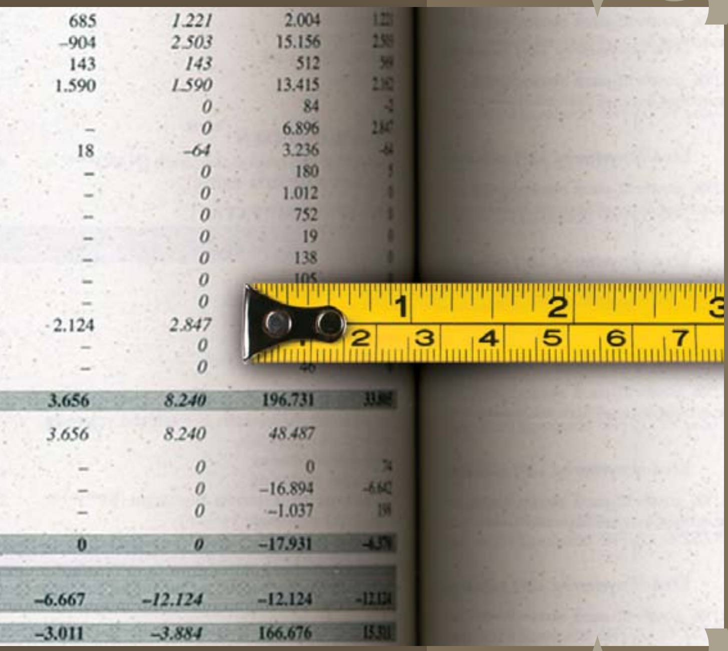


Business Results

Business Results

***OTP Bank Romania**, subsidiary of OTP Bank, the **largest independent Central-Eastern-European banking group**, is **an integrated and self-funding financial services provider**. Driven by a **responsible**, **committed** and **highly professional** approach, OTP Bank Romania understands its customers' needs and the market current realities and acts as a **reliable financial advisor**.*

***OTP Bank** provides **universal banking 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%, up to HUF 236.4 billion (EUR 930,706,800). The incurred losses were remarkably lower than in the second quarter of the year. Moreover, the net interest income increased significantly up to 93% due to the strengthening of the bank's deposit base. In only one month, December 2007, 20 new branches were opened, OTP Bank Romania reaching the significant number of 104 brunches.

2008 was the first profitable year in the history of OTP Bank Romania. Thus, the bank recorded an operating income increase of 65.5%, compared to 2007 (from HUF 10,152 million to HUF 16,800 million). 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%.

In 2009, according to the Stock Exchange Report for OTP Group, the subsidiary OTP Bank Romania ended the second consecutive year with positive results, despite the still delicate situation on the financial banking market. The Romanian subsidiary showed an after tax profit of EUR 4.2 million and an outstanding performance, as the operating profit nearly doubled in 2009, compared to 2008 (according to the 2009 OTP Group level consolidated financial report). The remarkable result was supported by a strong total income growth of 20% versus the previous year and an increase of the net interest income by more than 100%.

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.

In 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.

OTP Bank Romania's approach

OTP Bank Romania, subsidiary of OTP Bank – the largest independent Central-Eastern-European banking group – is an integrated and self-funding financial services provider. Driven by a responsible, committed and highly professional approach, OTP Bank Romania understands the customers' current needs and realities, acting as a reliable financial advisor. The support and the long experience of the Group have helped OTP Bank Romania develop each year dynamically, but, at the same time, with care and responsibility, in accordance with the Romanian banking market challenges.

OTP Bank Romania is a bank with 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 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.

OTP Bank Romania 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.

We are proud that, over the past 8 years since OTP Bank entered the Romanian market, we have placed quality at the heart of our business and we have provided the most appropriate and dynamic banking products and services to suit our customers' needs.

Now, the trust you are placing in OTP Bank Romania, which we have earned in time, is our most important achievement over the past 8 years.

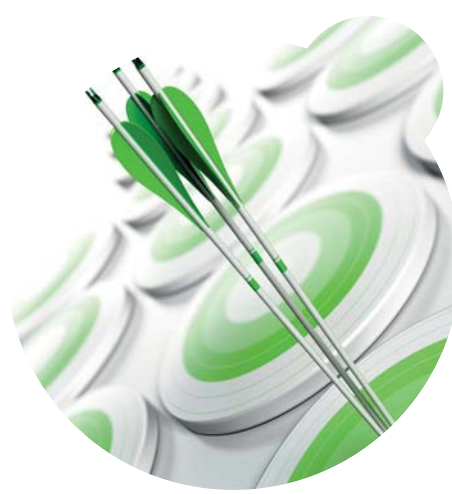
Stability, integrity, transparency, the consultative approach and customer centricity are our core values which are reflected in each and every one of our products and services.

We shall continue, with same realistic business approach, to offer pragmatic and professional products and services and to act as a true financial advisor to our customers.

Targets

"We are a stable and prudent financial-banking institution, which has achieved organic growth over the 8 years since we have been present on the Romanian market. According to a stress test carried at European level in 2011, OTP Group was declared as the third most stable banking group in the region. Thus, OTP Bank was granted the highest score among the banks present in Romania.

In 2012, we continued what we had responsibly started more than 8 years ago, we have developed new products and services to meet our customers' real needs. We are proud to have successfully continued the Debtors' Protection Program, thus securing long-lasting relations with



our customers and safeguarding the bank's position.

We assumed the position of a responsible citizen in the communities where we operate and continued our CSR campaign, "The right to Read", awarded internationally for its impressive results.

Our core values – trust, partnership and integrity – will remain the drivers of our bank's evolution.
In 2013, we will continue our prudent business strategy, focusing on our clients' interest and bank's safe development."

László Diósi
CEO
OTP Bank Romania

Objectives

OTP Bank Romania has been implementing an universal banking strategy, with multiple specializations.

Within our universal banking strategy, we differentiate ourselves, through the means of expertise, in a series of products groups/ clients segments, such as corporate midmarket, SMEs, private individual loans, investment funds, Private Banking, OTP Mentor and OTPdirekt service package.

OTP Bank Romania has developed and introduced a new business strategy, which corresponds to the changing global and local economic environment and having as major aspects: self-funding, higher yield products, more focus on active customer relationships, clearer customer approach on a better segmentation basis and rigorous cost measures.

In 2013, we will continue to show commitment towards our clients, which are our most important asset.

We will strive to decrease the volume of nonperforming loans, increase the number of clients, encourage private individual lending, increase the usage of credit cards for daily spending and better address the needs of the SMEs and corporate clients, while continuing to apply an efficient cost control strategy and decrease the bank's costs, as a response to the challenging financial environment.

We are confident that our main strengths that kept us performing for the past 8 years will continue to represent the differentiating factor from other competitors: nonperforming loans level below the market average, a very high coverage ratio, as well as decreased costs and self-funding.

In 2013, we will continue our prudent strategy, with focus on those products that are currently gaining the title of "best-sellers" in the banking sector: personal loans, credit cards, salary cards, investment funds and deposits.

We trust that we have the best premises for a good year, with positive results and satisfied customers.

Quality Assurance Projects

Treasury quality statement

During 2012, the bank's Treasury has managed to provide a good performance, especially for the sales activity, proving the capacity to find new opportunities and customers, in a difficult environment. Such results have been reached due to the high professionalism of the team, increased activity turnover and focus on widening the types of products.

With a moderate credit growth in 2012, mainly driven by the RON denominated consumer loans, OTP Bank Romania has also taken into consideration the funding structure and liquidity, the treasury being concentrated on managing the liquidity, in the given market environment, by preserving the prudent investor principles.

We have succeeded to build and maintain a comfortable liquidity buffer, the major part

of it representing investments in T-Bills and T-Bonds issued by the Romanian Ministry of Finance and other short term securities, with high liquidity. Such a development was in line both with the market evolution and with the safety strategy adopted and implemented by OTP Bank Romania. The placements are "eligible assets" for Repo deals with the National Bank of Romania (NBR) or available for refinancing on secondary markets, in case of liquidity shortfalls. This fact had the added benefit of respecting both the Group and NBR requirements, which considered that owning a buffer of government, non-government securities, highly liquid, represent an important part of a commercial bank's safety strategy.
Another type of investment made by OTP Bank Romania was to possess monetary funds issued by some large banks present on the Romanian market, thus taking advantage of the higher yield paid off by these types of instruments (based largely on fixed income components: T-Bills and deposits).

IT Projects quality assurance

The IT and Logistics Division of OTP Bank Romania continued, in 2012, 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 2012. IT security policies and mechanisms were also permanently updated, in line with the security assurance objective.

In 2012, the IT and Logistics Division took action to implement mandatory projects imposed by the authorities and strategic projects defined by the top management of OTP Bank Romania, like the following:

Mandatory Projects:

- ***SEPA – both on RON (Credit Transfer and Direct Debit) and EUR*** - mandatory projects imposed by the Central Bank, for aligning with the European standards in the payment systems. These implementations will lead to lower operational costs both for local and foreign currencies payments;
- ***CRC and CIP modifications*** - mandatory projects imposed by the Central Bank to align our standards to those imposed by reporting authorities;
- ***New NBR Credit Norm (Regulation 24)*** - mandatory project imposed by the Central Bank in order to be aligned with the new prudential credit norms at EU level for individuals.

Strategic Projects:

- ***OTP Mentor project*** – strategic project defined by the top management of the bank, to provide improved and reliable customer services;
- ***OTPdirekt upgrade and Mobile Banking developments*** - strategic project defined by the top management of the bank, aiming to provide improved and reliable customer services through electronic channels and to reduce payment processing time and operational risks associated;
- ***Profitability Project*** - strategic project defined by the top management of the bank, in order to have a clear picture of all bank's activities and to correctly measure the performance level at bank business lines, products and cost centers;
- ***PMP Project*** - strategic project defined by the top management, aiming to provide a new coherent paradigm for all employees, to develop a new system for evaluating the staff in terms of the goals and values defined;
- ***Revision of reporting server and reports optimization*** - strategic project defined by the top management mainly for prudential and IFRS mandatory reports and secondly for all aggregated reports for Management;
- ***SME strategy implementation*** - strategic project for SME financing;

- ***Customer Relationship Process (CRP) project*** - strategic project defined for improving the relation with customers and to come up at their necessities with readiness;
- ***Agriculture project*** - strategic project defined for financing individuals, SMEs and corporate entities with agriculture activities;
- ***The improvement of the DR facilities as a consequence of applying the DR plan*** - strategic project defined to have reliable systems, to keep bank services at an acceptable level, even in disaster situations;
- ***Continuous increase of IT role*** in terms of refocusing the bank technology solutions that help optimize the costs and streamline the business.

A high level definition of the following 10 key strategic outcomes was developed. The following outcomes represent clear strategic directions to meet the 2012 IT objectives:
- Secure and reliable IT infrastructure;
- IT aligned with business;
- Value driven strategic IT investments;
- Customer-centered service delivery;
- Online transformation;
- Enabled training of employees;
- Streamline processes through data sharing and integration;
- Maximized external partnership (once above outcomes are realized).

One of the greatest threats to any technology investment is premature obsolescence. OTP Bank Romania has been successfully protecting its technology investments by:
- Establishing refresh programs based on realistic product lifecycle;
- Investing in technologies that are tried and proven;
- Identifying and permanently responding to market trends;
- Minimizing costs and complexity in managing the technological infrastructure, by establishing corporate technology standards;
- Establishing and managing technology standards centrally for the Bank, by the local IT team. This has resulted in a reasonable 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.

Projects and Processes Management quality statement

The mission of Project Management function is to provide project management leadership, expertise, 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 and within the allocated budget and scope.

Critical to successful project management is to maintain 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 in the benefit of the entire Bank and surrounding community. Incorporating project management administration with best practice methods and standards ensures consistency if applied effectively across various sized projects.

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

In terms of processes management, in 2012, OTP Bank Romania has optimized the individual loans files preparation and disbursement processes, ensuring a 20%

decrease of the processing time. Incremental improvement measures were also implemented, in order to keep high "time to yes" standards for the individuals that apply for a personal loan. Another significant action area was represented by the refinement of the "Full Time Equivalent" model for the branches network, as a very important instrument for ensuring proper resources allocation.

In terms of project management, in 2012, 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 new initiatives correspond to the project definition;
- Permanently monitoring, no matter the project, the impact on clients, costs, benefits and resource allocation.

The most important projects of 2012 were focused on increasing the business monitoring and steering capacities, by implementing a complex Business Intelligence tool, improving cross-selling results and developing an application for supporting the SMEs quick loans granting process.

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", aiming to obtain savings in terms of cost, time reduction and business enhancements.

Account Management, Sales Network and Bank Transactions

In 2012, OTP Bank Romania operated a restructuring process of its territorial network, by merging 13 banking units with larger ones. Thus, its territorial network reached 89 banking units, by December 31, 2012. Furthermore, in some cases, the bank also proceeded to relocations, in order to reduce costs and to gain a better market position.
Starting 2012, the efforts of the sales force were focused on promoting loans more actively, as the economic environment stabilized.

OTP Bank Romania 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. Internal competitions and promotional campaigns for the customers were also developed during 2012.

A special attention was also given to the increase of liabilities, in order to further improve the liquidity and stability of the bank, activity susteined by dedicated fresh-money campaigns followed by retention campaigns.

Even so, the collection process was still an important part of the activity. Thus, OTP Bank Romania succeeded to maintain a good portfolio quality.

Transactions in foreign currencies

New validation rules were introduced in our software system for incoming and outgoing foreign currency payment orders, in order to stop the transactions which are not in accordance with the new modifications of the foreign currency regulations issued by NBR (related to SALARY transactions between residents). As per request of some important customers, we have also introduced payments in PLN (incoming and outgoing).

Payment Incidents Register (PIR)

OTP Bank Romania implemented automatic data transmission to the National Bank of Romania – PIR of all the information regarding payment incidents.

Information to PIR (Payment Incidents Register) is conveyed electronically through the Interbank Communication Network. The PIR is a system that collects, stores and compiles information on payment incidents related to cheques, bills of exchange and promissory notes unpaid. PIR contains data regarding unpaid instruments issued by residents or non-residents, as companies or individuals. This information is very useful for the bank when opening new accounts and/or when granting a loan.

SEPA RON (Single Euro Payments Area for payments in RON):

In 2012, OTP Bank Romania, together with other 16 banks present in the Romanian banking market, adopted SEPA standards for payments in RON – first step Credit Transfer.

From technical point of view, banks have implemented the European SEPA standards for processing payments to the national currency, which means an efficient processing infrastructure for RON payments, the adoption of common technical standards and also the adoption of common business practices. The next step is the implementation of SEPA standards for RON Direct-Debit.

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.

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 clients' 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 touchscreen phones).

The following functions are available:

- User authentication;
- New payment (RON, transfer, utilities);
- Check the accounts' balance;
- Check transaction history;
- ATM locator (OTP Bank's locations only);
- Foreign exchange rates;
- Contact bank;
- 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.

The number of ***OTPdirekt – Internet Banking and Contact Center users***, on December 31, 2012, was ***26,318***, divided as follows:

- Private individuals: 14,165;
- Legal entities: 12,153.

The number of ***OTPdirekt – SMS Alerts*** contracts, on December 31, 2012, was ***21,944***, divided as follows:

- Private individuals: 14,816;
- Legal entities: 7,128.

The number of ***SMSs messages*** sent to the clients during 2012 was **1,749,272**.
The number of ***calls to the Contact Center*** received in 2012 was ***29,799***.

The number of ***transactions through OTPdirekt – Contact Center*** was ***148*** and ***through OTPdirekt - Internet Banking 872,499***.

The ***SmartBank*** application was launched on December 7, 2012 and until the end of the year we registered ***489 users***.

The ***transaction volume*** through OTPdirekt was of:

- Contact Center: ***944,518 Euro***;
- Internet Banking: ***2,026,537,031 Euro***.

Bank Card Business

In 2012, OTP Bank Romania further developed the bank card business, both on card issuance and merchant acquiring segments and achieved significant improvements related to the quality of the card products and services offered to its customers.

On December 31, 2012, the total card portfolio of OTP Bank Romania reached **220,000** cards benchmark, increasing with 10% (YoY) due to sustained card sales activities. Most of the new portfolio is composed of a variety of debit cards, such as: MasterCard Unembossed,

MasterCard Standard, VISA Electron Junior and Visa Business.

The credit card issuance was resumed in December 2012, along with the launching of a new and innovative credit card product, which allows the reimbursement of all POS payments in 6 monthly interest-free installments. The new installments feature is available on both MasterCard and Visa credit cards, for payments performed at any domestic and international merchants, including for on-line payments.

The total volume of card transactions performed by the clients of OTP Bank Romania increased in 2012, compared to 2011, with **26%**, which represents a solid growth rate.

The Merchant POS business also registered a substantial increase during 2012. At the end of December 2012, OTP Bank Romania owned a POS network consisting of around 1,265 POS terminals, while the total POS transactions volume registered a growth of **30%**, (YoY).

Among the most important card related projects of OTP Bank Romania, in 2012, we can mention: the introduction of the 3D Secure online card payments, the implementation of the E-Commerce services, the development and implementation of the new credit card with 6 installments and the development of the card loyalty platform, in cooperation with MasterCard (planned to be launched in January 2013).

Currently, OTP Bank Romania offers one of the most complete card product portfolios in the Romanian market, consisting of the following products:

- MasterCard „Flat" debit cards (RON & EUR);
- MasterCard „Standard" debit cards (RON & EUR);
- Visa Business „Silver" and Visa Business „Electron" debit cards;
- MasterCard „Standard" and Visa "Transparent" credit card;
- 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)

The main priorities of the bank for 2012 were associated with maintaining the quality of the existing portfolio of loans within increasing the portfolio of new loans, increasing liabilities collection and also with creating the best environment for attracting new customers for the both lines of products. At the same time, increasing the retail products profitability and customer's retention were important strategic tasks for OTP Bank Romania, in 2012.

Taking into consideration the market evolution and the fact that customers' demands are continuously changing, OTP Bank Romania has been periodically updating the pricing conditions and the characteristics of the products both for lending and for liabilities:

- for new lending products, OTP Bank Romania updated the lending conditions for loans, taking into consideration the new individual lending conditions and strategy;
- in regards to the liabilities products,

OTP Bank Romania enlarged the range of products and services offered for savings purposes and continuously updated the pricing conditions, in line with the market trend and strategy.

On the liabilities side, one of the main strategic task was to increase the volume of saving products and so
OTP Bank Romania developed successful fresh money campaigns during 2012, each followed by retention campaigns. Following the strategy, OTP Bank Romania launched an innovative service on the market, an automatic savings tool meant to diversify the savings-investment portfolio of the customers, with minimum efforts from our customers.

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

Another focus for OTP Bank Romania in 2012 was to optimize the processing time per file during the file preparation and disbursement, in order to be more competitive and to attract new satisfied customers.

In 2012, all the banks in the market, including OTP Bank Romania, adjusted their internal lending norms to the Regulation no. 24/ 2011 promulgated by NBR (The National Bank of Romania), at the end of 2011. The lending products were developed in order to satisfy the needs of the potential and existing customers in the same time being in line with the new legislative environment.

Depending on the loan purpose and the specific collateral required, individuals lending products of OTP Bank Romania were 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 the 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 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 favor of OTP Bank Romania.

In 2012, OTP Bank Romania also continued to offer the **First House** mortgage loans, included in the First House Governmental program, designed to stimulate the constructions and house acquisitions market in Romania. The First House loans are guaranteed in proportion of 50% by the Romanian state and the maximum interest rate margin is 400 bps for loans in EUR and 250 bps margin for RON loans. At the end of 2012, the net growth of outstanding balance was of approx. 40.9%, compared to 2011.

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, starting May 2012, offers the loan only in RON. The offer of personal loan includes different subtype of products (such as: special pricing for personal loans refinancing, personal loan with income transfer etc.), with different interest rates, in order to be in line with the market and to better cover the clients' needs. The maximum loan amount is

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

In May 2012, due to the stipulations of NBR Regulation no.24/ 2011 the following main modifications were applied on consumer loans:

- Decreasing the loan maturity from 7 to 5 years. Loan maturity higher than 5 years, up to 10 years is accepted just in case of refinancing loans granted before October 31, 2011 with no supplementary amount.;
- Lowering the maximum debt burden ratios;
- Granting new personal loans exclusively in local currency.

Starting August 2012, some new product conditions were implemented in order to be in line with the market practice and to sustain the new sales in accordance with the bank's strategy: e.g. increasing the maximum loan amount to 66.000 RON and the maximum granting period up to 120 months, in case of personal loans with refinancing option.

During 2012, OTP Bank Romania encouraged the lending activity in RON for this product, in line with NBR strategy and the market behavior. Also, in order to increase the new sales in RON currency, an innovative loan campaign was deployed starting August and until October, 2012, but then extended until the end of the year: "every 12th installment with zero interest rate, if no delays" and "24h fast approval".

At the end of 2012, the net growth of outstanding balance was of approximate 56%, compared to 2011.

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).

In May 2012, taking into consideration the stipulations of NBR Regulation no. 24/ 2011, the following main updates have been operated on product characteristics:

- Decreasing the maximum loan maturity from 30 to 5 years. Loan maturity higher than 5 years, up to 30 years is accepted only in case of refinancing loans granted before October 31, 2011 with no supplementary amount;
- Lowering the maximum debt burden ratios;
- Lowering LTV.

The accepted collaterals are 1st rank mortgage on a property (an inferior mortgage rank acceptable only if the superior ranks are in favor of OTP Bank Romania). The maximum amount of financing is 75% of the property's value, in accordance to the law stipulations.

At the end of 2012, the net growth of outstanding balance was of approximate 7.3%, compared to 2011.

Overdraft. The product meets the universal expenses on short term – customers benefit of all the advantages that a loan has, into a revolving credit line, with maximum flexibility. Clients must monthly reimburse only the interest calculated on 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 2012, the net outstanding balance decreased with approximate 25.9%, compared to 2011.

In order to sustain and increase the level of products and services used by the customers and at the same time taking into consideration our clients' feedbacks related to their real needs, starting July, 2012, OTP Bank Romania launched the first package of products and services addressed to individuals - **Package for retirees** having as target a special segment of clients, the pensioners. The package contains special products/ services tailor-made for this type of segment: pension card with free cash withdrawals, preferential interest rates on loans and deposits and also an additional benefit "cash-back on pharmacies" - for each debit card payment, OTP Bank Romania gives back to the client 10% of the spent amount, monthly, in maximum amount of RON 30/month.

In order to be in line with the market and to offer dedicated products/ services for different segments of clients, other packages were also included in the strategy of OTP Bank Romania, to be launched in 2013.

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.

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.

On December 31, 2012 the outstanding balance of personal individual deposits was EUR 250,017,109 (annual change +35.80%).

- **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 installments 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.

On December 31, 2012 the outstanding balance of savings accounts was EUR 16,226,183 (annual change -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. Statements of account are sent monthly (3 RON/ month) to the home or mailing address mentioned by the clients that request this facility. The customer can attach the following services to the current accounts: Overdraft, Debit Card, Direct Debit, OTPdirekt - Internet Banking, SmartBank, Contact Center and SMS Alerts.

On December 31, 2012 the outstanding balance of current accounts was of EUR 24,310,445 (annual change +0.22%).

- **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. 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. The cost of the service is only 2 RON/ month and the products the customer can save/ invest in are: junior accounts, saving accounts, term deposits or open-end funds managed by OTP Asset Management Romania SAI S.A..

Retail Legal Entities

The Retail Division of OTP Bank Romania administrates all legal entities clients with yearly turnover up to 5 million Euro and which do not exceed any limit established for corporate legal entities by the internal credit risk assumption regulations.

OTP Bank Romania provides a wide range of products and services for the Retail legal entities, aimed to meet the needs and expectations of its clients. The products and services offered by the bank, either liabilities or financing facilities, are designed not only to attract new customers, but also to increase the satisfaction of the existing clients.

According to the Bank's strategy, the portfolio of products was closely monitored in order to be adapted to the changing market conditions. Besides updating the features of existing products, new and innovative ones were designed, out of which:

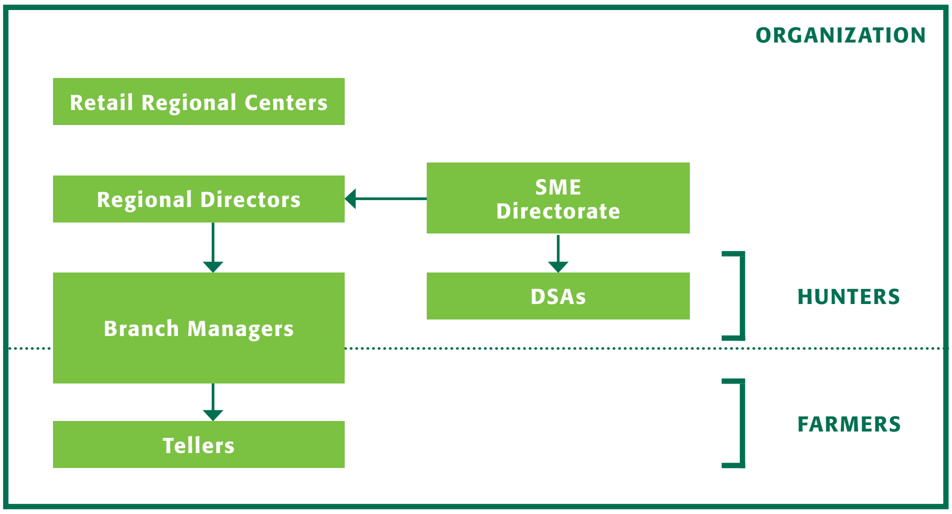
- **OTP Mentor Program for SME clients**, having the strategic objective of introducing a new concept of proactive selling approach, based on a deeper understanding of micro-enterprises, small and medium enterprises' needs and proficient financial investment counseling, in order to increase share of wallet and also gain clients which can generate higher volumes of liabilities. The aim is to build a long term partnership with our clients, by offering them value added services and a complex range of products, not only regarding the financing needs but also liabilities products for the clients' day to day activities. The main aim of the Mentor Program for Micro customers is to ensure the full exploitation of cross selling opportunities regarding: products for individuals, products for client's employees, Private Banking potential of business owners, non-credit products. For Small and Medium clients, where the advisory need is more visible and even more important, the aim is to gain customer intimacy in order to serve the clients from all points of view and to determine the share increase of activity through OTP Bank, mainly regarding the day to day transactions.
- **Launching a new line of Business - Agriculture**: considering the opportunities arise in the market related to agricultural business and taking into account the importance of financing agricultural businesses at Bank level, OTP Bank Romania has developed dedicated products for the legal entities clients and private entrepreneurs activating in various sectors of agriculture.
  - In order to ensure the work frame for financing the working capital needs of the beneficiaries of the subsidies/ state aid/ non-reimbursable amounts granted by APIA from national or EU budget, OTP Bank Romania has concluded conventions with APIA, MADR and the guarantee funds FNGCIMM and FGCR. Two new lending products were designed, dedicated to the beneficiaries of these subsidies: **the Loan for pre-financing the APIA SAPS subsidies and the Loan for pre-financing of subsidies granted for performing the commitments undertaken voluntarily for the welfare of poultry and protection of pigs**. Due to the Guarantee Conventions concluded with FNGCIMM and FGCR, the clients were able to benefit from the guarantees issued by the guarantee funds.
  - Taking into consideration the market opportunities in regards to the agriculture segment of forestry, the Bank developed a **Package of banking products and services dedicated to the "co-ownership" clients/ forestry associations, OTP Agricol**. The clients benefit of free of charge current accounts, OTPdirekt - Internet Banking & Contact Center and Visa Electron or Silver Card, but also of differentially interest rates for term deposits and double reduction compared to the one offered in standard conditions for payment orders in RON made through OTPdirekt - Internet Banking service.
- To boost the **credit card** usage and demand, a promotion campaign took place between April 1 and May 31, 2012. The clients who acquired a VISA Business Silver Credit Card during the campaign period benefitted from free of charge issuance and a promotional interest rate. Also, the credit card product features were reviewed in order to facilitate the reimbursements of

debts and to adjust the credit limit value to the real turnover of the client registered in the accounts opened at OTP Bank Romania. Therefore, the clients that did not longer comply with the renewal conditions or did not fulfill the monitoring turnover clause, have the options to repay the amount due in four monthly installments or to lower the credit limit to the actual value of the turnover.

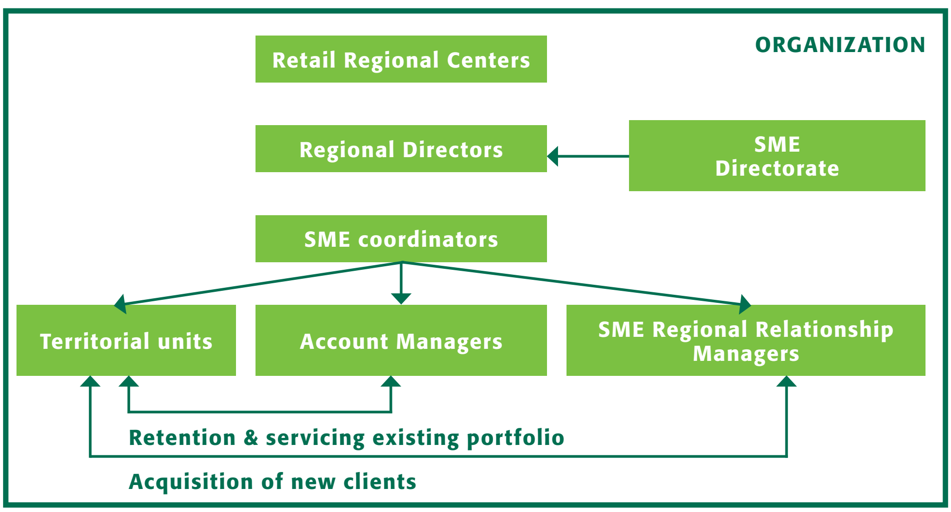
- The **Convention for express**, irrevocable and unconditional guarantees was concluded with Local Guarantee Funds (Local Guarantee Fund Craiova FNGCIMM IFN S.A. Subsidiary, Local Guarantee Fund SFANTU GHEORGHE IFN S.A. – FNGCIMM Subsidiary, Local Guarantee Fund FOCSANI IFN S.A. – FNGCIMM Subsidiary). The Convention's object is the guarantee by the FNGCIMM subsidiaries, expressly, irrevocably and unconditionally, of the reimbursement obligations for the individual guarantees granted by the bank to the beneficiaries who fulfill the eligibility criteria established through the Convention, in exchange of paying the guarantee commission. The beneficiaries of these guarantees are free lancers, associations, foundations, beneficiaries of the rural development measures enclosed in the National Rural Development Program (PNDR) and beneficiaries of the complementary national direct payments in the livestock sector etc.
- In order to expand our offer dedicated to private entrepreneurs, OTP Bank launched the Packages of products and services for private entrepreneurs. Considering the market opportunities regarding this category of clients, starting November 2012, we designed two **packages of products and services dedicated to entities without legal personality**. These packages represent a bundle of discounted banking products and services (current account, debit card Visa Business Electron/ Silver, cash withdrawals, OTPdirekt, free inter-banking payments, interest rate bonus for savings account, payments through Direct Debit inter-banking etc.) available based on a monthly subscription fee.
- In 2012, OTP Bank Romania continued to be actively involved in the Mihail Kogalniceanu Program for SMEs.
  Starting September 2012, AIPPIMM has activated the option to prolong the credit lines granted within Kogalniceanu program. Furthermore, FNGCIMM has also communicated the specific steps that should be considered in order to apply for a new guarantee within Mihail Kogalniceanu program. Therefore, the working procedure of credit lines granted within the Mihail Kogalniceanu program for SME was reviewed in order to allow our clients to benefit from the renewals of the credit lines, under the specific conditions of the Program.
- In order to improve the sales efficiency and to better define the responsibilities of the sales force and the ones related to the administration and monitoring process, a **new sales model** was implemented and **Regional Centers** were established. The new positions were created within the Regional Centers:
  - **Regional SME Coordinators**;
  - **Regional Relationship Managers** - Hunters (RRMs) responsible for the sales activity and all the tasks related to the loan facility until the moment of approval;
  - **Account Managers – Farmers (AcMs)**, responsible for all the task related to existing SME portfolio and all the tasks related to the administration and monitoring activities (Corporate and Retail).

The new sales model is different depending on the customer category, thus OTP Bank Romania currently uses:

- **Micro segment sales model**
  - The micro segment sales model was designed to quickly and effectively service micro clients;
  - The new client acquisition is based on direct sales agents (DSA) and Branch managers;
  - Loan administration and monitoring activities is performed on portfolio basis at regional level.



- **Small & Medium segment sales model**
  - Focus on new client acquisition by hunters and farmers and on upselling the existing clients;
  - Loan administration and monitoring activities are performed at regional level, by the farmers;
  - Daily service is done at branch level, as long as the "hunters" perform their sales activity and together with AcMs permanently maintain the relationships with customers.



In accordance with the product lifecycle, we have also improved the **functionality of the Credit line and Revolving fixed interest loan** products, by allowing disbursements to be made through Internet Banking, directly by the client after the full use.

Private Banking

OTP Group has a tradition of more than 15 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, member of the leading international business newspapers group, the Financial Times Group, chose OTP Private

Banking as the "Best private bank in Central and Eastern Europe", in 2010 and 2011.

The Private Banking activity of 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.

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, the 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 2012, the Private Banking strategy was based on the development of this business segment, taking into consideration two directions: increase of the number of clients and of the total assets administrated for these clients. We also focused on adding benefits to the Private Banking package, in order to adapt it to our clients' profiles and needs (the purpose was to diversify the range of products and to create more partnerships to increase the advantages offered to our clients). We have improved the offer for investment products, in order to cover different currencies and financial instruments and to offer to our clients the possibility to access local, international or global markets. Thus, depending on clients' financial needs and plans, we are able to offer them the most appropriate savings and investments solutions, from extra safe savings to complex portfolios.

The results at the end of 2012 reflected the objectives established for this year: an increase with approximately 60% of the number of clients included in the Private Banking category, compared to December, 2011. The total assets under management for Private Banking clients also increased with 70%, compared to the figures registered in December, 2011.

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

Corporate Banking

The key pillars considered to bring sustainable results on the Corporate Banking segment have been, since 2012, the following:

- 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 companies** with turnover between 5 and 25 million EUR, mainly local and municipality related businesses, companies with good financial standing, cash rich companies that include:

- importers and exporters,
- producers from selected industries, mainly FMCG businesses and manufacturing, agricultural businesses,
- EU investment projects,
- parent clients and cross-border clientele, Hungarian investors in Romania, companies performing import/ export operations in connection with Hungary.

The major objectives were and continue to be the development of the customer base and of the non interest income by transactional business and the corporate liabilities (and in parallel to decrease the concentration level). These objectives were were reached, in 2012, by:

- Focusing on **transactional lending**, meaning **short term facilities**, revolving and self-liquidating facilities, mainly **RON denominated loans**;
- Building offers for the clients, based on the **ROA principle contractually secured**; additionally, cross-selling has also been a focus. For any new financing agreement, the possibility of generating additional cross-sell has been a factor to take into account;
- Development of the **agricultural related businesses**;
- Increasing liabilities in order to improve loan/ deposit ratio, but adjusting the pricing of deposits based on a cost-benefit analysis;
- Developing the portfolio of corporate clients by:
  - strengthening the client acquisition process;
  - setting a workflow based on **OTP Bank Hungary's** best practices and procedures, in order to improve the cross-border activity for customers who operate in several countries where **OTP Group** is present;
- Maintenance and retention of the existing corporate portfolio.

The corporate products team launched two new agricultural credit products: the **credit based on deposit warrants** and the **credit for Agricultural Land Acquisition**. After launching these products, a very good result was obtained by the corporate sales force by financing medium sized companies and some of the top clients from agricultural field. Also, a new cash management product named „Payment Agent" was launched in 2012 (legal entities are able to distribute funds – damages, dividends etc. – by payment orders or by cash, to various beneficiaries: individuals or legal entities, OTP Bank Romania's clients or non-clients).

We continued to adapt ourselves to the market requirements, in order to identify the best ways of performing business management and come up with the best solutions for our customers.

We are able to offer to our customers a wide range of top quality services and solutions, delivered through a multitude of channels (internet banking, call center, bank's desk etc.). Therefore, although 2012 was another challenging year marked by still a modest economic growth, the Corporate Banking segment strategically focused on actions which maximized customers' satisfaction, improved the active clients' database with results in reaching the major objectives. Also, the actions taken would further outcome in long-term relationships by the support given to the customers and the value created for them, based on diversified product portfolios, high expertise and trustworthiness.

Treasury

In 2012, the macroeconomic situation of Romania has been mixed, after two years of recession (2009: -6.6%, 2010: -1.6%) and a moderate growth in 2011, +2.2%.

In a difficult economic environment, due to agricultural output, European crisis on going, local and general elections, internal stability, Romanian economy has performed a moderate growth of 0.7%, below all forecasts, but in general meeting the main targets set by IMF, EU in the signed agreements.

The National Bank of Romania has maintained the monetary policy rate at

5,25%, a move that continued in H1 2012 as well, with signs for a future cut starting July, 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 and active player within the local mutual funds market. The company aims to satisfy its client's needs, offering high quality products and services.

Presently, OTP Asset Management Romania manages five mutual funds:

- Four open end funds
  - OTP AvantisRO (equity);
  - OTP Obligatiuni (bond, RON denominated);
  - OTP ComodisRO (money market);
  - OTP Euro Bond (bond, EUR denominated)

and

- One closed end capital guaranteed funds traded at the Bucharest Stock Exchange:
  - OTP Green Energy.

The company is currently the 6th player on the market, with 2.59% market share, regarding assets under management and continues to maintain its position by offering its products to a large segment of individual and institutional clients.

One of OTP Asset Management Romania's greatest achievements in 2012 was that three out of four open ended funds have succeeded to obtain the highest yields on the market.

Thus, **OTP Obligatiuni**, **OTP ComodisRO** and **OTP Euro Bond**, open ended funds with an investment policy oriented towards fixed income instruments (bonds and money market) were positioned on the first place of each fund category, after constantly being in top three highest yields throughout the entire year.

OTP ComodisRO offered to its investors the highest yield, **6.98% for RON**, while **OTP Obligatiuni obtained a performance for RON of 7.60%**.

The Euro bond fund **OTP Euro Bond** was the leader in its category with a yield of **5.86%**. **The top position in 2011 has been consolidated in 2012, when the fund became the leader in Euro bond funds category.**

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 2012 grew with 29%, reaching RON 274 million, while the number of investors in open ended funds increased by 28%, 1,081 new investors deciding to invest in open ended funds.

The total number of investors, for open ended and closed end investment funds registered on December 31, 2012 was of 5,483 investors.

For the future, the company intends to maintain its position as a profitable, innovative, award-winning, client and performance oriented Asset Management company.

OTP Consulting Romania S.R.L

OTP Consulting Romania 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

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.

By the end of 2012, the company increased its turnover by 52%, compared to 2012. In 2012, OTP Consulting Romania implemented important projects, such as: the Project Management of "The Rehabilitation, Modernization, and Endowment of the Marton Aron and Segito Maria High-Schools from Miercurea Ciuc", for which the contract was completed in October, 2012, but also the project for the Rehabilitation of drinking water supply and sanitation, rehabilitation of roads, construction of a kinder garden and the establishment of a centre for cultural and natural heritage" for the Inter-community Development Association ADI BOGAT, a contract completed in June 2012.

Other important projects under implementation during 2012 were "The Extension and Rehabilitation of water supply and sanitation in Harghita county", a project implemented in partnership with EPTISA, but also "The Rehabilitation of polluted historical site – a former chemical factory, (Crângurile village)", from Dâmbovita County, a project which is to be completed in November 2013.

The company's experts also managed other projects, making requests for reimbursement and other specific documents, for the authorities and SMEs.

In 2012, OTP Consulting had Projects with 16 Romanian Counties, up from only two counties in 2007. The company has signed during the year 2012, 55 new contracts for project management, studies and sanity projects and so on.

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 was managing the contracts to the private pension fund that OTP Bank used to own.

Starting July, 2008, the activity was extended to promoting the sales for banking products and services offered by OTP Bank Romania. 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.

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.

Through dynamism and integrity, this alternative sales channel provides consistent and a fluent sales volumes to OTP Bank Romania and is proving to add significant value to the organization, by shortening both loan approval and risk analysis process.

OTP Leasing Romania IFN S.A.

OTP Leasing Romania entered the local market in August 2007, offering car and equipment leasing products.

The products that OTP Leasing Romania offers come to meet the entire market's needs and can be distinguished by the transparent and competitive interest rates, fast approval of the leasing requests and also by high quality post-selling services.

The majority shareholders of OTP Leasing Romania are Merkantil Bank Hungary, member of Merkantil Group (99,99998673%) and OTP Bank Romania (0,0001327%).

ACTIVITIES OF OTHER FOREIGN SUBSISIARIES OF OTP GROUP

IFRS REPORTS OF THE MAIN SUBSIDIARIES*

*According to the "Summary of the full-year 2012 results" published by OTP Bank Plc., in Budapest, on March 8, 2013 (English translation of the original report submitted to the Budapest Stock Exchange).

In the following parts of the Summary the after tax profit w/o dividends and net cash transfers of subsidiaries are presented. The structural adjustments on the lines of subsidiaries' Statements of recognized income as well as description of calculation methods of performance indices are to be found in Supplementary data annex.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	41,042	47,158	15%	15,042	10,621	14,162	33%	-6%
Income tax	-12,064	-13,690	13%	-3,806	-3,083	-4,111	33%	8%
Profit before income tax	53,107	60,849	15%	18,848	13,705	18,274	33%	-3%
Operating profit	82,007	121,541	48%	25,764	29,603	33,165	12%	29%
Total income	142,796	193,273	35%	42,304	46,777	52,782	13%	25%
Net interest income	123,990	170,001	37%	36,975	41,461	45,836	11%	24%
Net fees and commissions	17,610	20,998	19%	5,328	5,595	6,144	10%	15%
Other net non-interest income	1,196	2,273	90%	1	-279	802	-387%	
Operating expenses	-60,789	-71,732	18%	-16,541	-17,174	-19,617	14%	19%
Total risk costs	-28,900	-60,692	110%	-6,916	-15,898	-14,892	-6%	115%
Provision for possible loan losses	-28,714	-59,567	107%	-7,304	-15,919	-14,277	-10%	95%
Other provision	-186	-1,126	506%	389	21	-614		-258%

Main components of balance sheet closing balances in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
Total assets	868,231	1,027,763	18%	868,231	962,833	1,027,763	7%	18%
Gross customer loans	729,910	843,424	16%	729,910	731,563	843,424	15%	16%
Gross customer loans (FX-adjusted)	706,163	843,424	19%	706,163	748,705	843,424	13%	19%
Retail and SME loans	640,875	806,805	26%	640,875	709,562	806,805	14%	26%
Corporate loans	52,761	30,013	-43%	52,761	31,318	30,013	-4%	-43%
Car financing loans	12,526	6,606	-47%	12,526	7,825	6,606	-16%	-47%
Allowances for possible loan losses	-72,332	-129,491	79%	-72,332	-112,051	-129,491	16%	79%
Allowances for possible loan losses (FX-adjusted)	-70,109	-129,491	85%	-70,109	-114,702	-129,491	13%	85%
Deposits from customers	488,582	590,958	21%	488,582	513,049	590,958	15%	21%
Deposits from customer (FX-adjusted)	470,961	590,958	25%	470,961	524,404	590,958	13%	25%
Retail and SME deposits	387,059	471,325	22%	387,059	417,274	471,325	13%	22%
Corporate deposits	83,902	119,633	43%	83,902	107,131	119,633	12%	43%
Liabilities to credit institutions	91,738	75,112	-18%	91,738	95,895	75,112	-22%	-18%
Issued securities	105,490	118,063	12%	105,490	135,013	118,063	-13%	12%
Subordinated debt	17,567	16,399	-7%	17,567	16,124	16,399	2%	-7%
Total shareholders' equity	144,838	191,883	32%	144,838	172,237	191,883	11%	32%
Loan Quality	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	80,705	140,239	73.8%	80,705	120,168	140,239	16.7%	73.8%
90+ days past due loans/gross customer loans (%)	11.1%	16.6%	5.6%	11.1%	16.4%	16.6%	0.2%	5.6%
Cost of risk/average gross loans (%)	4.64%	7.57%	2.93%	4.37%	9.03%	7.21%	-1.81%	2.85%
Cost of risk/average (FX-adjusted) gross loans (%)	4.61%	7.69%	3.08%	4.30%	8.76%	7.14%	-1.63%	2.83%
Total provisions/90+ days past due loans (%)	89.6%	92.3%	2.7%	89.6%	93.2%	92.3%	-0.9%	2.7%
Performance Indicators (%)	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	5.4%	5.0%	-0.4%	7.6%	4.5%	5.7%	1.1%	-1.9%
ROE	33.8%	28.0%	-5.8%	45.1%	25.7%	30.9%	5.2%	-14.1%
Total income margin	18.63%	20.39%	1.75%	21.31%	20.01%	21.10%	1.08%	-0.22%
Net interest margin	16.18%	17.93%	1.75%	18.63%	17.74%	18.32%	0.58%	-0.31%
Cost/income ratio	42.6%	37.1%	-5.5%	39.1%	36.7%	37.2%	0.5%	-1.9%
Net loans to deposits (FX-adjusted)	135%	121%	-14%	135%	121%	121%	0%	-14%
FX rates	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
HUF/RUB (closing)	7.47	7.26	-3%	7.47	7.09	7.26	2%	-3%
HUF/RUB (average)	6.83	7.25	6%	7.22	7.08	7.03	-1%	-3%

- **HUF 47 billion profit for 2012 exceeded 2011 results by about 15%, 4Q profit grew by one third q-o-q**
- **Operating profit surged by 48% y-o-y**
- **Leaping risk cost, y-o-y improving provision coverage (2012: 92.3%)**
- **Still robust consumer loan disbursement**
- **Cost efficiency is further improving (2012 cost/income ratio at 37.1%, -5.5 ppts y-o-y)**

After tax profit of **OTP Bank Russia** for 2012 amounted to HUF 47.2 billion, by 15% above the net profit for the base period; the HUF 14.2 billion 4Q profit is by 33% more than in the previous quarter, due to the strong seasonality in POS lending. Total income in 2012 showed dynamic increase, net interest income grew by 37%, net fees increased by 19% y-o-y. Besides swelling loan volumes (FX-adjusted 19% increase) higher interest margin (2012: 17.9%, +1.8 ppts y-o-y) also fuelled the increase of income. Although net fee margin was stable y-o-y in 2012, net fee income increased by 19% y-o-y, mainly driven by the still outstandingly strong dynamics of the credit card business and the growing amount of loans sold with insurance. In 2012 about HUF 2.3 billion other net non-interest income beefed up the results, mainly owing to the FX gains due to revaluation of open positions in 2Q and 4Q.

Operating expenses grew 18% y-o-y due to the stronger business activity: cost areas linked to business volumes like material cost (+28%) and personnel expenses (+18%) grew, while depreciation decreased by 17% y-o-y. Despite higher operating costs 2012 operating profit showed an outstanding performance and surged by 48% y-o-y. As a result, cost/income ratio of the bank improved significantly (2012: 37.1%, -5.5 ppts y-o-y).

Risk cost grew substantially in 2012, by 110% y-o-y. The increase in risk cost is due to the loan portfolio quality deterioration, DPD90+ portfolio grew by 16.7% q-o-q and 73.8% y-o-y. As a result of the total loan book growth, increase of DPD90+ ratio was milder, grew to 16.6% by the end of the year (+5.6 ppts y-o-y and +0.2 ppt q-o-q). Owing to the high provisioning, the provision coverage of DPD90+ loans further improved (2012: 92.3%, +2.7 ppts y-o-y). On the quarterly basis provision coverage rate decreased by 90 bps, which is partly due to changes in the provisioning methodology; altogether this is still the highest coverage rates across the Group.

4Q 2012 profit after tax grew by 33% q-o-q, which is a combined effect of the 12% increase of operating profit and the 6% decline of risk cost.
4Q operating profit dynamics (+12% q-o-q) was mainly driven by the surging incomes owing to the strong seasonality in POS lending, the positive other net non-interest income and the 14% growth of operating expenses. On the quarterly basis net interest margin improved (18.32%, +58 bps) while net fee and commission margin was stable (2.46%, +6 bps). Thanks to these and the swelling POS loan disbursements net interest income and net fee and commission income both grew by about 10% q-o-q. In relation to net fee and commission income it is to be noted, that credit card related fee and commission income as well as POS loans related insurance fee income grew. Operating expenses increased by 14% q-o-q due to the seasonally higher banking activity (marketing costs, higher costs related to POS sales force); however, the bank's cost/income ratio is still outstanding (4Q: 37.2%).

The Russian bank remained very successful in selling consumer loans; in 2012 the gross FX- adjusted consumer loan portfolio increased by 31% y-o-y. In case of the flagship POS-loan product, due to the high season q-o-q growth was significant (+22%), furthermore, with record disbursement in 4Q 2012 the y-o-y portfolio expansion reached 29%. This achievement was supported by a larger agent network but also average loan volume grew by about 9% compared to the previous year, and the average term of POS loans lengthened by about 1 month to 13 months. The bank kept its No. 2 position in this market segment.

Notwithstanding the strengthening market competition, the credit card segment showed robust growth in 4Q 2012 (+61% y-o-y, +11% q-o-q). Currently the bank is the seventh largest player in this segment.

Personal loans disbursement, which excelled in 2011 with high growth, was scaled back according to a management decision in the first half of 2012 as more emphasis was put on products with higher profitability. From 3Q 2012 on this segment showed growth again (4Q 2012: +7% q-o-q, +3% y-o-y), despite the higher pricing.

Other retail lending products (car loans -47% y-o-y, mortgage loans -22% y-o-y) as well as corporate loans portfolio continued to contract in 2012: the latter shrank by 43% y-o-y and 4% q-o-q (FX-adjusted). This typically low margin segment is dominated by state owned banks; OTP Bank Russia has rather started to improve the letter of credit and corporate treasury business from 2Q 2012 on.

In 2012 total deposits grew by 25% y-o-y and in 4Q by 13% q-o-q, FX-adjusted. Due to the slightly higher interest rates the retail portfolio volume (especially term deposits) grew by 24% y-o-y and by 10% q-o-q. SME deposits also increased (+14% y-o-y, +27% q-o-q), and corporate deposit base grew back to levels seen in the beginning of 2011 (+43% y-o-y, +12% q-o-q). Both retail and corporate deposit growth are slightly biased by seasonal elements. As a result of the increasing deposit base, FX-adjusted net loan-to-deposit ratio decreased to 121% in 2012, -14 ppts y-o-y, while the quarterly change was negligible.

With the aim of diversifying the funding base, the Bank already tapped 4 times the rouble bond market in 2011 and 2012, issuing a total of RUB 17.5 billion bonds. Out of which RUB 6 billion was printed in 1Q 2012. In November 2012 put option on RUB 4 billion bonds was executed by 97% of the investors, thus the outstanding obligation decreased.

The number of employees increased q-o-q by 2% to 5,177 by the end of 4Q 2012, at the same time the number of branches decreased by one to 147 after closing a branch in the Omsk region. The number of active point of sale grew by 4% q-o-q in 4Q 2012 (+18% y-o-y) and almost reached 29 thousand.

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	12,744	24,214	90%	4,026	8,019	588	-93%	-85%
Income tax	-1,587	-3,329	110%	-617	-1,175	-269	-77%	-56%
Profit before income tax	14,331	27,543	92%	4,643	9,195	857	-91%	-82%
Operating profit	59,878	58,927	-2%	15,500	16,030	11,779	-27%	-24%
Total income	93,104	95,732	3%	25,119	24,697	22,520	-9%	-10%
Net interest income	74,731	74,671	0%	20,000	18,606	17,493	-6%	-13%
Net fees and commissions	15,867	16,875	6%	4,549	4,254	4,342	2%	-5%
Other net non-interest income	2,505	4,186	67%	569	1,838	684	-63%	20%
Operating expenses	-33,226	-36,804	11%	-9,619	-8,668	-10,741	24%	12%
Total risk costs	-45,547	-31,384	-31%	-10,857	-6,835	-10,922	60%	1%
Provision for possible loan losses	-45,713	-31,153	-32%	-10,942	-6,807	-10,718	57%	-2%
Other provision	166	-230	-239%	85	-28	-204	640%	-341%
Main components of balance sheet	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	1,360,510	1,292,031	-5%	1,360,510	1,309,487	1,292,031	-1%	-5%
Gross customer loans	1,221,517	1,143,861	-6%	1,221,517	1,115,791	1,143,861	3%	-6%
Gross customer loans (FX-adjusted)	1,143,653	1,143,861	0%	1,143,653	1,145,551	1,143,861	0%	0%
Retail loans	903,468	891,331	-1%	903,468	900,216	891,331	-1%	-1%
Corporate loans	240,185	252,530	5%	240,185	245,335	252,530	3%	5%
Allowances for possible loan losses	-158,490	-178,538	13%	-158,490	-163,205	-178,538	9%	13%
Allowances for possible loan losses (FX-adjusted)	-148,390	-178,538	20%	-148,390	-167,557	-178,538	7%	20%
Deposits from customers	1,013,310	979,054	-3%	1,013,310	956,677	979,054	2%	-3%
Deposits from customer (FX-adjusted)	948,140	979,054	3%	948,140	981,405	979,054	0%	3%
Retail deposits	834,837	861,722	3%	834,837	849,868	861,722	1%	3%
Corporate deposits	113,303	117,332	4%	113,303	131,537	117,332	-11%	4%
Liabilities to credit institutions	12,223	36,356	197%	12,223	30,005	36,356	21%	197%
Subordinated debt	109,262	43,901	-60%	109,262	99,825	43,901	-56%	-60%
Total shareholders' equity	209,484	209,187	0%	209,484	203,223	209,187	3%	0%
Loan Quality	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	200,154	210,664	5.3%	200,154	202,729	210,664	3.9%	5.3%
90+ days past due loans/gross customer loans (%)	16.4%	18.4%	2.03%	16.4%	18.2%	18.4%	0.25%	2.03%
Cost of risk/average gross loans (%)	3.99%	2.63%	-1.35%	3.67%	2.41%	3.77%	1.36%	0.11%
Cost of risk/average (FX-adjusted) gross loans	4.04%	2.72%	-1.31%	3.80%	2.37%	3.72%	1.36%	-0.07%
Total provisions/90+ days past due loans (%)	79.2%	84.8%	5.6%	79.2%	80.5%	84.8%	4.2%	5.6%

Performance Indicators (%)	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
ROA	1.0%	1.8%	0.8%	1.2%	2.4%	0.2%	-2.2%	-1.0%
ROE	6.0%	11.6%	5.6%	7.9%	15.5%	1.1%	-14.3%	-6.8%
Total income margin	7.22%	7.22%	0.00%	7.62%	7.47%	6.89%	-0.58%	-0.73%
Net interest margin	5.80%	5.63%	-0.16%	6.07%	5.63%	5.35%	-0.28%	-0.72%
Cost/income ratio	35.7%	38.4%	2.8%	38.3%	35.1%	47.7%	12.6%	9.4%
Net loan to deposit ratio (FX-adjusted)	105%	99%	-6%	105%	100%	99%	-1%	-6%
FX rates	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
HUF/BGN (closing)	159.1	148.9	-6%	159.1	145.1	148.9	3%	-6%
HUF/BGN (average)	142.8	148.0	4%	155.2	144.7	144.7	0%	-7%

- **2012 after tax profit almost doubled mainly as a result of significantly moderating risk costs (-31% y-o-y)**
- **Declining FX-adjusted net loan and increasing deposit book resulted declining net-loan-to-deposit ratio (99%, -6 ppts y-o-y)**
- **Slightly narrowing net interest margin (5.63%, -16 bps y-o-y) due to change of methodology and moderating lending rates**
- **Decelerating loan portfolio deterioration, significantly improving coverage ratio (84.8%, +5.6 ppts y-o-y)**

The DSK Group reached HUF 24.2 billion after tax profit in 2012, almost twice as high as in 2011 (+90% y-o-y). The performance of the Bulgarian bank in 2012 proved its henceforward robust income generating capability and efficient cost control. Beside the practically stagnating operating income (-2% y-o-y) the outstanding profit growth is basically due to y-o-y 31% lower provisioning.

Total income increased by 3% y-o-y due to exchange rate movements (in local currency it stagnated). This is primarily the result of increasing net fee income (+6% y-o-y) and the outstanding increase (+67% y-o-y) of other net interest income exchange rate gain, realized on government securities and on FX transactions; net interest income remained flat in HUF terms. Income dynamics in 4Q showed a 9% drop, primarily due to lower net interest income (-6% q-o-q) and to q-o-q
62% decline (basis effect) of other net non-interest income. The q-o-q 2% growth of fee income could not balance the effect of aforementioned factors on total income.
In 2012 net interest income formation was primarily driven by two factors. On one hand the modified interest accrual methodology in 4Q significantly contributed to a q-o-q 6% drop of net interest income. Accordingly, from the middle of October the Bank does not accrue interest on DPD180+ loans and also terminated the related provisioning. On the other hand the basically stagnating portfolio together with the slightly eroding interest margin (2012: 5.63/%, -16 bps; 4Q 2012: 5.35%, -28 bps) also had a negative effect on the interest income. Net interest margin squeeze in the retail segment is primarily due to competition, while in the corporate portfolio it is the result of declining loan interest base (Euribor, Sofibor). Adjusted by the effects of modified methodology, the declining deposit rates could only partially off-set the effect of lower lending rates.

Growth of operating expenses was driven by advisory costs related to some bigger projects and seasonal effects (+11% y-o-y, +24% q-o-q). Consequently, the cost/income ratio increased both y-o-y and q-o-q (2011: 35.7%, 2012: 38.4%, 3Q 2012: 35.1%, 4Q 2012: 47.4%). Thus significant y-o-y improvement of net profit is due to moderate risk provisioning. HUF 31.4 billion amount underpins a y-o-y 31% drop. As a result of elevated risk costs in 4Q (q-o-q +60%) and the moderating portfolio deterioration, the coverage ratio of DPD90+ portfolio grew to 84.8% (y-o-y +5.6 ppts, q-o-q +4.3 ppts).

In 2012 portfolio deterioration slowed down quarter by quarter (DPD90+ ratio: 1Q: 17.4%, 2Q: 18.0%, 3Q: 18.2%, 4Q: 18%). Regarding the composition of portfolio deterioration: by the end of 4Q the DPD90+ ratio of mortgage and consumer loans increased to 21.7% and 15.7%, respectively. The ratio of SME and

corporate loans went up to 41.2% and 11.1%, respectively.
The FX-adjusted loan portfolio remained flat both q-o-q and y-o-y, only the corporate loan book increased (+5% y-o-y, +3% q-o-q). Retail loan market share was 29% and decreased slightly (-1.2 ppts y-o-y, -0.4 ppt q-o-q) as a result of loan transfer to OTP Faktoring Bulgaria, while corporate loan market share was stable with 6%. End of 2012 loan market share of DSK was 12.8% (y-o-y -1.3 ppts, q-o-q -0.7 ppt).

In spite of the continuously below-market deposit interest rates the FX-adjusted deposit base increased by 3% y-o-y, while in 4Q stagnated. Regarding the segments: the retail portfolio advanced by 3% y-o-y (+2% q-o-q), while the SME sector grew by 2% (q-o-q -6%). Y-o-y 4% (q-o-q -18%) decline of large corporate deposit book was partially balanced by the y-o-y 40% (q-o-q +27%) increase of municipal deposit portfolio. As a result of that DSK's overall deposit market share shrank to 11.4% (q-o-q -0.3 ppt), within that the retail segment decreased to 16.1% (y-o-y -1.3 ppts) while the corporate segment was a stable 5.1%.

Due to stagnating gross loan portfolio, higher provisioning and y-o-y slightly increasing deposit base the net-loan-to-deposit ratio declined to 99% (y-o-y -6 ppts, q-o-q -1 ppt).

Capital position of DSK remained very strong, though in 4Q 2012 the Bank repaid a EUR 200 million subordinated debt to the mother company. The capital adequacy ratio is more than 1.5 times higher than the regulatory minimum (2012: 18.9% vs. 12%; Tier1 ratio: 15.8% vs. 10%).

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	5,091	528	-90%	-2,736	1,906	2,696	41%	-199%
Income tax	-6,120	-2,180		-5,947	607	-1,153		
Profit before income tax	11,211	2,708	-76%	3,211	1,299	3,848	196%	20%
Operating profit	26,829	33,511	25%	7,851	9,293	11,061	19%	41%
Total income	53,585	64,510	20%	16,099	17,056	19,315	13%	20%
Net interest income	41,784	49,586	19%	12,616	13,326	14,541	9%	15%
Net fees and commissions	9,063	12,634	39%	2,947	3,654	3,685	1%	25%
Other net non-interest income	2,738	2,289	-16%	536	77	1,089		103%
Operating expenses	-26,756	-30,998	16%	-8,248	-7,763	-8,254	6%	0%
Total risk costs	-15,618	-30,804	97%	-4,641	-7,994	-7,212	-10%	55%
Provision for possible loan losses	-15,209	-30,597	101%	-4,288	-8,008	-6,753	-16%	57%
Other provision	-409	-207	-49%	-353	14	-460		30%
Main components of balance sheet	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	778,198	653,603	-16%	778,198	647,700	653,603	1%	-16%
Gross customer loans	799,117	683,478	-14%	799,117	660,812	683,478	3%	-14%
Gross customer loans (FX-adjusted)	734,051	683,478	-7%	734,051	668,613	683,478	2%	-7%
Retail loans	316,950	309,441	-2%	316,950	308,739	309,441	0%	-2%
Corporate loans	372,726	337,595	-9%	372,726	324,899	337,595	4%	-9%
Car financing loans	44,375	36,441	-18%	44,375	34,974	36,441	4%	-18%
Allowances for possible loan losses	-193,587	-196,132	1%	-193,587	-183,852	-196,132	7%	1%
Allowances for possible loan losses (FX-adjusted)	-177,923	-196,132	10%	-177,923	-185,864	-196,132	6%	10%
Deposits from customers	251,176	243,132	-3%	251,176	241,872	243,132	1%	-3%
Deposits from customer (FX-adjusted)	230,963	243,132	5%	230,963	245,596	243,132	-1%	5%
Retail and SME deposits	138,441	167,488	21%	138,441	161,950	167,488	3%	21%
Corporate deposits	92,522	75,644	-18%	92,522	83,645	75,644	-10%	-18%
Liabilities to credit institutions	350,556	242,571	-31%	350,556	234,751	242,571	3%	-31%
Subordinated debt	47,971	42,925	-11%	47,971	42,109	42,925	2%	-11%
Total shareholders' equity	120,149	112,464	-6%	120,149	108,772	112,464	3%	-6%

Loan Quality	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	239,893	248,671	4%	239,893	234,138	248,671	6%	4%
90+ days past due loans/gross customer loans (%)	30.0%	36.4%	6.4%	30.0%	35.4%	36.4%	1.0%	6.4%
Cost of risk/average gross loans (%)	2.04%	4.13%	2.09%	2.27%	4.59%	4.00%	-0.59%	1.73%
Cost of risk/average (FX-adjusted) gross loans (%)	2.07%	4.32%	2.24%	2.34%	4.64%	3.97%	-0.67%	1.63%
Total provisions/90+ days past due loans (%)	80.7%	78.9%	-1.8%	80.7%	78.5%	78.9%	0.3%	-1.8%
Performance Indicators (%)	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	0.7%	0.1%	-0.6%	-1.5%	1.1%	1.6%	0.5%	3.1%
ROE	4.4%	0.5%	-4.0%	-9.5%	6.9%	9.7%	2.8%	19.2%
Total income margin	7.17%	9.01%	1.84%	8.56%	9.92%	11.81%	1.89%	3.25%
Net interest margin	5.59%	6.93%	1.33%	6.71%	7.75%	8.89%	1.14%	2.18%
Cost/income ratio	49.9%	48.1%	-1.9%	51.2%	45.5%	42.7%	-2.8%	-8.5%
Net loans to deposits (FX-adjusted)	241%	200%	-40%	241%	197%	200%	4%	-40%
FX rates	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
HUF/UAH (closing)	29.92	27.38	-8%	29.92	26.90	27.38	2%	-8%
HUF/UAH (average)	25.16	27.85	11%	28.10	27.92	26.79	-4%	-5%

- **HUF 528 million after tax profit in 2012 as a result of operating profit improving by 25% and doubling risk costs**
- **Strong POS loan origination with cross sale of credit cards catching up**
- **Retail deposits advanced by 21% y-o-y providing hryvnia liquidity for consumer lending**
- **With the further erosion of gross loans the DPD90+ ratio grew to 36.4%, the cash coverage remained stable at 78.9% (-1.8 ppts y-o-y)**

In 2012 OTP Bank Ukraine posted HUF 528 million of profits which significantly fell short of 2011 net earnings at HUF 5 billion; however the decent 4Q result of HUF 2.7 billion underpins a q-o-q 41% increase.

The overall result is somewhat distorted by a technical factor: the corporate income tax was not accrued proportionally through 2012, in fact there was a quarterly volatility in tax burdens. Under IFRS tax accrual for the first half of 2012 was partially reversed in 3Q since full year profit forecast was changed, resulting a positive tax burden in that quarter. The substantial annual tax burden (effective tax rate for the full year at 81%) is reasoned by the fact that the P&L of OTP Bank Ukraine incorporates the result of three more local subsidiaries (OTP Factoring Ukraine, OTP Leasing Ukraine and OTP Credit Ukraine), out of them two were loss makers in 2012. There were no deferred tax accruals recognised for those losses. In case of the profitable companies the effective tax rate exceeded the official corporate tax rate (21%) as under local regulations certain costs could not be deducted from the tax base.

The annual operating profit (in hryvnia terms) increased by 14% supported by 9% growth in total income: the net interest income advanced by 8% as a result of a successful consumer lending activity and higher net interest margin (2012: 6.93%, +1.33 ppts). Net fees in hryvnia terms grew by 28%: not only deposit and transaction fees performed nicely, but revenues also from payment protection policies sold with consumer loans increased, too.

Operating expenses grew moderately (+5% y-o-y, FX-adjusted) driven mainly by the 8% increase in personnel expenses on the back of stronger POS and cash loan sales. In that segment agent-related selling activity gained ground against the traditional branch-based business. The agency network showed a dynamic expansion and grew to 2,591 by year end, whereas 3 branches were closed. Yearly cost dynamics reflected both strong cost management and relatively low inflation environment. As a result, FX-adjusted administrative expenses moderated by 0.3%

y-o-y. The cost-to-income ratio declined by a further 1.9 ppts to 48.1%.

Risk costs doubled y-o-y, while 4Q provisioning dropped by 16% q-o-q. In case of consumer loans a new scoring system has been implemented together with a new verification system, as a result the quality of newly disbursed loans is better compared to that of in summer, true, in the overall portfolio those results are not yet meaningful. Despite growing risk costs the DPD90+ coverage slightly declined (-1.8 ppts y-o-y) since DPD90+ loan volumes in hryvnia terms increased by 14% y-o-y, thus the coverage level reached 78.9% by end-2012.

Since the launch of consumer lending in March 2011 newly disbursed volumes have been growing. The outstanding POS loan portfolio doubled y-o-y, and the Bank entered federal retail chains with its products.

The cross sale of credit cards continued to be successful, too, in 4Q volumes advanced by 61%. Personal loan disbursement, however was scaled back somewhat in 2H due to more stringent scoring and volumes dropped by 6% q-o-q.
Similar to the meltdown of retail mortgage portfolio (-12% y-o-y, FX-adjusted), corporate volumes contracted, too as a result of repayments and sell- offs (-9%). Corporate loans showed a slight recovery in 4Q as part of the loans being written off earlier was brought back into the balance sheet again as the management expects resumed payment service. Pick up in leasing also supported corporate volumes on a quarterly basis.
In order to provide enough hryvnia liquidity for the growing need of consumer lending, the bank launched deposit campaigns focusing on household clients. As a result of attractive offered rates, retail term deposits advanced by 21% y-o-y (FX-adjusted) and part of the existing deposits was repriced, too (the share of lower yielding deposits shrank).
Despite rate cuts in the FX deposit segment, volumes remained stable q-o-q reflecting the population's growing concern for potential devaluation of the local currency. As a result, the net loan-to-deposit ratio decreased further (2012: 212%, -29 ppts y-o-y).

According to the former regulation of the Ukrainian National Bank, the capital position of the bank was lowered from 20.3% in September to 13.8% (regulatory minimum: 10%). However from 1 January new regulation was introduced according to which the end-2012 capital adequacy ratio would have exceeded 18%.

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

Main components of P&L account in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	3,552	3,714	5%	-624	1,630	1,053	-35%	-269%
One-off items, after-tax	3,440	0	-100%	0	0	0		
After tax profit w/o dividends, net cash transfers and one-offs	112	3,714		-624	1,630	1,053	-35%	-269%
Income tax	-50	-1,039		133	-414	-367	-11%	-375%
Profit before income tax	162	4,754		-757	2,043	1,419	-31%	-287%
Operating profit	8,222	8,497	3%	2,275	2,297	2,134	-7%	-6%
Total income	21,784	22,550	4%	5,946	5,861	5,332	-9%	-10%
Net interest income	15,383	16,220	5%	4,124	4,078	3,856	-5%	-6%
Net fees and commissions	4,094	4,660	14%	1,191	1,212	1,213	0%	2%
Other net non-interest income	2,307	1,670	-28%	631	571	263	-54%	-58%
Operating expenses	-13,563	-14,052	4%	-3,671	-3,564	-3,198	-10%	-13%
Total risk costs	-8,059	-3,744	-54%	-3,033	-253	-715	182%	-76%
Provision for possible loan losses	-6,694	-2,988	-55%	-2,291	-157	-468	197%	-80%
Other provision	-1,365	-756	-45%	-741	-96	-247	158%	-67%

Main components of balance sheet closing balances in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
Total assets	529,853	519,570	-2%	529,853	517,082	519,570	0%	-2%
Gross customer loans	377,592	351,410	-7%	377,592	342,790	351,410	3%	-7%
Gross customer loans (FX-adjusted)	353,538	351,410	-1%	353,538	350,396	351,410	0%	-1%
Retail loans	221,746	225,851	2%	221,746	223,568	225,851	1%	2%
Corporate loans	130,466	124,757	-4%	130,466	125,905	124,757	-1%	-4%
Car financing loans	1,327	802	-40%	1,327	924	802	-13%	-40%
Allowances for possible loan losses	-22,013	-23,740	8%	-22,013	-22,888	-23,740	4%	8%
Allowances for possible loan losses (FX-adjusted)	-20,592	-23,740	15%	-20,592	-23,218	-23,740	2%	15%
Deposits from customers	421,618	407,754	-3%	421,618	406,566	407,754	0%	-3%
Deposits from customer (FX-adjusted)	393,807	407,754	4%	393,807	414,997	407,754	-2%	4%
Retail deposits	351,240	361,426	3%	351,240	362,325	361,426	0%	3%
Corporate deposits	42,566	46,329	9%	42,566	52,672	46,329	-12%	9%
Liabilities to credit institutions	36,041	37,832	5%	36,041	37,728	37,832	0%	5%
Subordinated debt	1,589	1,489	-6%	1,589	1,454	1,489	2%	-6%
Total shareholders' equity	58,485	59,813	2%	58,485	58,234	59,813	3%	2%
Loan Quality	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	38,260	38,892	1.7%	38,260	35,953	38,892	8.2%	1.7%
90+ days past due loans/gross customer loans (%)	10.1%	11.1%	0.9%	10.1%	10.5%	11.1%	0.6%	0.9%
Cost of risk/average gross loans	1.88%	0.82%	-1.06%	2.51%	0.18%	0.54%	0.36%	-1.97%
Cost of risk/average (FX-adjusted) gross loans	1.90%	0.85%	-1.05%	2.60%	0.18%	0.53%	0.35%	-2.07%
Total provisions/90+ days past due loans (%)	57.5%	61.0%	3.5%	57.5%	63.7%	61.0%	-2.6%	3.5%
Performance Indicators (%)	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	0.0%	0.7%	0.7%	-0.5%	1.3%	0.8%	-0.5%	1.3%
ROE	0.2%	6.3%	6.1%	-4.2%	11.3%	7.1%	-4.2%	11.3%
Total income margin	4.29%	4.30%	0.00%	4.54%	4.63%	4.09%	-0.54%	-0.45%
Net interest margin	3.03%	3.09%	0.06%	3.15%	3.22%	2.96%	-0.27%	-0.19%
Cost/income ratio	62.3%	62.3%	0.1%	61.7%	60.8%	60.0%	-0.8%	-1.8%
Net loans to deposits (FX-adjusted)	85%	80%	-4%	85%	79%	80%	2%	-4%
FX rates	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
HUF/HRK (closing)	41.27	38.59	-6%	41.27	38.16	38.59	1%	-6%
HUF/HRK (average)	37.53	38.48	3%	40.50	37.88	37.62	-1%	-7%

- **HUF 3.7 billion after tax profit in 2012 as a result of stable operating income and significant risk cost moderation**
- **Diminishing portfolio deterioration (DPD90+ ratio: 11.1%, +0.9ppts y-o-y), despite lower risk costs the DPD90+ coverage improved (2012: 61%, +3.5 ppts y-o-y)**
- **Declining net loan-to-deposit ratio due to increasing deposit and declining loan volumes (2012: 80%, -4 ppts y-o-y)**
- **Y-o-y stable net interest margin 3% and cost/income ratio: 62.3%**

OTP banka Hrvatska (OBH) Group posted HUF 3.7 billion after tax profit in 2012 (+5% y-o-y). Apart from stable operating income the annual profit formation mainly reflected the 54% y-o-y drop of risk costs.

Total income of the Croatian subsidiary was stable in 2012, due to exchange rate movements in HUF it has advanced by 4% y-o-y. Net interest income grew by 5% y-o-y as a result of stable net interest margin (2012: 3.09%, +0.06 ppt y-o-y) and portfolio formation. 14% y-o-y increase of net fee income was driven by the significantly improving card and POS-terminal revenues of the summer tourist season and loan prepayment fees, while other net non-interest income dropped by 28%.

In 4Q, following the tourist season, the net fee income stagnated. Net interest income

declined by 5% q-o-q, basically as a result of narrowing interest margin induced by higher retail deposit rates. Thus despite of 10% q-o-q improvement of operating costs, the seasonally shrinking total income (-9% q-o-q) resulted a 7% drop in total income. Operating cost declined partially as a result of continuously stringent cost control and on the other hand due to the decreased depreciation rate of a real estate, acquired by OBH Group as collateral behind a defaulted corporate loan. The HUF 1 billion after tax profit in 4Q (-35% q-o-q) is fundamentally due to increasing risk costs.
Cost/income ratio of OBH in 2012 improved continuously (1Q 2012: 65.6%, 2Q: 62.9%, 3Q: 60.8%; 4Q: 60.0%).

After an improvement in the first half of the year, in 2H the portfolio quality deterioration accelerated, thus the DPD90+ ratio grew by 0.9 ppt to 11.1%. With regards to different segments, portfolio of consumer loans stagnated at 10.1%, while DPD90+ ratio of mortgage loans elevated to 8% (+0.2 ppt q-o-q). DPD90+ ratio of SME loans improved to 19% (-1.7 ppts q-o-q), while the ratio of car and corporate loans went up to 15.2% and 17.2%, respectively (+2.2 ppts and +2.5 ppts, respectively). Coverage ratio of DPD90+ loan portfolio at year-end 2012 was 61% (+3.5 ppts y-o-y; -2.6 ppts q-o-q).

Due to shrinking economy and high level of unemployment the loan demand remained benign. In 2012 the FX-adjusted loan portfolio declined by 1% due to 2% increase of retail and 4% y-o-y decline of corporate loan portfolio. Within the retail book mortgage and consumer loans grew by 1% and 3%, respectively. As the contraction in loan portfolio is typical on the Croatian market as a whole, market share of OBH in overall loans is a stable 3.2%.

In 2012 the FX-adjusted deposit book of OBH expanded in all segments, altogether by 4% y-o-y. The annual growth of retail and SME portfolio total is 3%, while the corporate book developed by 9%. Q-o-q 2% decline of the deposit book is due to seasonal effects. As a result, market share of OBH practically remained unchanged at 4.3%. On the back of decreasing loan and increasing deposit portfolio, in 2012 net-loan-to-deposit rate dropped by 4 ppts to 80%.

Capital adequacy ratio of the Bank increased by 1.4 ppts y-o-y to 14.9% (regulatory minimum: 12%).

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

Main components of P&L account in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfer and one-offs	-409	-1,082	165%	-561	250	-1,643	-757%	193%
Income tax	-72	-182	153%	-21	-43	-70	63%	238%
Profit before income tax	-336	-900	168%	-540	293	-1,573	-637%	191%
Operating profit	3,328	3,519	6%	646	983	871	-11%	35%
Total income	13,640	13,6	14,011	3,643	3,419	3,450	1%	-5%
Net interest income	10,968	12,018	10%	2,914	3,139	2,927	-7%	0%
Net fees and commissions	2,499	2,930	17%	703	701	763	9%	9%
Other net non-interest income	172	-938	-645%	27	-421	-239	-43	-999%
Operating expenses	-10,311	-10,491	2%	-2,997	2,437	-2,579	6%	-14%
Total risk costs	-3,665	-4,420	21%	-1,186	-690	-2,444	254%	106%
Provision for possible loan losses	-3,624	-4,420	22%	-1,158	-691	-2,401	248%	107%
Other provision	-40	1	-102%	-28	1	-43		54%

Main components of balance sheet closing balances in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
Total assets	386,313	374,305	-3%	386,313	381,266	374,305	-2%	-3%
Gross customer loans	300,970	292,072	-3%	300,970	285,863	292,072	2%	-3%
Gross customer loans (FX-adjusted)	281,754	292,072	4%	281,754	293,486	292,072	0%	4%
Retail and SME loans	205,486	222,326	8%	205,486	221,807	222,326	0%	8%
Corporate loans	75,725	69,225	-9%	75,725	71,129	69,225	-3%	-9%
Car financing loans	543	520	-4%	543	550	520	-5%	-4%
Allowances for possible loan losses	-18,992	-21,042	11%	-18,992	-18,249	-21,042	15%	11%
Allowances for possible loan losses (FX-adjusted)	-17,781	-21,042	18%	-17,781	-18,737	-21,042	12%	18%
Deposits from customers	290,157	299,014	3%	290,157	289,534	299,014	3%	3%
Deposits from customer (FX-adjusted)	271,599	299,014	10%	271,599	297,204	299,014	1%	10%
Retail and SME deposits	250,186	274,855	10%	250,186	266,799	274,855	3%	10%
Corporate deposits	21,412	24,159	13%	21,412	30,405	24,159	-21%	13%
Liabilities to credit institutions	7,596	6,155	-19%	7,596	5,907	6,155	4%	-19%
Issued securities	42,250	28,296	-33%	42,250	41,366	28,296	-32%	-33%
Subordinated debt	9,057	8,464	-7%	9,057	8,246	8,464	3%	-7%
Total shareholders' equity	30,421	27,074	-11%	30,421	28,085	27,074	-1%	-11%
Loan Quality	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	34,650	34,823	0.5%	34,650	33,284	34,823	4.6%	0.5%
90+ days past due loans/gross customer loans (%)	11.5%	11.9%	0.4%	11.5%	11.6%	11.9%	0.3%	0.4%
Cost of risk/average gross loans (%)	1.26%	1.49%	0.23%	1.55%	0.96%	3.31%	2.35%	1.76%
Cost of risk/average (FX-adjusted) gross loans (%)	1.28%	1.54%	0.26%	1.61%	0.94%	3.26%	2.32%	1.66%
Total provisions/90+ days past due loans (%)	54.8%	60.4%	5.6%	54.8%	54.8%	60.4%	5.6%	5.6%
Performance Indicators (%)								
ROA	-0.1%	-0.3%	-0.2%	-0.6%	0.3%	-1.7%	-2.0%	-1.1%
ROE	-1.5%	-3.8%	-2.3%	-7.8%	3.5%	-23.7%	-27.2%	-15.9%
Total income margin	3.71%	3.68%	-0.02%	3.82%	3.55%	3.63%	0.08%	0.19%
Net interest margin	2.98%	3.16%	0.18%	3.06%	3.26%	3.08%	-0.18%	0.03%
Cost/income ratio	75.6%	74.9%	-0.7%	82.3%	71.3%	74.8%	3.5%	-7.5%
Net loans to deposits	97%	91%	-7%	97%	92%	91%	-2%	-7%
Net loans to deposits (FX-adjusted)	97%	91%	-7%	97%	92%	91%	-2%	-7%
FX rates	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
HUF/HRK (closing)	311	291	-6%	311	284	291	3%	-6%
HUF/HRK (average)	279	289	4%	304	283	283	0%	-7%

* P&L account lines and indicators beginning from 2012 are adjusted for banking tax

- **HUF 1.1 billion after tax loss in 2012, adjusted for banking tax**
- **Stable loan portfolio quality y-o-y, meaningful improvement of provision coverage (2012: 60.4%)**
- **Further strengthening retail focus: home equity and consumer loans kept growing**
- **Growing deposit base, FX-adjusted net loan-to-deposit ratio improved to 91% (-1 ppt y-o-y)**

In 2012 **OTP Banka Slovensko** posted HUF 1,082 million after tax loss without the banking tax, compared to the HUF 409 million loss in 2011, mainly as a result of growing risk cost. The total burden of banking tax in 2012 was HUF 951 million for the Slovakian bank. According to the decision of the Slovakian parliament the base of the banking tax broadened from 2H 2012, and there is an extraordinary banking tax due since October 2012. The total burden of banking taxes is expected to reach EUR 5.1 million in 2013 for the Slovakian subsidiary.

Due to the FX-adjusted total loan growth and the stable margins (2012 total income margin: 3.68%, -2 bps y-o-y) total income shaped well in 2012. Y-o-y net interest income grew by 10% and net fees by 17%, respectively. The strong income generation was somewhat off-set by the HUF 938 million other net non-interest income loss, mainly stemming from swap revaluation. Operating expenses grew by 2% y-o-y, which, taking into consideration the higher average HUF/EUR exchange rate (+4% y-o-y), demonstrates a stringent cost control. In 2H 2012 operating expenses (within that the administrative expenses) declined as the contribution to the deposit protection fund (DPF) was abolished with respect to the higher banking tax payable. The total effect was HUF 217 million before tax in 2H. Cost/income ratio improved a bit in HUF terms to 74.9% in 2012, although in local currency it showed a slight increase.

For 4Q 2012 operating profit decreased by 11% q-o-q, (4Q 2012: HUF 871 million), due to the steady total income flow (+1%) and the 6% growth in operating expenses. Within that personnel expenses and material cost increased. Net interest income decreased by 7% q-o-q, owing to the lower interest margin (4Q 2012: 3.08%, -18 bps q-o-q) caused by lower interest on loans and higher interest paid on deposits. Net fees and commissions grew by 9%, mainly due to loans related fee income growth, beefed by the higher than usual proportion of early repaid loans.

In 2012 OBS put HUF 4.4 billion aside as provisions (+21% y-o-y) out of which more than half was made in 4Q (HUF 2.4 billion). The outstandingly high risk cost was made in order to improve provision coverage of problem loans (4Q 2012: 60.4%, +5.6 ppts both y-o-y and q-o-q). Mainly mature uncovered fast loans in the SME segment was affected by the coverage enhancement, in line with the auditor's recommendation. By the end of 2012 the volume of 90 days past due loans increased by only half of a percentage point, while DPD90+ ratio increased by only 40 bps y-o-y (2012: 11.9%).

The yearly development of loan and deposit volumes was in line with the intention of the management to strengthen the retail focus of the Bank. In yearly comparison FX-adjusted total loans grew by 4%, within that retail and SME loan growth was +8%, while corporate and municipal loans portfolio dropped by 9% Within the retail portfolio mortgage loans increase was meaningful (+8%), while the consumer loan portfolio surged by 78% y-o-y. On the quarterly basis total loan portfolio was stable, however personal loans portfolio grew compellingly (+35% q-o-q) as a result of the September marketing campaign, but also mortgage loans portfolio grew by 2% owing to favourable interest rates and the lack of administration fee.

FX-adjusted deposit base surged by 10% y-o-y. Beside the fierce competition on the retail deposit market, a slight increase in paid interest was seen in 4Q, so OBS managed to further broaden its deposit base (+1% q-o-q). Corporate and municipal deposits decreased by 21% q-o-q in the last quarter of the year. Net loans-to-deposits ratio stood at 91% at the end of 2012 (-8 ppts y-o-y and -2 ppts q-o-q).

Number of employees and branches did not change in 4Q 2012; in 2012 altogether 4 branches were closed so OBS ended the year with 70 branches.

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

Main components of P&L account in HUF mn	2011	2012	Y-o-Y	4Q 2011	3Q 2012	4Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	-6,283	-4,934	-21%	-2,726	-1,299	-2,343	80%	-14%
Income tax	-134	3	-102%	-134	0	3		-102%
Profit before income tax	-6,149	-4,937	-20%	-2,592	-1,299	-2,346	81%	-9%
Operating profit	-1,316	-1,708	30%	-949	-371	-1,253	237%	32%
Total income	5,220	6,322	21%	1,314	1,243	1,727	39%	31%
Net interest income	1,460	3,071	110%	546	777	949	22%	74%
Net fees and commissions	1,872	1,604	-14%	491	391	401	3%	-18%
Other net non-interest income without the effect of revaluation of FX provisions	1,888	1,648	-13%	277	76	377	398%	36%
Operating expenses	-6,536	-8,030	23%	-2,264	-1,615	-2,980	85%	32%
Total risk costs	-4,833	-3,228	-33%	-1,643	-928	-1,093	18%	-33%
Provision for possible loan losses without the effect of revaluation of FX provisions	-4,960	-3,159	-36%	-1,700	-958	-953	-1%	-44%
Other provision	127	-69	-154%	57	30	-140	-559%	-346%
Main components of balance sheet closing balances in HUF mn	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	121,475	122,994	1%	121,475	110,458	122,994	11%	1%
Gross customer loans	90,523	90,026	-1%	90,523	83,692	90,026	8%	-1%
Gross customer loans (FX-adjusted)	82,313	90,026	9%	82,313	86,312	90,026	4%	9%
Retail loans	34,999	38,397	10%	34,999	38,171	38,397	1%	10%
Corporate loans	47,313	51,629	9%	47,313	48,142	51,629	7%	9%
Allowances for possible loan losses	-26,078	-26,404	1%	-26,078	-24,967	-26,404	6%	1%
Allowances for possible loan losses (FX-adjusted)	-23,373	-26,404	13%	-23,373	-25,782	-26,404	2%	13%
Deposits from customers	36,476	38,268	5%	36,476	34,849	38,268	10%	5%
Deposits from customers (FX-adjusted)	33,309	38,268	15%	33,309	35,879	38,268	7%	15%
Retail deposits	27,069	29,692	10%	27,069	27,469	29,692	8%	10%
Corporate deposits	6,239	8,575	37%	6,239	8,410	8,575	2%	37%
Liabilities to credit institutions	6,602	17,088	159%	6,602	9,657	17,088	77%	159%
Subordinated debt	45,967	37,561	-18%	45,967	36,650	37,561	2%	-18%
Total shareholders' equity	27,706	25,171	-9%	27,706	26,089	25,171	-4%	-9%
Loan Quality	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	54,836	47,329	-13.7%	54,836	47,894	47,329	-1.2%	-13.7%
90+ days past due loans/gross customer loans (%)	60.6%	52.6%	-8.0%	60.6%	57.2%	52.6%	-4.7%	-8.0%
Cost of risk/average gross loans (%)	5.53%	3.50%	-2.03%	7.66%	4.61%	4.37%	-0.24%	-3.29%
Cost of risk/average gross loans (FX-adjusted) (%)	5.72%	3.67%	-2.05%	8.23%	4.50%	4.30%	-0.20%	-3.92%
Total provisions/90+ days past due loans (%)	47.6%	55.8%	8.2%	47.6%	52.1%	55.8%	3.7%	8.2%
Performance Indicators (%)	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	-5.3%	-4.0%	1.3%	-9.4%	-4.7%	-8.0%	-3.3%	1.4%
ROE	-27.5%	-18.7%	8.8%	-46.9%	-19.3%	-36.4%	-17.1%	10.6%
Total income margin	4.42%	5.17%	0.75%	4.51%	4.46%	5.89%	1.43%	1.38%
Net interest margin	1.24%	2.51%	1.28%	1.87%	2.78%	3.23%	0.45%	1.36%
Cost/income ratio	125.2%	127.0%	1.8%	172.2%	129.9%	172.5%	42.6%	0.3%
Net loans to deposits (FX-adjusted)	177%	166%	-11%	177%	169%	166%	-2%	-11%
FX rates	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
HUF/RSD (closing)	3.0	2.6	-14%	3.0	2.5	2.6	4%	-14%
HUF/RSD (average)	2.7	2.6	-6%	3.0	2.4	2.5	3%	-16%

- **The loss realized in 2012 dropped by 21% y-o-y due to lower risk cost, while operating result remained in red**
- **HUF 1.3 billion one-off expense booked within operating costs in 4Q 2012 due to litigations**

- **The diminishing DPD90+ ratio was coupled with further improving provision coverage ratio in 4Q**
- **The expansion of the loan portfolio was supported by strong consumer and corporate loan disbursements, similarly to the previous quarter**

OTP banka Srbija posted HUF 4.9 billion net loss in 2012 against the negative result of HUF 6.3 billion in the previous year.

The operating result did not break even yet, partially due to one-off expenses in relation to litigations; without these costs the operating loss would have shown a significant decline (-HUF 0.4 billion in 2012 against -HUF 1.3 billion in 2011).

Total revenues grew by 21% y-o-y, within that net interest income jumped more than two-fold. This is partly attributable to a base effect: in 2011 both rapid portfolio deterioration and high interest expenses on deposits were a drag on net interest income. The changes in the loan portfolio structure (higher share of performing and consumer loans) are positive, too. The remarkable q-o-q growth of the 4Q net interest income was supported by the recovery of suspended interest in case of loans that became performing again.

Apart from the 14% erosion of net fee income y-o-y, other net non-interest revenues that were volatile in each quarters declined by 13%.

In the fourth quarter one-off expenses were recognised in the amount of HUF 1.3 billion, which emerged due to litigations in relation to loans disbursed by Zepter banka before the acquisition in 2006. The annual operating costs jumped by 23% due to this one-off expense, excluding this item operating costs would have increased by a mere 3%. A tax payable for previous years together with the related penalty interest booked in 2Q accounts, as well as higher marketing costs were further reasons for operating cost increase in 2012.

The total risk cost declined by 33% y-o-y. Overall portfolio quality developed favourably during 2012, the downtrend of the DPD90+ ratio started from end- 2011 continued in 2012. The Bank is deliberately lifting the provision coverage ratio (up by 8.2 ppts and 3.7 ppts y-o-y and q-o-q respectively).

Adjusted for the FX-effect, total gross loan portfolio expanded by 9% y-o-y and by 4% q-o-q. The Bank focused its lending activity on dinar denominated personal loans; the continuously improving sales performance resulted in remarkable volume growth in this segment (+50% y-o-y, +5% q-o-q FX-adjusted). In the second half of the year corporate lending gained momentum, too and strong new disbursements underpinned a remarkable 9% volume growth in the course of 2012. In 4Q non- performing loans in the amount of HUF 1.1 billion equivalent were partly sold to non-Group members and the smaller part was written off. This, however had no influence on bottom-line earnings as these loans were 100% covered by provisions.

Deposit volumes showed a 15% expansion y-o-y FX-adjusted, the volume growth reached 7% in 4Q. The net loan-to-deposit ratio kept on declining (-11 ppts y-o-y).

OTP Bank Plc. increased the capital of the Serbian bank by RSD 4.5 billion in December 2012. The transaction was registered on 17 January 2013 by the Serbian Court of Registration.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)
Performance of CKB:

Main components of P&L account in HUF mn	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
After tax profit w/o dividends and net cash transfer	-4,525	-3,872	-14%	-1,046	-68	-3,449		230%
Corporate income tax	0	7		0	0	-6		
Pre-tax profit	-4,525	-3,865	-15%	-1,046	-68	-3,455		230%
Total income	8,339	10,047	20%	2,385	2,640	2,456	-7%	3%
Net interest income	5,587	7,238	30%	1,611	1,811	1,767	-2%	10%
Net fees and commissions	2,692	2,489	-8%	733	730	600	-18%	-18%
Other net non-interest income	61	319	422%	41	99	89	-9%	118%
Operating expenses	-6,341	-7,217	14%	-1,854	-1,735	-1,867	8%	1%
Total risk costs	-6,524	-6,695	3%	-1,577	-973	-4,044	316%	156%
Provision for possible loan losses	-4,020	-2,655	-34%	-176	361	-1,622	-549%	819%
Other provision	-2,503	-4,039	61%	-1,400	-1,334	-2,422	82%	73%
Main components of balance sheet closing balances in HUF mn	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	232,750	208,633	-10%	232,750	213,997	208,633	-3%	-10%
Gross customer loans	165,708	147,244	-11%	165,708	144,629	147,244	2%	-11%
Gross customer loans (FX-adjusted)	155,142	147,244	-5%	155,142	148,493	147,244	-1%	-5%
Retail loans	68,042	65,277	-4%	68,042	65,861	65,277	-1%	-4%
Corporate loans	87,099	81,966	-6%	87,099	82,632	81,966	-1%	-6%
Car financing loans	0	0		0	0	0		
Allowances for possible loan losses	-46,536	-46,252	-1%	-46,536	-43,351	-46,252	7%	-1%
Allowances for possible loan losses (FX-adjusted)	-43,526	-46,252	6%	-43,526	-44,509	-46,252	4%	6%
Deposits from customers	171,982	157,924	-8%	171,982	159,388	157,924	-1%	-8%
Deposits from customers (FX-adjusted)	160,912	157,924	-2%	160,912	163,551	157,924	-3%	-2%
Retail deposits	125,896	121,708	-3%	125,896	126,070	121,708	-3%	-3%
Corporate deposits	35,016	36,217	3%	35,016	37,481	36,217	-3%	3%
Liabilities to credit institutions	22,287	21,671	-3%	22,287	22,743	21,671	-5%	-3%
Subordinated debt	8,408	2,041	-76%	8,408	1,987	2,041	3%	-76%
Total shareholders' equity	16,231	17,048	5%	16,231	20,059	17,048	-15%	5%
Loan Quality	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	60,296	60,034	-0.4%	60,296	56,941	60,034	5.4%	-0.4%
90+ days past due loans/gross customer loans (%)	36.4%	40.8%	4.4%	36.4%	39.4%	40.8%	1.4%	4.4%
Cost of risk/average gross loans (%)	2.48%	1.70%	-0.78%	0.44%	-0.97%	4.42%	5.39%	3.98%
Cost of risk/average (FX-adjusted) gross loans (%)	2.51%	1.76%	-0.75%	0.46%	-0.95%	4.36%	5.31%	3.90%
Total provisions/90+ days past due loans (%)	77.2%	77.0%	-0.1%	77.2%	76.1%	77.0%	0.9%	-0.1%
Performance Indicators (%)	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	-2.0%	-1.8%	0.3%	-1.8%	-0.1%	-6.5%	-6.4%	-4.7%
ROE	-27.9%	-23.3%	4.6%	-25.6%	-1.4%	-73.9%	-72.5%	-48.3%
Total income margin	3.75%	4.55%	0.80%	4.15%	4.95%	4.62%	-0.32%	0.47%
Net interest margin	2.51%	3.28%	0.77%	2.80%	3.39%	3.33%	-0.07%	0.52%
Cost/income ratio	76.0%	71.8%	-4.2%	77.7%	65.7%	76.0%	10.3%	-1.7%
Net loans to deposits (FX-adjusted)	69%	64%	-5%	69%	64%	64%	0%	-5%
FX rates	**2011**	**2012**	**Y-o-Y**	**4Q 2011**	**3Q 2012**	**4Q 2012**	**Q-o-Q**	**Y-o-Y**
HUF/EUR (closing)	311.1	291.3	-6%	311.1	283.7	291.3	3%	-6%
HUF/EUR (average)	279.3	289.3	4%	303.6	283.0	283.3	0%	-7%

- **Despite significant risk costs (HUF 6.7 billion) the annual loss further decreased**
- **FX-adjusted DPD90+ loan formation decelerated with stable provision coverage at 77.0% in place**
- **Improving operating profit and cost efficiency y-o-y**

In 2012 the Montenegrin CKB bank posted HUF 3.9 billion loss against the negative result of HUF 4.5 billion a year before. The operating profit improved substantially (+42% y-o-y), mainly as a result of higher total income (+20%). Net interest income improved by 30% y-o-y. The good performance on one hand was supported by the favourable liquidity position which enabled the Bank to increase its interbank loan portfolio and realize higher interest income on those assets. At the same time interest rates on retail term deposits were lowered, too. Furthermore, in 3Q 2012 a subordinated loan provided by OTP Bank was converted into share capital, as a result the net interest margin further improved (2012: 3.28%, +77 bps y-o-y).

The 14% increase of operating expenses y-o-y (FX-adjusted) was mainly reasoned by higher ersonnel expenses. The number of employees (2012: 422 people) decreased by 28 people in 2012, both in the network and the headquarters. According to the in-house social programs the Bank had to pay compensation after those being dismissed. Administrative expenses grew by 2.9% (FX-adjusted) y-o-y reflecting stronger marketing activities and higher advisory fees. In 4Q administrative expenses advanced by 21% q-o-q partly due to an additional tax payment that was booked after the 2010-2011 periods. Risk costs for possible loan losses decreased by 34% y-o-y with the portfolio deterioration slowing down (DPD90+ loan formation in 2011: HUF 5 billion, in 2012: HUF 3 billion). The provision coverage remained stable at 77%. The y-o-y 6% increase in DPD90+ volumes in local currency was due to corporate exposure that had been restructured earlier, but became non-performing. The 4.4 ppts increase in the DPD90+ ratio (40.8%) y-o-y was partly reasoned by the 5% contraction of gross loan book, too.
The Bank's 2012 profitability to a large extent was affected by the hefty amount of other risk costs related to malpractices before 2009. Those costs were booked in December 2012.

The demand for retail loans remained sluggish: the FX-adjusted retail book decreased by 4%, the lower mortgage disbursement was partly off-set by a pickup in consumer lending.
As a result of active promotional campaigns the FX-adjusted volume of cash loans advanced by 4%. Also, as a result of the recently introduced new scoring system the quality of loans disbursed in 4Q improved. Apart from 3Q, the whole-year SME lending was successful, too, their volumes remained flat y-o-y. The corporate book started decreasing from April 2012 however in 4Q a slight pickup was experienced, but closing volumes dropped by 6% y-o-y.

As a result of lower deposit rates, retail deposits shrank by 3%, while corporate deposits grew in the same magnitude. The trend-like decrease of the net loan-to-deposit ratio continued (end-2012: 64%, -5 ppts y-o-y).

At the end of 2012 CKB's capital adequacy ratio stood at 12.4% (the regulatory minimum is 10%) as a result of a partial conversion of subordinated loans of the mother company into share capital.

OTP Bank

Annual Report

2012

Financial Statements

To the Shareholderd and Board of Directors
OTP Bank Romania S.A.

Deloitte Audit S.R.L.
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C.U.I. 7756924

Independent Auditor's Report

1. We have audited the accompanying separate financial statements of OTP Bank Romania S.A., ("the Bank") which comprise the unconsolidated statement of financial position as of December 31, 2012, and the unconsolidated income statement, statement of comprehensive income, statement of changes in equity and 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 Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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 conducted our audit in accordance with the Auditing Standards issued by the Romanian Chamber of Financial Auditors and the International Auditing Standards. 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 statement. 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 Bank'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 unconsolidated financial position of OTP Bank Romania S.A. as of December 31, 2012, and the unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

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 or audit work, for this report, or for the opinion we have formed.

Report on conformity of the Administrators' Report with the Separate Financial Statements

In accordance with the Order of the National Bank of Romania no. 27/2010, article no. 16.1 point e) we have read the administrators' report attached to the separate financial statements. The administrators' report on separate financial statements we have not identified any historic 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
Registered with the Financial Auditors' Chamber of Romania under no. 25/25.06.2011
Bucharest, Romania
March 26, 2013

Deloitte Audit - SRL

OTP BANK ROMANIA S.A.
Unconsolidated Income Statement and
Statement of Comprehensive Income as at December 31, 2012

UNCONSOLIDATED INCOME STATEMENT	Note	Year ended December 31, 2012	Year ended December 31, 2011
Interest Income	**6**	**249,016**	**222,188**
Interest Expense	**7**	**(166,668)**	**(144,383)**
Net interest income		**82,348**	**77,805**
Fee and commission income	**8**	71,289	64,961
Fee and commission expense	**8**	(14,516)	(12,765)
Net fee and commission income		**56,774**	**52,196**
Impairment losses	**9**	**(64,207)**	**(31,119)**
Net interest, fee and commission income after impairment losses		**74,915**	**98,882**
Trading income, net	**10**	49,937	92,312
Gains (losses) on de-recognition of assets other than held for sale - net		(1,731)	(874)
Gains or losses on financial assets and liabilities designated as at fair value through profit or loss - net		5,891	11,456
Income from sale of shares		204	206
Other operating income	**13**	3,791	3,163
Total non- interest income		**58,093**	**106,263**
Income before non-interest expense		**133,008**	**205,145**
Salaries and related expenses	**11**	(93,919)	(92,204)
Other administrative expenses	**12**	(89,938)	(88,730)
Depreciation of tangible and Intangible assets		(21,790)	(19,690)
Other operating expenses	**13**	(16,645)	(923)
Total non-interest expense		**(222,291)**	**(201,548)**
Profit / (Loss) before income taxes		**(89,283)**	**3,597**
Income tax expense	**28**	0	(44)
Deferred tax expense		14,614	(5,533)
Net Loss for the period		**(74,669)**	**(1,980)**
Basic earnings per ordinary share (face value RON 240) in RON	**30**	**(26.83)**	**(0.88)**

Unconsolidated Statement of Comprehensive Income	Year ended December 31, 2012	Year ended December 31, 2011
Net loss after tax	**(74,669)**	**(1,980)**
Other components of comprehensive income, after tax		
Revaluation of financial assets available for sale	**(60)**	(5,725)
Total comprehensive loss for the reporting period	**(74,729)**	**(7,705)**

These financial statements have been authorized for issue by the management in March, 2013.

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, 2012

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION	**Note**	**December 31, 2012**	**December 31, 2011**
ASSETS			
Cash	14	96,200	165,318
Current accounts and deposits at banks	15	475,879	171,666
Accounts with the National Bank of Romania	16	486,723	390,575
Securities held-to-maturity	17	291,666	238,656
Loans and advances to customers, net	18	3,003,809	2,536,671
Investment securities - Available for sale	20	10,451	9,378
Investment securities at fair value through profit and loss	20	95,060	89,047
Investment in Associates and Subsidiaries	21	210	210
Tangible assets, net	19	145,276	115,799
Intangible assets, net	19	12,039	13,446
Tangible assets classified as held for sale	19	4,440	7,233
Investment property, net	4.2.3	1,848	0
Derivatives	26	13,966	12,557
Other assets, net	22	1,988	1,454
Total assets		**4,639,553**	**3,752,010**
LIABILITIES			
Due to Banks		45,752	65,790
Demand deposits banks	23	*45,752*	*45,485*
Term deposits banks	23	*0*	*20,305*
Due to customers		3,492,026	2,775,604
Demand deposits customers	24	*394,418*	*432,750*
Term deposits customers	24	*3,097,608*	*2,342,854*
Total deposits		3,537,778	2,841,394
Borrowings	25	21,993	23,275
Derivatives	26	420,959	344,430
Deferred tax liability, net	27	0	12,808
Provisions		11,540	17,275
Other liabilities	28	60,894	75,153
Total liabilities		**4,053,164**	**3,314,335**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	29	*732,909*	*542,909*
Share capital restatement	5	*42,751*	*42,751*
Total share capital		775,660	585,660
Accumulated deficit	5	(189,270)	(147,985)
Total shareholders' equity		**586,390**	**437,675**
Total liabilities and shareholders' equity		**4,639,553**	**3,752,010**

These financial statements have been authorized for issue by the management in March, 2013.

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, 2012

UNCONSOLIDATED STATEMENT OF CASH FLOWS	Year ended December 31, 2012	Year ended December 31, 2011
Cash flows from operating activities		
Loss after taxation	**(74,669)**	**(1,980)**
Adjustments for non-cash items:		
Depreciation expense	21,790	19,690
Loss on disposals of fixed assets	5,598	1,035
Impairment losses on loans and advances to customers	56,746	19,862
Charge / (Release) of other provisions	7,583	
Impairment losses on sundry transactions	9,602	11,258
Other adjustments	(14,019)	5,505
Valuation of derivative transactions	75,120	32,159
Total adjustments for non-cash items	**147,251**	**89,509**
Net profit adjusted for non-cash items	**72,582**	**87,529**
Changes in operating assets and liabilities		
Increase of restricted cash at National Bank of Romania	(96,148)	(6,759)
Increase of loans and advances to customers	(523,882)	(327,327)
(Increase)/ decrease of other assets	(529)	27,565
Decrease of demand deposits	(38,065)	(138,492)
Increase/(decrease) of term deposits	734,449	(100,416)
Increase / (decrease) of other liabilities	(23,861)	13,653
Total changes in operating assets and liabilities	**51,960**	**(531,775)**
Net cash provided by/(used in) operating activities	**124,547**	**(444,246)**
Cash flows from investing activities		
(Purchase of) / proceeds from investments available for sale	(1,134)	117,842
(Purchase of) / proceeds from sale of investments held to maturity	(53,010)	262,715
(Purchase of) / proceeds from investments at fair value through profit and loss	(6,013)	(89,047)
(Purchase)/sale of tangible and intangible assets, net	(18,217)	(24,344)
Dividends received	204	206
Net cash from/(used in) investing activities	**(78,169)**	**267,372**
Cash flows from financing activities		
(Decrease) / increase of borrowings	(1,282)	(11,568)
Proceeds from issue of shares	190,000	0
Net cash provided by/ (used in) financing activities	**188,718**	**(11,568)**
Net increase/(decrease) in cash and cash equivalents	**235,096**	**(188,442)**
Cash and cash equivalents at beginning of period	**336,982**	**525,424**
Cash and cash equivalents at end of period	**572,078**	**336,982**

These financial statements have been authorized for issue by the management in March, 2013.

Mr. László Diósi
President and CEO

OTP BANK ROMÂNIA
Administrația Centrală
1.
Director General

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, 2012

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, 2011	**542,909**	**42,751**	**(140,458)**	**445,201**
Changes in fair value of investment securities - available for sale	-		(6,815)	(6,815)
Deferred tax recognized directly in equity	-	-	1,090	1,090
Net income recognized directly in equity	-	-	(5,725)	(5,725)
Other adjustments	-	-	178	178
Net loss for the period ended December 31, 2011	-	-	(1,980)	(1,980)
Total recognized income and expense for the period	-	-	(7,705)	(7,705)
Balance as of December 31, 2011	**542,909**	**42,751**	**(147,985)**	**437,674**
Balance as of January 1st, 2012	**542,909**	**42,751**	**(147,985)**	**437,674**
Changes in fair value of investment securities - available for sale	-	-	(60)	(60)
Net loss for the period ended December 31, 2012	-	-	(74,669)	(74,669)
Total recognized income and expense for the period	-	-	(74,729)	(74,729)
Tangible Assets Revaluation reserve, Net	-	-	33,445	33,445
Increase in share capital	190,000	-	-	190,000
Balance as of December 31, 2012	**732,909**	**42,751**	**(189,270)**	**586,390**

All amounts are expressed in RON thousands, unless otherwise stated

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 2012

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 Mihăilescu - Member Of The Management Board and Deputy CEO

Supervisory Board (SB):

Antal György Kovács – Chairman of The Supervisory Board
Tamás Endre Vörös - Vice-Chairman of The Supervisory Board
Enikő Zsakó - Member
Tibor László Csonka - Member
Dr. Miklós Németh - Member
Ákos Monostori - Member
Ibolya dr. Rajmonné Veres - Member

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

Scope of the Business:
The Bank holds universal banking license issued by the National Bank of Romania ("NBR" 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, travelers' cheques and other similar means of payments, including issuing of electronic money;
- issuing guarantees and commitments;
- trading for own account and/or for account of clients, according to law, in:
  - money market instruments, such as: cheques, bills, promissory notes, certificates of deposit;
  - foreign exchange;
  - transferable securities and other financial instruments;
  - exchange and interest rate instruments;

- Consultancy related to capital structure, business strategy and other related issues, consultancy and other services related to mergers and purchase of undertakings as well as other advice services;
- Intermediation on the inter-banking market;
- Credit reference services related to provision of data and other credit references;
- Safe custody services;
- Operations with precious metals, gems and objects thereof;
- Acquiring of participations in the capital of other entities;

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

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

  - Bank assurance activity, according to the provisions of Law 32/2000 on insurance companies and insurance supervision, with the subsequent amendments and supplements;
  - Mandate operations: acting as marketing agent for the voluntary pension funds.

Shareholders' Structure:

The majority shareholder of the Bank, OTP Bank Nyrt. (Hungary) (Országos Takarékpénztár És Kereskedelmi Bank Részvénytársaság) 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, 2012, the shareholders' structure of the Bank was the following:

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 of December 31, 2012, the Bank's network structure comprised the Head office and 89 units (56 branches and 33 agencies) distributed in all counties of Romania.

The total number of Bank's employees as of December 31, 2012 was 1,050 (December 31, 2011: 1,122) and includes all employees with labor contract.

The average number of employees in year 2012 was 1,065 (1,109 during the year 2011).

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 2012, 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 to the National Bank of Romania and to the Board of Directors' meetings for periodical analysis.

The regulatory capital of the Bank's financing is stipulated by the provision of the NBR 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 of December 31, 2012 as well as of December 31, 2011. The Bank is also subject to other regulatory requirements of the NBR, including those pertaining to lending limits, liquidity, foreign currency exposure, interest rate risk etc. Starting with January 1, 2008, the Bank applies provisions of National Bank of Romania (NBR) – National Committee of Securities (CNVM) regulations harmonized with Basel requirements, which state that the minimum capital adequacy ratio is 8%.

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 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 December 31, 2012 and comparative data for the period ended as

at December 31, 2011 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, 2012 and are expressed in thousands 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 2012, 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 amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IFRS 7 "Financial Instruments: Disclosures"
  - Transfers of Financial Assets, adopted by the EU on November 22, 2011 (effective for annual periods beginning on or after July 1, 2011).

Standards and Interpretations issued and adopted but not yet effective

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),

- IFRS 11 "Joint Arrangements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),

- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),

- IFRS 13 "Fair Value Measurement", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),

- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),

- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),

- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),

- Amendments to IFRS 7 "Financial Instruments: Disclosures"

- Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2013),

- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after July 1, 2012),

- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),

- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after January 1, 2013),

- Amendments to IAS 32 "Financial instruments: presentation"
  - Offsetting Financial Assets and Financial Liabilitie s, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014),

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013).

Standards and Interpretations in issue not yet adopted

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 as at the date of authorization of these financial statements:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2015),

- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans (effective for annual periods beginning on or after January 1, 2013),

- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures,

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after January 1, 2013),

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after January 1, 2014),

Amendments to various standards "Improvements to IFRSs (2012)" resulting from the annual improvement project of IFRS published on May 17, 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013).

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. 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 an asset / liability of uncertain timing or amount resulting from a right / obligation.

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

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

- For financial instruments for which there is no observable market price, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank's accounting policy on fair value measurements is disclosed in Note 4.4

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, 2012 which is expected to be available for public use on internet address: *www.otpbank.hu* as of April 2013.

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, 2012	3.6681	3.3575	4.4287	1.5135
Exchange rate as at December 31, 2011	3.5528	3.3393	4.3197	1.3881

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.

This category includes origination fees received by the entity relating to the creation or acquisition of a financial asset, such as: evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

- **fees earned as services are provided**

All amounts are expressed in RON thousands, unless otherwise stated

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

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

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

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

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

3.7 Financial assets

3.7.1 Classification

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

- **Loans and receivables**

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

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

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

- **Treasury securities – held to maturity**

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

- **Investment securities – available for sale**

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

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

The Bank initially recognizes its financial assets at their fair value plus transaction costs (for the financial assets not carried at fair value through profit and loss) that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets are derecognized when the Bank's rights to receive cash flows have expired or when it has substantially transferred all risks and rewards of ownership.

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

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

3.7.3 Subsequent measurement and fair value

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

- loans and receivables as defined in Note 3.7.1, which shall be measured at amortized cost using the effective interest rate method;
- held-to-maturity investments as defined in Note 3.7.1, which shall be measured at amortized cost using the effective interest rate method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, 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 as assets, land, buildings and other fixed assets were stated at their restated cost less accumulated depreciation value and accumulated impairment losses.

In order to present the fair value of land and buildings, the Bank's management decided to perform their revaluation, taking into consideration that this type of assets has been significantly affected by variations of the market and in the same time they represent a major part in total tangible assets of the Bank. The Bank performed revaluation of the other tangible and intangible assets, for which certain differences in fair value were determined.
Consequently, there has been a change in accounting policy regarding measurement of tangible and intangible assets. As such starting with January 1, 2012 tangible and intangible assets are measured at revalued amount less accumulated amortization and subsequent accumulated impairment losses, over their estimated useful life.

The carrying amount as of December, 31 2012 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 261,865 thousands lei;
- Accumulated depreciation of fixed assets in amount of 134,559 thousands lei;
- The Net fixed assets balance as at December 31, 2012 in amount of 127,306 thousands RON.

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.

Revaluation reserve at January 1, 2012 has been constituted following the revaluation process that was performed by an independent evaluator legally authorized to perform such revaluations.

The last revaluation of Bank's land and buildings was performed on December 31, 2012 by an independent appraiser, the fair value being determined from market-based evidence and where there was no market-based evidence of fair value the appraiser estimated fair value using an income or a depreciated replacement cost approach.

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

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

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

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

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

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

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

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

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

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

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

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

3.11 Leasing

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

3.12 Interest-bearing Borrowings and borrowing costs

Borrowings are initially measured at fair value. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost, with any difference between cost and redemption value being recognized in income over the period of the borrowings. Costs for the amounts borrowed are recognized in profit and loss in the period in which they occur.

3.13 Derivative Financial Instruments

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forward and swap agreements. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.
Derivative financial instruments are initially recognised at acquisition cost, which includes transaction expenses and which is subsequently re-measured to fair value. Fair values of derivatives are determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve and foreign currency translations using the ECB rates valid on the calculation day.

Changes in the fair value of derivative financial instruments that are not defined as hedging derivatives are recognised in the statement of income in *"Foreign exchange gains and losses, net"*.

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%. (2011:16%).

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

After the transition of statutory accounting books and reporting standards to IFRS requirements starting with January 1, 2012, the Financial Statements' formats and layout structure was modified with the necessary reclassifications. Consequently, significant changes both in formats and structure were made for the following layouts in the statement of financial position:

- *Loans and advances to customers (gross and net);*
- *Other assets;*
- *Derivatives;*
- *Provisions.*

The Income Statement was significantly modified for elements such as:

- *Interest income/ expense;*
- *Fee and commission;*
- *Other administrative expenses;*
- *Other operating expenses / income;*
- *Trading income.*

The reclassifications were made to December 31, 2011 balances and transactions as well, in order to present comparable data. Please refer to respective notes for further details.

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 operational 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 analyzed area of activity.

Exposure to higher risk Eurozone countries
Significant concerns about the creditworthiness of certain Eurozone countries persisted during 2012. The deepening 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 increased volatility of spreads on sovereign bonds.
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 (December 31, 2011: 5%).

The Bank believes this exposure is not impaired as at December 31, 2012 and December 31, 2011.

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 other price risks.
During 2012 the bank didn't manage a trading book portfolio, so the market risk only refers to foreign exchange risk for the whole balance sheet. Although, considering the bank intention to initiate trading activities in the near future, 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 exceeding to the bank's management;
- To revise and submit for approval any application/ request of new limits establishment;
- To prepare and to transmit consolidated reports regarding market risks towards / to the Risk Management Committee and Board of Directors.

4.1.1 Interest Rate Risk (Banking book)

Interest rate risk is the risk of recording losses or not to achieve expected profits as a result of fluctuations in market interest rates. The management of this risk concerns balance sheet items, as well as off balance sheet items sensitive to changes in interest rates. OTP Bank Romania S.A. assumes a conservative approach towards risks and has implemented in this regard a risk management system that identifies, evaluates, manages and controls the risks related to its activity in a prudent manner.

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

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

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 one from the NBR Reg. 18/2009 with further amendments.

At December 2012, the Bank had a low exposure at the interest rate risk on the banking book.

Weighted average effective interest rates (%) for loans to customers were as follows:

Loans granted to customers	December 31, 2012				December 31, 2011			
	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, 2012	December 31, 2011
Impact in the economic value of the bank of a 200 bp interest rate shock (Ths. RON)	16,233	20,504
Own funds (Ths. RON)	498,349	437,675
Exposure (% of Own funds)	3.26%	4.68%
Impact in earnings for one year of a 200 bp interest rate shock (Ths. RON)	1,803	13,638
Exposure (% of Own funds)	0.36%	3.45%

The table below provides information on the extent of the Bank's interest rate related exposures based on the residual maturity date of its financial instruments.

It is the Bank's policy to manage its exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet. Interest bearing assets and liabilities of the Bank are analyzed below into relevant re-pricing groups as of December 31, 2012 and December 31, 2011:

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	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	291,666
Loans, net	1,609,646	929,713	262,931	141,573	24,211	2,968,074
Derivatives	13,966	0	0	0	0	13,966
Total assets	**2,637,135**	**934,055**	**499,416**	**237,690**	**24,211**	**4,332,508**
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
Total liabilities	**2,059,487**	**1,172,365**	**604,820**	**140,754**	**3,305**	**3,980,730**
Net assets interest rate sensitivity	577,648	(238,310)	(105,404)	96,937	20,906	351,779
Net assets cumulative interest rate sensitivity	577,648	339,339	233,935	330,871	351,778	0

December 31, 2011	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	165,318	0	0	0	0	165,318
Current accounts and deposits at banks	171,666	0	0	0	0	171,666
Accounts with the National Bank of Romania	390,575	0	0	0	0	390,575
Treasury securities	22,778	29,977	43,110	122,987	19,804	238,656
Loans, net	554,565	786,838	1,114,859	25,357	24,692	2,506,311
Derivatives	12,557	0	0	0	0	12,557
Total assets	**1,317,459**	**816,909**	**1,157,969**	**148,344**	**44,496**	**3,485,083**
LIABILITIES						
Due to Banks	65,790	0	0	0	0	65,790
Demand deposits banks	*45,485*	*0*	*0*	*0*	*0*	*45,485*
Time deposits banks	*20,305*	*0*	*0*	*0*	*0*	*20,305*
Due to customers	1,921,811	734,817	98,068	18,569	2,338	2,775,603
Demand deposits customers	*432,750*	*0*	*0*	*0*	*0*	*432,750*
Time deposits customers	*1,489,061*	*734,817*	*98,068*	*18,569*	*2,338*	*2,342,853*
Borrowings	109	3,356	19,809	0	0	23,274
Derivatives	9,344	0	335,086	0	0	344,430
Total liabilities	**1,997,054**	**738,173**	**452,963**	**18,569**	**2,338**	**3,209,097**
Net assets interest rate sensitivity	(679,594)	78,642	705,006	129,775	42,158	275,987
Net assets cumulative interest rate sensitivity	(679,594)	(600,952)	104,054	233,829	275,987	0

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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 2012, the Bank didn't hold trading positions on financial instruments exposed to interest rate risk.
Bank's strategy for interest risk management includes continuous assessment of Treasury deals on monetary and exchange market (approved currencies and agreed / approved counterparties) as well as approved transaction limits settled by the Risk Management Committee. A VaR limit for the fixed income instruments included in the trading book will be also established.

4.1.3 Currency Risk

Currency risk is the risk of loss resulting from changes in 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, 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 currency position managed according to the internal rules and also considering the NBR regulations. There is a VAR system which monitors this position throughout OTP Group in a module 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 much 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, 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**

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2011							
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	52,213	55,837	(3,624)	3,455	**(169)**	2	(2)
EUR	1,604,289	656,714	947,575	(1,159,623)	**(212,048)**	2,120	(2,120)
CHF	575,796	28,805	546,991	(514,407)	**32,584**	(326)	327
Other	10,674	9,697	976	(1,031)	**(55)**	0	0
HUF	11,502	14,941	(3,439)	3,452	**13**	0	0
Total	**2,254,474**	**765,994**	**1,488,479**	**(1,668,154)**	**(179,675)**	**1,796**	**(1,795)**

From the total loans to non-banking clients as at 2012 year-end, 70.82% were other currency loans, mainly EUR and CHF (the equivalent of RON 2,240,471 thousands). Loans granted by the Bank in RON as at the year-end represented only RON 922,924 thousands.

On the other hand, the most important part of term deposits due to non-banking clients comprises RON deposits taken from OTP Financing Netherlands B.V. (member of OTP Bank Plc. Group) representing RON 1,077,000 thousands. These deposits have contractual maturities between 5 and 7 years (remaining maturities between 7 months and 2 years).

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 31.12.2012 was 1,065,721 thousands and the contractual maturities are of 5 and 7 years, respectively (remaining maturities between 7 months and 2 years).

In the following table there is summary of the Bank's exposure to foreign currency exchange rate risk as of December 31, 2012 and December 31, 2011. Included in the tables are the Bank's assets and liabilities at carrying amounts, structured by local and main foreign currencies.

All amounts are expressed in RON thousands, unless otherwise stated

December 31, 2012	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**
Deferred tax liability, net	0	0	0	0	0	**0**	0	**0**
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

December 31, 2011	EUR	USD	CHF	HUF	OTHER FCY	Total FCY	RON	Total
ASSETS								
Cash	47,123	19,423	4,720	9,935	5,695	**86,896**	78,422	**165,318**
Current accounts and deposits at banks	16,624	31,139	384	1,566	4,894	**54,607**	117,058	**171,665**
Accounts with the National Bank of Romania	134,569	0	0	0	0	**134,569**	256,006	**390,575**
Securities held-to-maturity	44,047	0	0	0	0	**44,047**	194,609	**238,656**
Loans and advances to customers, net	1,359,657	1,652	570,692	1	85	**1,932,086**	604,585	**2,536,671**
Investment securities - Available for sale	2,269	0	0	0	0	**2,269**	7,109	**9,378**
Investment securities at fair value through profit and loss	0	0	0	0	0	**0**	89,047	**89,047**
Investment in Associates and Subsidiaries	0	0	0	0	0	**0**	210	**210**
Tangible assets, net	0	0	0	0	0	**0**	115,799	**115,799**
Intangible assets, net	0	0	0	0	0	**0**	13,446	**13,446**
Tangible assets classified as held for sale	0	0	0	0	0	**0**	7,233	**7,233**
Derivatives	0	0	0	0	0	**0**	12,557	**12,557**
Other assets, net	0	0	0	0	0	**0**	1,454	**1,454**
Total assets	**1,604,289**	**52,214**	**575,796**	**11,502**	**10,674**	**2,254,474**	**1,497,536**	**3,752,010**
LIABILITIES								
Due to Banks	44,929	0	0	37	0	**44,966**	20,824	**65,790**
Demand deposits banks	24,624	0	0	37	0	**24,661**	20,824	**45,485**
Term deposits banks	20,305	0	0	0	0	**20,305**	0	**20,305**
Due to customers	582,660	52,418	8,985	14,905	9,697	**668,665**	2,106,939	**2,775,604**
Demand deposits customers	134,286	11,654	6,891	5,143	1,597	**159,571**	273,179	**432,750**
Term deposits customers	448,374	40,764	2,094	9,762	8,100	**509,094**	1,833,760	**2,342,854**
Borrowings	19,888	3,387	0	0	0	**23,275**	0	**23,275**
Derivatives	0	0	0	0	0	**0**	344.430	**344,430**
Deferred tax liability, net	0	0	0	0	0	**0**	12,808	**12,808**
Provisions	13,728	0	0	0	0	**13,728**	3,548	**17,275**
Other financial liabilities	9,237	33	19,820	0	0	**29,090**	46,063	**75,153**
Total liabilities	**656,714**	**55,838**	**28,805**	**14,942**	**9,697**	**765,996**	**2,531,064**	**3,314,336**
Net Assets / Liabilities	**947,575**	**(3,624)**	**546,990**	**(3,440)**	**976**	**1,488,477**	**(1,033,528)**	**437,674**

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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 2012 the Bank didn't hold trading positions on equities. Trading in equities and derivatives is scheduled to commence in the near future. Bank's strategy concerning equities and derivatives trading risk management involves the monitoring of transactions limits:

- risk limits for countries and banks;
- limits for dealer - interbank market and operations with nonbanking customers;
- VaR and limits „Stop Loss"

4.2 Credit Risk Management

The credit risk is associated to all facilities and loans granted by the Bank, being the risk that a party to a financial transaction will be unable to fulfill its obligations thus causing financial losses to the other party.
The bank's main objective regarding credit risk management is:
to maintain the portfolio quality by monitoring the evolution of a set of indicators which is detailed in Risk Strategy 2012; Bank's strategy regarding credit risk management includes:

- Strengthening the bank's debt collection activity;
- Organizing monthly meetings of the Monitoring Committee in order to have a higher-frequency monitoring of corporate clients in sectors affected by the crisis;
- Continue the program to prevent the problems faced by individual borrowers, started in 2009, by rescheduling their loans;
- Review of the norms and procedures for administration of overdue and non-performing loans;
- Monitoring and update the value of collaterals in order to reflect better the significant changes in the various markets in the last year with the limits approved by OTP Hungary;
- Permanent update of the list of approved counterparties; the transactions with counterparties which are not approved are not authorized.

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-assess 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 companies, structured by industry is as follows:

	December 31, 2012	December 31, 2011
Construction	33,757	16,303
Hotels and restaurants	4,144	2,862
Other Industries (Furniture, Food and beverages, Fashion, Chemical, Forestry)	24,760	19,327
Other services	10,801	3,605
Others	6,800	2,065
Trade and finance	54,974	46,664
Transportation	2,314	1,410
Total	**137,549**	**92,237**

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:

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

Area 1

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

Area 2

- cities / areas which are not in Area 1

* same % for all ratings

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

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

Values of the invoices (invoice < 6 months)

- Market value of the evaluation report (invoice > 6 months)

**** with the followings exceptions:

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

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

	December 31, 2012	December 31, 2011
Type of collaterals		**Book value in LCY**
Cash collaterals	32,094	27,572
Bank guarantees and cash sureties	84,412	27,079
Guarantees of other state and organizations owned by state	97,981	48,002
Revenue assignment	1,847	2,922
Assignment of other receivables	276,912	219,701
Registration of pledge for stock	606,451	526,950
Mortgages	3,775,121	3,549,407
Other	405,163	194,054
Total	**5,279,982**	**4,595,687**

4.2.3 Collaterals as result of foreclosure procedures

Collateral obtained as a results of foreclosure procedures have been included in Tangible and Intangible Assets starting with year 2007, under the "Land and Buildings" category.
In 2012, two of these repossessed 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 thousands RON and the Bank recognized an impairment loss of 183 thousands RON for them as at December 31, 2012, resulting a net book value of 1,848 thousands RON.

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 2012, is presented below:

	December 31, 2011	Additions	Disposals	December 31, 2012
Gross book value	7,234	250	(2,531)	4,953
Impairment	-	(513)	-	(513)
Net balances	**7,234**	**(263)**	**(2,531)**	**4,440**
Movement into Investment Property	-	2,031	-	2,031
Impairment to Investment Property	-	(183)	-	(183)
Net balances	**-**	**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.

All amounts are expressed in RON thousands, unless otherwise stated

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

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	2,165	170,621	95,811	172,786
Total gross	**379,417**	**2,823,622**	**199,230**	**3,203,039**

2011	Gross loans Without Identified Provisions	Gross loans With Identified Provisions	Provision	TOTAL gross loans
within maturity	337,658	1,895,356	37,631	2,233,014
0 - 15 days	42,806	142,685	20,825	185,491
16 - 30 days	1,751	23,556	3,631	25,307
31 - 60 days	1,348	39,420	3,747	40,768
61 - 90 days	777	23,906	4,488	24,683
91 - 180 days	542	40,912	12,411	41,454
more than 180 days	2,543	190,620	124,478	193,163
Total gross	**387,426**	**2,356,454**	**207,209**	**2,743,880**

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

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**

2011	Within maturity	Overdue 1 to 30 Days	Overdue more than 30 Days	Total
Corporate	113,819	24,105	1,539	139,463
Mortgage	0	0	0	0
Consumer loans	223,839	20,453	3,670	247,963
	337,658	**44,558**	**5,209**	**387,425**

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 85

4.2.5 Analysis of restructured loans and receivables, gross

Restructured loans receivable, amounting RON 533,071 thousands 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 2012 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 31,2012		December 31,2011
	Gross amount	Provision	Gross amount	Provision
Retail loans				
Overdue up to 30 days	125,540	3,051	98,265	4,423
Overdue from 31 to 90 days	64,263	7,541	7,930	640
Overdue more than 90 days	46,085	19,848	1,976	893
Retail loans - TOTAL	**235,888**	**30,440**	**108,171**	**5,957**
SME loans				
Overdue up to 30 days	15,966	481	59,685	8,215
Overdue from 31 to 90 days	25,847	4,983	3,916	1,046
Overdue more than 90 days	98,277	63,511	24,152	11,877
SME loans - TOTAL	**140,090**	**68,975**	**87,753**	**21,137**
Corporate loans				
Overdue up to 30 days	23,034	8,585	143,149	26,260
Overdue from 31 to 90 days	67,796	20,610	4,369	861
Overdue more than 90 days	66,262	30,357	11,421	4,235
Corporate loans - TOTAL	**157,092**	**59,552**	**158,938**	**31,356**
TOTAL	**533,071**	**158,967**	**354,862**	**58,450**

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, 2012	December 31, 2011
Amounts with the National Bank of Romania (Note 16)	486,723	390,575
Treasury Bills (Note 17)	291,666	238,656
Total	**778,389**	**629,232**

All amounts are expressed in RON thousands, unless otherwise stated

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 2012		December 2011	
	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
OTP Bank PLC	245,336	Ba1	49,025	Ba1
CEC Bank SA	30,005	Baa3	55,032	Baa3
Unicredit SPA, EX Unicredito Italiano	48	Baa2	0	
Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna	127	A2	0	
Banca de Export-Import a Romaniei Eximbank SA	0	Baa3	40,009	Baa3
Banca Romaneasca SA	0	Baa3	15,121	Baa3
Garanti Bank SA	40,007	Baa3	0	
Citibank Europe Plc Dublin suc. Romania	22,144	Ba1	0	
ING Bank N.V. Amsterdam-suc. Bucuresti	35,430	Aaa	0	
Banca Italo Romena Spa Italia Volpago Del Montello suc. Bucuresti	25,004	Baa2	0	
Banca C.R. Firenze Romania SA	0	Baa3	10,007	Baa3
BRD-Groupe Societe Generale SA	70,154	Baa3	0	
Bank of America, N.A. (New York Branch)	2,985	Aaa	33	Baa3
Banca Comerciala Romana S.A	437	Baa3	221	Baa3
UBS AG (Head Office- Zurich)	1,414	Aaa	329	Aaa
Danske Bank Aktieselskab	90	Aaa	23	Aaa
Deutsche Bank AG	504	Aaa	547	Aaa
Standard Chartered Bank (Germany) GMBH	562	Aaa	827	Aaa
Unicredito Italiano SPA	0	Baa2	38	A2
Royal Bank of Scotland PLC	1,482	Aaa	50	Aaa
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	93	Aaa	77	Aaa
Bank of New York Mellon	12	Aaa	304	Aaa
Mizuho Corporate Bank LTD	42	Aa3	1	Aa3
Standard Chartered Bank (ex Amex)	2	Aaa	20	Aaa
TOTAL	**475,878**		**171,666**	

4.3 Liquidity Risk Management

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

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

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

OTP Bank Romania S.A. manages the liquidity risk considering: the estimation of the cash flows needs and of the operative liquidity, the daily banking book structure, the liquidity GAP – on each currency and overall, the level and the structure of the liquid assets portfolio, the liquidity indicators – 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 disposes the necessary measures needed for the indicators to revert to normal levels. If the measures taken by the Assets and Liabilities Committee have not been successful in improving the liquidity indicators, 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, 2012 and December 31, 2011).

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.

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**
Deferred tax liability, net	0	0	0	0	0	0	**0**
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**

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

December 31, 2011	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	165,318	0	0	0	0	0	**165,318**
Current accounts and deposits at banks	171,666	0	0	0	0	0	**171,666**
Accounts with the National Bank of Romania	390,575	0	0	0	0	0	**390,575**
Securities held-to-maturity	22,778	29,977	43,110	122,987	19,804	0	**238,656**
Loans and advances to customers, net	137,750	164,135	507,543	369,421	1,357,822	0	**2,536,671**
Investment securities - Available for sale	0	0	0	0	0	9,378	**9,378**
Investment securities at fair value through profit and loss	0	0	0	0	0	89,047	**89,047**
Investment in Associates and Subsidiaries	0	0	0	0	0	210	**210**
Tangible assets, net	0	0	0	0	0	115,799	**115,799**
Intangible assets, net	0	0	0	0	0	13,446	**13,446**
Tangible assets classified as held for sale	0	0	0	0	0	7,233	**7,233**
Derivatives	12,557	0	0	0	0	0	**12,557**
Other assets, net	0	0	0	0	0	1,454	**1,454**
Total assets	**900,645**	**194,112**	**550,653**	**492,408**	**1,377,626**	**236,567**	**3,752,011**
LIABILITIES							
Due to Banks	65,790	0	0	0	0	0	**65,790**
Demand deposits banks	45,485	0	0	0	0	0	**45,485**
Time deposits banks	20,305	0	0	0	0	0	**20,305**
Due to customers	841,644	276,629	558,164	1,096,688	2,479	0	**2,775,604**
Demand deposits customers	432,750	0	0	0	0	0	**432,750**
Time deposits customers	408,894	276,629	558,164	1,096,688	2,479	0	**2,342,854**
Borrowings	109	0	3,356	19,809	0	0	**23,274**
Derivatives	9,344	0	0	335,086	0	0	**344,430**
Deferred tax liability, net	0	0	0	0	0	12,808	**12,808**
Provisions	0	0	17,275	0	0	0	**17,275**
Other financial liabilities	75,153	0	0	0	0	0	**75,153**
Total liabilities	**992,040**	**276,629**	**561,520**	**1,451,583**	**2,479**	**12,808**	**3,314,334**
Shareholders' equity	0	0	0	0	0	437,675	**437,675**
Total liabilities and shareholders' equity	**992,040**	**276,629**	**561,520**	**1,451,583**	**2,479**	**450,483**	**3,752,009**
Net liquidity gap	(91,395)	(82,517)	(10,867)	(959,175)	1,375,147	(213,916)	**0**
Cumulative net liquidity GAP	**(91,395)**	**(173,912)**	**(184,779)**	**(1,143,954)**	**231,193**	**0**	**0**

Cumulated amount of the two stand-by facilities contracted with parent-company and undrawn as at December 31, 2012 represented RON 952,170,500.

In October 2012 the stand-by facility, which was initially signed with OTP Bank Plc. for CHF 140,000,000, has been amended and the new notional amount is CHF 115,000,000, with maturity in June 2017. Also, in 2008, the Bank received from the parent-company a stand-by facility of EUR 100,000,000 with contractual maturity in January 2014.

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

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Bank to non-banking clients are concentrated on maturity strips over 3 months and over 5 years , which improves significantly the liquidity gap on these strips.

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

Fair value of the Bank's Financial Assets and Liabilities

The fair value of the Bank's financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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 fair market 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. In government and banking bonds, whose issuers have rating comparable with the country rating, fair value is calculated using the market yield curve without credit margin. For other types of bonds the credit margin reflecting the issuer's credit risk is applied in addition to the market yield curve.

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

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

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

4.4 Operational Risk

Operational risk represents the risk of recording losses or failure to achieve estimated profits, due to internal factors (inadequate performance of some activities/ inadequate internal processes, existence of inadequate personal or systems, etc.) or external factors (economic conditions, changes in banking system, technological progress, etc.). Operational risk includes juridical risk, compliance risk, staff risk, risk associated to electronic banking system and risk related to information technology.

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.

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.

Bank's policies regarding operational risk aims:

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

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

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	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
ASSETS				
Cash	96,200	165,318	96,200	165,318
Current accounts and deposits at Banks	475,879	171,666	475,879	171,666
Accounts with the National Bank of Romania	486,723	390,575	486,723	390,575
Securities held-to-maturity	291,666	238,656	291,666	238,656
Loans and advances to customers, net	3,003,809	2,536,671	3,003,809	2,536,671
Investment securities - Available for sale	10,451	9,378	10,451	9,378
Investment securities at fair value through profit and loss	95,060	89,047	95,060	89,047
Derivatives	**13,966**	**12,557**	**13,966**	**12,557**
LIABILITIES				
Demand deposits banks	45,752	45,485	45,752	45,485
Term deposits banks	0	20,305	0	20,305
Demand deposits customers	394,418	432,750	394,418	432,750
Term deposits customers	3,097,608	2,342,854	3,097,608	2,342,854
Borrowings	21,993	23,275	21,993	23,275
Derivatives	**420,959**	**344,430**	**420,959**	**344,430**

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 liabilitie**s, 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.
- **Securities held-to-maturity** - the fair value of these instruments equal their carrying amount as of December 31, 2012 and December 31, 2011 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.
- **Term deposits from customers** - the fair value of term deposits was determined by discounting of future cash flows by market interest rates offered by the Bank as of December 31, 2012 and December 31, 2011, for term deposits with similar contractual maturities.
- **Borrowings** - the fair value of borrowings approximates to their carrying amounts due to the fact that interest rates are re-priced to market on regular basis as the borrowings bear variable interest rates.

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, 2012			December 31, 2011		
	Derivative Financial Assets	Available for Sale Investments	Derivative Financial Liabilities	Derivative Financial Assets	Available for Sale Investments	Derivative Financial Liabilities
Level 1	0	7,316	0	0	6,219	0
Level 2	2,163	3,135	409,156	3,214	92,205	335,086
Level 3	0	0	0	0	0	0
Total	2,163	10,451	409,156	3,214	98,424	335,086

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.

All amounts are expressed in RON thousands, unless otherwise stated

6. INTEREST INCOME

	Year ended December 31, 2012	Year ended December 31, 2011
Interest on current loans	210,397	182,944
Total interest on loans	**210,397**	**182,944**
Term deposits with other banks	14,724	7,564
Demand deposits and accounts with the Central Bank	9,724	3,979
Total interest on deposits with banks	**24,447**	**11,543**
Interest on treasury securities, net	14,172	27,701
Total interest income	**249,016**	**222,188**

According to statutory reporting requirements following transition of statutory accounting to IFRS, certain reclassifications of comparative information have been performed on accounts presented under caption "Interest Income", as follows:

- Interest on derivatives is now presented as integral part of the Fair Value of the derivatives (51,116 th RON);
- Certain fees and commissions which are part of Effective Interest Rate were re-analyzed and reclassified as Interest Income (9,135 th RON).

7. INTEREST EXPENSE

	Year ended December 31, 2012	Year ended December 31, 2011
Term deposits	160,124	137,050
Demand deposits	5,743	6,741
Total interest on customers' deposits	**165,868**	**143,791**
Interest on other borrowed funds	800	592
Total interest expense	**166,668**	**144,383**

8. FEES AND COMMISSIONS INCOME AND EXPENSES

FEES AND COMMISSIONS INCOME	Year ended December 31, 2012	Year ended December 31, 2011
Card related fees and commissions	5,622	4,534
Fee income from other services	4,281	4,814
Payment transfers	18,677	16,394
Cash management fees	9	8
Lending business	38,576	35,335
Deposit and turnover fees and commissions	4,124	3,875
Total	**71,289**	**64,961**

According to statutory reporting requirements following transition of statutory accounting to IFRS, certain reclassifications of comparative information have been performed on fees and commission income: certain fees and commissions which are part of Effective Interest Rate were re-analyzed and reclassified as Interest Income (9,135 th RON).

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

FEES AND COMMISSIONS EXPENSE	Year ended December 31, 2012	Year ended December 31, 2011
Deposit and turnover fee and commission expenses	2,262	2,515
Expenses on card operations	10,287	7,528
Other services	1,967	2,722
Total	**14,516**	**12,765**

Reclassifications of comparative information's that have been performed on accounts presented under caption "Fees and Commissions expense" mainly refer to "Fees for experts and services" in amount of 4,558 th RON, which were reclassified under "Other administrative expenses" and presented in Note 12. "Other services" expenses refer to cash management fees and other types of commissions.

"Expenses on card operations" comprise interchange commissions for card related activity.

9. IMPAIRMENT LOSSES

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Allowance for loans and advances to customers	18	(69,611)	(68,373)
Release of provisions	18	13,385	52,716
(Allowance) / release of provision for advances to customers	18	(519)	0
Total impairment losses on loans and advances to customers		**(56,226)**	**(15,657)**
Impairment losses on other assets			
(Impairment losses) / Recoveries from sold receivables		(16,453)	(5,039)
(Allowance) for / Recoveries from provision for held to maturity securities		0	(598)
(Allowance) for / Recoveries on other Off BS commitments		7,203	(9,614)
Operational risk provisions		(351)	246
Litigation risk provisions		146	0
Impairment losses for FA		2,172	0
Impairment losses on overdue commissions		0	(456)
Impairment losses on Investment property	**4.2.3**	(183)	0
Impairment losses for inventory	**4.2.3**	(513)	0
Total Impairment losses on other assets		**(7,981)**	**(15,462)**
Total Impairment losses on loans and other assets		**(64,207)**	**(31,119)**
TOTAL		**(64,207)**	**(31,119)**

All amounts are expressed in RON thousands, unless otherwise stated

10. TRADING INCOME, NET

	Year ended December 31, 2012	Year ended December 31, 2011
Foreign exchange income	10,272,986	9,381,750
Foreign exchange expenses	(10,200,693)	(9,340,503)
Foreign exchange incomes related to derivatives	419,178	574,815
Foreign exchange expenses related to derivatives	(441,534)	(523,751)
Total trading income	**49,937**	**92,312**

11. PERSONNEL EXPENSES

	Year ended December 31, 2012	Year ended December 31, 2011
Salaries	69,612	68,499
Social insurance contributions	20,953	19,679
Other employee benefits	3,354	4,026
Total	**93,919**	**92,204**

For comparability purposes, the amount presented as "Salaries" for the year ended as at December 31, 2011 was decreased with 3,424 thousands RON as being expenses with collaboration contracts. For the year ended as at December 31, 2012, the amount of expenses with collaboration contracts equals the amount presented in 2011 (3,424 thousands RON).
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, 2012	Year ended December 31, 2011
Rent and utilities expenses	16,898	21,174
Insurance premiums	1,768	1,813
Fees for experts and services	13,590	10,486
Cards related expenses	3,512	2,901
Advertising	8,782	9,200
Taxes	18,534	17,751
Other administrative expenses	26,853	25,407
Total	**89,938**	**88,730**

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

13. OTHER OPERATING INCOME AND EXPENSES

	Year ended December 31, 2012	Year ended December 31, 2011
Rent income	231	189
Fees from banking services	2,413	2,180
Insurance fee income	777	470
Other operating income	370	324
Total other operating income	**3,791**	**3,163**
Expenses due to revaluation of tangible assets	(1,876)	0
Other operating expenses	(14,769)	(923)
Total other operating expense	**(16,645)**	**(923)**
Total, NET	**(12,854)**	**2,240**

Included in "Other operating expenses" in 2012, is the amount 11,417 thousands RON paid by the Bank to OTP Factoring S.R.L. based on a sale of receivable agreement signed in 2008.

14. CASH

	December 31, 2012			December 31, 2011		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Cash	46,198	37,406	83,603	63,492	86,896	150,388
Cash in ATM	12,597	0	12,597	14,930	0	14,930
Total	**58,794**	**37,406**	**96,200**	**78,422**	**86,896**	**165,318**

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, 2012	December 31, 2011
Cash and cash equivalents	96,200	165,318
Current accounts and deposits at banks	475,879	171,666
Cash at the National Bank of Romania	486,732	390,575
	1,058,811	**727,559**
less Pledged deposits at banks	0	0
less Compulsory reserves at National Bank of Romania	(486,732)	(390,575)
Total cash and cash equivalents	**572,079**	**336,983**

All amounts are expressed in RON thousands, unless otherwise stated

15. CURRENT ACCOUNTS AND DEPOSITS AT BANKS

	December 31, 2012			December 31, 2011		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	0	4,993	4,993	0	2,462	2,462
Deposits at banks	167,572	303,313	470,886	117,058	52,145	169,203
Total	**167,572**	**308,306**	**475,879**	**117,058**	**54,608**	**171,666**

Placements existing in Bank's accounting books as at 31 December 2012 (as well as at 31 December 2011) 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, 2012		December 31, 2011	
	RON	FCY	RON	FCY
Current accounts at banks	-	-	-	-
Deposits at banks	6% - 6.50%	0.02% - 4.81%	4.10% - 6.20%	0.45% - 6%

Currents accounts with banks are non-interest bearing deposits.

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

	December 31, 2012			December 31, 2011		
	RON	FCY	Total	RON	FCY	Total
Compulsory reserves	314,694	172,029	486,723	256,006	134,569	390,575
Current accounts	0	0	0	0	0	0
Deposits	0	0	0	0	0	0
Total	**314,694**	**172,029**	**486,723**	**256,006**	**134,569**	**390,575**

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, 2012, the reserve was set up at the following rates:

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, 2012 was as follows:

RON: 1.3% (December 31, 2011: 1.43%)
EUR: 0.56% (December 31, 2011: 0.65%).

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 and by National Bank of Hungary. Treasury securities issued by the Romanian Ministry of Finance and held by the Bank as of December 31, 2012 stand for RON 291,666 thousands out of which 45,152 thousands RON equivalent are bonds issued in EURO. The bonds issued by the National Bank of Hungary are in HUF and are in amount of 90,577 thousands RON equivalent, as of December 31, 2012. These bonds are renewed every two weeks. From the total of securities held-to-maturity, RON 191,343 thousands have residual maturity of less than 1 year, from which RON 94,829 thousands with the residual maturity of less than 3 months. The interest rate for RON issued securities varies between 6.96 % and 10%, while the yield for EURO issued securities is 5.25% .

The treasury bonds are unencumbered and at the immediate disposal of the Bank as at December 31, 2012 and December 31, 2011.

Moody's ratings available for Romania and Hungary as at 31.12.2012 were as follows:

Romania

- Local currency: Baa3
- Foreign currency: Baa3

Hungary

- Local currency: Ba1
- Foreign currency: Ba1

The structure of bonds and other fixed-yield securities as at December 31, 2012 and December 31, 2011 was the following:

	December 31, 2012	December 31, 2011
Fixed rate Bonds	291,666	238,656
Fixed rate Treasury Bills	0	0
- impairment provision	0	0
Carrying amounts	291,666	238,656
TOTAL Securities held-to-maturity	**291,666**	**238,656**

All amounts are expressed in RON thousands, unless otherwise stated

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, 2012	December 31, 2011
Loans, gross	3,163,616	2,710,353
Impairment losses on loans	(195,542)	(204,042)
Loans, net	2,968,074	2,506,312
Other advances to customers	39,423	33,527
Impairment losses on advances to customers	(3,687)	(3,168)
Other advances to customers, net	35,736	30,359
Total loans and advances to customers, NET	**3,003,809**	**2,536,671**
Impairment losses on loans and advances to customers	**(199,230)**	**(207,209)**

"Other advances to customers" mainly comprise: recoverable amounts from transactions with non-banking clients (RON 22,344) representing principally Bills of exchange and cheques, other sundry debtors (RON 7,215), deferred expenses (RON 2,970), overdue commissions (RON 3,687) which are totally impaired and other amounts related to banking transactions in course of settlement. All mentioned amounts are stated in thousands RON.

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

Structure by currency	December 31, 2012			December 31, 2011		
	RON	FCY	Total	RON	FCY	Total
Loans, gross						
Impairment losses on loans	923,059	2,240,558	3,163,616	649,705	2,060,647	2,710,352
Other advances to customers, net	(59,799)	(139,430)	(199,230)	(72,729)	(134,480)	(207,209)
Other advances to customers, net	29,758	9,665	39,423	25,116	8,410	33,527
Total loans and advances to customers, NET	**893,017**	**2,110,792**	**3,003,809**	**602,093**	**1,934,578**	**2,536,671**

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

	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%**

				December 31, 2011
	Total loans	RON	FCY	%
Legal entities	935,620	222,364	713,257	36.88%
Individuals	1,601,051	379,729	1,221,322	63.12%
Total loans and advances to customers, NET	**2,536,671**	**602,093**	**1,934,578**	**100%**

d) Concentration by sector

	December 31, 2012	%	December 31, 2011	%
RETAIL	2,067,973	69%	1,601,050	63%
Consumer loans	934,980	31%	641,166	25%
Housing	1,132,993	38%	959,884	38%
CORPORATE	935,836	31%	935,620	37%
Trade and finance	221,606	7%	316,931	13%
Manufacturing	108,462	4%	125,443	5%
Transportation and communications	7,351	0%	7,118	0%
Services	214,385	7%	185,264	7%
Agriculture and forestry	95,582	3%	70,017	3%
Real estate and construction	69,910	2%	70,139	3%
Other sectors	218,540	7%	160,709	6%
Total loans and advances to customers, NET	**3,003,809**	**100%**	**2,536,671**	**100%**

e) Impairment losses

	Loans and advances to customers	Loans and advances to customers
	December 31, 2012	December 31, 2011
Balances at January 1st	(207,209)	(163,870)
Charge during the year	(69,611)	(68,373)
Release during the year	13,385	28,202
Charge of Provision on advances to customers	(519)	(3,168)
Write-off of Provisions, directly through BS accounts *	64,724	-
Balance at December 31st	**(199,230)**	**(207,209)**

According to the statutory IFRS harmonized legislation, starting January 1, 2012 the accounting methodology changed in respect to the recording of loan loss provisions on loans written-off.

As a result, 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 RON 9,251 thousand (please refer to Note 9, for lines "(Impairment losses) / Recoveries from sold receivables" and "(Allowance) for / Recoveries on other Off BS commitments")

*) During 2012, the Bank sold defaulted receivables to OTP Faktoring Zrt (group member companies), for which the released provision value was RON 64,724 thousand, as presented in Note 18 e).

All amounts are expressed in RON thousands, unless otherwise stated

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 1, 2011	**113,649**	**47,241**	**9,294**	**15,920**	**186,103**	**4,421**	**48,262**	**238,781**
Additions	3,926	0	0	0	3,926	13,025	7,491	24,442
Transfers	3,975	1,752	1,002	1,678	8,407	(8,407)	0	0
Disposals	(3,326)	(2,206)	(629)	(843)	(7,005)	0	0	(7,006)
Gross book value December 31, 2011	**118,223**	**46,787**	**9,667**	**16,755**	**191,432**	**9,039**	**55,753**	**256,218**
Additions	3,950	4,500	500	1,100	10,050	4,249	3,918	18,217
Transfers	1,089	191	1,123	756	3,159	(7,020)	3,861	0
Disposals	(6,209)	(4,412)	(935)	(1,014)	(12,569)	0	0	(12,570)
Revaluation	**42,204**	**4,417**	**(1,139)**	**(1,531)**	**43,951**		**(5,736)**	**38,215**
Gross book value December 31, 2012	**159,257**	**51,484**	**9,216**	**16,066**	**236,022**	**6,269**	**57,797**	**300,081**
Accumulated depreciation January 1, 2011	**(25,272)**	**(25,213)**	**(8,271)**	**(12,761)**	**(71,516)**	**0**	**(34,412)**	**(105,923)**
Depreciation charge	(4,300)	(5,619)	(628)	(1,247)	(11,794)	0	(7,896)	(19,690)
Accumulated depreciation of disposals	2,589	1,850	603	830	5,872	0	0	5,872
Accumulated depreciation December 31, 2011	**(26,983)**	**(28,982)**	**(8,295)**	**(13,178)**	**(77,438)**	**0**	**(42,308)**	**(119,741)**
Depreciation charge	(5,068)	(5,222)	(549)	(1,512)	(12,351)	0	(9,439)	(21,790)
Accumulated depreciation of disposals	2,280	3,002	678	1,011	6,971	0	0	6,971
Revaluation	**(9,183)**	**(1,928)**	**1,001**	**353**	**(9,757)**		**5,989**	**(3,768)**
Accumulated depreciation December 31, 2012	**(38,955)**	**(33,130)**	**(7,165)**	**(13,325)**	**(92,574)**	**0**	**(45,758)**	**(138,328)**
Net book value December 31, 2011	**91,240**	**17,805**	**1,372**	**3,577**	**113,993**	**9,039**	**13,445**	**136,478**
Net book value December 31, 2012	**120,302**	**18,354**	**2,051**	**2,740**	**143,448**	**6,269**	**12,039**	**161,754**

The table above contains, along with "Tangible assets, net" and "Intangible assets, net", also the Tangible assets classified as held for sale. These assets represent collateral obtained as a result of foreclosure procedures and are included under "Land and Buildings" caption (for more details please refer to Note 4.2.3.) The Net carrying amount of fixed assets as of December 31, 2012 that would have been recognized had the assets been carried under the cost model was RON 127,306 thousand, as presented in Note 3.10.

All amounts are expressed in RON thousands, unless otherwise stated

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, 2012	December 31, 2011
Quoted shares	**7,316**	**6,136**
- OTP Green Energy	3,846	3,440
- Fondul de Investitii Proprietatea	3,470	2,697
Unquoted shares, from which:	**672**	**3,241**
SNCDD	38	201
SWIFT	60	83
OTP Asset Management SAI S.A.	574	689
Other equity investments (VISA, OTP Leasing Romania S.A., OTP Factoring SRL, SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL)	0.31	0
Investment funds	**2,463**	**2,269**
- OTP Eurobond	2,463	2,269
TOTAL Available for sale investments	**10,451**	**9,378**

Investment funds at Fair Value through Profit and Loss		
	December 31, 2012	**December 31, 2011**
- OTP Comodis	79,212	74,042
- BRD Simfonia	15,847	15,005
TOTAL Investments at fair value through profit and loss	**95,060**	**89,047**

The Bank maintained its investment in OTP Green Energy, Fondul Proprietatea, OTP Comodis Fund and Simfonia Fund. OTP Green Energy, as well as OTP Comodis Investment Fund, are managed by OTP Asset Management SAI S.A. OTP Green Energy is listed on the Stock Exchange and its earnings are related to the evolution of the most important European companies from the renewable energy industry, based on the European Renewable Energy Index Price return, offered by Societe Generale. The Bank's intention is to hold this investment for a longer period.

The Investment in Fondul Proprietatea, which has been listed on the Bucharest Stock Exchange starting with January 2011, was increased, from RON 2.697 thousands at the beginning of the year to RON 3,470 thousands (value at cost) at December 31, 2012.

At the end of the year the Bank recorded a profit of RON 169 thousand from the fair values adjustment of investment unit funds available for sale.

Details of unquoted investments held by the Bank are as follows:

Company	Nature of business	Country of incorporation	% in share capital December 31, 2012	% in share capital December 31, 2011
SNCDD	clearing	Romania	3.75	3.75
SWIFT	interbank financial communications	Belgium	less than 1	less than 1
Visa	interbank financial communications	United Kingdom	less than 1	less than 1
OTP Asset Management SAI S.A.	financial services	Romania	9.90%	9.90%
Other OTP Group members	financial services	Romania	less than 1	less than 1

For all investments except for SWIFT and Visa, the main operations are developed in Romania.

All amounts are expressed in RON thousands, unless otherwise stated

21. INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

During year 2012 there were no changes in the structure of investments in associates and subsidiaries following:

	Gross book value as at December 31, 2012	December 31, 2012 Net book value	Percentage owned as at December 31, 2012
OTP Advisors SRL	3,129	-	100%
OTP Consulting Romania SRL	210	210	75%
Total	**3,339**	**210**	

OTP Advisors SRL has the headquarter in Bucharest, 83 Dacia Street.
OTP Consulting Romania SRL has the headquarter in Bucharest, 83 Dacia Street.
At 31 December 2012, the financial data of these companies can be summed up as follows:

	Profit before tax	Profit after tax	Share capital	Shareholders' equity
OTP Advisors SRL	88	88	3.129	(944)
OTP Consulting Romania SRL	3	1.4	280	1.950

22. OTHER ASSETS, NET

	December 31, 2012	December 31, 2011
Consumables	1,972	1,351
Currency adjustment accounts	16	103
Other assets	0	-
Total	**1,988**	**1,454**

For reporting purposes and in accordance with statutory reporting requirements, certain elements representing "Other assets" and amounting to RON 16,372 thousands net at December 31, 2012, and RON 13,391 thousands net at December 31, 2012 have been reclassified and presented as advances to customers under "Loans and advances to customers, net", together with the related provisions.

23. DUE TO BANKS

	December 31, 2012			December 31, 2011		
	RON	FCY	Total	RON	FCY	Total
Demand deposits banks	45,731	21	45,752	20,824	24,661	45,485
Term deposits banks	0	0	0	0	20,305	20,305
Total	**45,731**	**21**	**45,752**	**20,824**	**44,966**	**65,790**

24. DUE TO CUSTOMERS

	December 31, 2012			December 31, 2011		
	RON	FCY	Total	RON	FCY	Total
Demand deposits customers	250,654	143,764	394,418	273,179	159,571	432,750
Term deposits customers	2,317,909	779,698	3,097,608	1,833,760	509,094	2,342,854
Total	**2,568,563**	**923,462**	**3,492,026**	**2,106,939**	**668,665**	**2,775,604**

All amounts are expressed in RON thousands, unless otherwise stated FINANCIAL REPORTS 105

Included in layout "Term deposits from customers" are deposits of RON 1,077,000 thousands 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. Consequently, a major part of the sources of funds necessary to reimburse the deposits taken from group has been already gathered from the local market, as of December 31, 2012. The maturity structure of the deposits taken from OTP Financing Netherlands B.V. is as follows:

- RON 415,000 thousands maturing on July 30, 2013;
- RON 210,000 thousands maturing on July 31, 2013;
- RON 148,000 thousands maturing on November 11, 2013;
- RON 115,000 thousands maturing on February 20, 2014;
- RON 189,000 thousands maturing on February 4, 2015.

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, 2012	December 31, 2011
RON	5%	5% - 5.12%
EUR	2.50%	2.50%
USD	1.75%	1.75%
CHF	0%	0.00%
HUF	2%	2.00%

Sight deposits	December 31, 2012	December 31, 2011
RON	0.75% - 9.03%	0.15% - 14%
EUR	0.30% - 4.50%	0.10% - 4.20%
USD	0.30% - 3.3%	0.1% - 2.85%
CHF	0.10% - 2.80%	0.10% - 1.60%
HUF	1.75% - 5%	0.10% - 3.5%
GBP	2.5% - 3.25%	0.10% - 3.25%

25. BORROWINGS

	December 31, 2012	December 31, 2011
Loans from European Bank for Reconstruction and Development	19,545	19,888
Loans from Ministry of Finance	2,448	3,387
Total	**21,993**	**23,275**

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 with the purpose of sustaining the development of small and medium enterprises.

The Loan is intended to enable the Bank to provide mid-term financing to its Small and Medium clients, mainly for investment purposes. The Bank may finance from the Loan proceeds the following types of development projects: investment projects including purchase of machinery, purchase of real estate, working capital requirements for production purposes or provision of services and new projects or modernization or expansion of existing businesses.

All amounts are expressed in RON thousands, unless otherwise stated

This loan was fully engaged as at December 31, 2008 for which the Bank pays bi-annual installments, and maturity in year 2013.

2. Ministry of Finance

As at December 31, 2012 the outstanding amount (principal) of the credit facility signed with Ministry of Finance on February 14, 2003, with maturity in February 2015, was RON 2,410 thousand. The loan represents a Subsidiary Loan Agreement within the Rural Financing Project and the reimbursement is made by semester payments.

26. DERIVATIVES

The negative 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, 2012 and December 31, 2011 were as follows:

	December 31, 2012			December 31, 2011		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Intercompany cross currency interest rate derivatives	1,065,721	0	409,156	1,065,721	0	335,086
Short term currency instruments	668,874	13,966	11,803	373,866	12,557	9,344
	1,734,595	**13,966**	**420,959**	**1,439,587**	**12,557**	**344,430**

27. TAXATION

The Bank has computed the deferred tax as of December 31, 2012 using the statutory legal rate of 16% (2011: 16%).

The income tax expense / release for the year comprises:

	December 31, 2012	December 31, 2011
Current income tax expense	-	(44)
Deferred tax release / (charge) to profit and loss	14,614	(5,533)
Total income tax release / (charge) to profit and loss	**14,614**	**(5,577)**

The deferred tax liability as of December 31, 2012 is reconciled as follows:

	Temporary difference	Tax effect
Adjustments to restate tangible and intangible assets:		
IFRS adjustments to tangible and intangible assets	37,723	2,185
Restatement of equity investments:		
restatement of investments	(1,073)	(172)
Loan adjustments:		
impairment for loans	78,753	12,601
Fair-value adjustment of AFS shares	**60**	**10**
Previous adjustments for restatement of Fixed assets		**1,745**
Effect of losses carried forward		**(14,614)**
Reversal of previous adjustments for restatement of Fixed assets through equity		(1,755)
Deferred tax liability as of December 31, 2012 - NET		-

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

The deferred tax asset as of December 31, 2011 is reconciled as follows:

	Temporary difference	Tax effect
Adjustments to restate tangible and intangible assets:		
IFRS adjustments to tangible and intangible assets	*(1,500)*	*(240)*
Restatement of equity investments:		
restatement of investments	163	26
Loan adjustments:		
impairment for loans	64,618	10,339
Other adjustments - commissions	(955)	(153)
Fair-value adjustment of AFS shares	**(6,815)**	**1,090**
Previous adjustments for restatement of Fixed assets		**1,745**
Deferred tax liability as of December 31, 2011 - NET		**12,808**

RECONCILIATION OF TAX LOSSES VERSUS ACCOUNTING LOSSES

	December 31, 2012	December 31, 2011
Deferred tax liability as at 1 January	**(12,808)**	**(8,366)**
Deferred tax release / (charge) to profit and loss	14,614	(5,533)
Deferred tax release / (charge) to equity	1,755	1,090
Other adjustments	**(3,559)**	**-**
Deferred tax liability as of December 31	**-**	**(12,808)**

	December 31, 2012	December 31, 2011
Net Statutory (Loss) / profit of the period	**(74,669)**	**(21,064)**
Not taxable income	(23,915)	(4,098)
Not deductible expenses	18,164	19,937
Fiscal result (loss)	**(80,419)**	**(5,225)**
Carried fiscal loss	(216,165)	(161,564)
Total carried forward	**(164,423)**	**(135,746)**

28. OTHER LIABILITIES

	December 31, 2012	December 31, 2011
Other due amounts from interbank transactions	14,272	15,245
Other due amounts from transactions with non-banking clients	32,218	39,707
Stock-exchange and other clients' accounts	821	4,669
Current taxes	5,527	5,350
Sundry creditors	4,234	814
	60,894	**75,153**

In caption “Other due amounts from interbank transactions” the main part (RON 13,709 thousands at 31 December, 2012; RON 14,471 thousands as at 31 December 2011) 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”, RON 16,838 thousand (RON 11,420 thousand as at December 2011) relate to promissory notes, cheques and payment orders in relation to clients.

All amounts are expressed in RON thousands, unless otherwise stated

29. SHARE CAPITAL

	December 31, 2012	December 31, 2011
Share capital as of January 1	**542,909**	**542,909**
Increase of share capital	190,000	0
Share capital at the end of the period	**732,909**	**542,909**

During 2012, the share capital of the Bank was increased with RON 190,000 thousand by parent company participation.
As at December 31, 2012 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 December 31, 2012, 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:

	2012	2011
Loss after tax in the accounting period	(72,923)	(1,980)
Average number of ordinary shares outstanding during the period	2,782,954	2,262,121
Earnings per ordinary share (face value RON 240) in RON	**(26.20)**	**(0.88)**

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, 2012 and December 31, 2011 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

All amounts are expressed in RON thousands, unless otherwise stated

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, 2012 and December 31, 2011 are the following:

	December 31, 2012	December 31, 2011
Import letters of credit and other commitments, out of which:	165,521	366,466
Confirmed Letters of credit	13,071	7,720
Undrawn credit limits	152,450	358,746
Letters of guarantee and other guarantees	221,601	134,160
Other financial commitments	43,967	31,684
Total guarantees and other financing commitments	**431,089**	**532,309**

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, 2012	December 31, 2011
Amounts with the National Bank of Romania (Note 16)	486,723	390,575
Treasury Bills issued by National Bank of Hungary (Note 17)	90,577	0
Treasury Bills (Note 17)	201,088	238,656
Total	**778,389**	**629,232**

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, 2012 and December 31, 2011 are presented below:

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	Management		Parent company		Other Related parties	
	December 31, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
Assets						
Due from other banks	0	0	245,336	49,025	0	0
Loans and advances to customers, net	1,663	10,317	0	0	2,049	2,239
Other assets	0	0	44	14,259	600	1,445
Securities with fixed income	0	0	0	0	0	0
Fair Value of Derivatives Financial Instruments	0	0	0	3,131	0	0
Investment in Associates and Subsidiaries	0	0	0	0	882	899
Total assets	**1,663**	**10,317**	**245,380**	**66,415**	**3,531**	**4,582**
Liabilities						
Due to other banks	0	0	136	1,349	587	244
Due to customers	2,603	298	0	0	1,134,920	1,118,785
Loans from banks	0	0	0	0	0	0
Other liabilities	0	0	547	3,323	7,040	1
Fair Value of Derivatives Financial Instruments	0	0	409,156	346,021	0	0
Total liabilities	**2,603**	**6,526**	**409,839**	**350,694**	**1,142,548**	**1,119,030**
Income statement items						
Interest and Commission income	0	0	1,544	1,084	790	574
Interest and Commission expenses	0	0	114	1,094	79,757	83,519
Other income	0	0	0	0	185	(28)
Other expenses	0	0	26	0	4	16
Net result (expense) from derivative deals	0	0	(24,036)	30,896	0	0
Other commitments	0	0	0	0	0	54
Off-balance sheet commitments	**51**	**0**	**19,873**	**33,074**	**17,343**	**84,135**

32. RELATED PARTIES

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, 2012, respectively December 31, 2011 were as follows:

	December 31, 2012	**December 31, 2011**
Salary for key management personnel	10,397	10,457
Short-term and long-term benefits	4,188	3,580
Termination benefits	540	374
Total benefits for key management personnel	**15,125**	**14,411**

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

All amounts are expressed in RON thousands, unless otherwise stated

market rental revise in order to adjust the prices to the market level.
During 2012, 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, 2012	December 31, 2011
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, 2012 and December 31, 2011 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, 2012 (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 152 law-suits and as a plaintiff in 22 law-suits.

36. BANK ACTING AS AN AGENT

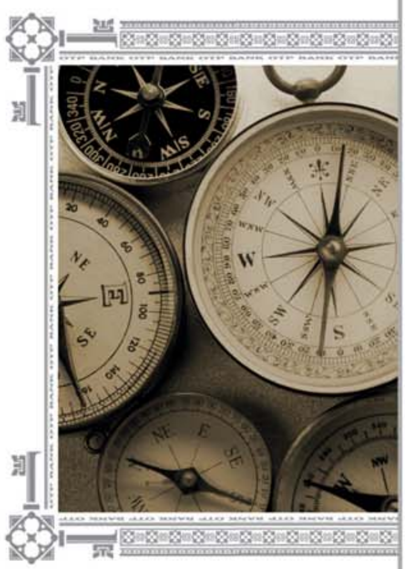
OTP Bank Romania SA shall act as Agent on behalf of OTP Bank Nyrt and OTP Financing Solutions B.V. for the loans receivables which were sold to these two entities.
Each loan Agreement shall be administered and monitored by the Agent in the ordinary course of its business and in accordance with Agent's 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 shall act as Agent on behalf of OTP Bank Nyrt. and OTP Financing Solutions B.V. by performing the following activities:

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

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

All amounts are expressed in RON thousands, unless otherwise stated

At December 31, 2012 the Bank was administrating and monitoring transferred loans in original currencies amounting CHF 512,6 million / RON 1,880 mil equivalent (CHF 588,6 million / RON 2,091 mil equivalent as at December 31, 2011) and EUR 110,5 million / RON 489 mil equivalent (EUR 144,7 million/ RON 625 mil equivalent as at December 31, 2011).



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Corporate Governance

Supervisory Board

The Supervisory Board ensures the supervisory function within the Bank, by exercising the permanent control over the Management Board activity, and also on its activity of compliance with strategies and policies in force. The Supervisory Board consists of the Chairman, Vice-chairman and the other 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 worked as chief officer and head of department at the City Council of Nagyatád.

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

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

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

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

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

Tamás Vörös

Vice-Chairman of the Supervisory Board, OTP Bank Romania

Tamás Vörös (39) became Member of the Supervisory Board of OTP Bank Romania in 2012.

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

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

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

Enikő Zsakó

Member of the Supervisory Board, OTP Bank Romania

Enikő Zsakó (50) 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.

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

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

Enikő Zsakó has been the chairperson of the Audit Section of the Hungarian Economic Association since 2011.

Dr. Miklós Németh

Member of the Supervisory Board, OTP Bank Romania

Dr. Miklós Németh (48) 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, dr. 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.

Ibolya Dr. Rajmonné Veres

Member of the Supervisory Board,
OTP Bank Romania

Mrs. Ibolya dr. Rajmonné Veres is Master of Science in Project management from Budapest University of Economic Sciences and Public Administration. She received 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, 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 at Szent István University in 2002 the Faculty of Economics and Social Sciences, certified agricultural economist.
He joined OTP Bank Hungary in 2002. Initially he worked as a RM of the Central Hungarian Region in Budapest and after a few 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 April 2007 and September 2008, 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 is the managing director of the Micro and Small Enterprises Department at Budapest.

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

Ákos Monostori

Member of the Supervisory Board, OTP Bank Romania

Ákos Monostori (35) is the Deputy Head of the Planning and Controlling Department of OTP Bank Plc. since 2009 and member of the Supervisory Board of OTP Bank Romania since 2010.

He joined OTP Bank Plc. in 2003, as a financial controlling expert.

Since 2005, as a department head, he is in charge for the management, development and overview of the annual financial budgeting and quarterly forecasting process of OTP Bank Hungary and partly of OTP Group.

Since 2007, he is responsible for the OTP Group's Hungarian core business activity, reporting in monthly management and quarterly stock exchange reports.

Regarding his academic background, Ákos Monostori graduated from the University of Economic Sciences and Public Administration – Budapest, Faculty of Economy, major in Finance (2003).

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 activity object. The Management Board implements the Bank's strategies and policies, delegates duties to medium level managers of the Bank/permanent committees and overseas the performance of the delegated responsibilities, remaining responsible to the Supervisory Board for the performance of the Bank.

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 (46) 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.

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 (45) has been Deputy CEO, Head of the Retail Banking Division at OTP Bank Romania, since 2007. From 2012, he is also the Vice-Chairman of the Management Board at OTP Bank Romania.

Gábor Ljubičić studied at the College of Finance and Accountancy (1988-1993), obtaining a Bank specialization. He also attended a Master of Business Administration at University Corvinus (2005-2007).
Gábor Ljubičić has a long and prodigious career with OTP Group. He joined the Bank in 1986, occupying several positions including manager, branch network coordinator and deputy district director.

Starting from 1997, he led the projects for electronic banking services and later became the head of the Electronic Services Directorate.

Between 2001 and 2007, Gábor Ljubičić 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.

Apart from 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 România Deputy CEO, Head of Lending & Risk Management Division, OTP Bank România

György Gáldi (49) 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 to the developments of the business activity; (iii) introduction of business standards assuring the largest efficiency of the applied risk handling technics and practices.

Gabriela Mihăilescu

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

Gabriela Mihăilescu (35) has been Deputy CEO of Finance and Planning Division at OTP Bank Romania and Member of the Management Board at OTP Bank Romania since December 2012.

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

Corporate Social Responsibility

"True civilization is the one in which one gives the others the rights he demands for himself"

Robert Ingersoll

Since the beginning of our activities in Romania, we strived and succeeded to include CSR projects in our development strategy. We are building our activities upon our core values, trust, partnership and integrity, which we keep in mind whenever interacting both with our clients and our employees.

From the trust and respect paid to our clients, to special internal programs for our employees, education, children and youth, culture and arts, environment, sports and human rights, OTP Bank Romania entrusts an important role in each social activity, within long term CSR strategies.

OTP Equal Opportunity Program

We engage and offer support to those that make it their mission to help social groups. We analyze and find those who need us the most, our main focus being on children. We are aware that there is no other way one can support a society's growth than supporting the development of its children.

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

OTP Community Building Program

OTP Bank Romania is committed to helping and consolidating communities. Culture is a heritage that is entrusted to us for future development. To this end, we choose to offer our logistic and financial aid to create and develop special events, theatres, concerts.

OTP Sport Program

There is a lot of depth in the Latin philosophy "Mens sana in corpore sano", that captures the right balance between mind and body. Thus, it is part of our mission to promote sports and, most of all, a healthy way of living. OTP Bank Romania stands as a reliable partner for sport organizations and competitions that sustain professional conduct.

Employees

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 more than 8 years of presence on the local market. Especially for them, we have started a wide range of internal personal and professional development programs.

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

More than three years ago,
OTP Bank Romania launched its first national social responsibility campaign, "Right to Read".

Starting from the grounds that a large number of schools in the rural area do not have a library or benefit of a limited collection of books, 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.

otpbank
right to read

The initial objectives were entirely surpassed and the campaign became a huge success. Up to the end of 2012, we succeeded to fully equip **143 rural schools** with books.

Almost 29,000 children won back their natural right to read, by receiving over **92,000** books, by December 31, 2012.

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

Marius Sortan, the headmaster of Dobra School, one of the beneficiaries of the campaign: "We gratefully salute the «Right to Read» campaign because it helps school libraries survive, as the teachers and the books are the only resorts through which children can discover the world. This initiative, which we hope will continue, is more than welcomed."

Loredana Dima, a teacher at Pecineaga School: "We are very glad that this initiative included our school and touched so many children who have the chance of understanding the true value of books. All our pupils were happy to receive the books!"

Agatha Alex, a Facebook fan:
"Congratulations! This is a very useful

campaign that will help a lot of children! Great initiative!"

Considering these remarkable results, "The Right to Read" campaign was awarded the gold medal during the prestigious international competition SABRE Awards, and was nominated to the PR News CSR Awards, one of the major social responsibility competitions in the US. The Gold Award received by the Right to Read campaign, for the „Best Campaign in Balkans" emphasized the campaign's impact on local communities.

The campaign has two core messages for external audiences:

- "Let's give children back their right to read"
- "Reading gives future generations a complete education – donate a book!"

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 way people get involved by accessing our Facebook page, as well. By the end of 2012, the "Right to Read" **Facebook** page had more than **28,000 fans.**

Special CSR logo

All the corporate social responsibility activities of OTP Bank Romania are developed under the same identity umbrella.

otpbank
The right to a better world

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 the 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, a healthy climate and a cleaner environment.

CSR annual report

Starting 2009, OTP Bank Romania publishes an annual CSR report, highlighting the most important social responsibility projects and programs, as well as the annual results achieved in this area. Both the OTP Group's CSR annual report and OTP Bank Romania's report are made in accordance with the Global Reporting Initiative G3 guidelines. These are most frequently used and internationally appreciated sustainability reporting guidelines.

The CSR annual report gives an account of the bank's performance during the year, from the perspective of sustainability and corporate social responsibility. The report is available to all our stakeholders. We have made an effort to include all material information of concern to our stakeholders, while at the same time keeping this information straightforward and comprehensible.

OTP Bank has made a part of its mission 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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