2006

Annual Report
OTP Bank Romania





otpbank

Contents

Message from the Chairman of the Supervisory Board

Dear Shareholders,

OTP Group, one of the most remarkable financial service providers in Central-Eastern Europe, present in 9 countries, entered the Romanian banking sector in 2004. 2005 was the year of rebranding, revolution, the year of projects that established the further growth of the Group.

Business year 2006 was determinant for OTP Bank Romania. The small-sized bank that started the year with a modest-sized branch network and with limited services has become a middle-sized bank with the most dynamical rise of balance-sheet footing, an universal product range, covering the main part of the country.

Our success has double roots: they derive from the know-how of the Group and from the reaction of the local specialists to the challenges of the local market. Accordingly, we provided several innovations to the market from the implementation of credit accommodation granted in CHF, through the wide range of cards offered, to the surpassingly creative internet- and telephone-based banking methods, and enterprising account packages.

As a universal bank, we concentrate on both of our corporate and public customers. Within our corporate customers, we intend to build remarkable competence and market share in the middle and small enterprises segments and also in the field of projects.

In 2006, we developed a widespread cooperation and set-up common products with the insurance company OTP Garancia Asigurari and in the forthcoming years we plan to do the same with other new Group members appearing on the market.

With the coordination of OTP Bank Hungary, we introduced the Compliance, Basel 2 and bank security regulations which perfectly meet the requirements of the Romanian and European law.

Social responsibility is also important to us: children, youth, culture and sports represent our highest concern. Our sponsorship and PR activities reflect this approach.

OTP Bank Romania, providing a wide range of services became a professional member of the Romanian financial market. In the following years, we will keep concentrating on our basic values in order to increase shareholding values through the satisfaction of our clients and colleagues.

Antal Pongrácz, Dr.
Chairman of the Supervisory Board

Financial Highlights

Profit and Loss Account (in HUF million)	2005	2006	Charge %
Net interest income	297,225	355,944	19.8
Net interest income after provisioning	269,183	327,385	21.6
Non-interest Income	216,497	242,718	12.1
Total Income (with net fees)	493,792	566,546	14.7
Operating cost	273,673	319,385	16.7
Profit before tax	192,077	218,602	13.8
Profit after tax	158,274	187,096	18.2
Balance Sheet * (in HUF bilion)	**2005**	**2006**	**Charge %**
Total assets	5,215.9	7,097.4	36.1
Loans and advances to customers	3,297.2	4,474.7	35.7
Retail loans	1,965.8	2,646.4	34.6
Corporate loans	1,195.4	1,610.0	34.7
Municipal loans	136.0	218.3	60.5
Interbank loans and advances	438.8	602.6	37.3
Deposits from customers	3,428.2	4,232.2	23.5
Retail deposits	2,562.9	2,912.8	13.7
Corporate deposits	662.2	1,098.1	65.8
Municipal deposits	203.1	221.3	9.0
Issued securities	543.5	781.3	43.8
Total receivables	3,297.2	4,474.7	35.7
Performing loans	2,876.5	3,562.0	23.8
Qualified loans	420.7	912.7	117.0
Non-Performing loans (NPLs)	119.1	251.1	110.9
Provisions for possible loan losses	105.9	127.6	20.5
Shareholders's equity	547.5	788.2	44.0
Performance Ratios	**2005**	**2006**	**Charge %**
Cost/Income ratio %	147.0 %	135.7%	
Return on average equity (ROAE) %	-14.8%	-13.9%	
Return on average assets (ROAA) %	-3.8%	-2.2%	
Capital adequacy ratio (unconsolidated, HAR)* %	36.0%	22.3%	
Market share**	**2005**	**2006**	
Assets	0.60%	1.50%	
Retail deposits	0.47%	0.57%	
Retail loans	0.17%	1.84%	
Corporate deposits, %	0.51%	0.55%	
Corporate loans, %	0.82%	1.24%	

Macroeconomic and Financial Environment

In 2006, the configuration of the economic policies and the actions undertaken by the authorities were tightly connected to the preparation of the Romanian economy for EU accession on January 1st, 2007. Within this context, the Romanian economy continued its favourable evolutions in terms of inflation and economic growth, despite certain risks mainly related to the deepening of the current account deficit of the payment balance.

The Central Bank of Romania has focused its efforts mainly on continuing the disinflation process, by strengthening the performance of the direct inflation targeting system. Thus, the Central Bank of Romania has set an ambitious inflation target (5% ±1%, December/December), aimed at decreasing the inflation gap with developed market economies and stabilizing inflation expectations at a lower level, while the variation range around the target for 2005 was marginally exceeded. The result of this approach, reflected by an annual inflation rate of 4.87% at the end of 2006, supported by a significant reduction of the basic inflation (annual CORE2 rate minus 4.5%), proves that the central bank has successfully acted in order to achieve its core objective – ensuring price stability.

At the same time, in 2006, the Government together with the Central Bank of Romania prepared the first National Convergence Programme, outlining the macroeconomic framework and the steps to be taken until the adoption of the euro, foreseen to take place in 2014. The decision on the deadline for adopting the single European currency is the outcome of the review of the calendar related to this process, in the sense of assessing the benefits and costs of the various options. This assessment has been made taking into account: (i) the need to further undertake significant structural reforms prior to the participation to the exchange rate mechanism II (ERM II), while maintaining the coherence and discipline of macroeconomic policies; (ii) the perspective of continuing substantial capital inflows, especially on the long term, following European accession – which complicates the efforts to establish a central parity as close to the exchange rate balance level as possible; (iii) the need to strengthen the nominal and real convergence with the Euro zone, including in terms of the observance of the nominal convergence criteria even prior to the participation to the ERMII, in order to limit the duration of Romania's participation in this intermediary stage of euro adoption to minimum two years, which is compulsory under the Maastricht Treaty. Although the deadline may be considered insufficiently ambitious at a first glance, it is based on a realistic estimation of the required and feasible efforts to achieve the nominal and real convergence of the Romanian economy with the economies of the euro zone member countries, in a sustainable manner.

The year 2006 also saw the completion of the liberalization of the capital account in September, which opened the way for a stronger integration of the national economy into global financial flows, but complicated the implementation of macroeconomic policies.

Economic growth. In 2006, the real gross domestic product significantly intensified its dynamics (from 4.1 to 7.7%). The evolution has been driven by the internal component of the aggregate demand, while the net export of goods and services recorded a substantial deterioration of the contribution to the economic growth (from -4.6 to -6.4%).

Similarly to the previous year, the driver position of the GDP dynamics has been held by the gross formation of fixed capital, whose growth pace has gained another 3.5% (up to 16.1%). A marginal acceleration has also been recorded by the end consumption, mainly on its private sector (from 9.1 to 12.6%), a contribution in this regard having been made by the acquisitions of goods and services from the commercial network, which reveals the intensification of the inflationist pressures of the consumption demand.

As for the foreign demand, the unfavourable situation of 2006 was generated by the deepening of the negative gap between the real growth rate of the exports (their dynamics being accelerated compared to 2005 and being comparable to the one of the previous years, in the context of a slight increase of the market share in the EU and important structural changes consisting in the increase of the share of higher value added products) and that of the imports of goods and services, the latter recording the highest level in the past six years, which reflects both the dynamics of the investments and of the private consumption and the effects of the appreciation of the national currency.

Consequently, we can say that the essential features of the type of economic growth in Romania in 2006 were the following: (i) preservation of the GDP above its potential level (with a negative impact in terms of the tensions related to consumer prices), despite the increase hereof and (ii) maintenance of the internal/external imbalance, in favour of internal absorption. This situation is due to several factors:
– the existence of a gap between the implementation of investments and the actual time when they started to yield effects on the aggregate supply level and productivity;
– the fast growth of the available incomes of the population, sometimes at a pace quicker than the labour productivity, driven by the further quick evolution of the credit, both contributing to the increased consumption in the current period, based on the anticipation of income growths in the future as well (*consumption smoothing*), including owing to the demand of private consumption which was not satisfied in the previous years;
– the accelerated development in the past years of non-tradables, as well as of services (trade, financial-banking services) and constructions;
– the appreciation of the national currency, having as an effect the stimulation of the import demand, as well as the appearance of significant welfare and balance effects, which diminish the restrictive character of the appreciation of the national currency on the economic activity.

Inflation. The constantly decreasing trend of the annual inflation rate since 2000 continued in the analyzed period, the level recorded at the end of 2006 (4.87%) being 3.7% below the value recorded in December 2005 and slightly lower than the 5% target.

The consolidation of the disinflation process was also reflected by the reduction from 9.1 in 2005 to 6.6% of the average variation of the harmonized consumer price index (CPI) – a variable used in the formulation of the inflation-related Maastricht criterion; this evolution resulted in the reduction of the gap between the CPI for Romania and the average CPI rates corresponding to the top three EU member countries in terms of price stability, from a level of 8.1% in 2005 down to 5.2% in 2006.

The reduction of the annual consumer price increase rate (December/December) has been driven by macroeconomic policy measures, structural factors and last, but not least, circumstantial influences. Thus, a major role was played by the increased restrictiveness of currency conditions in the broad sense, as a cumulated result of (i) the implementation of monetary policy decisions and administrative and prudential measures adopted by the central bank and (ii) the nominal appreciation of the Romanian leu versus the European currency (by 7.2%). In addition, the disinflation was supported by the maintenance *de facto* of a prudent fiscal policy, at least until the end of October. As such, the basic inflation CORE2 (excluding the influence of administered prices, volatile prices and correcting the impact of excise duties on tobacco and alcohol) has decreased substantially, its annual rate being reduced from 4.81% in December 2005 to 3.04% in December 2006.

A favourable impact consisting in the reduction of the inflation rate of consumer prices continued to be manifested by the operation of lower adjustments of administered prices (compared to the previous year, the annual growth rate decreased by 4%, down to 10.2%, while remaining considerably higher than the average), due to the relative attenuation of the pressures on the energy market and the strengthening of the national currency versus the main currencies, as well as the development of modern trade forms, on the one hand by the expansion of supply (including through exports, and on the other hand by the promoted pricing policy; in addition, competition in retail trade acted as a constraint on domestic producers, as the Romanian economy has been opened and external prices have been stable. At the same time, we cannot ignore the strongly descending trend of the annual dynamics of volatile prices, down to a negative level of -2.5%, due to current evolution (abundant fruit and vegetable crops and reduction of the oil price on international markets), as well as due to a basic effect generated by the adverse shocks from 2005
(severe floods, strong increase of the international oil price). Within this context, the inflationist expectations diminished considerably in the second part of the year, thus supporting the disinflation process.

The favourable effect of the factors mentioned above was partially shadowed by the inflationist pressures generated by the strong internal demand, driven by:
(i) the relaxation of the income policy, salary increases in the developing private sectors, exposed to the temporary workers' migration phenomenon, and the increase of remittances and transfers from abroad;

(ii) the rapid expansion of the non-governmental credit, as a result of the anticipations regarding the sustained growth of salary incomes, as well as of the substantial intensification of competition for market shares, between credit institutions;
(iii) the modification of the fiscal conduct in the last two months of the year, reflected by the registration of a deficit of the general consolidated budget, higher than in the previous year, the decrease of governmental expenses thus influencing the level of the aggregate demand at the beginning of 2007.

Deficit of the general consolidated budget. Even though there was a relaxation of fiscal policies in 2006, reflected by an increase of the deficit of the general consolidated budget to 1.7% of the GDP compared to 0.8% of the GDP in the previous year (according to IMF methodology), it only occurred at the end of the year. After the first ten months, the general consolidated budget recorded a surplus of 2.04% of the GDP which, *de facto*, means that the fiscal policies helped consolidate the disinflation process.

For Romania, there is still the concern with the insufficient share of budgetary revenues in the GDP (around 30%, by far the lowest level in the EU, which is insufficient to cope with the commitments required by EU membership).

Total public debt. Despite the increase of the budgetary deficit, the public debt continued to drop, reaching 12.4% of the GDP in 2006, versus 15.8% of the GDP in the previous year (according to SEC95 methodology).

From the viewpoint of the Maastricht criteria related to the sustainability of the fiscal position, both the share of the budgetary deficit in the GDP and the share of the public debt were significantly lower than the existing limits (3% and respectively 60% of the GDP).

Foreign accounts. Even if exports continued to increase at a fast pace (16.2%), the dynamics of the imports was quicker in 2006 as well (25.1%). Under these circumstances, the current account deficit was 10.3% of the GDP, the deterioration of the trade balance being partially offset by the consolidation, for the fourth consecutive year, of the net inflows in the form of current transfers (up to 4.8 billion euros). On the one hand, the substantial foreign capital inflows with a volatile potential supplement the appreciation of the national currency, contributing to the decrease of the inflation on the short term. On the other hand, these capital inflows stimulate the excessive internal demand, leading also to the deterioration of the current account deficit; this may induce risks for the medium-term financial stability, as a result of the possibility that the speculative capital inflows may be reversed in the future. The scale of such reversals can be amplified by the risk that the liquidity excess existing at the global level at the present moment, which is translated into low capital costs and advantageous access and financing conditions for most emerging markets, should be reduced considerably in the future, thus affecting those economies with deeper imbalances in terms of the external level, fiscal issues or sustainable volumes of the public debt.

The coverage of the current account deficit was 90.8% assured by foreign direct investments, but the medium-term sustainability of this financing structure is questionable, as there is a limited stock of assets which can be privatized and there are fundamental factors which generated the foreign imbalance and which continue to exist. The most important of these factors is the type of economic growth based on internal absorption rather than on net export, reflected, among others, by:
– the fact that the export growth rate is regularly exceeded by the exports rate (except for 2002);
– the deterioration every year since 2003 of the share of the current account deficit in the GDP;
– the reduction, in the same period, of the saving rate, from 16% to 12.1% of the GDP.
Additional factors which led to the deterioration of the foreign accounts were:
– the surpassing in 2005 and 2006 of the labour productivity growth by salary increases, in the context of the progressive shrinking of the labour market;
– the unfavourable evolution of the hydrocarbons prices in the past years;
– the nominal appreciation of the Romanian leu, as a result of the recovery of the gap versus the partner economies and the influence of increased capital inflows of all types, reflecting also the imminent accession to the EU.

In exchange, a favourable perspective can be offered by the continuation on a longer term of substantial FDI inflows, with an effect of increased competitiveness and expansion of the aggregate supply, including export-oriented supply, such substantial investments being driven by the prospects of significant productivity gains offered by the Romanian economy, while serving as a substitute for insufficient internal saving.

Unemployment, productivity, salaries. In 2006, the annual growth rate of the average national salary was maintained at an alert level, reaching 18.9% in the case of the gross salary and 16.8% in the case of the net salary (nominal values). The evolution has been driven by a complex set of factors, the most important of which are:

(i) the higher demand for workforce, due to the dynamic economic growth. Thus, in 2006, the average employment rate of the population between 15 and 64 years of age increased by 58.8%, compared to 57.7% in 2005. The shrinking of the labour market is also reflected by the downwards trend of the unemployment rate (from 5.9% in December 2005 to 5.2% in December 2006); in addition, the signals coming from the employers indicate increased difficulties in finding workforce with a certain qualification (mainly in tourism, constructions, and certain industrial branches), the main reason being the migration of the workforce abroad. In contrast with the evolution of the unemployment rate, the ILO unemployment rate was maintained at a comparable level to the previous year (7.3%); a possible explanation would be the change of the situation of discouraged persons, their number decreasing dramatically in 2006.
(ii) the decrease of the share held in salary packages by bonuses granted for economic performance;
(iii) the salary increases granted in the budgetary sector and the modification of the seasonal pattern by the granting of the 13th salary in December instead of January next year, as the practice was in the previous year; as a result, this segment recorded the highest growth rate of the nominal gross salary (27.3%).

In the processing industry, the manifestation of competitive pressures resulted in a salary increase rate below the economy average (15.6% in the case of the gross salary). Although the level remains high, the productivity gains largely offset the influence of the cost per unit of the workforce (up 4.8%) on the dynamics of production prices (11.1%).

Business Results

OTP Bank Romania is a subsidiary of OTP Bank Group, one of the most important financial groups in Central and Eastern Europe. Since the Bank benefits from the financial support of a strong group, this allows it to:

- Finance medium and large corporate projects (infrastructure/ real estate/ investments in equipment and cars)
- Transfer the banking history and collaterals that the companies have in other member countries of the group to Romania, in order to help them start up a business in our country
- Use the regional experience in order to anticipate and participate in the further development of the local market
- Grant syndicated loans within OTP Bank Group.
- Offer its clients the possibility to find all the services they need within the same financial group

OTP Bank Romania' History

- RoBank received the authorization to function as a universal bank in Romania ten years ago, in December 1995
- In 1999, RoBank was selected among the 10 banks from Romania for the calculation of the daily BUBID/ BUBOR rates.
- In 2000, RoBank signed an agreement with EBRD to participate in the Foreign Trade Facilitation Programme, a project worth USD 100 million.
- In 2003, the bank participated in the World Bank project for the financing of rural areas, granting sub-loans up to USD 1 million for funding financing projects in all segments of the rural economy
- In 2003, it signed an agreement with Eximbank for export financing and pre-financing of export production
- In 2004, OTP Bank Group purchased 99.99% of RoBank, 0.01% belonging to other companies in OTP Bank Group.

OTP Bank Group's vision was and continues to be the transformation of RoBank into a universal bank by implementing new and accessible products, specially created to meet the clients' needs, as well as by offering high quality products and services addressed to corporate and individual clients

OTP Bank Romania approach

- OTP Bank Romania positions itself as a high quality financial service provider
- We aim to permanently upgrade our products and services, so that we can become a quality benchmark both in terms of products and services, and of the employees' attitude
- We don't intend to fight on affordable services, but convince our potential clients of the importance of benefiting from correct offers, as well as services meeting the highest standards
- The experience acquired on other markets where we operate has taught us that each client is extremely important for the further evolution of the bank
- We offer alternative channels and service packages associated with our products, a field where OTP Bank is an undisputed leader in Hungary – a market share of 50% on Call Centre services, 70% on Internet Banking and 70% on Mobile Banking
- We offer service packages, not only products
- Through responsiveness and flexibility
- Through a more familiar and closer approach towards clients
- We benefit from the support of the group, but the bank has a profound local character, adapted to the demands of the Romanian market
- We know the dynamics of the Eastern European market in depth, given our activity on other similar markets

Targets

OTP Bank Romania has undergone a deep process of transformation, meant to build a solid foundation for achieving our main objective – the transformation into a strong universal bank.

The establishment of the Retail Division started from zero, its portfolio including products for individual persons and small and medium-sized enterprises (SMEs)

The Corporate Division aims to provide services to:

- Romanian companies wanting to expand in the region
- Romanian business partners of regional players
- Regional companies operating in Romania, Hungary, Bulgaria, Slovakia, Croatia, Serbia, Ukraine, Montenegro and Russia
- Hungarian companies with foreign trade activities in Romania

Objectives

- OTP Bank Romania aims to reach a market share of 4-5% within five years, from a current market share of 1.7%
- We intend to rank among the top 10 players on the Romanian market
- We want to become a strong universal bank, able to offer full services to individual persons and companies
- We will carefully analyze the local market to identify new investment and development opportunities
- We intend to build a financial group around the local subsidiary also in Romania. A first step in this direction was the acquisition in 2005 the non-life insurance company, Ceccar Romas, which became OTP Garancia Asigurari in July 2006
- The acquisition was made by OTP Garancia Insurance, a subsidiary of OTP Bank Group
- The sale-purchase contract was signed on November 23rd , 2005, for the acquisition of 95.81% of Ceccar Romas shares
- In 2004 the income from the gross subscribed insurances of Ceccar Romas increased to 1.75 million EUR, from 1.07 million EUR in 2003
- On October 10th, 2005, OTP Garancia Insurance, together with OTP Bank Romania, operated a 4.3-million-euro share capital increase of the insurance company, which was required in order to comply with the Romanian legislation. In the same year, three additional share capital increases were operated. At present, the share capital of the insurance company amounts to 6.86 million EUR*.

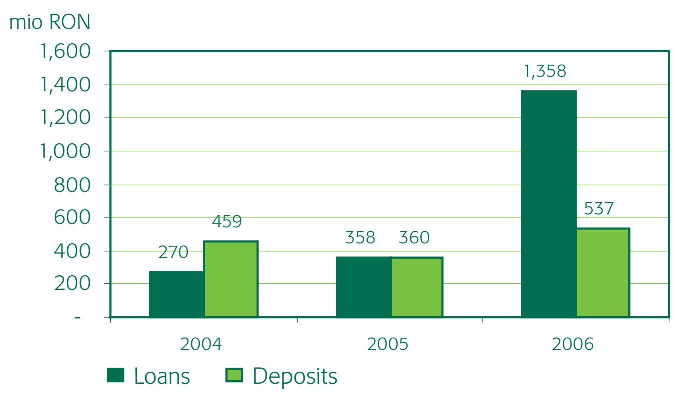
* The amount was calculated on the basis of the reference exchange rate RON/EUR provided by the Central Bank of Romania on September 18th, 2006. 1EUR=3.5122 RON

In order to meet the objectives, OTP Bank Romania has initiated an accelerated organic development programme.

OTP Bank Romania was the most dynamically growing credit institution in Romania for 2006. Its balance sheet total on December 31, 2006 exceeded HUF 13.4 billion, which surpassed the year-end figure for 2005 by 250.2%. The Bank's market share at the end of 2006 based on balance sheet total was 1.5%.

The Bank's gross loans grew by 321.3% in 2006, while customer deposits rose by a more modest 61.9%, with the two portfolios thus amounting to HUF 101.3 billion and HUF 41.0 billion at year-end. The Bank increased its market share in retail loans from 0.17% at the end of 2005 to 1.84%, while in the area of corporate loans its market share stood at 0.82% at the end of 2006 (2005: 0.8%). Market acquisition was especially notable in mortgage lending, where the Bank improved its share among the competitor banks to 1.24%. With regard to retail deposits, its market share did not rise significantly, standing at 0.6% at year-end 2006.

Loans and deposits evolution



The strengthening of the Bank's market position was largely the result of intensive product development, with OBR launching several new products and services in 2006. In the retail lending market it introduced mortgage-based construction loans, mortgage loans offered in combination with life insurance, as well as vehicle financing and debt rescheduling loans.

Another new development in 2006 was the launch of the MC Standard credit card. With the introduction of the Junior account and Visa Electron Junior card, the Bank made its services available in the youth segment.
In 2006, OBR also launched a new rapid cash transfer service (Moneygram).
For its micro-and small enterprise customers OBR began to offer OTPdirekt services, while customers with mobile telephones could benefit from a non-interactive text messaging service. For its corporate customers, the Bank issued a Visa Business Embossed and Visa Electron cards in 2006.

The number of the Bank's customers doubled in 2006, while the number of its retail customers grew by more than two-and-a-half times.

The number of retail current accounts managed by the Bank in 2006 grew from 44,000 to over 85,000, and the number of corporate accounts stabilized at close to 8,000. The Bank opened 39 new branches in 2006 and was operating a total of 66 branches at year-end. The number of employees was 795 persons at the end of 2006, which represent 320 more persons than a year earlier.

Main indicators of OTP Bank Romania S.A.:

	2005	2006	Change
ROAA %	(4.25)	(2.24)	2.01
ROAE %	(19.8)	(14.4)	5.4
Cost / income ratio %	142.2	135.1	7.1

Main financial data of OTP Bank Romania S.A.:

	31/12/2005 HUF mn	31/12/2006 HUF mn	Change HUF mn	%
Gross loans	24,565	101,295	76,730	312.3
Retail	2,396	51,039	48,643	2030.0
Corporate	22,169	50,256	28,087	126.7
Municipal	0	0	0	0.0
Provisions	(463)	(928)	(465)	100.4
Net loans	24,102	100,366	76,264	316.4
Deposits	25,329	40,996	15,667	61.9
Retail	9,294	18,396	9,102	97.9
Corporate	15,279	22,600	7,321	47.9
Municipal	756	0	(756)	(100.0)
Liabilities to credit institutions	15,482	125,555	110,073	711.0
Shareholders' equity	13,731	25,041	11,310	82.4
Subscribed capital	12,577	25,865	13,288	105.7
Total assets	**55,225**	**193,412**	**138,187**	**250.2**
Profit before tax	**(2,182)**	**(2,658)**	**(476)**	**21.8**
Profit after tax	**(2,122)**	**(2,784)**	**(662)**	**31.2**

The balance sheet total of OTP Bank Romania (OBR) exceeded HUF 193.4 billion as of December 31, 2006, representing an increase of 250.2% over the year-end figure for 2005, and as a result, the Bank's market share at the end of 2006 was 1.5%. its equity was HUF 25.0 billion on December 31,2006 (a rise of 82.4%).
The Bank's gross loans grew by 312.3% in 2006, while customer deposits rose by 61.9%, with the two portfolios thus amounting to HUF 101.3 billion and HUF 41.0 billion at year-end. The Bank increased its market share in retail loans from 0.59% at the end of 2005 to 1.57, while in the area of corporate loans its market share grew from 0.82% to 1.24% over the course of the year. Perhaps the most notable success of the year was the fact that the Bank improved its share of the Romanian mortgage loans market to 3.75%, owing to its launch of Swiss franc-based loans. With regard to retail deposits, market share was a more modest 0.57% at the end of 2006.
The Bank had a staff of 795 employees at the end of 2006, or 320 more than a year earlier. OTP Bank Romania closed the 2006 business year with a loss of HUF 2.8 billion.

Account management, sales network, bank transactions

OTP Bank Romania developed a plan to expand its network – a higher number of branches in a short time. Thus, at the end of 2006, The Bank registered 65 branches across Romania, out of which 37 were opened during 2006. The estimation of the number of branches by the end of 2007 is of 100 units.

The Bank started from 16 units, located in: Bucharest (3 branches), Constanța, Timișoara, Cluj, Iași, Oradea, Sibiu, Brașov, Piatra Neamț, Galați, Ploiești, Brăila and Craiova. Later on, new branches were opened in:

- Satu Mare
- Oradea
- Pitești
- Bucharest (Mihalache; Barba ; Băneasa; Obor; Crângași; Văcărești)
- Miercurea Ciuc
- Odorheiu Secuiesc
- Bacău
- Alba Iulia
- Sfântu Gheorghe
- Bălcescu - Brașov
- Operei - Timișoara
- Târgu Secuiesc
- Târgu Mureș
- Baia Mare
- Arad
- Deva
- Baraolt
- Mănastur - Cluj
- Bucharest (Rahova; B-dul Timișoara; Moșilor)
- Slatina
- Brașov – Republicii
- Dej
- Zalău,
- Bistrița,
- Piața Trandafirilor -Tărgu Mureș
- Zorilor - Cluj
- Casa Albă - Craiova
- Gheorgheni
- Reghin
- Roman
- Râmnicu Vâlcea
- Bucharest (Iuliu Maniu; Muncii)
- Suceava
- Turda
- Târgu Jiu
- Constanța – Gară
- Lotus – Oradea
- Barlad
- Lugoj
- Sighisoara
- Mediaș
- Sibiu
- Cipariu – Cluj

In the first part of 2007, OTP Bank intends to open new branches in:

- Timișoara – Circumvalațiunii
- Hunedoara
- Slobozia
- Cristuru Secuiesc
- Târgoviște
- Focșani
- Botoșani
- Vaslui

OTP Bank Romania increased its team, up to approximately 800 employees, a strong team for both business lines, retail and corporate. Furthermore, the Bank intends to reach the number of 1000 employees by the end of 2007.

OTPdirekt

OTP Bank Romania provides the alternative of **OTPdirekt** service to its customers in order to help them carry out transactions and receive information about their own accounts without coming to the branch, in conditions of utmost security. The service consists of the following components:

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" distance. The commissions for payments are two times less than those from OTP Bank branches, and the account balance interrogation and account statement is for free.

The following **functions are available** only with a click:

- transfers in RON or foreign currency to beneficiaries who have accounts at any bank opened in Romania or abroad
- standing orders

- periodic payments
- exchanges/ transfers of amounts between the same person's accounts
- opening/ viewing/ closing deposits
- account balance generated in files that can be printed or saved on the user's computer

2. OTPdirekt – Call Center (transactions and information)

With OTPdirekt Call Center one phone call is sufficient to find out any information regarding OTP Bank or to order transactions or operations on your accounts.
The Bank representatives can be reached free of charge in the Romtelecom network by calling the number **0800 88 22 88.** The Call Center can also be reached with a normal call charge in the Vodafone and Orange networks at ***OTPBANK** (*6872265). In order to contact the Call Center from other networks (then the ones previously mentioned) customers can dial **+4021 308 57 10.**
The Call Center can be reached from Monday to Friday, starting 08:30 until 17:30 (local Romanian time).
Besides the general information regarding OTP Bank, through OTPdirekt – Call Center, with one phone call, customers can find out anything they want about the Bank's financial products and services, about exchange rates, standard commissions, etc. If a customer already has an OTP bank account, then he/she could choose:

- to obtain specific information (private) regarding his/her financial status (accounts, deposits, credits, taxes, commissions, special offers, etc.)
- to perform transactions / operations (only for OTPdirekt clients) like: opening current accounts, transfers in RON or foreign currencies, exchanges, card blocking, etc.

3. OTPdirekt – SMS alerts (only information)

Through this service, the information regarding the customers' bank accounts and cards can be available in real time on the mobile phone by means of SMS alerts. Thus, the customers are informed in real time about the balance of the account at the beginning of the banking day (Account Balance alert), all debiting/crediting operations taking place in the customers' account (Current Account Control alert), as well as any other major activity performed using the card – cash withdrawal, payments at merchants' locations or on the Internet, wrong PIN code, insufficient funds (Card Control alert). Due to the fact that the Card Control alert is unique, we may say that OTP Bank Romania continues its series of innovations on the domestic banking market.

The number of OTPdirekt contracts on 31.12.2006 is of 31720, divided as follows:

- Number of users as private persons with staff: 2817
- Number of users as legal entities, type A: 677
- Number of users as legal entities, type B: 208

The number of calls at the call centre number in 2006 reached 31720. The number of transactions through OTPdirekt call centre is of 805 on Call Center and of 33376 on the Internet Banking. The transaction volume through OTPdirekt was:

- Call Center: 1033474.71 Euro
- Internet Banking: 39247452.87 Euro

Bank Card Services

At the beginning of 2006, OTP Bank Romania launched **7** types of debit and credit cards, for individuals and legal entities. In the first eight months from the launch of the first card on the market, OTP Bank Romania exceeded the number of 20,000 cards issued to its customers.

The following cards are issued by OPT Bank Romania:

- **MasterCard „Flat"**
- **Visa Business „Silver"**
- **Visa Business „Electron"**
- **MasterCard „All Inclusive"**
- **Visa Junior,** available in two variants: **Visa Junior Plus** and **Visa Junior Max**.

The **MasterCard „Flat"** debit cards issued by OTP Bank Romania are a first on the market, being the first non-embossed cards issued directly under the MasterCard logo by a Romanian bank. Together with the embossed **MasterCard „Standard"** cards**,** MasterCard „Flat" cards are offered to clients upon opening of a current account in RON or EURO, representing optimum tools to access the account 24 hours a day, in order to make payments or cash withdrawals in Romania and abroad, inclusively for transactions on the Internet.

Visa Business „Silver" and **Visa Business „Electron"** cards are available in RON and EURO and allow the users to make electronic payments or cash withdrawals directly from the company's account, practically sparing the companies from the operations related to granting advances in cash to employees. Choosing the Visa Business cards, the clients (legal entities) will benefit from many other advantages such as:

- Free card administration in the first 12 months from issuance
- Rapid card issuance, within 48 hours from signing the issuance agreement
- Efficient expenses administration and decrease of administrative costs
- Control over transactions, by setting monthly use limits and detailed statements of account (for each user) issued by the bank
- Money safety – in case of loss/theft, the cards can be blocked through a simple phone call, available 24 hours a day, 7 days a week
- The possibility to use the card for virtual transactions (on the Internet)

The **MasterCard „All Inclusive"** credit card from OTP Bank Romania is a versatile payment tool, which puts instant money at the disposal of clients any time and anywhere. Furthermore, the clients can practically obtain a loan without an interest, having a grace period of up to 45 days, and the minimum monthly repayment is only 5% of the used credit. The **MasterCard „All Inclusive"** card provides a loan limit of up to EUR 5000 (the equivalent in RON) and allows for national and international use, as it is accepted in millions of locations displaying the MasterCard logo, almost anywhere in the world. This card's owners benefit from free administration in the first year of use, and, on request, the bank can issue several additional cards on the same account.

Visa Junior cards represent a new concept on the Romanian market and address individual persons with ages between 14 and 25. OTP Bank Romania provides these cards in two variants: **Visa Junior Plus** – for the age category from 14 to 18, respectively **Visa Junior Max** – for the age category from 18 to 25. The cards are attached to the „OTP Junior" account – the ideal savings instrument for the youngest of the bank's customers, as it offers a very advantageous interest, under the conditions of "student" commissions. As a first, customers have the possibility to choose the preferred card design, being able to select from various variants of very attractive designs.

In parallel, OTP Bank Romania manages a network of 45 ATMs in the main cities of the country, aiming to extend it up to a number of approximately 100 ATMs by the end of the year.

Retail

The Retail Division is in charge with the development and implementation of the strategy in the retail segment (including micro-business) and encloses a Marketing Direction, a Product Management Direction, a Cards Direction and a Distribution Channel and Branch Management Direction.

The private individuals' segment plays an important role in the future development of the bank. The evolution of this segment will be driven by:

- The development of the branch network and of the sales force
- An approach based on service packages
- Alternative channels
- Our products
- Service quality
- Strong financial support from the group

On October 17th, 2005, OTP Bank Romania launched the retail segment, offering the following products:

- Loans for personal needs
- Loans for personal needs with real estate guarantees
- Mortgage loans
- Overdraft
- Term deposits
- Current accounts

By the end of 2005, the Bank has expanded its offer with:

- OTP Express (rapid money transfer)
- Loans to micro-companies

-Credit facility
-Equipment purchasing loan

In 2006, the following products were launched:

- Savings account
- Debit cards (in RON and EUR)
- Escrow account
- Re-financing loan
- Car loan
- Construction loan
- Business cards
- Credit card
- Cards for young persons (14-18, 18-24)
- MoneyGram – money transfer
- Product packages for micro- and small companies

- Visa transparent credit cards
- Visa Gold credit cards
- Co-brand credit cards

The products that the Bank plans to launch in 2007 include:

- Distribution of life insurances with capitalization
- Loan for tenants' associations aimed at the rehabilitation of the heating systems
- Product package for individual persons
- We will also implement the POS network in all banking units
- Consumer loan
- Co-branded "VISA Electron StudentMax" debit cards
- Loans for personal needs with mortgage (revolving)
- Investment products (mutual funds)
- Distribution of pension funds
- Mortgage loan for house modernization
- Launching consultancy services for accessing Structural Funds

Also, by the end of the year, OTP Bank Romania intends to implement the operations for card acceptance by traders, as well as the on-line interface for debit cards.

Before the takeover, the bank was focused on medium and large companies (with a turnover of over 2 million EUR). The current development strategy attaches the same importance to small companies (with a turnover of up to 2 million EUR), a segment with an excellent development potential.

Consumer loans

OTP Bank Romania offers consumer loans to its customers, providing mainly households with current account overdraft facilities, credit cards, consumer durable loans, personal loans and mortgages.

The loans, net of allowance for loan losses, rose by 283%, from RON 351 million on December 31, 2005 to RON 1,344,671,250. As at December 31, 2006, of the consolidated gross customer loan portfolio (RON 1,357,110,081, annual change + 280%), the share of corporate loans was 49.6% (RON 673,308,638, annual change: 109%), that of retail customers 50.4% (RON 683,801,443, annual change +1860%).

Within retail loans, housing and mortgage loans represented RON 220,569,375 (annual change +4516%) and consumer loans represented RON 463,232,096 (annual change + 1438%).

30.7% of the IFRS loan portfolio was "problem-free" (performing) at the end of December 2006. The share of the "special watch" portfolio was 65.6%, and the share of the "problematic" (non-performing) category was 3.6%, having decreased by 1.1 percentage points from the previous year.

Right after the RoBank acquisition, the weight of NPL was high in total loans and bad collateralized. During 2005 some bad loans were written off and therefore the quality of corporate portfolio increased (NPL in total portfolio decreased from 4.7% as of December 2005 to 3.6% as of December 2006) and consequently the degree of loan collateralization increased too.

IFRS consolidated provisions for impairment and loan losses were RON 12,438,831 (as of December 2006) and of this, RON 10,583,995 was related to the qualified portfolio, which resulted in a provisioning coverage ratio of 1.1%. Within this, the RON 1,780,083 in provisions available to cover the RON 49,325,734 in non-performing loans represented a coverage ratio of 3.6%.

Activities of Other OTP Bank Foreign Subsidiaries

The DSK Group

Both in the retail market and in terms of total assets, DSK Bank retained its market-leading position in Bulgaria. The DSK Group's balance sheet total based on IFRS on December 31, 2006 stood at HUF 779.4 billion, of which deposits from customers accounted for 67.2%, or HUF 523.8 billion. The gross value of the customer loan portfolio was HUF 454.4 billion, accounting for 58.3% of its total assets.

At the end of December 2006, the Bank's market share, based on its total assets, was 14.4%, up by 0.8% from a year earlier. Its share of retail deposits was 21.8%, within which its share of BGN deposits was 35.2% and that of FX deposits 11.3%. The Bank's share of the home loans market fell to 28.6% and its share of retail consumer loans decreased to 35.7%.

During 2006 DSK Group earned HUF 27.8 billion in consolidated pre-tax profits, up by 41.6% on a year earlier.
In 2006 DSK's average interest margin relative to its balance sheet total was 5.66%, down by 124 basis points on a year earlier.
After-tax profits amounted to HUF 24.2 billion.

The Group's cost-to-income ratio was 38.7% (–6.5 percentage points). The DSK Group achieved ROAA of 3.55% and ROAE of 29.6% in 2006. By the end of the year, the Bank had a total of 640 ATMs, 1,727 POS terminals and 366 branches. As at December 31, 2006 the number of employees at DKS Group was 4,103 or 55 persons more than on December 31, 2005.
In 2006 the DSK Group launched several new products, primarily in the area of savings. The Bank was the first in the Bulgarian market to introduce two new fixed-term deposit products combined with investment funds, one of which is also packaged with pension-fund insurance. DSK also began distributing OTP Fund Management's euro-denominated investment fund units (UBS investment funds, Central European Equity Fund).

From September the Bank began offering a new savings account under the name 'Future Children', which enables the money set aside by parents for their children to earn interest at favorable rates from birth to adulthood.

OTP Banka Slovensko, a. s.

The balance sheet total of OTP Banka Slovensko, a.s. (OBS) was HUF 325.2 billion as at year-end 2006, which represents a 23.7% rise compared to year-end 2005, and which secured it a 3.0% share of the banking market in Slovakia.

At year-end 2006 OBS's loan portfolio remained essentially unchanged at annual level, due to the repayment of a sizeable corporate loan during the year. Its loan portfolio of HUF 189.9 billion represented a market share of 4.0% at the end of the year. Its deposit portfolio rose by 25.3%, to HUF 190.3 billion, in 2006, giving it a market share in deposits of 2.8% as at December 31, 2006.

During the course of 2006 the number of the Bank's customers increased by over 1,000, 4 IFRS data OTP Bank Annual Report 006 to almost 160,000, with retail customers accounting for more than 142,000 of this total.

The number of bank cards issued by OBS was more than 102,000 at the end of 2006, of which over 90,000 were retail and 12,000 corporate cards. The Bank's ATMs numbered 112 at the end of the year, with the number of transactions effected at these ATMs totaling nearly 1.9 million – 2.0% more than in 2005.

The number of proprietary POS terminals at the end of 2006 was 441, and the volume of POS transactions increased by 17.8% over the course of the year. The Slovak bank opened 8 new branches during the year, bringing the total number of branches in its network to 86 at the end of 2006.

In 2006 the Bank launched what it has named the Artemis project, which is aimed primarily at developing its retail services. Through an extension of the sales channels, the project will achieve major improvements in sales performance while ensuring a successful expansion of the product portfolio. In addition to implementing infrastructural developments in the existing branch network, the objective is to expand the external sales network, as well as to offer electronic banking services. The project is expected to be completed at the end of 2007.

OTP banka Hrvatska d.d.

As at December 31, 2006 the consolidated balance sheet total of OTP banka hrvatska (OBH) was HUF 364.1 billion, giving the Bank a share of 3.5% in the Croatian market.
Gross loans had risen by 31.1% to HUF 195.9 billion by year-end 2006, and thus the Bank's market share was 3.2% at the end of the year.
Deposits from customers at year-end were HUF 275.7 billion, representing a market share of 4.5%.
By year-end 2006 OTP banka hrvatska had more than 413,000 customers, on behalf of whom it was managing close to 389,000 retail accounts and more than 22,000 corporate accounts. The number of bank cards issued in 2006 grew by 10.1%, to 373,000. Within this total, the number of credit cards grew by close to 35.3% over the year, to exceed 29,000.
In 2006 the Bank launched new products on both the loan and the deposit side.
In order to facilitate the sale of retail loans, it launched a development project aimed at improving the product offering and enhancing service levels, which also meant revising the organizational structure.
The program to expand and develop the sales network also continued in 2006. as a result of this work, two branches were fully refurbished and plans were drawn up for the refurbishing of a further four branches. By year-end,

OBH had 90 branches, 99 ATMs and 998 POS terminals, which were complemented by the Internet Banking services launched in the first quarter, and the call centre which began operating at the end of the year.

Investsberbank

The acquisition of the Russian Investsberbank (ISB) was concluded on October 30, 2006. OTP Bank purchased a 96.4% stake in the Bank for EUR 373 million.
As at December 31, 2006 ISB's balance sheet total was HUF 329.3 billion, of which the gross loan portfolio accounted for 65.4%. Within the gross loan portfolio of HUF 215.2 billion, corporate loans represented 54.2% (HUF 116.6 billion) of the total, and retail – overwhelmingly (99%) consumer – loans represented 45.1% (HUF 97.1 billion).
Customer deposits accounted for 77.0% of total liabilities, and within this total retail deposits, amounting to HUF 168.3 billion, represented 66.3% and corporate deposits, amounting to HUF 85.4 billion, accounted for 33.7%. At year-end Investsberbank's equity was HUF 38.3 billion.
At the end of 2006, ISB was ranked 38th among Russian banks in terms of its total assets, and 37th based on its gross loan portfolio, while it came a respectable 21st with regard to the size of its retail loan portfolio, according to a study by Ros Business Consulting (RBC).

CJSC OTP Bank

OTP Bank closed the acquisition of RBUA (Raiffeisen bank Ukraine) on November 20, 2006. Under the sale and purchase agreement signed on June 1, 2006 OTP Bank purchased a 100% stake in the credit institution for EUR 650 million. With effect from November 7, 2006 its name was changed to (Closed Joint Stock Company) CJSC OTP Bank.
As at December 31, 2006 the Bank's balance sheet total was HUF 432.6 billion, which represented a 3.5% share of the market. Receivables from customers and banks accounted for 84.4% and 10.1% of this total respectively. The Bank's share of the home loans market was a sizeable 11.9%.
The volume of customer deposits remained significantly below that of disbursed loans, as the previous owner had not accorded much priority to collecting funds in the Ukrainian market. As a result, customer deposits only accounted for 29.4% of the balance sheet total, which gave the Bank a 2.2% share of the Ukraine market. Within this, its share of total retail deposits was 1.8%, and its share of FX deposits was 2.8%.
At the end of 2006 the Bank had 65 branches, and operated 49 ATMs and 83 POS terminals.
The Bank's more than 120,000 customers held 88,000 bank cards at the end of the year, of which 16.5% were credit cards.

Serbian subsidiary banks

OTP Bank Group acquired three Serbian subsidiaries in 2006. The acquisition of Niška banka a.d., Niš was completed, and then in October 2006 the OTP Bank Group purchased 75.1% of the shares in Zepter banka a.d., Beograd.
Finally, in December 2006 it acquired 83.19% of the shares in Kulska banka a.d., Novi Sad. The balance sheet total of the smallest of the Serbian acquisitions, Niška banka, was HUF 11.3 billion as at December 31, 2006; its loan portfolio amounted to HUF 2.8 billion, 54.7% of which consisted of retail loans.
At year-end 2006 the number of the Bank's customers exceeded 96,000, of whom 92,000 were retail customers. The Bank had 26 branch offices and operated 8 ATMs at the end of the year, while the number of its POS terminals had risen to 334. Niška banka's headcount was 403 persons as of December 31, 2006.
The balance sheet total of Zepter banka on December 31, 2006 was HUF 23.4 billion, Activities of the foreign subsidiaries with its gross loan portfolio amounting to HUF 12.8 billion. Over half of the loans were corporate (mostly small business) loans, while retail consumer loans accounted for 40%. The HUF 17.8 billion in customer deposits made up over 76% of the balance sheet total.
On December 31, 2006 the Bank had 21 branches, and operated 19 ATMs and 329 POS terminals. The number of employees on Zepter banka's payroll was 252 at the end of the period.

Crnogorska komercijalna banka a.d. Podgorica

OTP Bank completed the acquisition of its 100% stake in Montenegrin bank Crnogorska komercijalna banka (CKB) in December 2006. CKB is Montenegro's market-leading bank, with a market share of 35.7% by total assets. By the end of 2006 the CKB had achieved a market share of over 41% in terms of its overall loan portfolio, and 43.5% in respect of customer deposits. The Bank has an impressive, 50% market share of corporate lending.

Financial Statements

Independent Auditor's Report

To the Shareholders and Board of Directors of OTP BANK ROMANIA S.A.

We have audited the accompanying unconsolidated financial statements of OTP Bank Romania S.A., which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in shareholders' 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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.

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

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

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of OTP Bank Romania S.A. as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte
Bucharest, Romania
3 March 2007

OTP BANK ROMANIA S.A.
Unconsolidated Income Statement as at December 31, 2006

(all amounts are expressed in RON thousands, unless otherwise stated)

	Note	Year ended December 31, 2006	Year ended December 31, 2005
Interest Income			
Loans		68,698	33,649
Deposits with banks		15,042	19,293
Treasury securities		5,609	1,618
Total interest income	**6**	**89,349**	**54,560**
Interest Expense			
Customers' deposits		(31,864)	(29,631)
Borrowings		(4,176)	(1,279)
Total interest expense	**7**	**(36,040)**	**(30,910)**
Net interest income		**53,309**	**23,650**
Fee and commission income		25,466	14,895
Fee and commission expense		(9,493)	(1,734)
Net fee and commission income		**15,973**	**13,161**
Impairment losses on loans and other assets		(3,311)	(9,702)
Impairment losses on fixed assets		(1,435)	-
Total impairment losses	**8**	**(4,746)**	**(9,702)**
Net interest income after impairment losses		**64,536**	**27,109**
Foreign exchange income, net	**9**	17,971	7,213
Other income	**12**	3,192	401
Total non-interest income		**21,164**	**7,614**
Income before non-interest expense		**85,700**	**34,723**
Personnel expenses	**10**	(53,336)	(30,447)
Operating expenses	**11**	(37,566)	(25,124)
Other expenses	**12**	(30,371)	(10,717)
Total non-interest expense		**(121,273)**	**(66,288)**
Loss before income taxes		**(35,573)**	**(31,565)**
Income tax expense	**26**	(1,653)	870
Net loss for the period		**(37,226)**	**(30,695)**

These financial statements have been authorized for issue by the management on March 3, 2007.

Mr. Frigyes Harshegyi
CEO

Mr. Marin Ban
Economic Director

OTP BANK ROMANIA S.A.
Unconsolidated Balance Sheet as at December 31, 2006

(all amounts are expressed in RON thousands, unless otherwise stated)

	Note	December 31, 2006	December 31, 2005
ASSETS			
Cash	**13**	36,453	16,819
Current accounts and deposits at banks	**14**	20,809	97,927
Accounts with the National Bank of Romania	**15**	959,148	116,288
Securities held-to-maturity	**16**	7,567	140,115
Loans and advances to customers, net	**17**	1,345,668	351,448
Investment securities - Available for sale	**19**	6,972	10,220
Investment in Associates	**20**	7,125	-
Tangible assets, net	**18**	123,721	52,986
Intangible assets, net	**18**	1,168	3,053
Assets classified as held for sale, net	**21**	945	10,274
Deferred tax assets, net	**26**	-	291
Other assets, net	**22**	81,581	4,328
Total assets	**31,35**	**2,591,157**	**803,749**
LIABILITIES			
Deposits			
Demand deposits	**23**	*446,642*	*160,976*
Term deposits	**24**	*1,147,548*	*378,242*
Total deposits		1,594,190	539,218
Borrowings	**25**	640,942	57,778
Provisions for off balance sheet items		340	766
Deferred tax liability, net	**26**	2,655	-
Other liabilities	**27**	17,648	6,262
Total liabilities	**31,35**	**2,255,777**	**604,024**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	**28**	*367,471*	*190,325*
Share capital restatement	**5**	*42,751*	*42,751*
Total share capital		410,422	233,076
Accumulated deficit	**5**	(74,842)	(33,351)
Total shareholders' equity		**335,380**	**199,725**
Total liabilities and shareholders' equity		**2,591,157**	**803,749**
Off balance sheet financial commitments	**29**	**243,869**	**163,217**

These financial statements have been authorized for issue by the management on March 3, 2007.

Mr. Frigyes Harshegyi
CEO

Mr. Marin Ban
Economic Director

OTP BANK ROMANIA S.A.

Unconsolidated Statement of cash flows as at December 31, 2006

(all amounts are expressed in RON thousands, unless otherwise stated)

	Note	December 31, 2006	December 31, 2005
Cash flows from operating activities			
Loss before taxation		**(35,573)**	**(31,565)**
Adjustments for non-cash items:			
Depreciation expense	**11**	12,983	6,741
Loss on disposals of fixed assets		338	650
Charge / (Release) of provisions for repossessed assets and off balance sheet items	**8**	(426)	426
Impairment losses on fixed assets		1,435	-
Impairment losses on loans and advances to customers	**8**	3,310	9,702
Total adjustments for non-cash items		**17,641**	**17,512**
Loss adjusted for non-cash items		**(17,932)**	**(14,045)**
Changes in operating assets and liabilities			
(Increase) / decrease of restricted cash at National Bank of Romania		(796,890)	7,184
(Increase) / decrease of pledged current accounts and deposits at banks		59	4,047
(Increase) / decrease of Loans and advances to customers		(997,531)	(106,939)
(Increase) / decrease of other assets		(67,849)	20
Increase / (decrease) of demand deposits		285,666	52,474
Increase / (decrease) of term deposits		769,306	(81,148)
Increase / (decrease) of other liabilities		7,884	4,434
Total changes in operating assets and liabilities		**(799,354)**	**(119,928)**
Net cash used in operating activities		**(817,286)**	**(133,973)**
Cash flows from investing activities			
(Purchase of) / proceeds from investments held to maturity and Available for Sale		3,829	280
(Purchase of)/ proceeds from investments held to maturity		(132,548)	(138,596)
(Purchase) of tangible and intangible assets, net		(83,684)	(38,337)
(Purchase) of SWIT shares		(47)	-
(Acquisition) of investments in Associates	**20**	(7,125)	-
Net cash from / (used in) investing activities		**45,521**	**(176,653)**
Cash flows from financing activities			
(Decrease) / increase of borrowings		583,163	47,172
Proceeds from issue of shares	**28**	177,146	106,758
Net cash from financing activities		**760,309**	**153,930**
Net increase / (decrease) in cash and cash equivalents		**(11,456)**	**(156,696)**
Cash and cash equivalents at beginning of period	**13**	**124,674**	**281,370**
Cash and cash equivalents at end of period	**13**	**113,218**	**124,674**

OTP BANK ROMANIA S.A.

Unconsolidated Statement of Changes in Shareholders' Equity as at December 31, 2006

(all amounts are expressed in RON thousands, unless otherwise stated)

	Share Capital	Share capital restatement reserve	Accumulated deficit	Total
Balance as of January 1, 2005	**83,567**	**42,751**	**(6,029)**	**120,289**
Changes in fair value of Investment Securities – Available for sale	-	-	4,016	4,016
Deferred tax recognized directly in equity			(643)	(643)
Net income recognized directly in equity	-	-	3,373	3,373
Increase in share capital	106,758	-	-	106,758
Net loss for the period ended December 31, 2005	-	-	(30,695)	(30,695)
Total recognized income and expense for the peiod			(28,184)	
Balance as of December 31, 2005	**190,325**	**42,751**	**(33,351)**	**199,725**
Restatement due to deferred tax			(1,745)	(1,745)
Balance as of January 1, 2006	**190,325**	**42,751**	**(35,096)**	**197,970**
Changes in fair value of Investment Securities – Available for sale	-	-	(2,972)	(2,972)
Deferred tax recognized directly in equity	-	-	452	452
Net income recognized directly in equity	-	-	(2,520)	(2,520)
Increase in share capital	177,746	-	-	177,746
Net loss for the period ended December 31, 2006	-	-	(37,226)	(37,226)
Total recognized income and expense for the period			(39,746)	
Balance as of December 31, 2006	**367,471**	**42,751**	**(74,842)**	**335,380**

Unconsolidated notes to the financial statements

1. General overview on bank and its operations

OTP BANK ROMANIA SA (the "Bank") started to operate in Romania as a private bank in 1995, under the official name "Banca Comerciala RoBank S.A." and it is authorized by the National Bank of Romania to carry out banking activities. In July 2004, OTP Bank Ltd (Hungary) became the main shareholder of the Bank and in July 2005 the Bank was officially registered in the Romanian Trade Register with the new name - OTP Bank Romania S.A.

The registered office of the Bank is:
OTP Bank Romania S.A.
66-68 Buzesti Street, District 1,
Bucharest, Romania

The Bank operates through its registered Head Office and through a branch network comprising 66 units (out of which 44 branches and 22 agencies), across 30 counties. The counties with more than one unit are: Bucharest (14 units), Cluj (6 units), Mures (4 units), Timis, Brasov, Bihor, Sibiu, Harghita, Covasna (3 units), Constanta, Dolj, Neamt (2 units). The other 18 branches are located in the following counties: Iasi, Galati, Prahova, Braila, Arges, Satu-Mare, Bacau, Alba, Maramures, Arad, Hunedoara, Olt, Salaj, Bistrita Nasaud, Valcea, Suceava, Gorj, Vaslui.

The main activities of the Bank are deposits taking, cash management, lending and documentary business transactions. It offers the traditional range of banking services and products associated with foreign trade transactions including import/export letters of credit, import/export collections, letters of guarantee and discounting facilities to its customers, both corporations and individuals.

The number of the employees as of December 31, 2006 is 795 (December 31, 2005: 475).

The parent company, OTP Bank Plc. (OTP Bank Nyilvánosan Működő Részvénytársaság) is listed on the Budapest Stock Exchange and 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.

The shareholders' structure of the Bank as at December 31, 2006 is the following:

OTP Bank Nyilvánosan Működő Részvénytársaság	99.99973876%
Merkantil Bank Rt.	0.00006531%
OTP Garancia Biztosító Rt.	0.00006531%
OTP Alapkezelő Rt	0.00006531%
OTP Ingatlan Rt.	0.00006531%
Total	**100%**

2. Capital adequacy and regulatory requirements

The bank calculates capital adequacy based upon the regulations issued by the National Bank of Romania ("NBR"). For IFRS reporting purposes, the Bank assesses the capital adequacy ratio upon IFRS requirements as well. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and off-balance sheet commitments at weighted amount to reflect their relative risk. According to the National Bank of Romania regulations applicable as at December 31, 2006, a credit institution must have a capital adequacy ratio of at least 12%. As of December 31, 2006, the capital adequacy ratio based upon the National Bank of Romania regulations was 22.31% (December 31, 2005: 35.99%). Based on IFRS figures, the capital adequacy ratio as at December 31, 2006 was 21.19%. The bank is also subject to other regulatory requirements of the NBR, including those pertaining to lending limits, liquidity, foregin currency exposure, interest rate risk etc.

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

These financial statements include a balance sheet, profit and loss account, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements.
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by International Accounting

Standards Board ("IASB"). The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all periods presented.

The accompanying financial statements are prepared in terms of the purchasing power of the Romanian New Leu ("RON") as of December 31, 2006 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.

Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has 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 that are relevant to its operations and effective for accounting periods beginning on 1 January 2006.

The IASB has amended IAS 39 Financial Instruments: Recognition and Measurement to require certain financial guarantee contracts issued by the Bank to be accounted for in accordance with that Standard. Financial guarantee contracts that are accounted for in accordance with IAS 39 are measured initially at their fair values, and subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The application of these amendments results in such financial guarantee contracts now being recognised and measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised at fair value less, where appropriate, cumulative amortisation.

The management of has assessed that the adoption of these accounting policies does not have an effect on the amounts reported in current or prior periods.

IFRSs and IFRIC Interpretations not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures (Effective for annual periods beginning on or after 1 January 2007);
- Amendment to IAS 1 Presentation of financial statements: Capital Disclosures (Effective for annual periods beginning on or after 1 January 2007);
- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (Effective for annual periods beginning on or after 1 March 2006);
- IFRIC 8 Scope of IFRS 2 (Effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9 Reassessment of Embedded Derivatives (Effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10 Interim Financial Reporting and Impairment (Effective for annual periods beginning on or after 1 November 2006)

The management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company and the Group.

The underlying accounting records maintained in conformity with Romanian accounting law and National Bank of Romania ("NBR") banking regulations ("statutory accounts") have been restated to reflect the differences between the statutory accounts and the International Financial Reporting Standards ("IFRS") issued by the International Financial Reporting Standards Committee. Accordingly, some adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements in line, in all material respects, with IFRS.

The principal differences between the statutory accounts and the IFRS financial statements relate to income tax recognition in accordance with IAS 12 (Income taxes), methodologies for estimating the specific and collective provisions for loans according to IAS 39, recognition of commission income in accordance with IAS 18 (Revenue), recognition and measurement of financial instruments in accordance with IAS 39 (Financial Instruments: Recognition and Measurement), prior year effects of hyperinflation accounting, grouping of numerous detailed items into broader captions and the necessary IFRS disclosures.

3.2 Key sources of estimation uncertainty

The presentation of financial statements in conformity with IFRS requires the management of the Bank to make judgements 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 judgement 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 judgements in estimating the loss amounts.

- Income tax rules and regulations have undergone significant changes in recent years and there is 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.

3.3 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.

3.4 Separate and consolidated financial statements

These financial statements are separate financial statements and investments in subsidiaries and associates are presented at cost and assessed for impairment.

3.4.1. 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 Ltd is in the process of finalizing of preparation of consolidated financial statements which are expected to be available for public use on internet address: www.otpbank.hu.

For details about subsidiary please see Note 19 for the investment in subsidiary "Robinv S.A."

3.4.2. 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 as all conditions for such presentation are met as mentioned in the note 3.4.1. For details we refer to Note 20 for the investment in Associate "OTP Garancia Asigurari S.A.")

3.5 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 periods for major foreign currencies:

	USD	EUR	100 HUF
Exchange rate as at December 31, 2006	2.5676	3.3817	1.3437
Exchange rate as at June 30, 2006	2.8068	3.5686	1.2629
Exchange rate as at December 31, 2005	3.1078	3.6771	1.4547
Exchange rate as at June 30, 2005	2.9891	3.6050	1.4600

Unrealized foreign currency gains and losses arising from the translation of monetary assets and liabilities are reflected in the income statement, except for any items reported as adjustments to equity.(Please see Note 9)

3.6 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.

When loans become impaired, they are written down to their recoverable amounts and interest income thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

3.7 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 valuers' commissions, legal fees or insurance premiums charges.

Revenue from various services the Bank performs are 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;
- collectibility is reasonable 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 recognised as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with the change in fair value recognised in profit or loss the fees are recognised as revenue when the instrument is initially recognised.

  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; and

  All fees within this group are deferred in balance sheet as other liabilities and amortised 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 recognised 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

- 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 Recognition, derecognition and initial measurement

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.

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 advances to the borrowers as referred to in Note 3.10.

3.7.3 Subsequent measurement and fair value

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

- loans and receivables as defined in Note 3.7.1, which shall be measured at amortized cost using the effective interest rate method;

- held-to-maturity investments as defined in Note 3.7.1, which shall be measured at amortized cost using the effective interest rate method; and

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

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 amortised 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 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

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

3.8 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 recognised in books will be equal to the net cash flow paid or received by the Bank. Loans and receivables are subsequently measured at amortised 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 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).

3.9.1.1. 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 as mentioned in Note 3.7.3 - Subsequent measurement and fair value.

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 recognised are not included in a collective assessment of impairment.

3.9.1.2. 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,
- Banks,

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 subportfolios:

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

Additionally, each subportfolio is divided into four more homogenous groups (buckets) based on the number of days overdue, the last bucket representing the default bucket.

The collective assessement 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 group of assets, 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 loose, 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 amortised 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 assets are initially measured at cost. Subsequent to initial recognition as assets, land, buildings and other fixed assets are stated at their restated cost or revalued amount less accumulated depreciation value and accumulated impairment losses.

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:

Asset type	Years
Buildings	50
Computers	3
Furniture and equipment	5 -15
Vehicles	4 -5

Intangible assets are measured at restated cost less accumulated amortization, over their estimated useful life ranging from 2 to 5 years. Intangibles represent licenses and purchased or in-house developed software.

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

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.

A decrease in carrying amount arising on the revaluation of property, plant and equipment is charged as an expense. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated profits.

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

3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of an asset to the lessee. Title may or may not eventually be transferred.

All leased assets (representing only vehicles for management) were fully paid in cash in December 2006.
The assets are included in the Fixed Assets Note (Note 18) under "Vehicles" caption and are depreciated on a straight-line basis for a 4-years useful life.
No other leased Assets are held by the Bank as at December 31, 2006.

3.12 Interest bearing Borrowings and Borrowing costs

Borrowings are recognized initially at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised 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 Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit reported in the statutory financial statements, 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 (See Note 26).

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 the enacted tax rate of 16%. (2005:16%).

3.14 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 recognised 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.

3.15 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.

3.16 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.

3.17 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 3.4.2);
(c) the party is a joint venture in which the Bank is a venturer;

(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.

Related party transactions and outstanding balances with other entities in a group are disclosed in Bank's financial statements. Intragroup related party transactions are eliminated in the preparation of consolidated financial statements of the group.

Also related party, key management personnel's compensation and benefits are disclosed, according to IAS 24 (Related Party disclosures).

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

3.18 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.

3.19 Interest Income and expense

Interest income and expenses for all interest bearing instruments are recognized in profit and loss account on accrual basis.

3.20 Comparatives

Where necessary, certain reclassifications have been made to December 31, 2005 balances to conform to the presentation as of December 31, 2006.

3.21 Subsequent events

Post-reporting date events that provide additional information about the Bank's position as of the balance sheet date (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.

The Bank is in the process of a transformation with objective to create a modern full service, profitable commercial bank with a significant market share. This program includes investments to increase staffing, modernizing the system, opening new branches, launch new products and increase in capital. The Bank's longer term business plan indicates that the Bank will achieve profitability within 1 year and a half.

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. These financial statements have also been prepared under the exercise of prudence to the extent that losses are recognized as soon as they are foreseeable.

4. Risk management

Market risk

The Romanian market economy is at an early stage of development of capital market. Financial market exposures are therefore a major risk management concern for companies with investment portfolios.

The Bank does not have significant exposure to equity investments, except for those mentioned in Notes 19 and 20.

Currency risk

The Romanian economy is currently undergoing a restructuring and development process that influences directly and indirectly the financial-banking sector. 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 modifying its assets and liabilities mix. The aggregated structure of assets and liabilities denominated in RON and foreign currencies is included in Note 31.

Interest rate risk

The interest rate risk refers to the fluctuation in the value of financial instruments due to the changes in market interest rates. This risk can have a significant adverse effect on highly leveraged businesses.

The Bank manages its interest rate risk by setting short term variable interest rates on its borrowing and lending. Average rates applicable to the major components of the balance sheet have been disclosed within the notes relating to these components, and the Bank's sensitivity to interest rate changes is detailed in Note 32.

Credit risk

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 manages its credit risks through careful and continuous assessment of the borrowers, establishment of exposure and authority limits and application of a prudent provisioning policy. The relevant analyses are included in the appropriate notes related to loan portfolio.

Liquidity risk

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 its inability to sell a financial asset quickly at close to its fair value.

The Bank mitigates the liquidity risk through monitoring of its resources and placements. The liquidity gap analysis of the Bank's assets and liabilities based on their maturity structure is presented in Note 35.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements when the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

5. Reconciliation between statutory profits / (losses) with losses as per international financial reporting standards

The books and records of the Bank are maintained in accordance with Romanian Accounting Standards ("RAS") and the Banking Act. The statutory financial statements (RAS) have been prepared under the historical cost convention (except for the statutory revaluation of tangible assets). These financial statements are based on the statutory records and include adjustments and restatements for the changes in the general purchasing power of RON and other adjustments for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

Set forth below is a summary of the significant differences in net loss and accumulated deficit as recorded under RAS with the net loss and accumulated deficit in the IFRS financial statements:

	December 31, 2006		December 31, 2005	
	Net profit/ (loss)	**Retained earnings/ (accumulated deficit)**	**Net profit/ (loss)**	**Retained earnings/ (accumulated deficit)**
RAS preliminary financial statements	***(48,535)***	***(3,311)***	***(22,674)***	***10,873***
Adjustments to restate equity items:				
- restatement of share capital	-	(42,751)	-	(42,751)
	-	(42,751)	-	*(42,751)*
Adjustments to restate tangible and intangible assets:				
- restatement of tangible and intangible assets	(42)	10,799	-	10,841
- depreciation and amortisation of tangible and intangible assets	(1,096)	(8,638)	(841)	(7,534)
- impairment of tangible assets		(4,775)	-	(4,775)
- impairment of intangible assets	-	(1,172)	-	(1,172)
- statutory revaluation	-	(34,149)	-	-
	(1,138)	(37,935))	*(841)*	*(2,640)*
Adjustment to investment - available for sale	-	5,957	-	*9,123*
Other adjustments:				
- (impairment for loans) / recovery from loans	11,271	5,546	(5,725)	(5,725)
- (provision)/ release of provision for debts recovery from loans	1,381	(375)	(1,756)	(1,756)
- deferred tax charge	(1,653)	(1,362)	870	291
- deferred tax related to revaluation of fixed assets recognised on statutory accounts and charge to equity	-	(1,293)		
- (provision) / release of provision for off-balance-sheet items	426	(340)	(426)	(766)
- other adjustments	222	222	(143)	-
- adjustment for vacation days not performed	800	800		
	12,447	3,198	(7,180)	(7,956)
Net effect of adjustments	**11,310**	**(71,530)**	**(8,021)**	**(44,224)**
Balance under IFRS	**(37,225)**	**(74,842)**	**(30,695)**	**(33,351)**

6. Interest income

	Year ended December 31, 2006	Year ended December 31, 2005
Interest from current loans	67,089	31,926
Interest from overdue loans	1,608	1,723
Total interest income from loans	**68,698**	**33,649**
Interest from Term deposits with other banks	4,953	937
Interest from Demand deposits and accounts with the Central Bank	10,089	18,356
Total interest from deposits with banks	**15,042**	**19,293**
Interest from treasury securities, net	**5,609**	**1,618**
Total interest income	**89,349**	**54,560**

7. Interest expense

	Year ended December 31, 2006	Year ended December 31, 2005
Interest on Term deposits	26,256	23,208
Interest on Demand deposits	5,608	6,423
Total interest on customers' deposits	**31,864**	**29,631**
Interest on other borrowed funds	4,176	1,279
Total interest expense	**36,040**	**30,910**

8. Impairment losses

	December 31, 2006	December 31, 2005
Impairment losses on loans and advances to customers		
Allowance for loans and advances to customers	(51,155)	(22,319)
Write-offs	(2,498)	(19,486)
Recoveries from loans written off	48,023	32,945
Total impairment losses on loans and advances to customers	**(5,630)**	**(8,860)**
Impairment losses on other assets		
(Charge) / Release of other assets provisions	1,893	(416)
(Charge) / Release of provision for off balance sheet items	426	(426)
Total charge/ (release) of allowance for other assets and off balance sheet items	**2,320**	**(842)**
Total Impairment losses on loans and other assets	**(3,311)**	**(9,702)**
Impairment losses on fixed assets (charge)	**(1,435)**	**-**
TOTAL impairment losses	**(4,745)**	**(9,702)**

9. Foreign exchange income, net

	December 31, 2006	December 31, 2005
Foreign exchange income	300,095	41,258
Foreign exchange expenses	(282,124)	(34,045)
Total, net	**17,971**	**7,213**

10. Personnel expenses

	December 31, 2006	December 31, 2005
Salaries and wages	40,738	22,972
Social insurance contributions	10,830	6,714
Other employee benefits	1,769	761
Total	**53,336**	**30,447**

11. Operating expenses

	December 31, 2006	December 31, 2005
Materials and services	10,355	6,836
Depreciation and amortization	12,983	6,741
Taxes	8,463	5,442
Sundry expenses	5,765	6,105
Total	**37,566**	**25,124**

12. Other income and other expenses

Other income

	December 31, 2006	December 31, 2005
Net gain from sale of assets classified as held for sale	1,741	29
Rent income	605	-
Disposals of tangibles and intangibles	323	229
Income from non-banking services	524	61
Other operating income	-	81
Total	**3,193**	**401**

Other expenses

	December 31, 2006	December 31, 2005
Advertising	10,303	1,717
Administration	9,976	6,106
Insurance premiums	5,631	313
Other expenses	4,460	2,581
Total	**30,371**	**10,717**

13. Cash

	December 31, 2006			December 31, 2005		
	RON	FCY	Total	RON	FCY	Total
Cash in hand	19,337	12,395	31,732	8,726	8,093	16,819
Cash in ATM	4,721	-	4,721	-	-	-
Total cash	**24,058**	**12,395**	**36,453**	8,726	8,093	16,819

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 for cash-flow purposes	December 31, 2006	December 31, 2005
Cash in hand and ATM	36,453	16,819
Current accounts and deposits at banks	20,809	97,927
Accounts with the National Bank of Romania	959,148	116,288
Total	**1,016,410**	**231,034**
less Pledged deposits at banks	65	124
less Compulsory reserves at National Bank of Romania	903,126	106,261
Total Cash and Cash equivalents	**113,219**	**124,469**

14. Current accounts and deposits at banks

	December 31, 2006			December 31, 2005		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	-	2,806	2,806	-	4,200	4,200
Deposits at banks	10,006	7,997	18,003	48,029	45,698	93,727
Total	10,006	10,803	20,809	48,029	49,898	97,927

Deposits at banks as of December 31, 2006 include a total of RON 65 thousands pledged deposits (USD denominated) at American Express Bank.

Deposits at banks as of December 31, 2005 include a total of RON 124 thousands pledged deposits (USD denominated) as follows:

- at American Express Bank: 78 (th RON)
- at Commerzbank AG: 46 (th RON)

The interest rates received by OTP Bank Romania S.A. for deposits at banks were the following:

	December 31, 2006		December 31, 2005	
	RON	FCY	RON	FCY
Current accounts at banks	-	-	-	-
Deposits at banks	7.5% - 7.5%	0.89% - 7%	6% - 7.5%	0% - 4.75%

Current accounts with banks are non-interest bearing deposits.

15. Accounts with the National Bank of Romania (NBR)

	December 31, 2006			December 31, 2005		
	RON	FCY	Total	RON	FCY	Total
Compulsory reserves	235,815	667,311	903,126	32,774	73,487	106,261
Current accounts	-	-	-	-	-	-
Deposits	56,022	-	56,022	10,027	-	10,027
Total	**291,837**	**667,311**	**959,148**	**42,801**	**73,487**	**116,288**

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 amounts in course of settlement) on a definite period of time.

As at December 31, 2006, the required reserve ratio for local currency as well as foreign currency denominated liabilities arising from deposits accepted and other funds were as follows:

RON: 20% of the borrowed funds in local currency; (December 31, 2005: 16%)

Foreign currency: 40% of the borrowed funds in foreign currency; (December 31, 2005: 30%)

The interest rate paid by the National Bank of Romania for Minimum Compulsory Reserves as of December 31, 2006 was as follows:

RON: 1.70% (December 31, 2005: 1.50%)
USD:: 1.00% (December 31, 2005: 0.95%)
EUR: 0.80% (December 31, 2005: 0.70%)

16. Securities held-to-maturity

Treasury securities represent financial instruments held-to-maturity (treasury certificates), issued by the Romanian Ministry of Finance and are denominated in RON. Treasury securities held by the Bank as of December 31, 2006 stand for RON 520 thousands having a residual maturity of less than 3 years and bearing an interest rate of 11.12% % (in December 2005 the interest rate was 13.26% p.a.)

As of December 31, 2005 treasury securities held in the Bank's portfolio and issued by the National Bank of Romania represented RON 138,508,614 (principal) with a yield between 3.91% p.a. and 4.40% p.a. These securities were held in the Bank's portfolio until their final maturity.

Except for these T-bills, securities held-to-maturity comprise also RON 7,047,274 (3-year maturity) corporate bonds acquired in November 2006. The bonds are issued by Banca Comerciala Romana SA and they are 7.25% interest bearing. The accrued interest amounts RON 47 thousands.

17. Loans and advances to customers

In December 2006, the Bank sold to OTP Bank Plc. a part of its mortgage loans granted to Romanian citizens. The transaction was performed into two steps: the first transfer was made for an outstanding principal amount of EUR 104,310.64 and CHF 15,747,505.42 plus the interest accrued and the second transfer for CHF 20,545,382.22 plus related interest accrued.

a) Structure by currency

	December 31, 2006			December 31, 2005		
	RON	**FCY**	**Total**	**RON**	**FCY**	**Total**
Loans, gross	449,508	908,599	1,358,107	126,326	231,864	358,190
Impairment reserves	(2,920)	(9,519)	(12,439)	(1,486)	(5,256)	(6,742)
Total loans, net	**446,587**	**899,081**	**1,345,668**	**124,840**	**226,608**	**351,448**

b) Structure by type of ownership

				December 31, 2006
	Total loans	**RON**	**FCY**	**%**
Private companies	674,174	266,408	407,767	49.64%
Individuals	683,933	183,100	500,833	50.36%
Total loans, gross	**1,358,107**	**449,508**	**908,599**	**100.00%**
				December 31, 2005
	Total loans	**RON**	**FCY**	**%**
Private companies	323,322	116,536	206,786	90.27%
Individuals	34,868	9,790	25,078	9.73%
Total loans, gross	**358,190**	**126,326**	**231,864**	**100%**

The annual interest rates ranges relating to loans were as follows:

	Interest % from loans	
	RON	**FCY**
December 31, 2006	8.5%-22%	2.42%-12.87%
December 31, 2005	7.8%-24%	3.1%-10.5%

c) Concentration by sector

	December 31, 2006	**%**	**December 31, 2005**	**%**
RETAIL	***683,933***	***50.36%***	***29,414***	***8.21%***
Consumer loans	463,349	34.14%	24,888	6.95%
Housing loans	220,584	16.25%	4,526	1.26%
CORPORATE	***674,174***	***49.64%***	***328,776***	***91.79%***
Trade and finance	311,664	22.95%	127,936	35.72%
Manufacturing	136,215	10.03%	75,766	21.15%
Transportation and communications	59,877	4.41%	22,392	6.25%
Services	103,016	7.59%	56,657	15.82%
Agriculture and forestry	12,779	0.97%	34,430	9.61%
Real estate and construction	14,128	1.04%	-	-
Other sectors	36,495	2.69%	11,595	3.24%
Total, gross	**1,358,107**	**100%**	**358,190**	**100%**

d) Impairment losses

December 31, 2006	**Other assets (including Held for sale)**	**Off balance sheet items**	**Loans and interest receivable**	**Total**
Balances at January 1, 2006	**4,237**	**766**	**6,742**	**11,745**
Charge/ (release) during the year	(1,894)	(426)	5,630	3,310
Write-offs	-	-	(2,498)	(2,498)
Recoveries of loans not provided for	-	-	3,243	3,243
Foreign exchange differences	(12)	-	(678)	(690)
Balance at December 31, 2006	**2,331**	**340**	**12,439**	**15,110**
Balances at January 1, 2005	**3,821**	**340**	**15,734**	**19,895**
Charge/ (release) during the year	416	426	8,860	9,702
Write-offs	-	-	(19,486)	(19,486)
Recoveries of loans not provided for	-	-	1,865	1,865
Foreign exchange differences	-	-	(231)	(231)
Balance at December 31, 2005	**4,237**	**766**	**6,742**	**11,745**

18. Tangible and intangible assets, net

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value December 31, 2005	**21,877**	**9,637**	**6,351**	**5,680**	**43,545**	**29,396**	**18,764**	**91,705**
Dep'n charge for the period ended December 31, 2005	(1,107)	(906)	(665)	(613)	(3,291)	-	(3,450)	(6,741)
Accumulated depreciation of disposals	(8)	(1,188)	(175)	(590)	(1,962)	-	**(194)**	**(2,156)**
Accumulated depreciation December 31, 2005	**(8,792)**	**(5,094)**	**(2,727)**	**(3,342)**	**(19,955)**	**-**	**(15,711)**	**(35,666)**
Net book value December 31, 2005	**13,085**	**4,543**	**3,624**	**2,338**	**23,590**	**29,396**	**3,053**	**56,039**
Additions	67,093	16,776	**2,237**	4,497	90,603	**81,937**	3,315	175,855
Transfers from construction in progress	67,093	16,776	**-**	4,497	88,366	(91,811)	3,315	(130)
Disposals	(12)	(853)	**(1,276)**	(128)	(2,269)	**(91,811)**	**(6)**	**(94,086)**
Gross book value December 31, 2006	**88,958**	**25,560**	**7,312**	**10,049**	**131,879**	**19,523**	22,073	173,474
Dep'n charge for the 12-month period ended December 31, 2006	(2,687)	(1,932)	**(1,461)**	(1,702)	(7,782)	-	(5,201)	(12,983)
Accumulated depreciation of disposals	9	607	**1,196**	119	1,931	-	**6**	**1,937**
Accumulated depreciation December 31, 2006	**(11,470)**	**(6,419)**	**(2,992)**	**(4,925)**	**(25,806)**	-	**(20,906)**	**(46,711)**
Net book value December 31, 2006	**77,488**	**19,141**	**4,320**	**5,124**	**106,073**	**19,523**	**1,167**	**126,763**

The Bank's branches and Head Office premises are insured against calamities and natural disasters risks.

The amount of RON 426,112 representing advances for tangible and intangible assets is not included within the Note 18, but presented under the caption "Other assets" (Please find details in Note 22 "Other assets").

For Constructions included within "Land and Buildings" caption there was recorded an impairment of RON 1,435,450.

All financial leases contracted by the Bank during year 2005 for vehicles (cars acquired for the management's use) were fully paid in cash in December 2006. They are presented under "Vehicles" caption in the Note and are depreciated on a straight-line basis during their 4-year useful life.

19. Investment securities, available for sale

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

	December 31, 2006	December 31, 2005
Quoted Shares	**6,327**	**9,623**
Unquoted shares	**645**	**597**
Robinv S.A.	379	379
SNCDD	201	201
SWIFT	65	17
TOTAL	**6,972**	**10,220**

Quoted shares represent liquid shares in companies listed on Bucharest Stock Exchange or on RASDAQ. The fair values of these securities are based on quoted market prices.

Details of unquoted investments held by the bank as of December 31, 2006 and December 31, 2005 are as follows:

Company	Nature of business	Country of incorporation	% in share capital December 31, 2006	% in share capital December 31, 2005
Robinv SA	brokerage	Romania	99.96%	99.96%
SNCDD	clearing	Romania	3.75%	3.75%
SWIFT	interbank financial communications	Belgium	less than 1%	less than 1%

For all investments except for SWIFT, the main area of operations is Romania. The increase in Swift shares represents acquisition of 6 Swift shares during 2006.

The movement in quoted shares available for sale during the year 2006 and during the year 2005 is presented below:

	December 31, 2006	December 31, 2005
Cost	370	710
Accumulated changes in Fair value – as of the beginning of the period	8,781	4,765
Additions	-	240
Disposals	-	(108)
Gains / (losses) from changes in fair value	(2,824)	4,016
Accumulated changes in Fair value – end of period	5,957	8,913
As at period end - Fair value	**6,327**	**9,623**

20. Investment in associates

	December 31, 2006	December 31, 2005
OTP Garancia Asigurari S.A.	7,125	-
Total	**7,125**	**-**

In February 2006, the Bank acquired 11.29% shares in S.C. Asigurarea ROMAS CECCAR S.A, for RON 2,125 thousands. The acquisition was initiated by another member of OTP Group – Garancia Insurance Company, which holds 88% of the Company.
In June 2006, the Bank increased its participation in ROMAS CECCAR up to 29.5%, paying an additional amount of RON 5,000 thousands.
S.C. Asigurarea ROMAS CECCAR S.A changed its registered name into OTP Garancia Asigurari S.A. at the end of year 2006
The company is registered within the Trade Register in Pitesti, having received the authorization from Supervision Office for Insurance – Reinsurance activities of the Ministry of Finance in April 1998. The company is authorized by the Insurance Supervision Committee to develop all types of insurance activities provided by the Romanian in force regulations. OTP Garancia Asigurari S.A. is not listed with any quoted market.

21. Assets classified as held for sale, net

	December, 2006	December 31, 2005
Assets classified as held for sale, gross	3,149	14,214
Allowance for Assets classified as held for sale	(2,204)	(3,940)
Total	**945**	**10,274**

Assets classified as held for sale comprise only of repossessed assets. These assets are not depreciated but periodically tested for impairment and provided for accordingly, so as to reflect a true and fair value of cumulated risks taken by the Bank. During the year 2006, a significant part of the repossessed assets were sold (representing 78% of the gross book value of RON 14,214 thousands in December 31, 2005).

For all the remaining assets, the Bank has advertised its intention to sell.

22. Other assets, net

	December 31, 2006	December 31, 2005
Prepaid expenses	2,053	1,142
Consumables	774	379
Sundry debtors, net	268	254
Other assets	78,613	2,850
Allowance for other assets	(127)	(297)
Total	**81,581**	**4,328**

Within the "Other assets" are included the following:

- Amount to be received from OTPH representing the counterpart of the mortgage loans transferred from OBR balance sheet to OTPH balance sheet (principal+interest in amount of RON 76,814 thousands – Please see Note 17).
- Advances given for Tangible and Intangible assets of RON 426 thousands (December 31, 2005: RON 362 thousands).

23. Demand deposits

	December 31, 2006			December 31, 2005		
	RON	FCY	Total	RON	FCY	Total
Individuals and legal entities	129,995	86,955	216,950	56,798	50,769	107,567
Banks	153,908	75,783	229,692	13,838	39,571	53,409
Total	**283,903**	**162,738**	**446,642**	**70,636**	**90,340**	**160,976**

The RON annual interest rates extended by the Bank for current accounts opened by individuals as well as by legal entities' deposits was 0.25 (In 2005 the rate was 0.5% for all the customers).

A new product was launched in 2006 - saving account for individuals; the interest rate varies from 0.25% to 6% depending on the account balance.

The foreign currency demand deposits are mainly denominated in USD and in EURO. The Bank pays 0.25% interest rate to legal entities' current accounts and between 0% and 0.25% to individuals' current accounts, respectively.

EUR saving accounts	0% - 2.25% (in year 2005: 0.25%)
USD saving accounts	0% - 2.3% (in year 2005: 0.25%)

Starting with February 2006, the Bank launched VISA debit cards both for its employees and customers.

As at December 31, 2006, the number of cards issued by the Bank was 33,556 out of which 32,598 in RON and 958 in foreign currency (EURO).

24. Term deposits

	December 31, 2006			December 31, 2005		
	RON	FCY	Total	RON	FCY	Total
Individuals and legal entities	213,435	106,267	319,701	189,809	62,462	252,271
Banks	70,527	757,320	827,847	-	125,971	125,971
Total	**283,962**	**863,587**	**1,147,548**	**189,809**	**188,433**	**378,242**

The annual interest rates paid by the Bank for the RON term deposits both to individuals and companies which was applicable as at the end of 2006 ranged from 0.5% to 14% (2005: 0.4% to 12.25%).

The foreign currency term deposits are mainly denominated in USD and in EURO. The annual interest rates in 2006, for USD and EURO term deposits ranged from 0.25% to 4.0% (2% to 4% during 2005) for USD, and from 0.2% to 4.3% (1.9% to 4% during 2005) for EURO.

The annual interest rates paid by the Bank for deposits from banks ranged from 5.0% to 8.0% for RON deposits (2005: 3.5% to 4.15%) and from 2.0% to 5.3% for foreign currency deposits (2005: 2.35% to 4.67%).

25. Borrowings

	December, 2006	December 31, 2005
Loans from Eximbank (Please see below for details)	-	468
Loans from parent company OTP Bank RT.	634,444	45,640
Loans from Ministry of Finance	6,498	9,098
Borrowing for financial leasing (Please see Note 18 for details)	-	2,582
Total	**640,942**	**57,778**

During the first semester of 2006, the Bank paid in advance the whole amount due to Eximbank, as follows:

Principal:	EUR 106,632
Accrued interest:	EUR 1,748
TOTAL	**EUR 108,380**

The loan facility agreement with OTP Bank RT., Budapest, was signed on May 27, 2005. In accordance with this agreement the Bank can receive up to a maximum aggregate amount of USD 15 million that should be utilized to refinance certain existing loans as well as for general corporate purposes. The facility is available in USD or EUR. By an amendment to the loan facility agreement, made on March 6, 2006, the facility became available CHF also.

The Bank shall pay interest on each advance at the rate determined to be the aggregate of 0.72% per annum margin for the period between the repayment date and extended repayment date plus LIBOR/ EUROBOR, depending on the currency in which the withdrawal was made. The repayment date for this facility is within 3 years from the date of agreement.

On November 15, 2006, a new medium-term revolving facility, which replaces the old one, was negotiated between OTP Bank RT. and OTP Bank Romania SA, to the maximum aggregate amount of EUR 175,000,000, equivalent. The main currency of the agreement is EUR, having as optional currency CHF. The Bank has to pay an interest on each advance as at the rate per annum determined to be the aggregate of 0.35% margin plus EURIBOR for amounts denominated in EUR and LIBOR for amounts denominated in CHF. The final maturity is January 15, 2008. As of December 31, 2006 the amounts which have been disbursed are reported at RON 591,223,768, out of which: RON 200,470,773 are CHF disbursements and RON 390,752,995 are disbursed in EUR.

The loan facility received from the Ministry of Finance on February 14, 2003 represents a Subsidiary Loan Agreement for the Rural Financing Project in total amount of USD 3,308,236. The final maturity date of the loan is February 2015. The installments' amount is USD 143,586 and they are payable on a semi-annual basis.

26. Taxation

The Bank has computed the deferred tax as of December 31, 2006 using the statutory rate of 16% (2005: 16%).
The income tax expense for the year comprises:

	December 31, 2006	December 31, 2005
Current income tax expense	-	-
Deferred income tax (revenue)/expense	(1,653)	870
Total income tax expense	**(1,653)**	**870**

The Bank's tax returns are subject to tax authorities' review and correction for the latest five years' records.

During the year 2006, the Ministry of Finance conducted a 5-year review of Bank's fiscal records, and concluded that there are no material corrections to be made to the accounting records.

The deferred tax liability as of December 31, 2006 is reconciled as follows:

	Temporary difference	Tax effect
IFRS adjustments to tangible and intangible assets:	4,471	715
Revaluation of equity investments:		
- revaluation of investments	(343)	(55)
Loan adjustments:		
- impairment for loans	(5,547)	(887)
- provision for debts recovery from loans	376	60
	5,171	827
Other adjustments		
- fair value adjustment of shares	-	-
- provision for off balance sheet items	340	54
- wages and social security	800	128
-deferral of loans' commissions income	178	28
	1,318	210
Fair-value adjustment of AFS shares in equity	(5,957)	(953)
Revaluation of fixed assets – charged to equity		(1,745)
Deferred tax liability as of December 31, 2006 – Net	-	**(2,655)**

Movements in deferred tax	
Deferred tax asset as at December 31, 2005	**291**
Deferred tax charge to profit and loss	(1,653)
Deferred tax charged to equity	(1,293)
Deferred tax as of December 31, 2006	**(2,655)**

The deferred tax asset as of December 31, 2005 is reconciled as follows:

	Temporary difference	Tax effect
IFRS adjustments to tangible and intangible assets	2,698	432
Restatement of equity investments:		
- restatement of investments	(343)	*(55)*
Loan adjustments:		
- impairment for loans	5,725	916
- provision for debts recovery from loans	1,756	281
	7,481	1,197
Other adjustments		
- fair value adjustment of shares	-	-
- provision for off balance sheet items	766	123
- other adjustments	-	-
	766	123
Additional deductible items under IAS 12		**1,697**
Deferred tax liability as at December 31, 2005 - Fair-value adjustment of AFS shares	**8,781**	**(1,406)**
Deferred tax asset as at December 31, 2005 – NET	-	**291**

Movements in deferred tax	
Deferred tax asset as at December 31, 2004	**63**
Deferred tax charged to profit and loss	871
Deferred tax charged to equity	(643)
Deferred tax asset as at December 31, 2005	**291**

RECONCILIATION OF TAX LOSSES VERSUS ACCOUNTING LOSSES

	December 31, 2006	**December 31, 2005**
Loss for the period before tax	-35,573	-31,565
Change in gain in equity	-2,972	4,016
Total gross recognized income/ expense for the period	-38,545	-27,549
IFRS adjustments affecting profit and loss without tax effect	-12,963	8,891
IFRS net change in gain in equity	2,972	-4,016
Not taxable income	-940	-7,178
Not deductible expenses	5,694	4,034
Tax loss	-43,782	-25,818
Current tax	-	
Def tax on IFRS temporary differences		
effect of permanent differences in P&L	1,653	871
Tax on IFRS adjustments in equity	-452	-643
Tax on previous years in equity	1,745	
Total change in def tax	**1,293**	**228**

Total tax losses carried over are Ron 69,599 thousand out of which Ron 25,818 thousand can be used over the period of next 4 years and Ron 43,781 thousand which can be used over next 5 years. Deferred tax assets were not recognized due to uncertainty of future profits because of losses incurred over the last years.

27. Other liabilities

	December 31, 2006	**December 31, 2005**
Deferred income	536	1,988
Accrued expense	7,119	1,701
Sundry creditors	1,783	2,377
Other liabilities	8,210	196
Total	**17,648**	**6,262**

The main component of 'Other liabilities' caption is represented by amounts due following interbanking payments clearing procedure amounting to RON 8,175 thousands.
'Accrued expense' comprise also RON 4,180 consisting of accrual of bonuses expenses for second semester of 2006 and the gross value of holidays not taken within the year-end.

These figures are management estimations based on prior periods experience and current period assumptions.

28. Share capital

	December 31, 2006	December 31, 2005
Share capital as of beginning of the period	**190,325**	**83,567**
Increase of share capital	177,146	106,758
Share capital as of end of period	**367,471**	**190,325**

The share capital increased in 2006 by two cash contributions received from parent company: one performed in May (RON 70,771,920) and the other in July (RON 106,374,000). The share capital was increased in 2005 through cash contribution of EUR 30,000,000, representing the equivalent of RON 106,758,000.

The number of shares as at December 31, 2006 was 1,531,130 (increased with 738, 108 shares as compared to December 31, 2005), with a face value of RON 240 each. All issued shares of the Bank are fully paid and carry one vote. The Shareholders' structure as of December 31, 2006 is presented in Note 1 of these financial statements.

29. 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 December 31, 2006 and December 31, 2005 the probability of material loss arising in connection with letters of credit is considered to be remote and accordingly no provision has been established.

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

Credit commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it results 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, 2006 and December 31, 2005 are the following:

	December 31, 2006	December 31, 2005
Import letters of credit and other commitments, out of which:	170,418	79,414
Letters of credit	*1,597*	*4,780*
Unutilized credit limits	*168,822*	*74,634*
Letters of guarantee and other guarantees	71,395	83,546
Other financial commitments	2,056	257
Total guarantees and other financing commitments	**243,869**	**163,217**

As of December 31, 2006, over the existing provision for losses from letters of guarantee no additional provision was made (see Note 8).

30. 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, 2006	December 31, 2005
Accounts with the National Bank of Romania (Note 15)	959,148	116,288
Treasury bills (Note 16)	520	140,115
Total	**959,668**	**256,403**

31. Balance sheet structure by currency

Below there is summarized the Bank's exposure to foreign currency exchange rate risk as of December 31, 2006 and December 31, 2005 (please also refer to Note 4). Included in the tables are the Bank's assets and liabilities at carrying amounts, categorized by local or foreign currency.

December 31, 2006	EUR	USD	CHF	HUF	Other FCY	Total FCY	RON	Total
ASSETS								
Cash	8,125	1,618	1,155	1,248	249	**12,395**	24,058	**36,453**
Current accounts and deposits at banks	1,177	5,073	138	2,327	2,088	**10,803**	10,006	**20,809**
Accounts with the National Bank of Romania	667,311	-	-	-	-	**667,311**	291,837	**959,148**
Securities held-to-maturity	-	-	-	-	-	**-**	7,567	**7,567**
Loans and advances to customers, net	392,097	6,002	500,981	-	-	**899,080**	446,587	**1,345,667**
Investment securities - Available for sale	-	-	-	-	-	**-**	6,972	**6,972**
Investment in Associates	-	-	-	-	-	**-**	7,125	**7,125**
Tangibles and intangibles assets, net	-	-	-	-	-	**-**	124,888	**124,888**
Assets classified as held for sale	-	-	-	-	-	**-**	945	**945**
Deferred tax assets, net	-	-	-	-	-	**-**	-	**-**
Other assets, net	1,598	3	76,801	2	6	**78,410**	3,173	**81,583**
Total assets	**1,070,308**	**12,696**	**579,075**	**3,577**	**2,343**	**1,667,999**	**923,159**	**2,591,157**
LIABILITIES								
Demand deposits	140,936	13,756	4,511	1,975	1,561	**162,739**	283,903	**446,642**
Term deposits	546,166	20,877	294,532	1,474	537	**863,586**	283,962	**1,147,548**
Borrowings	392,619	6,498	241,825	-	-	**640,942**	-	**640,942**
Provision for off balance sheet items	-	-	-	-	-	**-**	340	**340**
Deferred tax liability, net	-	-	-	-	-	**-**	2,655	**2,655**
Other liabilities	1,771	237	14,007	1	-	**16,016**	1,634	**17,650**
Total liabilities	**1,081,492**	**41,368**	**554,875**	**3,450**	**2,098**	**1,683,283**	**572,494**	**2,255,777**
Net Currency position	**(11,184)**	**(28,672)**	**24,200**	**127**	**245**	**(15,284)**	**350,665**	**335,380**

December 31, 2005	EUR	USD	CHF	HUF	Other FCY	Total FCY	RON	Total
ASSETS								
Cash	5,840	1,554	97	477	125	**8,093**	8,726	**16,819**
Current accounts and deposits at banks	18,568	29,345	166	671	1,148	**49,898**	48,029	**97,927**
Accounts with the National Bank of Romania	54,544	18,943	-	-	-	**73,487**	42,801	**116,288**
Treasury securities	-	-	-	-	-	**-**	140,115	**140,115**
Loans and advances to customers, net	158,806	56,165	11,637	-	-	**226,608**	124,840	**351,448**
Investment securities - Available for sale	17	-	-	-	-	**17**	10,203	**10,220**
Investment in Associates	-	-	-	-	-	**-**	-	**-**
Tangibles and intangibles assets, net	2,721	-	-	-	-	**2,721**	53,318	**56,039**
Assets classified as held for sale, net	-	-	-	-	-	**-**	10,274	**10,274**
Deferred tax assets, net	-	-	-	-	-	**-**	291	**291**
Other assets, net						**-**	4,328	**4,328**
Total assets	**240,496**	**106,007**	**11,900**	**1,148**	**1,273**	**360,824**	**442,925**	**803,749**

LIABILITIES								
Demand deposits	45,009	42,603	2,245	80	403	**90,340**	70,636	**160,976**
Term deposits	152,791	27,616	7,197	287	542	**188,433**	189,809	**378,242**
Borrowings	39,737	18,041	-	-	-	**57,778**	-	**57,778**
Provision for off balance sheet items	-	-	-	-	-	**-**	766	**766**
Deferred tax liability, net	-	-	-	-	-	**-**	-	**-**
Other liabilities	-	-	-	-	-	-	6,262	**6,262**
Total liabilities	**237,537**	**88,260**	**9,442**	**367**	**945**	**336,551**	**267,473**	**604,024**
Net Currency position	**2,959**	**17,747**	**2,458**	**781**	**328**	**24,273**	**175,452**	**199,725**

32. Interest rate sensitivity

The table below provides information on the extent of the Bank's interest rate exposure 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 (please also refer to Note 4 of these financial statements). Interest bearing assets and liabilities of the Bank are analyzed below into relevant re-pricing grouping as December, 2006 and December 31, 2005.

December 31, 2006	Up to 1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	Total
ASSETS						
Cash	36,453	-	-	-	-	36,453
Current accounts and deposits at banks	20,744	65	-	-	-	20,809
Accounts with the National Bank of Romania	959,148	-	-	-	-	959,148
Securities held-to-maturity	-	-	-	7,567	-	7,567
Loans, net	10,270	100,441	347,063	289,317	598,577	1,345,668
Total interest bearing assets	**1,026,615**	**100,506**	**347,063**	**296,884**	**598,577**	**2,369,645**
LIABILITIES						
Demand deposits	446,642	-	-	-	-	446,642
Term deposits	382,322	747,811	16,351	1,063	1	1,147,548
Borrowings	-	-	-	635,635	5,307	640,942
Total interest bearing liabilities	**828,964**	**747,811**	**16,351**	**636,698**	**5,308**	**2,235,132**
Net interest sensitivity gap	**197,651**	**(647,305)**	**330,712**	**(339,814)**	**593,269**	**134,513**
Net cumulative interest sensitivity gap	**197,651**	**(449,654)**	**(118,942)**	**(458,756)**	**134,513**	**-**

December 31, 2005	Up to 1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	Total
ASSETS						
Cash	16,819	-	-	-	-	16,819
Current accounts and deposits at banks	97,487	-	-	440	-	97,927
Accounts with the National Bank of Romania	116,288	-	-	-	-	116,288
Treasury securities	79,882	59,710	-	523	-	140,115
Loans, net	19,425	52,575	185,460	69,226	24,762	351,448
Total interest bearing assets	**329,901**	**112,285**	**185,460**	**70,189**	**24,762**	**722,597**
LIABILITIES						
Demand deposits	160,976	-	-	-	-	160,976
Term deposits	295,972	48,344	31,189	2,735	2	378,242
Borrowings	-	-	9,479	39,612	8,687	57,778
Total interest bearing liabilities	**456,948**	**48,344**	**40,668**	**42,347**	**8,689**	**596,996**
Net interest sensitivity gap	**(127,047)**	**63,941**	**144,792**	**27,842**	**16,073**	**125,601**
Net cumulative interest sensitivity gap	**(127,047)**	**(63,106)**	**81,686**	**109,528**	**125,601**	**-**

33. Related parties

The bank's parent company is OTP Bank Hungary (OTP Bank Nyilvánosan Működő Részvénytársaság). The parent Company consolidates Financial Statements of the Bank.
A number of banking transactions are entered with related parties in the normal course of the business. The volume of related parties transactions, outstanding balances and related expense and income for the periods ended December 31, 2006 and December 31, 2005 are presented below:

December 31, 2006	**Group Entities**	**Bank's Management**	**Total**
Placement, advances and loans granted	2,403	756	**3,158**
Accrued receivables	1	3	**4**
Provisions made	-	-	**-**
Total Loans granted, deposits and current accounts with Related parties	**2,404**	**759**	**3,163**
Investment, portfolio activities and shares in related parties	**7,504**	**-**	**7,504**
Investment in Associate (OTP Garancia Asigurari S.A.)	7,125		7,125
Investment in subsidiary (Robinv S.A.)	379		379
Other sundry debtors (settlement accounts with OTPH)	**76,814**	**-**	**76,814**
Loans received (OTPH)	631,968	-	631,968
Deposits (from OTPH)	699,282	1,281	700,563
Certificates of deposits	-	-	-
Debts from bonds	-	-	-
Other borrowed funds	-	-	-
Accrued payables	9,426	4	9,430
Total Debts	**1,340,676**	**1,284**	**1,341,960**
Income from interest and commission	**112**	**-**	**112**
Expenses with interest and commissions	**20,223**	**-**	**20,223**
Commitments	**39,840**	**-**	**39,840**

December 31, 2005	**Group Entities**	**Bank's Management**	**Total**
Placement, advances and loans granted	798	3,098	3,896
Accrued receivables	-	-	**-**
Provisions made	-	-	**-**
Total Loans granted, deposits and current accounts with Related parties	**798**	**3,098**	**3,896**
Investment, portfolio activities and shares in related parties (investment in subsidiary Robinv S.A.)	**379**	**-**	**379**
Loans received	45,572	-	45,572
Deposits	129,664	4,585	134,249
Certificates of deposits	-	-	-
Debts from bonds	-	-	-
Other borrowed funds	-	-	-
Accrued payables	183	110	293
Total Debts	**175,419**	**4,695**	**180,114**
Income from interest and commission	**-**	**-**	**-**
Expenses with interest and commissions	**15**	**-**	**15**
Commitments	**15,094**	-	**15,094**

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 remuneration and benefits of directors and other members of key management during years ended December 31, 2006, respectively December 31, 2005 were as follows:

	December 31, 2006	**December 31, 2005**
Salary for key management personnel	4,937	3,831
Short-term benefits	3,093	1,746
Termination benefits	559	940
Total benefits for key management personnel	**8,589**	**6,517**

34. Restricted assets

As of December 31, 2006 and December 31, 2005 the Bank held the following restricted assets:

	December 31, 2006	**December 31, 2005**
Compulsory reserves at National Bank of Romania	903,126	106,236
Collateral deposits at banks (1)	112	124
Total restricted assets	**903,238**	**106,360**

(1) Collateral at American Express Bank and at Commerzbank

35. Maturity structure

Below is an analysis of the Bank's assets and liabilities as of December 31, 2006 and December 31, 2005 into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. It is presented under the most prudent consideration of maturity dates when repayment schedules allow for early repayment. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "no fixed maturity" category.

December 31, 2006	**Up to 1 month**	**1 to 3 month**	**3 to 12 month**	**1 to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
ASSETS							
Cash	36,453	-	-	-	-	-	36,453
Current accounts and deposits at banks	20,744	65	-	-	-	-	20,809
Securities held-to-maturity	-	-	-	7,567	-	-	7,567
Accounts with the National Bank of Romania	959,148	-	-	-	-	-	959,148
Loans, net	10,270	100,441	347,063	289,317	598,577	-	1,345,668
Investment securities - Available for sale	-	-	-	-	-	6,972	6,972
Investment in Associates	-	-	-	-	-	7,125	7,125
Tangible assets, net	-	-	-	-	-	123,720	123,721
Intangible assets, net	-	-	-	-	-	1,168	1,168
Assets classified as held for sale, net	-	-	-	-	-	945	945
Other Assets, net	-	-	-	-	-	81,583	81,583
Total assets	**1,026,615**	**100,506**	**347,063**	**296,884**	**598,577**	**221,512**	**2,591,157**
LIABILITIES							
Demand deposits	446,642	-	-	-	-	-	446,642
Term deposits	382,322	747,811	16,351	1,063	1	-	1,147,548
Borrowings	-	-	-	635,635	5,307	-	640,942
Provisions for off-balance sheet items	-	-	-	340	-	-	340
Deferred tax liability, net	-	-	-	-	-	2,655	2,655
Other liabilities	-	-	-	-	-	17,650	17,650
Total liabilities	**828,964**	**747,811**	**16,351**	**637,038**	**5,308**	**20,305**	**2,255,777**
Shareholders' equity	-	-	-	-	-	335,380	335,380
Total liabilities and shareholders' equity	**828,964**	**747,811**	**16,351**	**637,038**	**5,308**	**355,685**	**2,591,157**
Net liquidity gap	197,651	(647,305)	330,712	(340,154)	593,269	(134,173)	-
Cumulative net liquidity GAP	**197,651**	**(449,654)**	**(118,942)**	**(459,096)**	**134,173**	**-**	**-**

December 31, 2005	Up to 1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	No fixed maturity	Total
ASSETS							
Cash	16,819	-	-	-	-	-	16,819
Current accounts and deposits at banks	97,487	-	-	440	-	-	97,927
Accounts with the National Bank of Romania	116,288	-	-	-	-	-	116,288
Treasury securities	79,882	59,710	-	523	-	-	140,115
Loans, net	19,425	52,575	185,460	69,226	24,762	-	351,448
Investment securities - Available for sale	-	-	-	-	-	10,220	10,220
Tangible assets, net	-	-	-	-	-	52,986	52,986
Intangible assets, net	-	-	-	-	-	3,053	3,053
Assets classified as held for sale, net	-	-	-	-	-	10,274	10,274
Deferred tax assets, net	-	-	-	-	-	291	291
Other Assets, net	1,275	192	557	277	-	2,027	4,328
Total assets	**331,176**	**112,477**	**186,017**	**70,466**	**24,762**	**78,851**	**803,749**
LIABILITIES							
Demand deposits	160,976	-	-	-	-	-	160,976
Term deposits	295,972	48,344	31,189	2,735	2	-	378,242
Borrowings	-	-	9,479	39,612	8,687	-	57,778
Provisions for off-balance sheet items	426	-	-	340	-	-	766
Other liabilities	4,229	-	-	-	-	2,033	6,262
Total liabilities	**461,603**	**48,344**	**40,668**	**42,687**	**8,689**	**2,033**	**604,024**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	199,725	199,725
Total liabilities and shareholders' equity	**461,603**	**48,344**	**40,668**	**42,687**	**8,689**	**201,758**	**803,749**
Net liquidity gap	(130,427)	64,133	145,349	27,779	16,073	(122,907)	-
Cumulative net liquidity gap	**(130,427)**	**(66,294)**	**79,055**	**106,834**	**122,907**	**-**	**-**

36. Contingencies

As of December 31, 2006 and 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. Based on legal advice received, management of the Bank decided that no additional provision is required in respect of such lawsuits.

37. Bank acting as an agent

OTP Bank Romania SA shall act as Agent on behalf of OTP Bank Plc., for loans which were sold to OTP Bank Plc. 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 Plc. pays to OTP Bank Romania an agent's 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. Total amount of loans administered as of the year end 31 December 2006 is RON 76,727,498 (as mentioned in Note 17).

38. Significant events after the balance sheet date

Investment in OTP Garancia Asigurari S.A. increased at the end of January with RON 7.2 mill, leading to a shareholding of almost 46% for the Bank.

The increase in share capital of the company had as objective the diversification of activity by entering on the pension market.

Corporate Governance

Dr Antal Pongrácz

Chairman of the Supervisory Board, OTP Bank Romania

Dr Antal Pongrácz (61) began his professional activity in the OTP Group as Deputy Chief Executive for OTP Bank Inc (1988 - 1990). Starting 1991, Dr Pongrácz occupied several top positions, such as: Chief Executive Officer of the European Commercial Bank Inc (1991 - 1994), Chairman and Chief Executive Officer of Hungarian Gambling Corporation (1994 - 1998) and, for one year, he was the Chief Executive Officer of the Hungarian Airlines Inc (Malev Rt).

From 2001, Dr Antal Pongrácz is the Chief Aministration Officer of OTP Banc Plc - one of the largest universal bank in the Central and Eastern Europe region. Currently, he coordinates the preparation of the strategic decisions and of the completions of strategic and business policy of targets. Also, he is responsible with the supervision of the Staff Division: Human Resource Directorate, Legal Directorate, Corporate Secretariat, Controlling Directorate, Compliance Department, Bank Security Department and Media Communications Department.

Before joining OTP, Dr Antal Pongrácz had a lot of activities in the economy and financial area. He was Economist of the Petro-Chemical Investment Company (1969 - 1972) and Head of Tax Income Department of State Tax Income Head Office (1972 - 1975). Between 1976-1985, he worked for the Ministry of Finance and from 1986 to 1987, he was the First Vice President of the National Office of Youth and Sports. He also served as Chairman and Chief Executive Officer of the European Commercial Bank Inc. (1991 - 1994) and he had to establish banking operations that are in accordance with European standards like integrated informatics, international payment and money market relations, precise banking and safe credit portofolios.

As Chairman and Chief Executive Officer of the Hungarian Gambling Corporation (1994 - 1998), Dr Antal Pongrácz managed to consolidate the company and set it on a profitable path. Serving as Chief Executive Officer of the Hungarian Airlines Inc. (Malev Rt.), he managed to reduce the growing deficit.

Besides these positions, Dr Antal Pongrácz had other professional assignments, such as: Member of the Board, OTP Bank Plc; Chairman of the Supervisory Board, OTP Bank Romania; Chairman of the Supervisory Board of the British American Tabacco (HU); Chairman of the Supervisory Board, OTP Real Estate Inc. and Chairman of the Board, Gemenc Inc.

Dr Antal Pongrácz was awarded the titles of Manager of the Year in Hungary (1997) and Commander's Cross Order of Merit of the Republic of Hungary (2006).

Ms Éva Hegedűs

Member of the Supervisory Board of OTP Factoring Ltd
Co-Chairwoman of the Hungarian Federeation of Building Societies
Chairwoman of the Board of Directors
Member of the Board of Directors

Ms Éva Hegedűs (50) has been a Member of the Supervisory Board of the OTP Factoring Ltd and Co-chairwoman of the Hungarian Federation of Building Societies since 2004. Her previous assigments include: Managing Director of the Retail Banking Directorate of OTP Bank Ltd. (july 2002), Chairwoman of the Board of Directors of OTP Building Society (2002) and Member of the Board of Directors of OTP Mortgage Bank (2002).

Ms Éva Hegedűs studied at the University of Economics from Budapest and she has a Degree in Economics. Following the completion of the University studies, she worked in the Institute of Industrial Economics Advisor (1979 - 1981).

Across her career, she had several top positions and had worked for the most important institutions in the country, such as: Head of Department at the Prime Minister's Office-Ministry of Industry(1981 - 1990), Deputy Secretary of State-Ministry of Finance (1990 - 1996\ Head of Department until 1994), Chairwoman of the Board of the Hungarian Development Bank Ltd. (1996 - 1997)and, for three years, she was Deputy Chief Executive Officer (Member of the Board)-FHB Land Credit and Mortgage Bank Ltd.

In 2000, Ms Éva Hegedűs has been the Assistant State Secretary of the Ministry of Economic Affairs, and then she was promoted as Deputy State Secretary in charge of Economic Department of this Ministry.

Also, for a few months in 2002, Éva Hegedűs was appointed Deputy State Secretary, in charge of Stategic Planning and Energy, of the Ministry of Economy and Transport.

Zsakó Enikő
Member of the Board of Directors

Mrs. Zsakó Enikő (45) is a Member of the Board of Directors since 2004. She joined OTP Bank in 1993 and initially occupied the position of Head of IT Audit Department at the Internal Audit Directorate (2001- 2007). In May 2007, Mrs. Zsakó Enikő was appointed Head of OTP Bank Group Coordination, Analyzing and Methodology Department.

Regarding her academic background, Mrs Zsakó Enikő is a graduated Electrical Engineer of the Technical University of Cluj-Napoca in 1985. Also, she has a degree of Banking Consultant at the International Banking School in Budapest (1997) and a Certified Information System Auditor (1999).

Mihály Bácsfalvi
CFO, OTP Garancia Co.Ltd

Mihály Bácsfalvi (48) has been serving as CFO of OTP Garancia Co.Ltd. since 1996. He is in charge with the coordination of the following departaments: Accounting-Financing, Controlling-Planning, Investment-Logistics, Administrations and BPR.

Mihály Bácsfalvi studied Engineer-Economy at the University of Kharkov from Ukraine, and Economy at the University of Budapest. After the graduation, from 1981 to 1989, Mihály Bácsfalvi was IT team leader of the Tungsram Co.Ltd (Budapest) and was responsable of the IT, BPR and Value analysis.

From 1989 until 1994, he was Deputy Head of IT and Head of Controlling Department of the AB-Aegon Co.Ltd.

During this assignment this position, Mihály Bácsfalvi had to supervise the following activities: Planning, Budgeting, Reporting and Controlling.

For almost two years (1994 - 1996), he worked as Group Internal Auditor of six Hungarian EBS' plants- Eridania Beghin-Say.

In 1996, he decided to change the business sector and he became the Financial Director of Motorola Ltd from Budapest. In this important company, he was responsable for the following departments: Accounting-Financing, Administration and Budgeting-Reporting.

Dr. Miklós Németh
Member of the Board of Directors

Dr. Miklós Németh (43) is Member of the Board of Directors since 2004. He joined OTP Bank in 1996 and he took part in the set up of the project finance activity in the Bank. He was involved in wide range of projects in and outside of Hungary. Some years later he was promoted to head of department and then senior managing director. He was actively involved in the fulfilment of the regional expansion strategy of OTP Bank and now he is also responsible for the project finance activity in the subsidiaries.

Dr. Frigyes Hárshegyi
CEO OTP Bank Romania

Dr. Frigyes Hárshegyi (61) is CEO of OTP Bank Romania since 2005 until now.

Dr. Frigyes Hárshegyi studied Law at the University of Szegethas and has started his professional activity at the National Bank of Hungary (1965 - 1971). For this institution he has served as Legal Advisor, International Legal Department (1971-1976), as a Deputy General Manager of the European Banking Relations (1982 - 1985), General Manager of the International Banking Relations Department (1989 - 1990) and as a Deputy President (1990 - 1997) and Member of the Central Bank Council.

As a Member of the Central Bank Council (1990-1997) he was responsable of the country's foreign debt and foreign exchange reserves management. Also, he has been in charge with the supervision of the International Capital Market Department, Money Market and Foreign Exchange Department, Tresury Department, Foreign Operations Department and Foreign Exchange Control and Regulations Department.

From 1976 to 1982, Dr. Frigyes Hárshegyi was Legal Advisor on International Financial Agreements and Managing Director of the International Department of International Investment Bank – Moscow.

Between 1997 to 2000, Dr. Frigyes Hárshegyi was employed of the Central European International Bank Ltd. from Budapest. Here he served as Member of the Board of the General Manager of Capital Markets (1997-1998), Member of the Board of Directors and Deputy Chief Executive Officer (1998 -1999) and as Chairman and Chief Executive Officer of CIB Securities of Ltd. Budapest (1999 - 2000), fully owned company of Central European International Bank Ltd. Budapest.

From 2001 to 2002, Dr. Frigyes Hárshegyi was Deputy CEO of Financial Directors of Phylaxia Pharma, Drugs Vaccine and Agrobiological Preparations Manufacturing and Distributing Co.Ltd. After that, until 2004 he served as CEO – Managing Director of ERECO Budapest – East European Reclzcling and Enviroment Company.

Aport from his professional activity, Dr. Frigyes Hárshegyi was involved in other activities, such as: Member of the International Advisory Board of Creditanstald Bankverein, Vienna (1993 -1996), Member of the Supervisory Board of Signal Insurance Co. Budapest (1993 -1998), Member of the Advisory Board of the German – Hungarian Chamber of Commerce and Industry (1998), Member of the Investment Committee of the United Nations Joint Staff Pension Fund New York (1998 - 2000) and Member of the Council of the Commodity Exchange Budapest (1998 - 2000).

Janos Komorowicz

DCEO, Head of Finance and Planning Division, OTP Bank Romania Member of the Council of Administration, OTP Garancia Asigurari S.A.

Janos Komorowicz (41) studied Finance, Accounting, Economy, Management Information Systems, and began his professional activity as Assistant Consultant and, later on, as Senior Consultant with Price Waterhouse Corporate Finance and Recovery. This position allowed him to practice partner search, preparation of industry studies, financial analysis, financial modelling and business valuation, due diligence, being part of many large privatisation deals as advisor of multinational buyers.

During mid-90's, Janos Komorowicz served as Head of Corporate Finance Desk for Bayerische Hypotheken und Wechselbank, where he developed investment products for corporate customers.

Starting 1996, he joined General Electric Capital Europe, as Business Development Associate. Further on, he was appointed Director of Strategy, Advisor to the CEO for General Electric Capital – Budapest Bank, in charge with the bank's performance during the extensive audit done by the State Banking Supervision.

He also dealt with compliance issues; he was responsible for the acquisition of two leasing companies, for the reorganisation of the Large Corporate business of the bank and development of a Structured Finance department based on GE best practice.

In 2001, he took over the position of Manager with KPMG Consulting and was in charge with ERP implementation, producing numbers based on Hungarian Accounting Standards and US GAAP, with the development of a new product (electronic document management system) together with local SW company and implemented it at a bank and a leasing company.

In 2004, he led the financial services business line, offering business intelligence and other complex solutions to banks and leasing companies for Sybase Magyarorszag.

Starting 2004, Janos Komorowicz is the Deputy CEO of OTP Bank Romania. In this position, he is responsible for the improvement of the accounting and finance functions, supervises the new infrastructure and also centralizes back-office and accounting processes, designs of new processes, implements electronic document management system to improve efficiency and complete centralization from branches.

Janos Komorowicz is the professional who introduced Six Sigma process improvement methodology.

László Diósi

Deputy CEO, Head of Retail Division, OTP Bank Romania
Member of the Council of Administration, OTP Garancia Asigurari S.A.

László Diósi (40) 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 pensions' funds, management of investments, negotiations.

László Diósi came to Romania in May 2005, when he took over the position of Deputy CEO, head of Retail Division of OTP Bank Romania. Since 2006, he has been a Member of the Administration Council of OTP Garancia Asigurari S.A.

Surprisingly, László Diósi started at the Semmelweis Medical University. After those 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/ budget. He completed his studies with a business management course that he attended at Chilterns University College – Open Business School.

Previous to his joining OTP Bank Romania, László Diósi held top management or administrative positions in various financial organizations, such as: President of the Administration Council of K & H Pension Fund, in Budapest, Hungary; President of the Surveillance Council at K & H Asset Management RT; Member of the Administration Council with Argosz Insurance; President of the Surveillance Council at ABN – AMRO Fund Service LTD; etc.

György Bodó
Deputy CEO of the IT & Logistic Division, OTP Bank Romania

György BODÓ (47) has more than 20 years experience in IT and 17 years in a position of head of department or director in different companies and institutions, as well as more than 14 years experience with international companies from Austria, Germany, France, Canada and Hungary.

Beside purely IT related matters, György Bodó has extended experience in managerial activities such as Budgeting, Strategic planning, Project follow-up, Resource planning, Recovery planning, Banking security measures, Operations, Cost optimization, BPR, Contract negotiation, Staff recruitment and evaluation.

György Bodó has been with OTP Bank since August 2005, when he took over the position of Deputy CEO of the IT & Logistic Division. Some of his current activities include supervising the flawless and efficient operation of the Bank's IT & Communications systems, ensuring the fulfillment of the data-processing requirement at the business areas and also the supervision of acquisition of necessary premises for branches, agencies and Head Office; ensuring the efficient operation of the existing offices of the bank, as well as the related infrastructure (technical, administrative, financial); negotiation of contracts with suppliers; Large Project coordination, other.

György Bodó is a graduate of the Polytechnic University "Gh. Asachi" of Iasi and also alumni of the University Sheffield, UK, where he will be graduating the Executive MBA in General Management, in 2008. In addition, he attended several specialized courses, in Romania and abroad, such as Credit Risk Management and Operational Risk management, in Austria; Planning and Organization course, in Germany; IT System Management in banking activity, in Canada; Customer Care, Time Management, Sales and negotiation techniques, in Romania, etc.

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

Provisions

Provisions Against Money Laundering

Money laundering and terrorism financing are global problems, activities that compromise the stability, transparency and efficiency of the financial system. As a credit institution within the Romanian banking system and part of OTP Group, OBR recognises and accepts its role in combating the money laundering both at the national and international level.

The money laundering is the activity through which the criminal tries to conceal the real origin and possession of the incomes resulted from criminal activities. Through money laundering, certain profits illegally obtained by the criminal receive an apparent legality.

OTP Bank Romania SA is decided to combat the money-laundering phenomenon in all its aspects, in accordance with the legislation in force. Our general principles on accepting the relation with the client are:

- Identifying all clients, including occasional clients, before opening the accounts and/or delivering services;
- Prohibiting the opening of anonymous accounts and accounts under fictive names, by correspondence, on the phone, e-mail or Internet;
- Prohibiting the initializing of business relations – including current accounts opening and accepting and/or performing any funds belonging to individuals or entities included on the lists afferent to prohibited financial – banking transactions.

In accordance with the Law 656/2002 on the prevention and sanctioning of money laundering and on the initiation of measures for the prevention and fighting against financing terrorist activities:

- OBR implement internal programs regarding the prevention and combating of the money laundering, which comprise methods, procedures and an internal control system to ensure the compliance with the applicable legislation.
- The entire staff of our bank must apply the customer identification procedures that should give them the possibility to obtain as much evidence as possible on the customer's identity, disregarding the fact that the customer is an individual or legal person.
- The Bank's staff must assure the confidentiality and the professional secret upon transactions entrusted by the clients and banking services that they offer including the client's identity. The obligation to keep the professional secret cannot be opposed to the competent authorities.
- OBR answers promptly to written request of the authorities with purpose of disclosing any circumstances relating to Money Laundering.
- The violation of the provisions of the law brings about, as the case may be, the civil, disciplinary, contraventional or penal responsibility.

As a result of the OBR's rapid development and of the legal amendments in this domain the prevention and control of money laundering become a main issue for the executive management, as well as for each employee of the bank, as any failure in the correct management can expose the Bank to a significant reputational risk.

Provisions Against Money Laundering

Money Laundering means that services of financial institutions is used in order to conceal the true source of funds deriving from criminal activity by the perpetrator, or other individuals.

In order to avoid that OTP Bank Plc. be used for Money Laundering activities, we do everything to establish the true identity of any person/client demanding /applying for any services from the bank, and OTP Bank Plc. shall not perform any transaction order given by a client who does not identify him/herself pursuant to the legal regulations.

In accordance with Act No.XV of 2003 on the prevention and impeding of Money Laundering:

- OTP Bank Plc. operates an internal control and information system for the purpose of preventing of banking and financial transactions enabling or realizing Money Laundering

- OTP Bank Plc. has developed internal rules in pursuance of the recommendation of the Supervisory Authority of Financial Institutions, and all of its employees are under a legal obligation to act in accordance with the provision of these Rules.

- The employees of the Bank are to be performing their identifying and reporting obligations

- The performance of the reporting obligations shall not be regarded as a violation of bank, securities, insurance and business secrets.

- Omission of the reporting obligation constitutes a crime punishable under the Penal Code

- OTP Bank Plc. cooperates with the authorities to disclose any circumstances relating to Money Laundering.

OTP Bank Plc.'s announcement on its client-identification procedure as set out here is available in every premises of OTP Bank Plc. open to clients.

OTP Bank Romania S.A.
66-68 Buzesti St.,1 Bucharest, 011017 Romania
Phone: +40 (21) 307 57 00 • Fax: +40 (21) 307 57 30
Call Center: 0800 88 22 88 • office@otpbank.ro

www.otpbank.ro