OTP Bank Romania






# 2007
## annual report

otpbank

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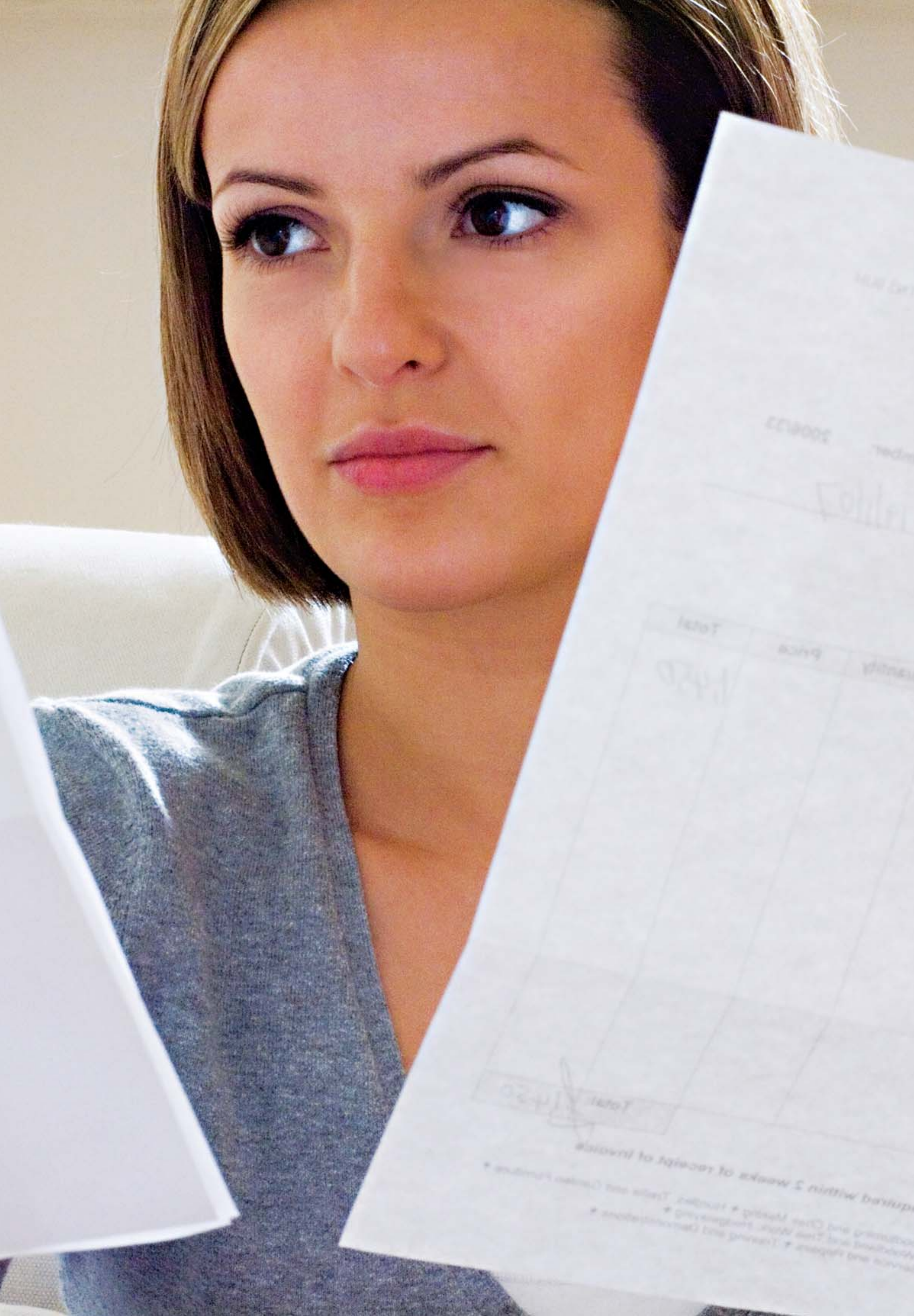


# Summary

# Message from the Chairman of the Supervisory Board

OTP Group, one of the largest financial groups in Central and Eastern Europe, with operations in 9 countries, entered the Romanian banking market in 2004. In 2005, the Group went through a rebranding and transformation process, which laid the bases for further growth.

The fiscal year 2007 was decisive in the life of OTP Bank Romania. Although we have started 2007 as a small bank, with a small network of branches and a limited product range, by the end of the year we became a medium-sized bank, with one of the most dynamic balance sheet growths, national coverage and an universal product range.

Our success has double roots: the know-how of the Group and the reaction of the local specialists to the challenges of the local market.

Owing to them, we have come up with many innovations on the banking market, from the loan in Swiss Francs to the wide offer of bank cards, the remarkable novelties in telephony and Internet services and account packages for entrepreneurs.

As a universal bank, we equally focus on retail and corporate customer portfolios. We wish to develop significant knowledge and a large market share for the corporate portfolio and on the segment of SMEs and projects.

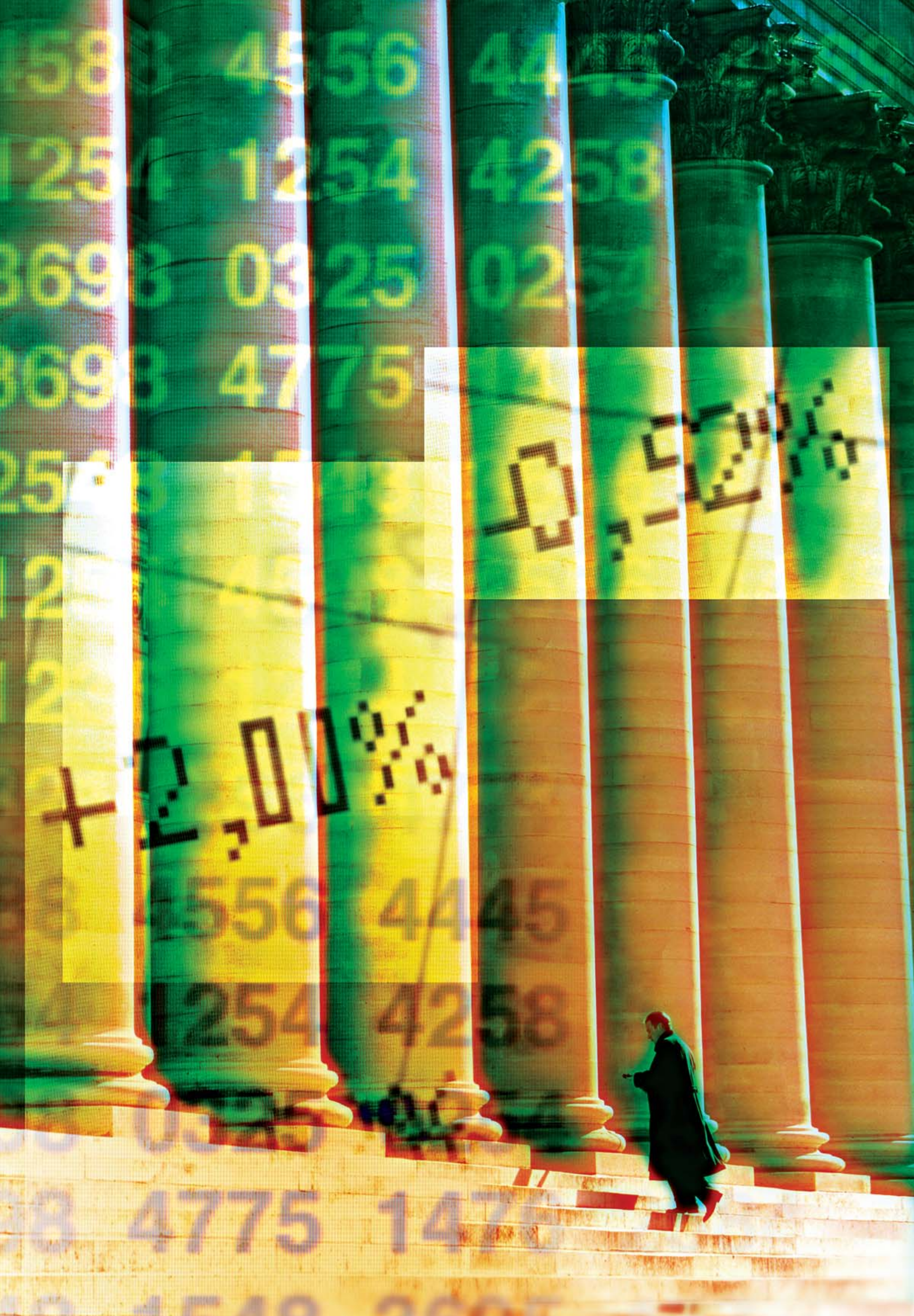
In 2006, through our cooperation with the insurance company OTP Garancia Asigurari, we have created common products. For the following years, we have similar plans with other Group companies which will enter the market.

Under the careful coordination of OTP Bank Hungary, we have introduced security rules, compliance rules and Basel 2, which are fully compliant with the Romanian and EU legislation.

Social involvement is very important to us, especially regarding to actions for children, youth, cultural and sports activities. This commitment is reflected in our sponsorship and PR activity.

As indicated before, OTP Bank Romania has become a professional participant to the Romanian financial market, with a wide range of services. In the years to come, we shall further focus on achieving our fundamental values, so as to increase shareholder value.

Pongrácz Antal, Dr.
Chairman of the Supervisory Board


+2,01%
-0,52%

# Financial Highlights

## *OTP Group**

| Profit and Loss Account (in RON thousands) | 2006 | 2007 | % |
|---|---|---|---|
| **Net interest income** | **4,571,079** | **6,037,697** | **32.1%** |
| Net interest income after provisioning | 4,248,632 | 5,438,000 | 28.0% |
| Non-interest Income | 2,980,300 | 4,051,061 | 35.9% |
| Total income (with net fees) | 7,551,379 | 10,088,758 | 33.6% |
| Operating cost | 4,291,576 | 5,941,495 | 38.4% |
| Profit before tax | 2,937,355 | 3,547,566 | 20.8% |
| Profit after tax | 2,514,009 | 2,971,809 | 18.2% |

| Balance Sheet (in RON thousands) | 2006 | 2007 | % |
|---|---|---|---|
| Total assets | 95,367,764 | 120,582,075 | 26.4% |
| Loans and advances to customers | 60,126,544 | 82,095,675 | 36.5% |
| Retail loans | 35,559,677 | 47,062,050 | 32.3% |
| Corporate loans | 21,633,570 | 31,744,725 | 46.7% |
| Municipal loans | 2,933,297 | 3,288,900 | 12.1% |
| Interbank loans and advances | 8,097,136 | 9,330,900 | 15.2% |
| Deposits from customers | 56,868,071 | 71,797,200 | 26.3% |
| Retail deposits | 39,139,294 | 46,264,050 | 18.2% |
| Corporate deposits | 14,755,170 | 21,312,300 | 44.4% |
| Municipal deposits | 2,973,608 | 4,219,425 | 41.9% |
| Issued securities | 10,498,328 | 14,040,525 | 33.7% |
| Total receivables | 60,126,544 | 82,095,675 | 36.5% |
| Performing loans | 47,862,594 | 71,022,000 | 48.4% |
| Qualified loans | 12,263,950 | 11,073,675 | -9.7% |
| Non-Performing loans (NPLs) | 3,374,031 | 3,472,725 | 2.9% |
| Provisions for possible loan losses | 1,714,561 | 2,546,475 | 48.5% |
| Shareholders' equity | 10,591,043 | 12,762,300 | 20.5% |

* in RON thousands, using the NBR year-end exchange rates

## *Main indicators of OTP Bank Romania S.A*.*

| | 2006 | 2007 | % |
|---|---|---|---|
| ROAA % | -2.2% | -1.0% | 1.2% |
| ROAE % | -13.9% | -8.6% | 5.3% |
| Cost/income ratio % | 134.1% | 112.6% | -21.5% |
| Capital adequacy ratio % ( unconsolidated, RAS) | 22.3% | 13.5% | -8.8% |

| Market share | 2006 | 2007 | % |
|---|---|---|---|
| Assets | 1.50% | 1.39% | -0.11% |
| Retail deposits | 0.57% | 0.72% | 0.15% |
| Retail loans | 1.84% | 2.16% | 0.32% |
| Corporate deposits | 0.55% | 0.84% | 0.29% |
| Corporate loans | 1.24% | 1.85% | 0.61% |

## *Main financial data of OTP Bank Romania S.A*.*

(in RON thousands)*

| | 2006 | 2007 | % |
|---|---|---|---|
| Gross loans | 1,358,107 | 2,316,598 | 70.58% |
| Individuals | 683,933 | 953,350 | 39.39% |
| Legal Entities | 674,174 | 1,363,248 | 102.21% |
| Provisions | -12,439 | -27,301 | 119.48% |
| Net loans | 1,345,668 | 2,289,297 | 70.12% |
| Deposits | 543,149 | 1,009,424 | 85.84% |
| Individuals | 247,538 | 489,863 | 97.89% |
| Legal Entities | 295,611 | 519,561 | 75.76% |
| Liabilities to credit institutions | 1,691,983 | 2,096,207 | 23.89% |
| Loans from OTP Bank | 634,444 | 849,545 | 33.90% |
| Loans from EBRD | 0 | 3,630 | |
| Due to banks | 1,057,539 | 1,243,032 | 17.54% |
| Shareholders' equity | 335,380 | 365,736 | 9.05% |
| Subscribed capital | 367,471 | 432,909 | 17.81% |
| Total assets | 2,591,157 | 3,547,966 | 36.93% |
| Profit before tax | -35,573 | -30,839 | -13.31% |
| Profit after tax | -37,226 | -30,079 | -19.20% |

* according to IFRS Annual Report (with Independent Auditor's Report)
Return on Average Assets (ROAA) Ratio has been calculated as loss after income tax over average assets using averages of year-end figures.
Return on Average Equity (ROAE) Ratio has been calculated as loss after income tax interest over average shareholders' equity using averages of year-end figures.
Cost/income ratio: total noninterest expenses as a percentage of net interest revenues before provision for loan losses plus noninterest revenues

# MACROECONOMIC AND FINANCIAL ENVIRONMENT

## Economic activity

In 2007, the first year after joining the EU, Romania continued to post strong economic growth, with a 6% real GDP growth, despite a difficult agricultural year. The Gross Domestic Product amounted to EUR 121.3 billion in 2007, versus EUR 97.7 billion in 2006.
GDP structure by sources of development is far from the regional pattern: the Agriculture Sector is still large 6.6% (1.6% the EU27 average, less than 4% in Hungary and Poland), thus allowing the weather conditions to exert enough influence in GDP performance.

The Services sector is still small, but increasing to 50% (64% the EU27 average, 56% in Poland and Hungary), while the Constructions sector represents 9.1% (as a percentage in GDP) than the EU27 average (5.5%) mirroring the large housing demand. From the viewpoint of GDP formation, we should notice the positive contribution to total GDP growth of services (+3.5%) and construction (+2.4%), these two sectors holding together a share of 58.8% in GDP.

The gross value added in the services sector registered a growth of 7.1% and the activity volume in the construction sector exceeded by 33.6% the level of 2006. The gross value added in industry registered a growth of 5.1%, and agriculture, forestry and fishery decreased their activity volume by 16.9%. Industry contributed with only 1.2% although has a weight in GDP of 23.5%.

On April 5, 2007, the rating agency, Standard&Poor's, revised the Romanian economy development perspective from positive to stable, due to the 2007 political instability. Anyway, the real economy background remains solid, with positive growth perspectives, supporting the forecasts asserting that there will not be significant economic deficiencies because of the political instability perceived at the time.

## Exports and imports

The Romanian foreign trade has always been imbalanced because of competitiveness reasons triggered by low technological base. Foreign trade's growth is highly imbalanced, the imports increasingly exceeding exports by 73% in 2007. The trade gap is generated mainly by industrial supplies (Capital goods, Fuels and lubricants, Raw materials, Transportation means and parts), which weighed 83% in total imports in 2007. However, Capital goods in total imports remain small (below 25% in total industrial imports). Consumer goods (Foods, Beverages, Durables and Non-Durables) have a small relative size in total imports (17%). Thus, the trade deficit has more to do with industrial growth than with the consumption needs of the population.

Romania's Current Account deficit grew by 67% in 2007, up to EUR 16.95 billion (UDS 24.3 billion, as strong imports continued to widen the trade gap. The swelling external shortfall, which is seen at roughly 12% of GDP this year, from 14.6% in 2007, is a major headache for Romania's fast-growing economy. The trade balance deficit grew by 50% in 2007, when Romania joined the European Union.
The increasing Current Account deficit is the result of decreasing export dynamics and growing repatriated profits, as well as slower growth of money sent home from abroad. This negative effect is ameliorated by the positive evolution of current transfers (which grew to 4.9 billion in 2007) and the services balance.

In the first half of 2007, the domestic currency posted a faster-than-expected appreciation versus the EUR currency. This was due to an external environment, where investors' appetite for risk grew correlated with the increased return opportunities provided by the main segments of the domestic financial market, particularly the substantial rise in interbank rates.

In Q3-4, the exchange rates of the domestic currency and of other emerging-market currencies were hit by the strong decline in investors' appetite for risk following the US sub-prime mortgage crisis and its spill-over effects on the international financial markets. Therefore, in late July, the RON/EUR exchange rate displayed a sudden trend reversal, with the domestic currency losing ground against the euro in August, for the first time in the preceding 13 months. Romania's leu currency, which has been immune to current account gap worries, in the past lost 50% to the euro in the last 6

months of 2007 and continued to weaken due to the increased risk aversion and concerns about the economic fundamentals.

The ongoing improvement of the business environment, following Romania's accession to the EU and the implementation of a taxation system that is favourable to the investors, creates the basis of a strong foreign investment inflow. By the end of 2007, FDI worth EUR 7.1 billion covered roughly 41.8 % of the current account gap, above the expected average of EUR 5.7 billion, between 2007-2008.

Although the major privatisations in the Romanian economy took place, there are still a number of companies seeking purchasers in the Authority for State Asset Recovery (AVAS) portfolio.

## Inflation

In 2007, there was a significant change in the constantly decreasing trend of the annual inflation rate, which was more volatile than in the previous years.
The deflation process kept on being successful in the first half of 2007. The food product prices (39% in the consumption price index) were the basis of such performance, with an imported food product competition and the competition between the supermarkets. In exchange, the highest price growth was recorded in the service sector and mainly in health, drinking water supply and wastewater services, reflecting the convergence process to the levels recorded in the EU for such activities. The effect of excise increase for alcohol and tobacco has still a rather big importance in the price growth.
Most of the price increases from last months in 2007 were due to the factors that are outside the control of the monetary policy.
The 12 month inflation rate deviated farther from the downward trend corresponding to the target of 4 percent ±1 percentage point; thus, at the end of December 2007, the annual inflation rate reached 6.57 percent, being much higher than the level recorded in December 2006 (4.87%).
As main reasons for the increased inflation in 2007, the central bank governor named pay hikes that outstripped productivity and also a more relaxed budget execution. Furthermore, food prices increased significantly, in line with international commodity prices.

## Monetary policy

In 2007, NBR decreased the key interest rate from 8.75% to 7.5%, in light of the low inflation and concerns about speculative

funds, favoured by the high interest variance between Romania and euro zone and the appreciation pressures in the foreign currency market.
In 2008, in order to mitigate rising inflation pressures, NBR raised the reference interest rate by 100 basis points to 9 percent at its board meeting on February 2008 and subsequently to 9.75 in May 2008. In 2006, NBR announced that Romania would be prepared to adopt the EUR in 2014. However, recent statements by NBR officials indicate that there may be a delay due to higher than expected inflation.

## Budget execution

The deficit of the general government budget was RON 9,448 million (EUR 2.83 bn) in 2007, under the national methodology. The fiscal deficit thus widened to 2.33% of GDP, from 1.5% in 2006.
Under the EU applied methodology ESA 95, the budget deficit was RON 10,237 million (EUR 3.07 billion), or 2.53% of GDP. The revenues in the general government budget increased by 18.9% y/y to RON 127.8 billion accounting for 31.4% of GDP in 2007 as compared to 31.2% in 2006. This is one of the lowest revenue-to-GDP ratios in the EU.

## Unemployment, productivity, salary

Romania reports one of the lowest unemployment figures in Europe, 4.1% in 2007, but many of the unemployed are not reflected in the official figure because of long-term structural unemployment in rural areas. According to the National Statistics Institute (INS), labor productivity for the overall economy registered a higher increase compared to the gross average salary in the 2003-2007 after it posted a 175% growth rate over the last five years (compared with over 150% growth rate of the nominal gross salary). Statistics do not confirm the concerns of the National Bank, which warned that salary increases had been higher than the advance of labour productivity in the last few years. However, in 2007 the growth rate of labor productivity for the overall economy stood at 17.8%, surpassed by the growth rate of salaries (22.6%).

## EU integration challenges for Romania

According to the Central Bank governor, Romania should strive to increase European Union funds absorption, which is well below the country’s yearly contribution to union’s budget. In 2007, the European Union granted its newest member, Romania, 2 billion euros funds, but the country did not managed to absorb them completely.

## Subprime crisis

International financial markets have been surprised by the eruption of the financial subprime crisis in the US, in August 2007. The factors at the source of the subprime crisis were combinations of excess liquidity (and therefore low interest rates) of an acute search for high yields (i.e. for risky instruments) of very thin risk premiums, as well as of an insufficient understanding of the true risks involved.
Major Banks and other financial institutions around the world have reported losses of approximately U.S. $379 billion as of May 21, 2008 (source: Bloomberg). The *liquidity* concerns drove central banks around the world to take action to provide funds to member banks, in order to encourage the lending of funds to worthy borrowers and to re-invigorate the commercial paper markets.
Romania is indirectly affected by the “subprime crisis” in terms of the capital account in its balance of payments and lower liquidity. According to the NBR’s governor, the impact could be a slow down in lending and a decrease in the current account deficit, which would positively impact the macroeconomic stability.

## Outlook 2008

- ***Growth.*** Q1 growth of 7.5% came above expectation (with 32% in construction, 7% in services); strong agriculture production (+40%) can elevate macro growth at an impressive growth of 8%. However, analysts estimate that the possibility of further increases in energy prices can erase at least 1% of next period economic growth.
- ***Inflation.*** The annual inflation increased from 6.57% in December 2007 to 8.63% in March 2008. The increase of inflation was mainly due to the cumulative effects of the persistence and amplitude of supply-side shocks, increasing pressures arising from excess demand and the depreciation of the national currency.
  Previously, the central bank had raised its annual inflation forecast for 2008 from 4.3% to 5.9%.
- ***Euro adoption in 2014.*** Adhering to the euro adoption target in 2014 might be delayed unless consumer price inflation decelerates in 2008-2009, according to Central Bank governor, Mugur Isarescu. Two or three years might be needed to meet the line criteria for joining the eurozone.
- ***Deficit.*** In 2008 Q1, the balance-of-payments current account posted a deficit of EUR 3.557 million; the wider trade deficit, at EUR 3,889.7 million, up 10.6% from 2007 Q1.
- ***Central Bank.*** Increased policy rate at 9.75 % for a total of 2.75% in 6 months, in a clear stringent monetary policy indication, with deposit rate now at 6% and Lombard rate at 14%. Also, it sent a clear intention to continue firm management of money market liquidity via open-market operations, to leave unchanged the minimum reserve requirement ratios on both RON (20%) and FX (40%) and to raise the penalty rate for deficits of RON minimum reserves from 18% to 20.5 %.
  In the current macroeconomic context, the NBR / Government pursues a difficult mix of restrictive monetary and controlled public expenses policies. Public message: push forward structural reforms to attain and maintain the delicate balance of low inflation and sustainable economic growth. The Central Bank continues to maintain its stance to limit the FX loan exposure of local banks due to the risk of currency depreciation.
- ***Foreign direct investments (FDI)*** in Romania in the first four months of 2008 amount to 3.2 billion euro, which is double compared to the similar period last year, according to Romanian Foreign Investments Agency (ARIS) data. For 2008, ARIS experts estimate that foreign direct investments will exceed 7 billion euro, a level close to the one reached in 2007. A notable example is the privatisation of Automobile Craiova by Ford, in March 2008.
- **Fiscal policy.** The deficit target of the general government budget was reduced to 2.3% of GDP this year, from 2.75% initially planned. The planned deficit was reduced in order to diminish risks of slippage above the 3% -of- GDP ceiling, reduce the CA deficit and the inflationary pressures.

The European Commission and the International Monetary Fund have criticized Romania for unpredictable budget spending and insufficient transparency. For the coming years, the government envisages smaller deficits, down to 1% of GDP in 2010.


Volume:
46,688,500
Low:
10,309.18
High:
10,383.33
52 Week Range:
9,163.41 to 11,908.50
P/E Ratio:
n/a
+50%
+40%
+30%
+20%
+10%
+0%
-10%
-20%
-30%
-40%
-50%
Page 2 of 13
MARY
ase provide your

# Business Results

*OTP Bank Romania is a member of OTP Group, one of the leading financial groups in Central and Eastern Europe, with operations in several countries like Hungary, Montenegro, Croatia, Bulgaria, Russia, Ukraine, Slovakia, Serbia and Romania. OTP Bank has been present on the Romanian banking market since 2005 and has ever since set the goal of becoming a strong universal bank, providing complete services to its customers, natural and legal entities alike.*

## OTP BANK ROMANIA'S HISTORY

- RoBank received the authorization to function as an universal bank in Romania twelve 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 Program, a project worth USD 100 million.
- In 2003, the bank participated in the World Bank project for the financing of rural areas, granting subloans 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 Romania is positioned as a bank providing competitive financial services and is always concerned with improving its products and services so as to become a quality benchmark in terms of products and services, as well as in terms of employee attitude. OTP Bank Romania is not planning to fight on the segment of affordable services, but rather to convince its potential customers that it is highly important for them to benefit from fair offers and services meeting the highest standards.

## OTP BANK ROMANIA'S 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 employees' attitude.
- We don't intend to fight on affordable services, but convince our potential clients about 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 – it has 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.

- Our responsiveness and flexibility are real.
- We have 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.

## Quality Assurance Projects

OTP Bank's corporate mission is to deliver high-quality products and services to all generations and social groups and to increase customer satisfaction by offering good value and a high standard of service.

**Process Management Directorate Statement**

OTP Bank Romania has a special focus on continuously improving quality, productivity and innovation to better satisfy customers' needs and drive organic growth.

In order to reach this goal, in 2007, we have launched a series of projects to enhance the performance of core business activities. We have implemented a business process management system that allows the continuous monitoring and improvement of the processes and we have also held a series of specific training sessions to strive the quality oriented thinking in the bank. The result of our improvement initiatives was more than 1 million EUR benefits in terms of cost and time reduction or business enhancements.

Building on a structured approach and embracing business process management principles and methodologies like Lean Six Sigma tools and skills and Kaizen approach, each of the projects performed, with results in the definition of higher processes and service standards and handling more than 2 millions transactions faster and more accurately.

All our initiatives are intended to help instil a performance culture in all parts of the organization, built on delivering process excellence and the best customer experience. The principle is that the succes of implementing the bank's business strategy depends on the performance of the critical business processes and on the motivation of the employees to develop improvement initiatives at all levels of the organization.

**Treasury Directorate Statement**

OTP Bank Romania increased in business quality providing the level of expertise required for each specific task and clear distinction between different functions of Treasury Directorate, through Sales Desk, Trading Desk and Middle Office.

The quality of products offered by Treasury Directorate to the customers improved over the past year, considering the new projects started – Reuters Electronic Trading Platform – and expanding the range of products offered.

**Ensuring the quality of the IT projects**

During 2007, IT&L Division has greatly improved the quality of its customer service – both for internal and external customers, making the services able to support the business processes, to decrease the waiting time, to achieve the financial aims and keeping the bank's competitive advantages.

The actions taken by the IT&L Division's personnel were driven by proactive attitude, having as motto "it's easier to prevent than to repair".

To achieve its objectives, the IT&L Division had had as set targets: to continuously adapt to the needs of customers and the demands of our times; to increase the automation degree; to reshape the existing processes which were not so efficient from the cost / profit ratio; to standardize, centralize, modernize the major IT processes; to decrease the operational risks at a minimum acceptable.

The objectives and targets were achieved by implementing BCM, which ensures and guaranties business continuity in brakedown case, by technical and organizational measures, redesign of the infrastructure and the set-up of a framework that decreases interruptions of processes and operational losses to an acceptable level. Another project implemented in 2007, DMS (Document Management System), which offers a solution for the management of the document flow, increasing the centralization degree of the credit approval process, which leads to cost reduction and approval waiting time reduction.

Over the last year (2007), IT&L Division also developed other projects, that led to the upgrading of the core banking aplication, to usage of new technologies (Microsoft SharePoint) with regard to redesigning the Intranet website and to finding a modern management for cash handling (cash-in ATMs).

The main vision of IT&L Division, that of making a business driver, out of the services provided and the infrastructure, became reality.

## TARGETS

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

***"2007 was the year of stabilization for OTP Bank Romania.***

*For OTP Bank Romania, 2007 was a natural follow-up of the previous years. We have grown significantly and started off our transformation from a small bank into a medium-sized bank, having a huge development potential. Romania's accession to the European Union has generated positive effects for the financial-banking industry. Thus, customers become increasingly aware of their financial needs and options, and the authorities started to view the population as an equal partner in the business process. We continued to develop at all levels, both corporate and retail, we have expanded our business unit network and we have grown within the organization as well. OTP Bank Romania ended 2007 with 104 branches and we have decided to move on with the network expansion process this year as well; thus, we estimate that we will have over 130 units by the end of 2008. Also in 2007, in addition to OTP Bank Romania and OTP Garancia Asigurări, the Group has increased the number of OTP Group subsidiaries in Romania, setting up companies such as OTP Leasing, OTP Consulting, OTP Asset Management and OTP Fond de Pensii.*

*In view of the current market context, I believe we have all the levers to operate intelligent, transparent and innovative moves, driving us further towards achieving our medium-term objective, i.e. a 4-5% market share of the Romanian banking sector. Thus, we shall continue to implement the universal strategy, focusing both on the corporate and retail segments and the further development of our Group.*

*As of 2008, we shall promote the quality of our banking services, as a feature that will distinguish us from our competitors".*

***Diósi László***
***CEO, OTP Bank Romania***

## OBJECTIVES

OTP Bank has been implementing an universal banking strategy, with some specializations. The universal nature of the bank comes from three sources, first the banking group in Central and Eastern Europe, second, the banking group in Romania and third, corporate and retail banking with equal emphasis. Within our universal banking strategy, we differentiate ourselves with expertise in some product groups / client segments, such as corporate midmarkets, MSEs, mortgages, investment funds, private banking and OTPdirekt service package.

Our mid-term objective is to increase our awareness and market share as a middle-size player on the Romanian financial market.

## *Main indicators of OTP Bank Romania S.A. (ROAA, ROAE, Cost/income ratio)*

| | 2006 | 2007 | % |
|---|---|---|---|
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Cost/income ratio: total noninterest expenses as a percentage of net interest revenues before provision for loan losses plus noninterest revenues

OTP Bank Romania outstripped the average rate of growth on the Romanian market in 2007. On December 31, 2007 its balance sheet total was about RON 3, 548 million, which was 36.9% higher than at the end of 2006.

The Bank's market share, at the end of 2007, based on balance sheet total was 1.39%. Its equity was RON 366 million on 31 December 2007. The Bank's gross loans grew by 70.6% in 2007, while customer deposits rose even more, by 85.8%, with the two portfolios thus amounting to RON 2,317 and RON 1,009 million at year-end. In 2007, the Bank assigned loans totaling almost RON 677 million to OTP Bank, more than 80% of which were home purchase and mortgage loans. Including the loans assigned to OTP Bank, the Bank increased its market share in retail loans from 1.84%, at the end of 2006, to 2.16%, while in respect of corporate loans its market share reached 1.85%. On the housing and mortgage loans market, the Bank had a 3.86% share, while in terms of retail deposits its share was 0.72% at the end of 2007. OTP Bank Romania closed the 2007 business year with a loss of nearly RON 30 million.

The number of the Bank's customers grew from 77,000 to 140,000 over the course of 2007 (achieving a substantial – 81.8% – growth) and the number of issued bankcards more than doubled over the previous year, reaching 77,000. The number of retail current accounts managed by the Bank exceeded 125,000 at year-end, while the number of corporate accounts had surpassed 15,000.

The Bank continued to expand its sales network, opening 38 new branches in 2007 and operating 104 branches at year-end.

The number of the Bank's ATMs also increased significantly in 2007, reaching 100 by the end of the year. The number of employees was 998 persons at the end of 2007, which was 203 more than a year earlier.

On September 12, 2007 OTP Bank Plc., the 100% owner of OTP Bank Romania, has increased the registered capital of its subsidiary by EUR 20 million (RON 65,437,920), thus the share capital of OTP Bank Romania is RON 432,909,120.

## ACCOUNT MANAGEMENT, SALES NETWORK, BANK TRANSACTIONS

In 2007, OTP Bank Romania continued to expand its network, from 65 branches at the end of 2006 to 104 branches at the end of 2007.
During 2007, OTP Bank Romania opened 39 new branches in:

- Focșani;
- Timișoara (Circumvalațiunii; Iuliu Maniu);
- Hunedoara
- Vaslui
- Târgoviște
- Botoșani
- Cluj (Republicii; Polus)
- Cristuru Secuiesc
- Slobozia
- Câmpulung Muscel
- Salonta
- București (Brâncoveanu; Coposu; Private Banking; Drumul Taberei; Pantelimon; Râmnicu Vâlcea; Titan; Șerban Vodă; Veteranilor)
- Brașov (Toamnei; Calea București)
- Ploiești (Central; Calea București)
- Iași – Vladimirescu
- Drobeta Turnu Severin
- Tulcea
- Buzău
- Reșița
- Călărași
- Alexandria
- Galați – Micro 19
- Mangalia
- Bacău - Mărășești
- Constanța (Trocadero; Mercur)
- Pitești – Prundu

In 2008, OTP Bank Romania intends to open 5 new branches located in: București, Covasna, Harghita, Giurgiu and Dorohoi.
During 2007, according to the bank's strategy, a specialised department was set in order to centralize retail loan processing and approval from the branch network.

As a result, starting with February 2007, the Personal Loans are processed and approved in the Head Office, irrespective of the loan exposure.
By this step, 80% of the workload was moved from branch network to Loan Processing in the Head Office.
After September, a Document Management software solution was implemented in the bank. This solution is currently used to scan, form identification, OCR and workflow control for Personal Loan processing. The strategy is to extent the utilization of this solution to all retail loans and also other banking products.

Starting with the mid of 2007, the Branch Self Control procedure was implemented in OTP Bank Romania. By this procedure, the activities needed to be controlled and so their frequencies are highlighted for the branches.
By the BSC procedure, the internal control in OTP Bank Romania is strengthened.
By the end of the year, 30% of the foreign currency payment orders were processed centralised, for those branches with important work volumes. This trend will be also followed in 2008.

# OTPdirekt

For it's customers, OTP Bank Romania provides OTPdirekt service, an alternative that allows to carry out transactions and receive information about the 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 a day, 7 days a week, the Internet Banking service brings all the information about the customers' accounts at one "enter" distance. The commissions for payments can be two times less than those from OTP Bank Romania branches and the account balance interrogation and account statement are 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 enough 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 with 08:30 and 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 (information only)

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 December 31, 2007 is of 10,377, divided as follows:

- Number of contracts as private persons with staff: 7,205
- Number of contracts as legal entities, type A: 2,667
- Number of contracts as legal entities, type B: 504

The number of sms messages sent to the clients until the end of 2007 is 26,202.

The number of calls at the call centre number in 2007 reached 31,829. The number of transactions through OTPdirekt call centre is of 750 on Call Center and of 307,339 on the Internet Banking. The transaction volume through OTPdirekt was:

- Call Center: 4, 669, 549.21 Euro
- Internet Banking: 988, 508, 389.39 Euro

## BANK CARD SERVICES

During 2007, OTP Bank Romania launched 3 new types of bank cards for individuals: the Visa "Transparent" credit card, the Visa Gold "Private Banking" credit / debit card and MasterCard "OTP-MOL" co-branded credit card. In consequence, the card products portfolio of the bank reached the number of 15 products, being one of the most complete on the market.

As of the end of 2007, after less than 2 years from the launching of the card program, OTP Bank Romania managed to issue a total number of over 77,000 cards to its customers. The card product portfolio of OPT Bank Romania is presented below:

- MasterCard "Flat" debit cards (RON & EUR)
- MasterCard "Standard" debit cards (RON & EUR)
- Visa Business "Silver" and Visa Business "Electron" debit cards
- MasterCard "All Inclusive" credit card
- Visa Electron "Junior Plus" and Visa Electron "Junior Max" debit cards
- VISA Electron "StudentMax" co-branded debit card
- VISA Electron "Sapientia" co-branded debit card
- MasterCard "Hockey" affinity debit card
- Visa "Transparent" credit card
- Visa "Gold" credit card
- MasterCard "OTP-MOL" co-branded credit card

The **Visa Transparent credit cards** issued by OTP Bank Romania are the first on the market, being the first transparent cards issued by a Romanian bank.

Together with the **MasterCard "All Inclusive"**, the **Visa "Transparent "** cards are also issued as a "credit card package", representing an unique offer on the Romanian card market: "***two credit cards for the price of one***". The credit card package is a versatile payment tool, which grants instant access to a credit limit and customer's own funds, any time and anywhere. Furthermore, the clients can practically use the credit limit without interest, for a grace period of up to 45 days, if the balance is repaid in full, while the minimum monthly repayment is only 5% of the used credit limit. The "credit card package" provides a loan limit of up to EUR 5,000 (RON equivalent) and allows domestic and international use, as it is accepted in millions of locations displaying the MasterCard or VISA logos, almost anywhere in the world. The owners of this package benefit from free administration in the first year of use, and, on request, the bank can issue several additional cards on the same account. Also, every cardholder may apply for a SMS card control service, which ensures a better control of the money and it can also be used as a security measure.

The **Visa Gold credit cards** issued by OTP Bank Romania are offered to premium clients who applied for a credit card in RON. The clients can practically obtain a loan without an interest, having a grace period of up to 55 days, while the minimum monthly repayment is only 5% of the used credit limit. The **Visa "Gold" Credit card** provides a credit limit of up to EUR 15,000 (RON equivalent ) and allows for national and international use, as it is accepted in millions of locations displaying the Visa logo, almost anywhere in the world. The Visa Gold card 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. All Visa Gold cards are issued together with free premium international travel insurance valid for 2 years.

Also, the clients may apply for the "SMS card control" service through which the cardholder is informed almost instantly about any transaction performed with the card, offering total control and advanced security.

**OTP-MOL co-branded credit cards** are offered to clients who applied for a co-branded credit card in RON. The clients can practically obtain a loan without an interest, having a grace period of up to 55 days and the minimum monthly repayment is only 5% of the used credit limit. The OTP-MOL co-branded credit card provides a loan limit of up to EUR 1,000 (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. Clients can also obtain some benefits from the MOL gas-stations. The OTP-MOL card 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. Also, every cardholder may apply for a SMS card control service which insures a better control of the money and it can also be used as a security measure.

Also, in 2007, OTP Bank Romania installed its first multifunctional ATMs, which allow customers to perform both "cash withdrawals" and "cash deposits" operations. Basically, through the multifunctional ATMs, the clients have the possibility to deposit money on their current or savings accounts, 24 hours a day, 7 days a week. As of the end of 2007, the entire ATM network of the bank consisted of 100 machines, all across Romania.

## 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.

### Individual Products (Liabilities and Loans)

OTP Bank Romania offers the following loans for individuals:

- **Personal Loan** is a retail loan which finances holidays, studies, conferences and other needs of the customer with no collaterals. We accept a wide variety of eligible incomes of the customer and the loan could be obtained in four currencies, with different interests (RON, EUR, CHF and HUF). The minimum credit amount is EUR 150 (or equivalent) and the maximum is EUR 10,000 (or equivalent).

On December 31, 2007, the outstanding balance was EUR 145,468,000 (annual change + 45%).

• **The Car Loan** is a retail loan which finances new or second-hand cars, new scooters and new motorbikes. There are four available currencies: RON, EUR, CHF and HUF. The minimum credit amount is EUR 1,000 (or equivalent) and the maximum is EUR 30,000 (or equivalent). The second-hand cars must be bought only from our partners and must have maximum 4 years and 50.000 km usage. The minimum advance is 20% for new cars and 25% for second-hand cars.

On December 31, 2007, the outstanding balance rose by 72%, from EUR 350,000 on December 31, 2006, to EUR 603,000.

• **The Credit Card** meets the universal expenses all over the countries and can be achieved in a very short time. The available currencies are RON and EUR. The Credit Card's maximum loan amount is EUR 15,000 or equivalent. The eligible clients are Romanian citizen and foreign citizen with residency in Romania.

On December 31, 2007, the outstanding balance was EUR 1,227,000 (annual change + 284%).

Starting with December 3, new norms and procedures were applied in regarding the following products: Overdraft, Credit Card, Personal Loan with Mortgage and Mortgage Loan for acquisition. These procedures are more permissive and closer to the customer.

• **The Overdraft** meets the universal expenses on short term. The customers benefit by all the advantages that a credit has, with maximum flexibility. The clients must monthly reimburse only the interest calculated on the used funds. The Overdraft's maximum amount is RON 20,000.

At the end of December 2007, the outstanding balance was EUR 287,000.

• **Personal Loan with Mortgage**

– Through the Personal Loan with Mortgage, clients can finance studies, holidays / trips, medical treatments, conferences / symposiums abroad, agriculture and other general needs. There are three available currencies: EUR, RON and CHF. The minimum credit amount is EUR 1,000 (or equivalent) and the maximum is EUR 1,000,000 (or equivalent). The minimum granting period is 6 months, while the maximum is 360 months. The collaterals accepted are: 1st rank mortgage on the purchased property. (An inferior mortgage rank is acceptable only if the superior ranks are in favor of OTP Bank Romania). Maximum amount of financing is 80 % of the value of the property.

On December 31, 2007 was a real increase of the outstanding balance (135 %) given the situation of December 2006. At the end of December 2007 the outstanding balance was EUR 98,857,000.

• **The Mortgage Loan for acquisition** can be used for the following purposes: houses/ flats acquisition and acquisition of land for construction purposes. There are three available currencies: RON, EUR and CHF. The minimum credit amount is EUR 1,000 (or equivalent) and the maximum is EUR 1,000,000 (or equivalent). The minimum of the granting period is 6 months and the maximum is 360 months. The collateral accepted is 1st rank mortgage on the purchased property and property insurance assigned in favor of OTP Bank Romania. Starting with December 3, the maximum amount of financing is divided in 4 subtypes:

• 80% standard;
• 90% only if the customer receives the salary payment at OTP Bank account;
• 100% with additional collateral;
• 100% with special insurance.

• **The Mortgage Loan for Construction Purposes** can be used for financing construction projects developed with constructions companies approved by the bank, or under client's own administration. There are three available currencies: RON, EUR and CHF and the minimum credit amount is EUR 10,000 (or equivalent) and maximum is EUR 200,000 (or equivalent). The minimum granting period is 60 months and maximum 360 months. The maximum amount of financing is 70% of the construction project's value. The collateral accepted is 1st rank mortgage on the land and construction, life insurance, construction and property insurance.

On December 31, 2007, the outstanding balance was EUR 181,028,000.

OTP Bank Romania offers term deposits and savings account.


• **The Term deposit** is an account opened on the basis of a contract in which the customers can deposit money for a fixed period of time. In this way, the clients increase their savings due to the influence of capitalized interest rate. The deposit account can be opened in RON, EUR, USD, GBP and HUF. There are no commissions at opening, closing or withdrawing, in case the withdrawn is made at maturity. The interest is fixed until the maturity of the deposit. There are standard deposits with maturity of 1 week, 1 month, 2 months, 3 months, 6 months, 9 months, 12 months for all currencies and 18 months, 24 months only for RON term deposits. The minimum amount for opening is RON / USD / EUR 100 and CHF 25,000. For standard deposits, there are three maturity options: automatic renewal with interest capitalization, automatic renewal without capitalization and automatic deposit liquidation.

On December 31, 2007, the outstanding balance was EUR 100,108,000 (annual change + 91%).

• **The Savings Account** is a sight deposit. The interest rate is progressive, depending on the amount deposited. At a larger amount, the clients receive a higher interest. Compared to the current account the Savings Account has the advantage of obtaining a higher level of interest rate. It also has flexibility and limited restrictions regarding the funds access. There are four available currencies: RON, EUR, USD and HUF. The customers are allowed to cash deposit and withdraw without restrictions. Inter / intra-banking transfers are allowed. From this account, customers can only transfer to the owned current accounts opened at OTP Bank Romania.

On December 31, 2007, we had a real increase of the balance (283 %), given the situation on December 2006. At the end of December 2007, the outstanding balance was EUR 8,043,000.

• **The Junior Account** is a savings account opened in the child's name, with additional attached facilities. It is available in RON, EUR, USD and HUF. The account has higher interest rates and lower commissions.

• **Junior Start Account** is designed for children under 14 years old.

• **Junior Plus Account** is created for people aged between 14 and 18 years. The customers have the possibility to obtain a Junior Plus debit card.

• **Junior Max Account** is created for people aged between 18 and 25 years. The clients have the possibility of obtaining a Junior Max debit card.

• **The Current Account** has no restrictions to the funds, cash operations or money transfers during the schedule with the clients. For the amounts placed in the current account the customers receive a sight interest. The account can be opened in RON, EUR, USD, HUF, GBP and CHF. Statements of account are sent monthly, for free, to the address mentioned by the clients that requested this facility or at any moment at client's request. The client has an automatic credit reimbursement on behalf of OTP Bank Romania from any current account owned by him. The customer can attach the following services: Overdraft, OTP Express, Debit Card, OTPdirekt.

On December 31, 2007, the outstanding balance was EUR 26,962,000 (annual change + 46%).

- **OTP Express service** allows Forint, Euro and US Dollar transfers to partners in Hungary. The money could get to the destination in the same day, with extremely favorable costs.

**General provisions**

During 2007, the number of the Bank's customers grew from 77,000 to 140,000 (achieving a substantial +81.8% growth) and the number of issued bankcards was more than doubled, reaching 77,000.

The number of retail current accounts managed by the Bank exceeded 125,000 at year-end, while the number of corporate accounts had surpassed 15,000.

The Bank continued to expand its sales network, opening 38 new branches in 2007 and operating 104 branches at year-end.

The number of the Bank's ATMs also increased significantly in 2007, reaching 100 by the end of the year. The number of employees was 998 persons at the end of 2007, which was 203 more than a year earlier.

By the end of the year, OTP Bank Romania intends to launch new products, such as:

- Bridge loans;
- Mutual funds;
- Hybrid products;
- Lombard loans;
- Progressive deposit;
- Product package for individual persons;

**Consumer Loan**

OTP Bank Romania offers consumer loans to its customers, providing mainly overdraft facilities, credit cards, car loans, personal loans and personal loans with mortgage.

## *Consolidated gross loan volume by qualified categories*

| | 12/31/2006 | | 12/31/2007 | | Change | | |
|---|---|---|---|---|---|---|---|
| | ths RON | share % | ths RON | share % | RON | % | share % |
| Performing | 417,440 | 30.7 | 965,070 | 41.7 | 547,630 | 131.2 | 10.9 |
| Qualified | 940,667 | 69.3 | 1,351,528 | 58.3 | 410,861 | 43.7 | -10.9 |
| To-be-Monitored | 891,198 | 65.6 | 1,106,657 | 47.8 | 215,459 | 24.2 | -17.8 |
| NPLs | 49,469 | 3.6 | 244,871 | 10.6 | 195,402 | 395.0 | 6.9 |
| Below average | 33,778 | 2.5 | 79,113 | 3.4 | 45,335 | 134.2 | 0.9 |
| Doubtful | 7,913 | 0.6 | 121,770 | 5.3 | 113,857 | 1438.9 | 4.7 |
| Bad | 7,778 | 0.6 | 43,988 | 1.9 | 36,210 | 465.5 | 1.3 |
| **Total** | **1,358,107** | **100.0** | **2,316,598** | **100.0** | **958,491** | **70.6** | |

## *Coverage of qualified customer loans*

| | 12/31/2006 | 12/31/2007 | Change % |
|---|---|---|---|
| Qualified volume (RON) | 940,667 | 1,351,528 | 44 |
| Provision (RON) | 8,395 | 7,908 | (6) |
| **Coverage %** | **0.9** | **0.6** | **0.3** |
| NPLs (RON) | 49,469 | 244,871 | 395 |
| Provision (RON) | 682 | 5,390 | 690 |
| **Coverage %** | **1.4** | **2.2** | **(0.8)** |

Loans, net of allowance for loan losses, rose by 70%; from RON thousands 1,345,668 on December 31, 2006 to RON thousands 2,289,297. As at December 31, 2007, of the consolidated gross customer loan portfolio (RON thousands 2,316,598, annual change + 71%), the share of corporate loans was 58.8% (RON thousands 1,363,248, annual change: + 102.2%), that of retail customers 41.2% (RON thousands 953,350, annual change +39.4%).
41.7% of the IFRS loan portfolio was "problem-free" (performing) at the end of December 2007. The share of the "special watch" portfolio was 47.8%, and the share of the "problematic" (non-performing) category was 10.6%, having increased by 6.9 percentage points from the previous year.
OTP Bank Romania outstripped the average rate of growth on the Romanian market in 2007. On December 31, 2007, its balance sheet total was about RON 3,548 million, which was 36.9% higher than at the end of 2006.

The Bank's market share at the end of 2007, based on balance sheet total, was 1.39%. Its equity was RON 366 million on December 31, 2007. The Bank's gross loans grew by 70.6% in 2007, while customer deposits rose even more, by 85.8%, with the two portfolios thus amounting to RON 2,317 and RON 1,009 million at year-end. In 2007, the Bank assigned loans totaling almost RON 677 million to OTP Bank, more than 80% of which were home purchase and mortgage loans. Including the loans assigned to OTP Bank, the Bank increased its market share in retail loans from 1.84% at the end of 2006 to 2.16%, while in respect of corporate loans, its market share reached 1.85%. On the housing and mortgage loans market, the Bank had a 3.86% share, while in terms of retail deposits its share was 0.72% at the end of 2007.

## MSEs Products

In accordance with OTP Bank Romania internal organisation, the MSE segment is part of the Retail Division and consists of legal entities with yearly turnover up to 2 million EUR. During 2007, OTP Bank Romania offered a large range of products for MSE clients, both liabilities and assets.

**Current account and attached services:**

- Current account (RON, EUR, USD, HUF, GBP, CHF);
- intra and inter-banking payment orders;
- debt instruments (cheques, promissory notes, bills of exchange);
- Cash operations,
- Escrow Account,
- OTP Express.

**Packages of products and serviced for micro and small enterprises**

***Saving products:***

- Deposits – terms deposit (available in RON, EUR, USD, HUF, GBP, CHF);
- Overnight deposit;
- Administrators' Guarantee Deposits.

## OTPdirekt

**OTPdirekt (Electronic banking)**
**OTPdirekt Transactional Call Center**
**OTPdirekt Foreign exchange**

**Cards:**

- Visa Business Silver (RON and EUR);
- Visa Business Electron (RON and EUR);
- Salary cards- MasterCard debit.

**Trade Finance:**

- Collections: clean collections, documentary collections – import and export;
- Letters of credit;
- Standby letters of credit;
- Letter of guarantee.

**Loan Products:**

***Standard products:***

- Credit line based on rating (fast loan);
- Loan for acquisition of equipments based on rating (fast loan);
- Credit program for micro and small enterprises.

***Non standard products (based on financial analysis):***

- Credit line;
- Short term cash loan facility;
- Investment loan;
- Account facility for checks and promissory notes;
- Account facility for invoices;
- Account ceiling for checks and promissory notes;
- Account ceiling for invoices;
- Non-cash facility account for opening letters of credit, checks certification, promissory notes endorsement, issuing letter of guarantee;
- Non-cash ceiling account for opening letters of credit, checks certification, promissory notes endorsement, issuing letter of guarantee.

At the end of 2007, the number of MSE customers managed by OTP Bank Romania was around 11,200 clients, while the balance of granted loans reached over RON 281 million (approximately EUR 80 million).
MSE is an attractive segment because clients are generally under-serviced, have less power of negotiation than large corporate clients, the margins are higher and the risk is splitted to a wide range of client's portfolio. The main directions will be customer acquisition, development of both standardized products and tailored services to match the customers' needs, improve cross-selling activity, quality portfolio and keeping the balance between cost and revenues.

### Private banking & investment services

During 2007, a new project has been prepared in order to establish a Private Banking&Investment unit. The project has been executed throughout the second half of the year, having prepared an official launch of the Private Banking activity, planned for the end of 2007. As for the launch of the first investment funds managed by OTP Asset Management Romania, it was planned for the first quarter of 2008.

## CORPORATE

The Corporate Division was founded in order to develop business relationships with medium and large companies (with turnover higher than EUR 2 millions).
In 2007, a new organizational model was implemented in order to optimize the Bank's activity in relation with its corporate customers, existing and potential.
The Division's structure was based on the business philosophy of OTP Bank Romania, that puts the Customer in the center of its activity.

### The corporate customers segment:

The Sales Management Directorate has responsibilities in sustaining the branches' sales activity for the medium corporate customers (with turnover between Eur 2 -25 millions);
OTP Bank Romania founded 7 Regional Centers, dedicated to medium companies and situated in cities with high economic potential.

The Sales Management is responsible for the coordination of the corporate sales activities for the 7 geographical regions in Romania, according to the regional centers segmentation, as well as to the Hungarian business community and for common clients within the OTP Group.

The Corporate Regional Centers are organized in 7 geographical regions:
*I. North–Eastern Region*
*II. Western Region*
*III. North–West Region*
*IV. Center Region*

*V. South–Eastern Region*
*VI. South Region*
*VII. Ilfov Region*

The new structure is mostly oriented towards the commercial side of the relationship with the companies, while the extended branches network will continue to develop the operational side.
The role of the Regional Centers is to bring flexibility, promptitude and efficiency in finding solutions for the companies' financial needs.

The quality increase must be mentioned even if it can not be expressed in numbers, our customer's satisfaction was a task accomplished.

The year 2007 is the debut moment of the Large Corporate and Structured Finance Directorate, witch was structured in 4 specialized functions, as follows:

• Large Corporate
• Project Finance
• Specialized Lending
• Public Sector

and has the responsibilities in sales for large corporate customers (turnover exceeding Eur 25 mio) and in non standard financing structures.

The Project Finance and Specialized Lending activity targets the following types of transactions through a dedicated specialized team:

• Real estate financing for the land acquisition or refinancing for project development and Loan to Value refinancing;
• Trade finance, financing provided to leasing companies, forfeiting, acquisition finance and syndications;
• Special lending products offered to the public sector entities, including municipality finance.

The Large Corporate and Multinational Companies activity targets the following categories
of clients:

• Multinational companies
• Large companies (Romanian or foreign companies with a consolidated turnover of minimum EUR 25 mio)
• Subsidiaries of OTP Group, or other group captive companies
• Companies allocated to "International Desk" in OTP Hungary.

The activity in the Large Corporate and Structured Finance segment was one of the major factors of growth in the loans production in 2007, with a total loan portfolio of RON 218,7 mio.

## The Corporate Products and Know-how Management aria

The Support and Product Management Directorate is organized in four departments:

• Crediting Products Management Department
• Cash Management Department
• Consulting and Reports Department
• And Units Support Department has the mission to grant support for an efficient corporate activity in the bank, to reduce operational, reputation and market risk, to assure the optimum environment to develop fluency into units and Head Office activities in Corporate Banking field, in order to increase the effectiveness of corporate activity.

Even though 2007 was the debut year for the Support and Product Management Directorate (the Directorate was founded in August 2007), the results obtained in 2007 on Product Management (witch represents a continuous process) were as follows:

• Change of standard credit contract;
• New cash management products (Direct Debit Intrabank) development;
• Overdraft product for Corporate clients launch;
• Revision of the Multicurrency, multi-borrower, multipurpose ceiling;
• In order to obtain the profitability per customer, there a lot of improvements were done in Informatics' Application of the credit product functionalities.

All these improvements had the purpose to diversify and customize the products

and services portfolio offered to corporate customers, in order to answer to the most exigent requests of corporate customers (existing and potential).
The year 2007 was marked by a strong accent of the Corporate Division on valorizing the synergy with other Divisions in the Bank and promoting them to the customers.
In condition of strong concurrence, the corporate credit portfolio increase in 2007 with 59% than 2006.

In 2007, the Corporate Division was focused mainly on the following industries:

| INDUSTRY | LOANS December 31, 2007 (RON) | WEIGHT IN TOTAL ASSETS |
|---|---|---|
| Commerce | 508,268,434 | 39.23% |
| Other * | 146,111,047 | 11.28% |
| Insurance and financial sector | 110,804,436 | 8.55% |
| Food and beverage | 105,235,034 | 8.12% |
| Real estate and rentals | 76,582,476 | 5.91% |
| Hotels, restaurants and transportation | 74,644,416 | 5.76% |
| Equipments | 61,836,539 | 4.77% |
| Construction | 57,232,892 | 4.42% |
| Other services | 54,889,305 | 4.24% |
| Metallurgy | 54,150,751 | 4.18% |
| Chemicals | 45,997,730 | 3.55% |
| **TOTAL ASSETS** | **1,295,753,062** | **100.00%** |

* includes Agriculture, Printing activities, Textiles, Utilities, Tobacco production, Post and Telecom, Public Administration, Oil Extraction and Processing, Pulp and Paper.

## TREASURY

OTP Bank Romania continued its development plans for 2007, both in the area of product development and profitability. A clear distinction between different functions was added, Sales Desk, Trading Desk and Middle Office, each of them providing the level of expertise required for their specific task.

Regionally, 2007 was a great year for the banking industry, as the global sentiment in the first part of the year was extremely optimistic, concluding with an increase in loan portfolio. This market uptrend slowed down for in second part of the year but, an almost 8% economic growth was recorded by Romania, making the analists believe that the growth for the next year would be between 6.5% and 8.5%.
FX market volumes increased twice last year compared with 2006, to approximate EUR 356.6 billion. The rate of increase was from EUR 8 billion in January, to EUR 34 billion in December. The volumes traded were mainly offshore and represented 2/3 of year balance.
New projects have been started, Reuters Electronic Trading Platform, by Treasury Directorate, which resulted in T/O increase and profit generation from 4.8 mil EUR in 2006 to 9.5 mil EUR in 2007.

In 2007, OTP Bank Romania, recorded a shortfall of RON and FCY liquidity, due to fast lending activities. Moreover, this liquidity has been covered both from local deposits and borrowings from local financial institutions and OTP Bank Hungary.
Due to the increased cost of funds – as the credit crunch pushed the financing cost higher – and also due to NBR-MRR prohibitive cost (20% for RON and 40% for FCY), OTP Bank Romania managed to reduce the MM deposits from OTP Bank Hungary and borrowed locally, recording a major cost saving.
During 2007, OTP Bank Romania kept its position of market maker on the Romanian Money Market, being one of the top ten players for traded volume. For this reason, OTP Bank Romania is one of the BUBID/BUBOR Benchmark daily contributors.

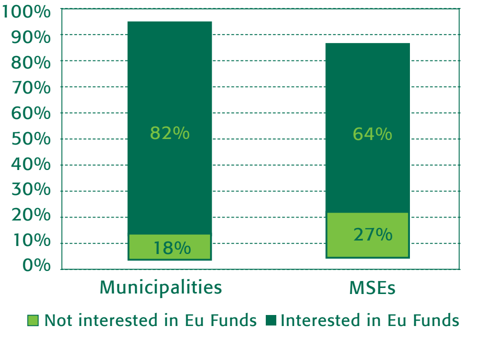
# INVESTMENT AND EU COORDINATION DEPARTMENT

OTP Bank Romania, a showing importance to the EU accession of the country in 2007, to the European subsidies linked to the accession and to the foreign investors realizing the new market opportunities, has established the Investment and EU Coordination Department within the Retail Division. The main goals of the department are to offer extra services to existing clients and use the consulting business for attracting new clients to the bank. For offering these services, a pool of high experienced experts were hired and OTP Bank Romania, with the OTP Consultancy Company from Hungary (OTP Hungaro Projekt Kft) had established OTP Consulting Romania.

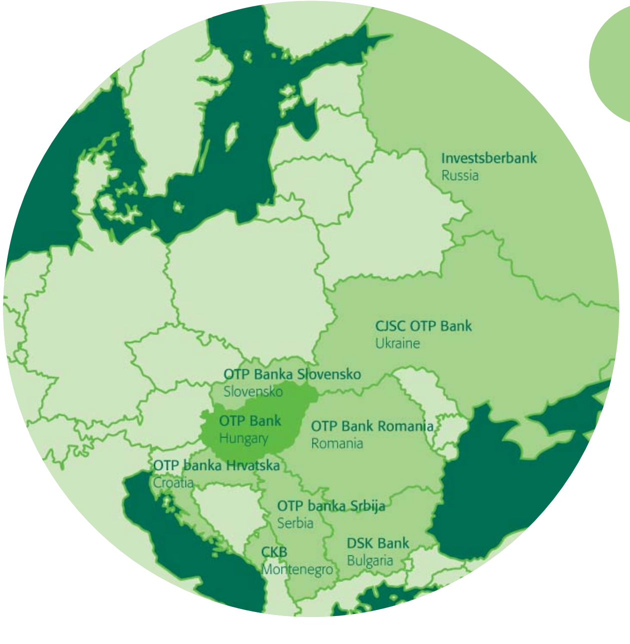
The EU and investment consultancy business relies on the network of OTP Bank Romania, therefore informing the branches about accessing EU funds and attracting foreign Investors are essential. Since the EU financed projects have prefinancing necessities, OTP Bank Romania can gain new clients by offering a larger scale of products and services.

In order to have a greater view about the needs of the customers, the department has made a survey in September 2007.

Since then, the focus of the department was to start the new business line. In order to support the consultancy part of business the department started a strong cooperation with the branches and with the Product Management. This way, OTP Bank Romania can offer a full range of services regarding foreign investments and EU projects, from the project or investment ideas until the finalization of the projects.




# ACTIVITIES OF OTHER BANK FOREIGN SUBSIDIARIES




## OTP Banka Slovensko, a.s.

The Slovakian Bank is OTP Bank's first foreign acquisition that provides a full range of financial services to its clients, primary entrepreneurs and municipalities.

Slovakian IRB, latter known as OTP Banka Slovensko, was OTP Bank's first successful foreign acquisition in 2001. Following the privatization, OTP Bank, as a strategic investor, implemented major changes, including the transformation of the Bank's image and expansion in the retail services segment.

In order to cover the entire range of the financial market, OTP Banka Slovensko started to build up a banking group. It established

OTP Factoring Slovensko, a.s. specialized in factoring, and two joint ventures, OTP Leasing, a. s. specializing in vehicle financing with OTP Merkantil Bank, and OTP Garancia Zivotna Poist'ovna, a. s. offering life and non-life insurance with OTP Garancia Insurance Ltd.
The balance sheet total of OTP Banka Slovensko, was HUF 368.2 billion as of year-end 2007 (13.2% rise compared to year-end 2006), which secured a 2.8% share of the banking market in Slovakia. The Bank's equity rose by 16.3%, to HUF 23.6 billion, in the same period. After-tax profit of OTP Banka Slovensko for 2007, according to IFRS was HUF 2,601 million, HUF 571 million higher than in the previous year. ROAE was 11.8% and its cost-to income ratio was 71.2%.
By the end of 2007, the loan portfolio of OTP Banka Slovensko increased by 22.3% and reached HUF 232.3 billion, representing a 4.0% market share. The deposit portfolio increased by 19.3%, to HUF 227.1 billion in 2007, giving the Bank a 2.9% market share on December 31, 2007.
During 2007, the number of the Bank's customers increased by 9,000, to 169,000, with retail customers accounting for more than 150,000 and corporate customers for more than 18,000 of this total.
The number of bankcards issued by OTP Banka Slovensko had reached 107,000 by the end of 2007, which represents a 4.5% increase compared to the end of 2006. The number of retail cards grew by more than 4,000, to 94,000 and the number of corporate cards grew to more than 12,000. The Bank's ATMs numbered 115 at the end of the year, while the number of transactions effected through these ATMs totaling nearly 1.9 million in 2007. The number of proprietary POS terminals was 483 at the end of 2007 and the volume of POS transactions increased by 3.7% during the year. A credit card was introduced at the end of 2007 and by the end of the year more than 1,100 credit cards had been issued.
The Slovak Bank opened 4 new branches during the year thus serving customers through a total of 90 branches by the end of 2007. The head-count figure of the Bank was 783 employees on December 31, 2007.

## DSK Bank EAD

The market leader in the Bulgarian banking market provides its clients with a full range of financial services.
OTP Bank purchased DSK Bank EAD and its subsidiaries in a privatization process, in 2003. Since the acquisition, DSK Bank has significantly expanded its product range, many new products have been introduced or considerably modified, including credit cards, student cards, foreign currency accounts, long-term deposits, consumer loans, savings accounts, electronic services, POS terminals, mortgage based loans and MSE packages.
To supplement classical banking services, DSK Group offers further financial services through its subsidiaries. Beside POK DSK-Rodina (management of two private and one voluntary pension funds), DSK Tours (recreation and tourism), DSK Trans Security (safety and value delivery services) DSK Garancia Life Insurance, DSK Asset Management, DSK Garancia General Insurance and DSK Leasing have been established.
On December 31, 2007 the balance sheet total of the DSK Group, according to IFRS, was HUF 1,015 billion, which resulted in a 13.8% market share. The customer deposit portfolio grew by 24.2% on a year-on-year basis to HUF 650.3 billion, therefore DSK market share of retail deposits was 20.7%. The gross customer loan portfolio (including SPVs) increased by 43.4% on a year-on-year basis and exceeded HUF 763 billion. The Bank's share of the home loans market was 29.2%, and its share of retail customer loans was 36.5%.
The consolidated pre-tax profit of the DSK Group (corrected for SPVs) was HUF 29.2 billion, while its after-tax profit was HUF 26.5 billion, with a 21.2% increase on a year on year basis. In 2007, DSK's net interest margin to average balance sheet total was 4.64%, the Group's cost-to-income ratio was 39% in 2007. The DSK Group achieved ROAA of 2.83% and ROAE of 24.7% in 2007.

At the end of 2007, the Bank had a total of 789 ATMs, 2,397 POS terminals and 375 branch offices. As of December 31, 2007 the number of employees at DKS Group was 4,023 persons.

## OTP Banka Hrvatska d.d.

OTP Banka Hrvatska is the eighth largest bank in the Croatian banking market and is the market leader in the Istria peninsula.
The Croatian Nova Banka - renamed OTP Banka Hrvatska in September, 2005 - was acquired by the OTP Bank Group in March 2005. OTP Banka Hrvatska, the eighth largest bank in Croatia, has its headquarters in Zadar, and is the market leader in the Istria peninsula.
As at December 31, 2007 OTP Banka Hrvatska consolidated balance sheet total was HUF 422.2 billion, giving the Bank a share of 3.4% in the Croatian market. During 2007, gross loans rose by 27.3%, to HUF 251.2 billion and thus the Bank's market share was 3.3% at the end of the year. Deposits from customers at year-end were HUF 307.5 billion, representing a market share of 4.2%.
At the end of 2007, OTP Banka Hrvatska had more than 434,000 customers, for whom it managed over 410,000 retail current accounts and almost 24,000 business accounts. The number of bankcards issued in 2007 was 323,000, while the number of credit cards rose by approximately 26.3% to reach 37,000.
The Bank expanded its sales network by 4 branches in 2007, while the ongoing program of branch development also continued. At the end of the year OTP Banka Hrvatska d.d. operated a total of 100 branches, 119 ATMs and 1,066 POS terminals. OTP Banka Hrvatska d.d. headcount was 1,016 at the end of 2007.
OTP Banka Hrvatska d.d. after-tax profit in 2007 was HUF 3.6 billion, while its ROAE was 9.9%.

## OTP Banka Srbija a.d. Novi Sad

As the first step of the Serbian expansion, the contract of sale targeting the acquisition of Niska Banka was signed in December 2005. Then, the transaction of sale was closed in March, 2006. In the same month, as a part of the continuing expansion, sale and purchase agreement for the acquisition of Zepter banka, which was founded in 1992 as a privately-held bank, was signed by the buyer, OTP Bank and the seller, Philip Zepter. In October 2006, at the closure of the transaction, OTP Bank paid the USD 41.305 million purchase price. Before this, in July, 2006, by signing the sale and purchase agreement for the acquisition of a majority stake in the Novi Sad-based Kulska banka a.d. Novi Sad, OTP Bank continued the Serbian expansion.
After the closing of Kulska Banka's acquisition in December 2006, the largest Hungarian financial institute began the merger of its three Serbian banks: a resolution for the merger of the three banks was approved by an extraordinary general meeting held by Niška banka a.d. Niš, Zepter banka a.d. Beograd and Kulska banka a.d. Novi Sad, on March 23, 2007. In possession of the requisite Hungarian and Serbian licenses, as of May 21, 2007 the merged credit institution operates under the name of OTP Banka Srbija a.d. Novi Sad in the territory of the Republic of Serbia, with its headquarters located in Novi Sad.
At the end of 2007, OTP Banka Srbija's balance sheet total of HUF 112.2 billion represented a 2.1% market share and 15$^{th}$ place on the Serbian market. In December 2007, the loan portfolio was HUF 63.3 billion, representing a 2.3% market share. Within loans, the share of corporate loans was 66%. The Bank's HUF 38.1 billion deposit portfolio meant a market share of 1.6% in deposits at the end of 2007. After-tax profit was HUF 630 million in 2007 and cost-to-income ratio was 90.2%.
In 2007, the Bank introduced numerous new products. Long-term savings products and consumer loans were developed for retail customers and the Bank also participated in the disbursement of the new housing loans subsidized by the state. Three new loan products were introduced for MSE customers (overdraft, multipurpose, Lombard loans) with standardized and rapid credit approval processes. In 2007, the VISA Nova credit card was introduced. The number of products

and services offered to large corporate customers expanded to include a number of new elements in 2007 (project finance, cash pooling, forfeiting etc.).
The number of Bank's customers exceeded 182,000 at the end of 2007, of which nearly 156,000 were retail customers. At the end of December the Bank had issued a total of nearly 140,000 bankcards, of which the number of credit cards exceeded 32,000.
In 2007, the number of the Bank's ATMs increased to 171 due to the installation of 148 new machines, while the number of POS terminals stood at 2,455 at the end of the year.
As of the end of the year, the Bank had a network of 100 branches, of which 25 had been renovated during the year and in 2008, the Bank plans to renovate other branches and open new ones. The Bank employed 1,174 people at the end of 2007.

## OTP Banka Ukraine - CJSC OTP Bank

As a step of its regional expansion, OTP Bank has entered the Ukrainian banking market in 2006.
By signing the sale and purchase agreement for the acquisition of 100% stake in Raiffeisenbank Ukraine on June 1, 2006, OTP Bank acquired the Kyiv-based bank which was founded on March 2, 1998. At the closing of the transaction, on November 20, 2006, OTP Bank transferred the purchase price of EUR 650 million based on RBUA's current and potential value, and on the favorable growth potential of the Ukrainian banking market.
Following a name change on November 7, 2006, the bank is now called Closed Joint Stock Company OTP Bank (CJSC OTP Bank).
On December 31, 2007 the balance sheet total of the Bank was HUF 624.6 billion, of which 85.0% consisted of receivables from customers. Compared to the outstanding 45.1% growth in customer loans, customer deposits increased by 15.8%, as a result of which they represented 27.9% of the balance sheet total by the end of 2007.
The Ukrainian subsidiary generated HUF 19.3 billion in pre-tax profit and HUF 14.0 billion after-tax profit in 2007. The adjusted cost-to-income ratio dropped from 52.4% in 2006 to 45.6%.
On December 31, 2007, the Bank's market share based on total assets was 3.1% and its share of retail deposits was 1.5%, within which it had a 2.5% share in foreign-currency deposits. The Bank's market share, in respect of retail loans, was 4.1%.
The Bank increased the number of its branches from 65 to 158 in 2007, and operated a total of 99 ATMs as of December 31, 2007.
The number of its employees was 3,500 on December 31, 2007.

## OAO OTP Bank

As a significant stage of the regional expansion, in July 2006, OTP Bank acquired the Moscow based Investsberbank Group which's activity covers approximately 80% of the territory of Russia.

As a significant stage of the regional expansion, sale and purchase agreement of the Investsberbank Group was signed in Moscow on July 3, 2006. The purchase price was USD 477.5 million. In possession of the necessary approvals, the closing of the sale and purchase transaction was completed on October 30, 2006.
During the period between the signing of the sale and purchase agreement and the closure of the transaction, Investsberbank's two bank subsidiaries, Promfinservicebank, seated in Novorossiysk, acquired by Investsberbank in 2000, and Omskpromstroibank, seated in Omsk, acquired in 2004 merged to Investsberbank, therefore OTP Bank acquired a 96.4 share package in the merged bank.
From March 2008, Investsberbank has been continuing its activity as OAO OTP Bank.
OAO OTP Bank is among the first 50 banks in the Russian market comprising over 1,200 participants. As of December 31, 2007, its balance sheet total was HUF 432 billion, of

which the gross loan portfolio, accounted for 70.5%. Within the HUF 304.4 billion gross loan portfolio retail loans – predominantly consumer loans – represented 66.9%.
Customer deposits accounted for 67.4% of total liabilities and within this total retail deposits, amounting to HUF 167.4 billion, represented 57.5%. At the end of the year, the equity of OAO OTP Bank was more than HUF 41.5 billion. In 2007, the Russian subsidiary generated HUF 10.7 billion in pre-tax profit and slightly over HUF 7.6 billion in after-tax profit, with a 66.4% cost-to-income ratio.
As of the end of 2007, the Bank operated 112 branches and 148 ATMs and had a staff of 8,368 employees.
As the next step of the Russian expansion, on November 12, 2007, Donskoy Narodny Bank (DNB) was acquired and then, in possession of the necessary approvals, the closing of the sale and purchase transaction of USD 40.95 million was completed on May 6, 2008.
The privately owned DNB ranks as one of the leading banks of the Rostov region, in the Southern Federation District of the Russian Federation. The Bank focuses primarily on the retail segment, managing nearly 170 thousand retail deposit accounts and 50 thousand loan agreements and serves its customers through 46 branch offices.
In order to implement a standardized Russian operation and to enable the earliest possible efficient utilization of the current synergies, after closing the sale and purchase transaction, the harmonization of operations of DNB and OAO OTP Bank is commencing.

## Crnogorska Komercijalna Banka AD

By the acquisition of Crnogorska Komercijalna Banka AD, the market-leader bank of Montenegro is becoming a member of the OTP Group.

On August 29, 2006 by signing sale and purchase agreement for the 100% share package of Crnogorska Komercijalna Banka AD, OTP Bank acquired the market-leader bank of Montenegro. The purchase price of EUR 105 million reflected both the current market value of Crnogorska Komercijalna Banka and the potential business value based on the anticipated development of Montenegro's economy. Crnogorska Komercijalna Banka AD was founded by 28 small and medium-sized companies, as greenfield investment in 1997.

The bank, with an original focus on the MSE sector, provides a wide spectrum of services for both corporate and retail customers and serves approximatley 215 thousand customers through a network of 26 units and via electronic channels. The bank is, unequivocally, a dominant market player in all business lines. Although the bank is headquartered in Podgorica, the capital of Montenegro, approximately a quarter of its loans and deposits are linked to the coastal region, which is of key importance, given the fact that an increasingly dynamic tourism industry has come to play an important role in the country's economy.

On December, 31 2007, the Bank's balance sheet total was HUF 260.5 billion, with 70.5% of this consisting of receivables from customers and 21.3% of receivables from credit institutions on the assets side. Of the gross customer loan portfolio, 65.5% consisted of corporate loans, 31.3% of retail loans and 3.3% of municipal loans. Customer deposits amounted to HUF 211.1 billion, nearly half of which, 49.6%, were retail deposits and 44.7% were corporate deposits, with municipality deposits accounting for the remaining 5.7%. Customer deposits made up 81.0% of the balance sheet total and the loan-to-deposit ratio reached 87.0%.

The Montenegrin subsidiary realised HUF 2.4 billion in pre-tax profit and HUF 2.3 billion in after-tax profit in 2007. The cost-to-income ratio was 59.8% in 2007, with a 1.14% return on average assets and a 27.4% return on average equity (ROAA).
At the end of 2007, the Bank had 34 branches, operated 74 ATMs and was serving more than 268,000 customers. The number of employees was 423 persons as at the end of 2007.


REPORT

# Financial Statements

otpbank

# 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., ("the Bank") which comprise the balance sheet as of December 31, 2007, 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 unconsolidated 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 Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Audit SRL

*Deloitte Audit SRL*
*Bucharest, Romania*
*March 26, 2008*

## *OTP Bank Romania S.A.*
## *Unconsolidated Income Statement as of December 31, 2007*

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

| | Note | December 31 2007 | December 31 2006 |
|---|---|---|---|
| **Interest income** | 6 | **184,145** | **85,568** |
| **Interest expense** | 7 | **(100,985)** | **(36,040)** |
| **Net interest income** | | **83,160** | **49, 528** |
| Fee and commission income | 8 | 34,119 | 25,466 |
| Fee and commission expense | 8 | (9,390) | (9,493) |
| **Net fee and commission income** | | **24,729** | **15,973** |
| Impairment losses on loans | | (9,390) | (3,311) |
| Impairment losses on other assets | | (208) | (1,435) |
| Impairment losses for investment in subsidiaries | | (1,565) | - |
| **Total impairment losses** | 9 | **(11,163)** | **(4,746)** |
| **Net interest income after impairment losses** | | **96,726** | **60,755** |
| Foreign exchange income, net | 10 | 38,265 | 17,971 |
| Other income | 13 | 755 | 3,193 |
| Gain from sale of shares | | 9,230 | 3,781 |
| **Total non- interest income** | | **48,250** | **24,945** |
| **Income before non-interest expense** | | **144,976** | **85,700** |
| Personnel expenses | 11 | (77,237) | (53,336) |
| Operating expenses | 12 | (46,621) | (37,566) |
| Other expenses | 13 | (51,957) | (30,371) |
| **Total non-interest expense** | | **(175,815)** | **(121,273)** |
| **Loss before income taxes** | | **(30,839)** | **(35,573)** |
| Income tax expense (-)/revenue (+) | 27 | 760 | (1,653) |
| **Net loss for the period** | | **(30,079)** | **(37,226)** |
| **Basic and diluted losses per ordinary share (face value RON 240) in RON** | | **(18.29)** | **(30.73)** |

These financial statements have been authorized for issue by the management on March 26, 2008.

OTP BANK ROMÂNIA Administrația Centrală 1. Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

## *OTP Bank Romania S.A.*
## *Unconsolidated Balance Sheet as of December 31, 2007*

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

| | Note | December 31, 2007 | December 31, 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | 14 | 60,687 | 36,453 |
| Current accounts and deposits at banks | 15 | 211,123 | 20,809 |
| Accounts with the National Bank of Romania | 16 | 678,711 | 959,148 |
| Securities held-to-maturity | 17 | 7,408 | 7,567 |
| Loans and advances to customers, net | 18 | 2,289,297 | 1,345,668 |
| Investment securities - Available for sale | 20 | 449 | 6,593 |
| Investment in Associates and Subsidiaries | 21 | 1,022 | 7,504 |
| Non current assets held for sale | 22 | 14,418 | - |
| Tangible and intangible assets, net | 19 | 148,265 | 126,699 |
| Other assets, net | 23 | 136,586 | 80,716 |
| **Total assets** | | **3,547,966** | **2,591,157** |
| **LIABILITIES** | | | |
| Deposits from banks | | | |
| Demand deposits banks | 24 | 25,633 | 229,692 |
| Term deposits banks | 24 | 1,217,399 | 827,847 |
| Total deposits banks | | 1,243,032 | 1,057,539 |
| Deposits from customers | | | |
| Demand deposits customers | 25 | 297,186 | 216,950 |
| Term deposits customers | 25 | 706,713 | 319,701 |
| Total deposits customers | | 1,003,899 | 536,651 |
| Borrowings | 26 | 858,700 | 640,942 |
| Deferred tax liability, net | 27 | 942 | 2,655 |
| Other liabilities | 28 | 75,657 | 17,990 |
| **Total liabilities** | | **3,182,230** | **2,255,777** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | | | |
| Share capital, nominal | 29 | 432,909 | 367,471 |
| Share capital restatement | 5 | 42,751 | 42,751 |
| Total share capital | | 475,660 | 410,222 |
| Accumulated deficit | 5 | (109,924) | (74,842) |
| Total shareholders' equity | | 365,736 | 335,380 |
| **Total liabilities and shareholders' equity** | | **3,547,966** | **2,591,157** |

These financial statements have been authorized for issue by the management on March 26, 2008.

OTP BANK ROMÂNIA
Administrația Centrală
1.
Director General

**Mr. László Diósi**
President and CEO

**Mr. Marin Ban**
Economic Director

## *OTP Bank Romania S.A.*
## *Unconsolidated Statement of cash flows as of December 31, 2007*

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

| | Note | December 31, 2007 | December 31, 2006 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Loss before taxation** | | **(30,839)** | **(35,573)** |
| Adjustments for non-cash items: | | | |
| Depreciation expense | 12 | 12,975 | 12,983 |
| Loss / (Gain) on disposals of fixed assets | | 997 | 338 |
| Loss / (Gain) on sale of securities | 20 | (9,230) | - |
| Charge / (Release) of other provisions | 9 | 209 | (426) |
| Impairment losses on loans and advances to customers | 9 | 9,390 | 3,310 |
| Impairment losses on fixed assets | | - | 1,435 |
| Impairment losses for investment in subsidiaries | 9 | 1,565 | - |
| Other adjustments | | | - |
| **Total adjustments for non-cash items** | | **15,906** | **17,640** |
| **Net loss adjusted for non-cash items** | | **(14,933)** | **(17,933)** |
| **CHANGES IN OPERATING ASSETS AND LIABILITIES** | | | |
| (Increase) / decrease of restricted cash at NBR | | 224,415 | (796,890) |
| (Increase) / decrease of pledged current accounts and deposits at banks | | 65 | 59 |
| (Increase) / decrease of Loans and advances to customers | | (953,019) | (997,531) |
| (Increase) / decrease of other assets | | (55,921) | (67,849) |
| Increase / (decrease) of demand deposits | | (123,823) | 285,666 |
| Increase / (decrease) of term deposits | | 776,564 | 769,306 |
| Increase / (decrease) of other liabilities | | 57,667 | 7,884 |
| **Total changes in operating assets and liabilities** | | **(74,052)** | **(799,355)** |
| **Net cash used in operating activities** | | **(88,985)** | **(817,288)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| (Purchase of) / proceeds from investments available for sale | | 9,418 | 3,829 |
| (Purchase of) / proceeds from investments held to maturity | | - | 132,548 |
| (Purchase) of tangible and intangible assets, net | | (35,538) | (83,681) |
| (Purchase)/sale of SWIFT shares | | - | (47) |
| (Acquisition) of investments in Associates and Subsidiaries | 21,22 | (9,501) | (7,125) |
| **Net cash from / (used in) investing activities** | | **(35,621)** | **45,524** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| (Decrease) / increase of borrowings | | 217,758 | 583,164 |
| Proceeds from issue of shares | 29 | 65,438 | 177,146 |
| **Net cash from financing activities** | | **283,196** | **760,309** |
| **Net increase / (decrease) in cash and cash equivalents** | | **159,590** | **(11,455)** |
| **Cash and cash equivalents at beginning of period** | **14** | **113,219** | **124,674** |
| **Cash and cash equivalents at end of period** | **14** | **271,809** | **113,219** |

## *OTP Bank Romania S.A.*

## *Unconsolidated Statement of Changes in Shareholders' Equity as of December 31, 2007*

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

| | Share Capital | Share capital restatement reserve | Accumulated Deficit | Total |
|---|---|---|---|---|
| **Balance as of January 1, 2006** | **190,325** | **42,751** | **(35,096)** | **197,980** |
| Changes in fair value of Investment Securities – Available for sale | - | - | (2,972) | (2,972) |
| Deferred tax recognised directly in equity | - | - | 452 | 452 |
| Net income recognised directly in equity | - | - | (2,520) | (2,520) |
| Increase in share capital | 177,146 | - | - | 177,146 |
| Net loss for the period ended December 31, 2006 | - | - | (37,226) | (37,226) |
| Total recognised income and expense for the period | | | (39,746) | |
| **Balance as of December 31, 2006** | **367,471** | **42,751** | **(74,842)** | **335,380** |
| Increase in share capital | 65,438 | - | - | 65,438 |
| Changes in fair value of Investment Securities – Available for sale | - | - | (5,956) | (5,956) |
| Deferred tax recognised directly in equity | - | - | 953 | 953 |
| Income derecognised from equity | - | - | (5,003) | (5,003) |
| Net loss for the period ended December 31, 2007 | - | - | (30,079) | (30,079) |
| Total recognised income and expense for the period | - | - | (35,082) | |
| **Balance as of December 31, 2007** | **432,909** | **42,751** | **(109,924)** | **365,736** |

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

## 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 branches network comprising 104 units (out of which 55 branches and 49 agencies), opened all over the country.

The main activities of the Bank are deposits taking, cash management, lending and documentary business transactions as well as 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 total number of Bank's employees as of December 31, 2007 is 998 (December 31, 2006: 796).

The parent company, OTP Bank Ltd (Országos Takarékpénztár És Kereskedelmi Bank Részvénytársaság) is listed on the Budapest Stock Exchange and fully consolidates the Financial Statements of OTP Bank Romania S.A. The registered Head Office of the parent company is: 16 Nador Street, Budapest, 1051, Hungary.

As of December 31, 2007, the shareholders' structure of the Bank was the following:

| | |
|---|---|
| 1. Országos Takarékpénztár és Kereskedelmi Bank Nyilvánosan Működő Részvénytársaság | 99.999778% |
| 2. Merkantil Bank zRt. | 0.000222% |
| **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"). 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.

The regulations require that capital adequacy ratios be calculated on financial information prepared in accordance with Romanian Accounting Regulations. To be in compliance with the National Bank of Romania regulations applicable as at December 31, 2007, a credit institution must have a capital adequacy ratio of at least 12%. As of December 31, 2007, the capital adequacy ratio based upon the National Bank of Romania regulations was 13.51% (December 31, 2006: 22.31%).

Based on IFRS figures, the capital adequacy ratio as at December 31, 2007 was 12.57% (December 31, 2006: 21.19%).
The bank is also subject to other regulatory requirements of the NBR, including those pertaining to lending limits, liquidity, foreign currency exposure, interest rate risk etc. Starting with January 1st 2008, the Bank will apply provisions of NBR – CNVM (National Securities' Committee) regulations harmonized with Basel II requirements, which state that the minimum capital adequacy ratio must be 8%.

## 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 unconsolidated 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 unconsolidated financial statements are prepared in terms of the purchasing power of the Romanian New Leu ("RON") as of December 31, 2007 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 January 1, 2007.

- IFRS 7, "Financial Instruments: Disclosures": IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and disclosure in IAS 32, "Financial Instruments: Disclosure and Presentation"
- complementary amendment to IAS 1, "Presentation of Financial Statements – Capital Disclosures": introduces disclosures about the level of an entity's capital and how it manages capital.
- IFRS 8 "Operating Segments" (effective from January 1, 2009): this standard changes the way the segment information is measured and disclosed and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segments and to assess performance. The Bank has decided to apply this standard for the annual period beginning on January 1, 2008, however there will be no significant impact on the Bank's financial reporting.
- IFRIC 8, "Scope of IFRS 2" (effective for annual periods beginning on or after May 1, 2006). IFRIC 8 clarifies that IFRS 2 "Share based payments" will apply to any arrangement when equity instruments are granted or liabilities are incurred by the entity, when the identifiable consideration appears to be less than the fair value of the instruments given. It presumes that such cases are an indication that other consideration has been or will be received. This IFRIC does have no or insignificant impact on financial statements.
- IFRIC 9, "Reassessment of Embedded Derivatives (effective for annual periods beginning on or after June 1, 2006). IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date the entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. This IFRIC does not have any significant impact on financial statements.

- IFRIC 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after November 1, 2006). IFRIC 10 addresses an inconsistency between IAS 34 Interim Financial Reporting and the impairment relating to goodwill in IAS 36 Impairment of Assets and equity instruments classified as available for sale in IAS 39 Financial Instruments: Recognition and Measurement. This interpretation states that the specific requirements of IAS 36 and IAS 39 take precedence over the general requirements of IAS 34 and therefore, any impairment loss recognised for these assets in an interim period may not be reversed in subsequent periods. The Bank does not apply this IFRIC.

IFRS 7 has impact on disclosures, but not on recognition or measurement. Changes in other standards had no impact on financial statements of OTP Bank Romania.

*IFRSs and IFRIC Interpretations not yet effective*

- IAS 23 (Revised) Borrowing Costs (effective for annual periods beginning on or after January 1, 2009);
- IFRS 8 Operating Segments (effective for annual periods beginning on or after January 1, 2009); and
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008).
- IFRIC 11 on IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007)
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008)
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008 )
- IFRIC 14 on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008)
- IFRS 3 (revised 2008) Business Combinations and IAS 27 (revised 2008) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after July 1, 2009).

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.

**3.2 Key sources of estimation uncertainty**

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

- Provisioning for incurred credit losses and identified contingencies involve many uncertainties about the outcome of those

risks and require the management of the Bank to make many subjective judgments in estimating the loss amounts.
- 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 recognised 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 subsidiaries please see Note 21.

*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 21.

*3.4.3. Non current assets held for sale*

Non-current asset (or disposal group) as held for sale are assets which carrying amount will be recovered principally through a sale transaction rather than through continuing use. The bank measures a non-current asset (or disposal group) held for sale at the lower of its carrying amount and fair value less costs to sell. The Bank classifies in this group OTP Garancia which is kept for sale and the sale is highly probable within 1 year.

### 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:

| | CHF | USD | EUR | 100 HUF |
|---|---|---|---|---|
| Exchange rate as of December 31, 2007 | 2.1744 | 2.4564 | 3.6102 | 1.4250 |
| Exchange rate as of June 30, 2007 | 1.8913 | 2.3246 | 3.1340 | 1.2767 |
| Exchange rate as of December 31, 2006 | 2.1044 | 2.5676 | 3.3817 | 1.3437 |

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

### 3.6 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.

### 3.7 Fee and commission income and expense

Fees and commissions are recognised 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 recognised when the following conditions are satisfied:

- persuasive evidence of an arrangement exists;
- the services have been rendered;
- the fee or commission is fixed or determinable;
- collectability is 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
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 a 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.

**3.8 Financial assets**

*3.8.1 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.

*3.8.2 Recognition, derecognition and initial measurement*

The Bank initially recognises 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 derecognised 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 recognised on the trade date (the date when the Bank commits the purchase or sell), and loans are recognised when cash is advanced to the borrowers as referred to in Note 3.10.

*3.8.3 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 3.8.1, which shall be measured at amortised cost using the effective interest rate method;

- held-to-maturity investments as defined in Note 3.8.1, which shall be measured at amortised cost using the effective interest rate method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which shall be measured at cost. Investments quoted are measured at fair value which represent quoted price on Stock Exchange.

**3.9 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.

**3.10 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, unamortised 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 recognised when cash is advanced to borrowers.

*3.10.1 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).

*3.10.2. Specific provision*

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

For determining whether a specific exposure is individually significant (for the risk management process or / and financial reporting), first there were established materiality thresholds.

Objective evidence about impairment includes observable data that comes to the attention of the Bank as mentioned in **Note 3.8.3 - 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.

*3.10.3. Collective provision*
As per IAS 39, the Bank calculates the required loan loss provision collectively for loans that are not individually significant as well as for loans that are individually significant but for which no objective evidence of impairment exists at the balance sheet date. This is achieved by including the loans in a group with other loans which have similar credit risk characteristics.

Based on current approach to the credit risk in the Bank, it has been decided that main division of exposures would be into the following portfolios:
- Corporate clients,
- Retail,
- 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 bucket, probability of default represents the ratio of clients for which default occurred during a given time horizon to the total number of clients which are not in default at the beginning of that horizon.

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

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

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

***Gross amortised cost***

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

### 3.11 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.

### 3.12 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 vehicles for management) were fully paid in cash in December, 2006.
These assets are included in the Fixed Assets (Note 19) 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, 2007.

### 3.13 Interest bearing Borrowings and Borrowing costs

Borrowings are recognised 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 recognised in income over the period of the borrowings.
Costs for the amounts borrowed are recognised in profit and loss in the period in which they occur.

### 3.14 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 (Please see Note 26).

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

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 16%. (2006:16%).

**3.15 Contingencies**

A contingent liability is:

- 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
- 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 recognised 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 recognised in the accompanying financial statements but is disclosed when an inflow of economic benefits is probable.

**3.16 Provisions**

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

**3.17 Cash and cash equivalents**

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

**3.18 Related parties**

Counterparty is considered related to the Bank if:

- directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the bank (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the Bank that gives it significant influence over the Bank; or
  - has joint control over the bank;
- the party is an associate of the bank (as mentioned in Note 3.4.2);
- the party is a joint venture in which the Bank is a venturer;
- the party is a member of the key management personnel of the bank or its parent;

- the party is a close member of the family of any individual referred to in (a) or (d);
- 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
- 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.

**3.19 Employee benefits**

*Short-term employee benefits:*

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

*Post-retirement benefits:*

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

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

**3.20 Interest Income and expense**

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

*3.21 Comparatives*

Where necessary, certain reclassifications have been made to December 31, 2006 balances to conform to the presentation as of December 31, 2007.

*3.22 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.

*3.23 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. 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 recognised as soon as they are foreseeable.

## 4. Risk management

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

- market risk – is exposure to market factors as interest rate, exchange rates and equity markets

• credit risk
• liquidity risk

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

The “Risk Management” Note presents informations related to Bank’s exposure to each type of risk mentioned above, its’ objectives, policies as well as assessement and management processes.
Bank’s risk related policies and management approach are assessed periodically and updated to the changes that occurre on each analysed area of activity

**4.1. Market Risk Management**

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk, and other price risks.
Bank’s objective in market risk management requires limiting the transactional activities until de implementation of procedures, models and adequate application of monitoring and risk control related with the transactional activities.
Bank’s strategy in market risk management includes development of a compartment specialized in Market Risk in Risk Management Directorate as well as implementing adequate procedures of managing and monitoring the FX risk and interest rate risk.

*4.1.1. Interest 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 borrowed and lended funds.
Bank’s strategy for interest risk management includes continuous assessement of Treasury deales on monetary and exchange market (approved currencies and agreed / approved counterparties) as well as approved transaction limits settled by the Risk Management Committee and approved by the Executive Committee and the Board of Directors.

Market Risk Department, as part of the Risk Division, has the following responsibilities:
• To daily monitor the transaction position and the compliance with the existing limits, but also the report of any exceeding to the bank’s management;
• To revise and submit for approval any application/ request of new limits establishment;
• To prepare and to transmit consolidated reports regarding market risks towards / to the Risk Committee and Board of Directors: interest rate shock scenario (GAP report for Earnings at Risk).

The margin between assets and liabilities is weekly computed by the Planning Directorate, on every currency, and this report is delivered towards corporate and retail business units, risk management and treasury, for assuring ourselves that the margin is sufficient for covering the operational expenses, credit risk and is yielding an appropriate return on economic/regulatory capital according to the budget.

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

| | December 31, 2007 | | | | December 31, 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| **Loans granted to customers** | **CHF** | **EUR** | **RON** | **USD** | **CHF** | **EUR** | **RON** | **USD** |
| Consumer | 11.10 | 13.76 | 14.92 | 12.42 | 9.94 | 11.61 | 12.88 | 7.09 |
| Personal loans with mortgage | 6.27 | 7.52 | 9.55 | N/A | 7.05 | 6.48 | 9.43 | N/A |
| Housing | 5.20 | 6.05 | 8.89 | N/A | 5.44 | 5.48 | 8.85 | 10.32 |
| Car loans | 7.61 | 7.99 | 12.00 | N/A | 7.39 | 4.80 | 11.65 | N/A |
| Corporate loans | 5.42 | 7.43 | 9.48 | 8.71 | 3.78 | 5.69 | 8.67 | 8.55 |

Interest rate changes and the potential effect in the P&L would be:

In order to generate a scenario regarding the impact on profit and loss account of interest rate variations, the Bank considered as benchmark rate BUBOR for balances denominated in RON and EURIBOR for the ones denominated in foreign currencies. The effect presented below was based on assumptions of 1% variation of BUBOR rate and of 0.5% variation of EURIBOR rate.

The main components of assets subject to interest rate risk are loans granted to clients as for liabilities borrowings from financial institutions and loans from other banks as these balances are sensible to changes in interest rates due to the fact that the interest rates have variable component. Interest rates on term deposits are fixed.

### *The impact on profit and loss account due to potential changes in interest rates is presented below:*

| Balance Sheet position | Gain (loss) for period ended December 31, 2006 | Gain (loss) for period ended December 31, 2007 |
|---|---|---|
| Loans (+100bp RON and +50 FCY) | | |
| • increase of 100 bp for RON and of 50 bp for FCY | 8,802 | 15,459 |
| • decrease of 100 bp for RON and of 50 bp for FCY | (8,802) | (15,459) |
| Borrowings from credit institutions | | |
| • increase of 50 bp in interest rates | (3,160) | (4,254) |
| • decrease of 50 bp in interest rates | 3,160 | 4,254 |
| Borrowings from other financial institutions | | |
| • increase of 100 bp in interest rates | (63) | (53) |
| • decrease of 100 bp in interest rates | 63 | 53 |
| **Net effect – increase in interest rates** | **5,579** | **11,152** |
| **Net effect – decrease in interest rates** | **(5,579)** | **(11,152)** |

*4.1.2. Currency Risk*

Currency risk is the risk of loss resulting from changes in exchange rates.

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

The currency position is generally closed and there is a VAR system which monitors this position throughout OTP Group in Kondor+. Regarding the money market and currency market operations, the risk profile is a reduced one, being unitary managed by using Kondor+ and Quant systems by OTP Budapest.

## RON figures

| | | | December 31, 2007 | | | December 31, 2006 |
|---|---|---|---|---|---|---|
| Currency | Open FCY position | Gains (losses) incurred for a change of +1% In currency exchange rate | Gains (losses) incurred for a change of -1% in currency exchange rate | Open FCY position | Gains (losses) incurred for a change of +1% In currency exchange rate | Gains (losses) incurred for a change of -1% in currency exchange rate |
| EUR | 5,769,410 | 5,827,104 | 5,711,716 | 2,696,712 | 2,723,679 | 2,669,745 |
| USD | 74,467 | 75,211 | 73,722 | 1,035,130 | 1,045,482 | 1,024,779 |
| GBP | 280,536 | 283,342 | 277,731 | (11,121) | (11,232) | (11,010) |
| SEK | 21,033 | 21,243 | 20,823 | 12,186 | 12,308 | 12,065 |
| CHF | 371,869 | 375,587 | 368,150 | 777,652 | 785,429 | 769,876 |
| DKK | 115,630 | 116,786 | 114,473 | 105,088 | 106,139 | 104,037 |
| JPY | 3,526 | 3,561 | 3,491 | 73,324 | 74,058 | 72,591 |
| AUD | 4,023 | 4,063 | 3,982 | 32,733 | 33,060 | 32,405 |
| CAD | (20,444) | (20,648) | (20,239) | 7,138 | 7,209 | 7,067 |
| NOK | 42,362 | 42,786 | 41,939 | 25,923 | 26,182 | 25,664 |
| HUF | 30,383 | 30,687 | 30,079 | 128,523 | 129,809 | 127,238 |
| **TOTAL** | **6,692,794** | **6,759,722** | **6,625,866** | **4,883,290** | **4,932,123** | **4,834,457** |
| **Net gain (loss) in P&L** | | **66,928** | **(66,928)** | | **48,833** | **(48,833)** |

In the table above it is shown that there is no material net currency exposures that would give rise to significant net currency gains and losses recognised in the profit and loss account. For example, a 1% depreciation of domestic currency against foreign currencies causes a net gain of RON 67 thousand.

*4.1.3. Equity risk*

Equity risk is the risk of loss resulting from changes in the levels of equity indices and values of individual stocks.

In 2007, trading in derivatives commenced. Bank's **strategy** concerning derivatives trading risk management involves the monitoring of transactions limits:

- risk limits for countries and banks;
- limits for dealer - interbanking market and operations with nonbanking customers;
- limits „Stop Loss" and „Take Profit".

### 4.2. Credit Risk Management

The credit risk is associated to all facilities and loans granted by the Bank, being the risk that a party to a financial transaction will be unable to fulfill its obligations thus causing financial losses to the other party.

The bank's objectives regarding credit risk management are to improve or at least maintain the portfolio quality by monitoring the percentage of the overdue an doubtful receivables and of the loans classified as "loss" and "doubtful" in total loans portfolio and in total own funds;

Bank's strategy regarding credit risk management includes:

- Implementation of credit programs based on scorecards;
- Implementation of monthly reviews of the performance of the individual loan portfolio and update of the scorecards to make sure that the factors that influence non-payment are adequately controlled;
- review and periodic update of the scorecards based on analysis of the factors that generate defaults;
- review of the norms and procedures for administration of overdue and non-performing loans.
- monitoring of the exposures against the country limits set in compliance with the limits approved by OTP Bank Hungary.
- permanent update of the list of approved counterparties; the transactions with counterparties which are not approved are not authorized.

Continuous assessement of the value of exposure versus limits set towards debtors / debtor' groups representing "a single debtor", the group of persons / people in special relationships with the bank, the group represented by staff.

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

To avoid risk concentration, the bank structured its credit strategy trying to diversify its corporate portfolio, by industries, branches and counties.

According to IFRS 7 requirements, the Bank discloses the following information:

*4.2.1. Individually impaired assets*

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

The bank calculated provision for individually impaired loans related only to corporate business portfolio.

***The breakdown of these provisions by industry is as follows (amounts in RON):***

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Trade and finance | 7,405,220 | - |
| Transportation and communications | 5,077,102 | 5,758,212 |
| Other sectors | 3,111,183 | - |
| **Total** | **15,593,505** | **5,758,212** |

Trade and Finance loans – collaterals received from the clients with impairement included in this caption represent:

- Mortgages on residential real-estate, with total fair values of EURO 1,872 thousands
- Stocks of EURO 8,960 thousands

The mortgages are stated at fair value and for the impairment computation purposes they are taken into consideration at their weighted value, respectivelly at 70% and 75% of the fair value.

Transportation and Communication - collaterals received from the clients with impairment included in this caption represent:

- Industrial vehicles of EURO 12,231 thousands presented at the insured value, as stipuleted in the Insurance policy

Other sectors – collaterals received from the clients with impairment included in this caption represent:

- Securities

Other sectors loans comprise loans that would otherwise be past due whose term have been renegotiated.

## *The carrying amount of the renegotiated loans are:*

| Renegotiated loans | December, 31 2007 | December, 31 2006 |
|---|---|---|
| Carrying amount (gross value) | 3,102 | 3,363 |
| Impairment allowances | (3,111) | (16) |
| **Net balance** | **(9)** | **3,347** |

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

## *Recommended loan value (% of collateral)*

| Collateral type/Customer rating | A | B | C | D-E |
|---|---|---|---|---|
| Residential real estate | 85 | 80 | 75 | 0 |
| Industrial real estate | 70 | 60 | 50 | 0 |
| Offices building | 80 | 75 | 70 | 0 |
| In town land | 80 | 75 | 70 | 0 |
| Agriculture/ out of town land | 60 | 50 | 40 | 0 |
| Pledge on car | 75 | 70 | 60 | 0 |
| Pledge on goods | 75 | 70 | 50 | 0 |

## *The Bank accepts as collaterals collaterals specified below*

| Collateral held as of: | December 31, 2007 | December 31, 2006 |
|---|---|---|
| GUARANTEES | 3,369,320 | 2,915,462 |
| State guarantee | 7,606 | - |
| Bank guarantee | 8,060 | 21,263 |
| Guarantees from self-governments | 1,961,729 | 1,903,867 |
| Corporate guarantee | 1,391,925 | 990,332 |
| Promissory note and invoices assignment | 422,651 | 425,126 |
| Financial risk insurance from insurance companies | 969,274 | 565,206 |
| REAL ESTATE MORTGAGE | 2,956,576 | 1,383,468 |
| Residential Real Estate | 1,379,021 | 823,138 |
| Commercial Real Estate | 1,577,554 | 560,330 |
| PLEDGE | 658,442 | 379,041 |
| FINANCIAL COLLATERALS | 2,586 | 1,520 |
| Cash | 1,029 | 25 |
| Securities | 1,557 | 1,495 |
| OTHER COLLATERALS | 93,411 | 40,914 |
| **Total** | **7,080,335** | **4,720,407** |

*4.2.3. Collaterals as result of foreclosure procedures*

## *Collateral obtained as a results of foreclosure procedures:*

| | December 31, 2006 | Additions | December 31, 2007 |
|---|---|---|---|
| Gross book value | 3,149 | 91 | 3,240 |
| **Impairment** | **(2,204)** | **-** | **(2,204)** |
| **Net balances** | **945** | **91** | **1,036** |

*4.2.4. Quality of Loans*

The quality of loans is presented below based on ratings determined by taking into consideration of the quantitative and qualitative criteria set. One of the main criteria is the debt service of the client and its financial situation. The worst rating of the loan is applicable for the classification of the whole exposure towards the client.

*4.2.4.1. Quality of loans of whole portfolio is presented below:*

| **Gross loans** | | | | |
|---|---|---|---|---|
| **December 31, 2007** | **Individuals** | | **Legal entities** | **Total** |
| **Loans quality** | Consumer | Housing | | |
| Performing | 259,218 | 4,613 | 701,239 | 965,070 |
| To-be-monitored | 578,572 | 92,064 | 436,021 | 1,106,657 |
| Below average | 5,783 | - | 73,330 | 79,113 |
| Doubtful | 4,498 | - | 117,272 | 121,770 |
| Bad | 8,101 | 501 | 35,386 | 43,988 |
| **Total** | **856,172** | **97,178** | **1,363,248** | **2,316,598** |
| **December 31, 2006** | **Individuals** | | **Legal entities** | **Total** |
| **Loans quality** | Consumer | Housing | | |
| Performing | 150,933 | 3,246 | 263,261 | 417,440 |
| To-be-monitored | 308,806 | 217,274 | 365,118 | 891,198 |
| Below average | 1,194 | - | 32,584 | 33,778 |
| Doubtful | 1,367 | - | 6,546 | 7,913 |
| Bad | 1,049 | 64 | 6,665 | 7,778 |
| **Total** | **463,349** | **220,584** | **674,174** | **1,358,107** |

| Impairment provisions | | | | |
|---|---|---|---|---|
| **December 31, 2007** | Individuals | | Legal entities | Total |
| **Loans quality** | Consumer | Housing | | |
| Performing | 749 | 1 | 18,643 | 19,393 |
| To-be-monitored | 919 | 44 | 1,555 | 2,518 |
| Below average | 428 | - | 689 | 1,117 |
| Doubtful | 684 | - | 504 | 1,188 |
| Bad | 1,975 | 18 | 1,092 | 3,085 |
| **Total** | **4,755** | **63** | **22,483** | **27,301** |
| **December 31, 2006** | Individuals | | Legal entities | Total |
| **Loans quality** | Consumer | Housing | | |
| Performing | 500 | 9 | 3,535 | 4,044 |
| To-be-monitored | 1,223 | 413 | 6,077 | 7,713 |
| Below average | 435 | - | - | 435 |
| Doubtful | 247 | - | - | 247 |
| Bad | - | - | - | - |
| **Total** | **2,405** | **422** | **9,612** | **12,439** |

*4.2.4.2. Quality of loans past due but not impaired*

***Past due loans are not impaired due to the fact that collateral covers the exposure.***

**Legal entities** — **December 31, 2007**

| Loan category/ Overdue days | Not overdue | 1 - 15 | 16 - 30 | 31 - 60 | 61 - 90 | 91 - 180 | more 180 | Total |
|---|---|---|---|---|---|---|---|---|
| Performing | 317,776 | 2,260 | - | - | - | - | - | 320,036 |
| To-be-monitored | 174,577 | 1,422 | - | - | - | - | - | 175,999 |
| Below average | 39,703 | 120 | - | 5,650 | - | - | - | 45,473 |
| Doubtful | 49,555 | 1,446 | - | - | - | - | - | 51,001 |
| Bad | 29,282 | - | - | 1,111 | - | 184 | - | 30,576 |
| **TOTAL** | **610,892** | **5,248** | **-** | **6,761** | **-** | **184** | **-** | **623,085** |

**Individuals**

| Loan category Overdue days | Not overdue | 1 - 15 | 16 - 30 | 31 - 60 | 61 - 90 | 91 - 180 | more 180 | Total |
|---|---|---|---|---|---|---|---|---|
| Performing | 158,985 | 1,451 | - | - | - | - | - | 160,436 |
| To-be-monitored | 412,802 | 6,719 | 101 | - | - | - | - | 419,622 |
| Below average | 92 | - | 657 | 27 | - | - | - | 776 |
| Doubtful | 1 | - | - | 428 | 67 | - | - | 496 |
| Bad | 11 | - | - | - | 255 | 87 | - | 353 |
| **TOTAL** | **571,891** | **8,170** | **758** | **455** | **322** | **87** | **-** | **581,683** |

| Individuals | | | | | | | | December 31, 2006 |
|---|---|---|---|---|---|---|---|---|
| **Loan category/ Overdue days** | **Not overdue** | **1 - 15** | **16 - 30** | **31 - 60** | **61 - 90** | **91 - 180** | **more 180** | **Total** |
| Performing | 91,109 | 155 | - | - | - | - | - | 91,264 |
| To-be-monitored | 184,693 | 955 | - | - | - | - | - | 185,648 |
| Below average | 6 | - | 63 | 2 | - | - | - | 71 |
| Doubtful | - | - | - | 4 | - | - | - | 4 |
| Bad | - | - | - | - | 21 | - | - | 21 |
| **TOTAL** | **275,808** | **1,110** | **63** | **6** | **21** | **-** | **-** | **277,008** |

| Legal entities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Loan category/ Overdue days** | **Not overdue** | **1 - 15** | **16 - 30** | **31 - 60** | **61 - 90** | **91 - 180** | **more 180** | **Total** |
| Performing | 1,242 | - | - | - | - | - | - | 1,242 |
| To-be-monitored | 22,924 | - | - | - | - | - | - | 22,924 |
| Below average | 5 | 16 | - | - | - | - | - | 21 |
| Doubtful | 12 | 1,508 | - | - | - | - | - | 1,520 |
| Bad | - | 70 | - | - | - | - | - | 70 |
| **TOTAL** | **24,183** | **1,594** | **-** | **-** | **-** | **-** | **-** | **25,777** |

*4.2.5. Aging of impaired loans*

| December 31, 2007 | | |
|---|---|---|
| **Overdue days** | **Provision** | **Loans (gross amounts)** |
| 0 - 15 | 22,332 | 1,087,947 |
| 16 - 30 | 128 | 4,194 |
| 31 - 60 | 1,558 | 7,889 |
| 61 - 90 | 887 | 3,266 |
| 91 - 180 | 1,441 | 5,912 |
| more 180 | 955 | 2,624 |
| **TOTAL** | **27,301** | **1,111,832** |

| December 31, 2006 | | |
|---|---|---|
| **Overdue days** | **Provision** | **Loans (gross amounts)** |
| 0 - 15 | 10,886 | 1,049,638 |
| 16 - 30 | 297 | 2,597 |
| 31 - 60 | 548 | 1,783 |
| 61 - 90 | 461 | 989 |
| 91 - 180 | 247 | 313 |
| more 180 | - | - |
| **TOTAL** | **12,439** | **1,055,320** |

### 4.3. Liquidity Risk Management

The liquidity risk is associated either to the difficulty of an entity to raise necessary funds in order to meet all the commitments when they fall due or to its inability to sell a financial asset quickly.

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

The **strategy** for reaching the bank's objective regarding the liquidity risk, includes:

- introducing new products designed both for retail and corporate types of clients based on the GAP analysis results;
- permanent monitoring of the value of the liquidity indicator calculated in compliance with the NBR norms;

Activities regarding liquidity management strategy include:

- Daily monitoring of the cash-flows for each currency, taking into account the following elements/items:
  - Maturity of deposits placed/attracted related both to customers, but to the financial institutions
  - Payment input/output (inclusively the ones related to the state budget)
  - Input/output related to cash transactions
  - Input/output related to foreign exchange transactions
  - Input/output related to loans
  - The results of the clearing
  - Minimum Reserve Requirement level
- Monitoring the value of the deposits attracted from the interbanking market following the limits approved by the Bank.

### 4.4. Fair value of financial instruments

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

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| **LINES OF THE BALANCE SHEET** | **December 31, 2006** | **December 31, 2007** | **December 31, 2006** | **December 31, 2007** |
| Cash | 36,453 | 60,687 | 36,453 | 60,687 |
| Current accounts and deposits at Banks | 20,809 | 211,123 | 20,809 | 211,123 |
| Accounts with the National Bank of Romania | 959,148 | 678,711 | 959,148 | 678,711 |
| Securities held-to-maturity | 7,567 | 7,408 | 7,567 | 7,408 |
| Loans and advances to customers, net | 1,345,668 | 2,289,297 | 1,345,668 | 2,289,269 |
| Investment securities - Available for sale | 6,593 | 449 | 6,593 | 449 |
| | | | | |
| *Demand deposits banks* | *229,692* | *25,632* | *229,692* | *25,632* |
| *Term deposits banks* | *827,847* | *1,217,399* | *827,847* | *1,217,399* |
| *Demand deposits customers* | *216,950* | *297,186* | *216,950* | *297,186* |
| *Term deposits customers* | *319,701* | *706,713* | *318,412* | *702,811* |
| **Borrowings** | **640,942** | **858,700** | **640,942** | **858,700** |

Methods and assumptions:

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

- **Securities held-to-maturity** - the fair value of these instruments approximates carrying amount as of December 31, 2007 and 2006 based on quotations obtained from Bucharest Stock Exchange.
- **Securities available for sale** - quoted securities are presented in accompanying financial statements at their fair value. Shares, which are not quoted are presented at cost less impairment as fair value can not be reliably determined.
- **Loans and advances to customers, net** - the fair value of loans approximates to their carrying amounts due to the fact that interests are repriced to market on regular basis as the loans bear variable interest rates. Loans with fixed interest rates represent only small portion of portfolio, the fair value was determined by discounting of future cash flow by interest rate valid as of December 31, 2006 and December 31, 2007 for similar loans, with similar maturities and credit risk.
- **Term deposits from customers** - the fair value of term deposits was determined by discounting of future cash flows by market interest rates offered by the Bank as of December 31, 2006 and December 31, 2007 for term deposits with similar contractual maturities.
- **Borrowings** - the fair value of borrowings approximates to their carrying amounts due to the fact that interest rates are repriced to market on regular basis as the borrowings bear variable interest rates.

## 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, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Net profit/(loss) | Retained earnings/ (accumulated deficit) | Net profit/(loss) | Retained earnings/ (accumulated deficit) |
| **RAS preliminary financial statements** | (31,929) | (35,240) | (48,535) | (3,311) |
| *Adjustments to restate* equity items: | | | | |
| • restatement of share capital | - | (42,751) | - | (42,751) |
| *Adjustments to restate* tangible and intangible assets: | | | | |
| • IFRS adjustments | | (16) | (1,138) | (3,786) |
| • statutory revaluation from 2006 | 3,770 | (34,149) | - | (34,149) |
| | ***3,770*** | ***(34,165)*** | ***(1,138)*** | ***(37,935)*** |
| *Adjustment to investment* - available for sale | - | - | - | 5,957 |
| *Deferred tax liability* directly recognised in Equity | - | - | - | - |
| Other adjustments: | | | | |
| • (impairment for loans) / recovery from loans | (3,341) | 2,206 | 11,271 | 5,546 |
| • (provision)/ release of provision for debts recovery from loans | - | - | 1,381 | (375) |
| • deferred tax charge | 760 | (942) | (1,653) | (2,655) |
| • (provision) / release of provision for off-balance-sheet items | - | (340) | 426 | (340) |
| • other adjustments | 1,461 | 1,308 | 222 | 222 |
| • estimation for days of vacation not performed | (800) | - | 800 | 800 |
| | ***(1,920)*** | ***2,232*** | ***12,447*** | ***3,198*** |
| **Net effect of adjustments** | **1,850** | **(74,684)** | **11,309** | **(71,531)** |
| **Balance under IFRS** | **(30,079)** | **(109,924)** | **(37,226)** | **(74,842)** |

## 6. Interest income

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Interest from current loans | 169,977 | 67,089 |
| Interest from overdue loans | 1,430 | 1,609 |
| **Total interest income from loans** | **171.407** | **68,698** |
| Interest from Term deposits with other banks | 3,459 | 4,953 |
| Interest from Demand deposits and accounts with the Central Bank | 8,731 | 10,089 |
| **Total interest from deposits with banks** | **12,190** | **15,042** |
| Interest from treasury securities, net | **548** | **1,828** |
| **Total interest income** | **184,145** | **85,568** |

## 7. Interest expense

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Interest on Term deposits | 57,244 | 26,256 |
| Interest on Demand deposits | 15,326 | 5,608 |
| **Total interest on customers' deposits** | **72,570** | **31,864** |
| Interest on other borrowed funds | 28,415 | 4,176 |
| **Total interest expense** | **100,985** | **36,040** |

## 8. Fees and commissions income and expenses

| FEES AND COMMISSIONS INCOME | December 31, 2007 | December 31,2006 |
|---|---|---|
| FX payment transactions | 1,201 | 866 |
| Card related fees and commissions | 1,843 | 423 |
| Fee income from other services | 2,059 | 591 |
| Payment transfers | 11,357 | 8,858 |
| Lending activity | 16,224 | 13,312 |
| Deposit and turnover fees and commissions | 1,435 | 1,416 |
| **Total fees and commissions income** | **34,119** | **25,466** |

| FEES AND COMMISSIONS EXPENSES | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Deposit and turnover fee and commission expenses | 1,221 | 1,341 |
| Expenses on card operations | 930 | 410 |
| Other services | 2,690 | 3,126 |
| Fees for experts and services | 3,369 | 2,459 |
| Loan commissions expenses | 1,180 | 2,157 |
| **Total fees and commissions expenses** | **9,390** | **9,493** |

## 9. Impairment losses

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| **Impairment losses on loans and advances to customers** | | |
| Provision for loans and advances to customers | (54,710) | (51,155) |
| Write-offs | - | (2,498) |
| Recoveries from loans written off | 4,505 | - |
| Release of provisions | 40,815 | 48,023 |
| **Total impairment losses on loans and advances to customers** | **(9,390)** | **(5,630)** |
| **Impairment losses on other assets** | | |
| Charge) / Release of other assets provisions | (51) | 1,893 |
| (Allowance) for / Recoveries from provision for investment in subsidiaries | (1,565) | - |
| (Allowance) for / Recoveries from provision for held to maturity securities | (157) | - |
| (Charge) / Release of provision for off balance sheet items | - | 426 |
| **Total charge/ (release) of allowance for other assets and off balance sheet items** | **(1,773)** | **2,319** |
| **Total Impairment losses on loans and other assets** | **(11,163)** | **(3,311)** |
| **Impairment losses on fixed assets (charge)** | - | **(1,435)** |
| **TOTAL impairment losses** | **(11,163)** | **(4,746)** |

## 10. Foreign exchange income, net

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Foreign exchange income | 259,391 | 300,095 |
| Foreign exchange expenses | (221,126) | (282,124) |
| **Total, net** | **38,265** | **17,971** |

## 11. Personnel expenses

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Salaries and wages | 58,317 | 40,738 |
| Social insurance contributions | 16,476 | 10,830 |
| Other employee benefits | 2,444 | 1,768 |
| **Total** | **77,237** | **53,336** |

## 12. Operating expenses

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Materials and services | 13,021 | 10,355 |
| Depreciation and amortization | 12,975 | 12,983 |
| Taxes | 11,994 | 8,463 |
| Sundry expenses | 8,631 | 5,765 |
| **Total** | **46,621** | **37,566** |

## 13. Other income and other expenses

### OTHER INCOME

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Net gain from sale of assets classified as held for sale | - | 1,741 |
| Rent income | 197 | 605 |
| Disposals of tangibles and intangibles | - | 323 |
| Income from non-banking services | 558 | 524 |
| Other operating income | - | - |
| **Total** | **755** | **3,193** |

### OTHER EXPENSES

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Advertising | 16,407 | 10,303 |
| Administration | 15,222 | 9,976 |
| Insurance premiums | 17,447 | 5,631 |
| Other expenses | 2,881 | 4,461 |
| **Total** | **51,957** | **30,371** |

## 14. Cash

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | RON | FCY | Total | RON | FCY | Total |
| Cash in hand | 31,167 | 22,060 | 53,227 | 19,337 | 12,395 | 31,732 |
| Cash in ATM | 7,460 | - | 7,460 | 4,721 | - | 4,721 |
| **Total cash** | **38,627** | **22,060** | **60,687** | **24,058** | **12,395** | **36,453** |

### *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, 2007 | December 31, 2006 |
|---|---|---|
| Cash in hand and ATM | 60,687 | 36,453 |
| Current accounts and deposits at banks | 211,123 | 20,809 |
| Accounts with the National Bank of Romania | 678,711 | 959,148 |
| **Total** | **950,521** | **1,016,410** |
| less Pledged deposits at banks | - | 65 |
| less Compulsory reserves at National Bank of Romania | 678,711 | 903,126 |
| **Total Cash and Cash equivalents** | **271,810** | **113,219** |

## 15. Current accounts and deposits at banks

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | RON | FCY | Total | RON | FCY | Total |
| Current accounts at banks | - | 8,899 | 8,899 | - | 2,806 | 2,806 |
| Deposits at banks | - | 202,224 | 202,224 | 10,006 | 7,997 | 18,003 |
| **Total** | **-** | **211,123** | **211,123** | **10,006** | **10,803** | **20,809** |

Pledged Deposits at American Express Bank were closed in March 2007. The balance of pledged deposits at Banks as at December 31, 2007 was null.

Deposits at banks as of December 31, 2006 include a total of RON 65 thousands pledged deposits (USD denominated )as follows:

• at American Express Bank: 65 (th RON)

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

| | December 31, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | RON | FCY | RON | FCY |
| Current accounts at banks | - | - | - | - |
| Deposits at banks | - | 5.2% - 8.2% | 7.5% | 0.89% - 7% |

Current accounts with banks are non-interest bearing deposits.

## 16. Accounts with the National Bank of Romania (NBR)

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | RON | FCY | Total | RON | FCY | Total |
| Compulsory reserves | 95,405 | 583,306 | 678,711 | 235,815 | 667,311 | 903,126 |
| Current accounts | - | - | - | - | - | - |
| Deposits | - | - | - | 56,022 | - | 56,022 |
| **Total** | **95,405** | **583,306** | **678,711** | **291,837** | **667,311** | **959,148** |

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 received funds (deposits from clients and amounts in course of settlement) on a definite period of time.

As of December 31, 2007, 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, 2006:20%)

Foreign currency: 40% of the borrowed funds in foreign currency; (December 31, 2006: 40%)

The interest rate paid by the National Bank of Romania for Minimum Compulsory Reserves as of December 31, 2007 was as follows:

RON: 2.50% (December 31, 2006: 1.70%)
EUR: 1.35% (December 31, 2006: 0.80%)

## 17. 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, 2007 stand for RON 517 thousands having a residual maturity of less than 3 years and bearing an interest rate of 9.49%. (in December 2006 the interest rate was 11.12% p.a.).
Except for these T-bills, securities held-to-maturity comprise also RON 7,048 thousand (3-year maturity) corporate bonds acquired in November 2006. The bonds are issued by Banca Comerciala Romana SA and bear 7.25% interest rate.

## 18. Loans and advances to customers

During the year 2007, the Bank transferred receivables of CHF 211,521 thousand and EUR 7,279 thousand to OTP Bank PLC, representing mortgage loans or personal loans backed by mortgage granted to retail customers. OTP Bank Romania shall act as Agent on behalf of OTP Bank PLC by performing the following activities:

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

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

Throughout 2007, a few corporate loans were transferred to or financed together with OTP Bank PLC. This list comprises mainly EUR loans to the amount of EUR 37,857,199 and one loan of CHF 154,322.

### *a) Structure by currency*

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | RON | FCY | Total | RON | FCY | Total |
| Loans, gross | 738,557 | 1,578,041 | 2,316,598 | 449,508 | 908,599 | 1,358,107 |
| Impairment reserves | (6,108) | (21,193) | (27,301) | (2,920) | (9,519) | (12,439) |
| **Total loans, net** | **732,449** | **1,556, 848** | **2,289,297** | **446,588** | **899,080** | **1,345,668** |

### *b) Structure by type of ownership*

| | December 31, 2007 | | | |
|---|---|---|---|---|
| | Total loans | RON | FCY | % |
| Private companies | 1,363,242 | 409,878 | 953,364 | 58.85% |
| Individuals | 953,356 | 328,679 | 624,677 | 41.15% |
| **Total loans, gross** | **2,316,598** | **738,557** | **1,578,041** | **100.00%** |

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | Total loans | RON | FCY | % |
| Private companies | 674,174 | 266,408 | 407,766 | 49.64% |
| Individuals | 683,933 | 183,100 | 500,833 | 50.36% |
| **Total loans, gross** | **1,358,107** | **449,508** | **908,599** | **100.00%** |

The annual interest rates applied to granted loans were as follows:

| | Interest % from loans | |
|---|---|---|
| | RON | FCY |
| **December 31, 2007** | 7.60%-22.00% | 3.60%-14.00% |
| **December 31, 2006** | 8.50%-22.00% | 2.42%-12.87% |

### *c) Concentration by sector*

| | December 31, 2007 | % | December 31, 2006 | % |
|---|---|---|---|---|
| ***RETAIL*** | **953,356** | **41.15%** | **683,933** | **50.36%** |
| Consumer loans | 856,176 | 36.96% | 463,349 | 34.14% |
| Housing loans | 97,179 | 4.19% | 220,584 | 16.25% |
| **CORPORATE** | **1,363,242** | **58. 85%** | **674,174** | **49.64%** |
| Trade and finance | 638,826 | 27.58% | 311,664 | 22.95% |
| Manufacturing | 153,071 | 6.61% | 136,215 | 10.03% |
| Transportation and communications | 99,682 | 4.30% | 59,877 | 4.41% |
| Services | 222,559 | 9.61% | 103,016 | 7.59% |
| Agriculture and forestry | 59,664 | 2.58% | 12,779 | 0.97% |
| Real estate and construction | 75,559 | 3.26% | 14,128 | 1.04% |
| Other sectors | 113,881 | 4.92% | 36,495 | 2.69% |
| **Total, gross** | **2,316,598** | **100%** | **1,358,107** | **100%** |

## *d) Impairment losses*

| December 31, 2007 | Tangible and intangible assets (including other assets) | Investments and securities | Off balance sheet items | Loans and interest receivable | Total |
|---|---|---|---|---|---|
| **Balances at January 1, 2007** | **3,766** | **-** | **340** | **12,439** | **16,545** |
| Charge/ (release) during the year | 51 | 1,773 | - | 54,710 | 56,534 |
| Write-offs | - | - | - | - | - |
| Recoveries of loans | - | - | - | (40,815) | (40,815) |
| Foreign exchange differences | - | - | - | 967 | 967 |
| **Balance at December 31, 2007** | **3,817** | **1,773** | **340** | **27,301** | **33,231** |

| | Tangible and intangible assets (including other assets) | Investments and securities | 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 | (459) | - | (426) | 5,630 | 4,745 |
| Write-offs | - | - | - | (2,498) | (2,498) |
| Recoveries of loans | - | - | - | 3,243 | 3,243 |
| Foreign exchange differences | (12) | - | - | (678) | (690) |
| **Balance at December 31, 2006** | **3,766** | **-** | **340** | **12,439** | **16,545** |

## 19. Tangible and intangible assets, net

| | Land and Buildings | Furniture and Equipment | Vehicles | Computers | Tangible assets | Construction in progress | Other intangibles | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross book value January 1, 2006** | **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 January 1, 2006** | **(8,792)** | **(5,094)** | **(2,727)** | **(3,342)** | **(19,955)** | **-** | **(15,711)** | **(35,666)** |
| **Net book value January 1, 2006** | **13,085** | **4,543** | **3,624** | **2,338** | **23,590** | **29,396** | **3,053** | **56,039** |
| | | | | | | | | |
| Additions | - | - | 2,237 | | 2,237 | 81,937 | - | 84,174 |
| Transfers from construction in progress | 67,093 | 16,776 | - | 4,497 | 88,366 | (91,681) | 3,315 | - |
| Disposals | (12) | (853) | (1,276) | (128) | (2,269) | (129) | (6) | (2,404) |
| **Gross book value December 31, 2006** | **88,958** | **25,560** | **7,312** | **10,049** | **131,879** | **19,523** | **22,073** | **173,475** |
| | | | | | | | | |
| 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)** | **(46,712)** |
| *Reclassification - Assets classified as held for sale* | *3,149* | - | - | - | *3,149* | - | - | *3,149* |
| *Impairment - Assets classified as held for sale* | *(2,204)* | - | - | - | *(2,204)* | - | - | *(2,204)* |
| *Impairment - Land and Buildings* | *(1,435)* | - | - | - | *(1,435)* | - | - | *(1,435)* |
| *Reclassification - Advances* | - | - | - | - | - | 426 | - | 426 |
| ***TOTAL Reclassifications and impairments*** | ***(490)*** | ***-*** | ***-*** | ***-*** | ***(490)*** | ***426*** | ***-*** | ***(64)*** |
| | | | | | | | | |
| **Net book value December 31, 2006** | **76,998** | **19,141** | **4,320** | **5,124** | **105,583** | **19,949** | **1,167** | **126,699** |
| **Gross book value January 1, 2007** | **88,468** | **25,560** | **7,312** | **10,049** | **131,389** | **19,949** | **22,073** | **173,410** |
| **Accumulated depreciation January 1, 2007** | **(11,470)** | **(6,419)** | **(2,992)** | **(4,925)** | **(25,806)** | **-** | **(20,906)** | **(46,711)** |
| **Net book value January 1, 2007** | **76,998** | **19,141** | **4,320** | **5,124** | **105,583** | **19,949** | **1,167** | **126,699** |
| | | | | | | | | |
| Additions | | | | | | 35,589 | - | 35,589 |
| Transfers from construction in progress | 17,573 | 12,664 | 1,582 | 4,374 | 36,193 | (39,161) | 2,968 | - |
| Disposals | (668) | (2,095) | - | - | (2,763) | | (3) | (2,766) |
| **Gross book value December 31, 2007** | **105,373** | **36,129** | **8,894** | **14,423** | **164,819** | **16,377** | **25,038** | **206,233** |
| | | | | | | | | |
| Dep'n charge for period ended December 31, 2007 | (4,235) | (4,200) | (1,703) | (2,837) | (12,975) | - | - | (12,975) |
| Accumulated depreciation of disposals | 567 | 1,148 | - | - | 1,714 | - | 3 | 1,718 |
| **Accumulated depreciation December 31, 2007** | **(15,138)** | **(9,471)** | **(4,695)** | **(7,762)** | **(37,066)** | **-** | **(20,903)** | **(57,9687)** |
| **Net book value December 31, 2007** | **90,235** | **26,658** | **4,199** | **6,661** | **127,753** | **16,377** | **4,135** | **148,265** |

As of December 31, 2006, for Constructions included within "Land and Buildings" caption there was recorded an impairment of RON 1,435,450. The value of impairment was settled on the basis of comparison between the market value of the fixed assets and the book value.

Assets classified as Held for Sale in 2006 were reclassified in 2007 due to the fact that they were no longer fulfilling the IFRS 5 requirements and are presented in the "Tangible and Intangible Note", under the "Land and Buildings" category .

Also, the amount representing advances for tangibles and intangibles included within "Other assets" in 2006, were reclassified as "Construction in progress" in 2007. For both reclassifications the data presented as at December 31, 2006, was restated so as to reflect comparable figures.

## 20. Investment securities, available for sale

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

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| **Quoted Shares** | **-** | **6,327** |
| **Unquoted shares** | **449** | **266** |
| SNCDD | 201 | 201 |
| SWIFT | 69 | 65 |
| OTP Asset Management SAI SA | 179 | - |
| **TOTAL** | **449** | **6,593** |

### *The movement in quoted shares available for sale during the years 2007 and 2006 is presented below:*

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Cost | - | 370 |
| Accumulated changes in Fair value – as of the beginning of the period | 5,957 | 8,781 |
| Additions | - | - |
| Disposals | (5,957) | (3,782) |
| Gains / (losses) from changes in fair value | - | 958 |
| Accumulated changes in Fair value – end of period | - | 5,957 |
| **As at period end - Fair value** | **-** | **6,327** |

The Bank's shares portfolio was classified as available-for sale, initially recognised at cost and measured according to International Accounting Standards at their fair value determined by reference to quoted prices in Bucharest Stock Exchange Market.

The difference (gains) from the fair-value-adjustment and the historical cost was recognised within the Shareholders' Equity for the fair-value net of the related Deferred Tax Liability.

By the end of 3rd quarter 2007, the Bank sold all its quoted shares. The cumulative gain previously recognised in equity was booked in profit and loss for the portion of shares derecognised during 2007. Total gain from selling the shares (Comvex and Oltchim) represents the amount of RON 9,230 thousand.

### *Details of unquoted investments held by the bank as of December 31, 2007 and December 31, 2006 are as follows:*

| | | | % in share capital | |
|---|---|---|---|---|
| **Company** | **Nature of business** | **Country of incorporation** | **December 31, 2007** | **December 31, 2006** |
| SNCDD | clearing | Romania | 3.75% | 3.75% |
| SWIFT | interbank financial communications | Belgium | less than 1% | less than 1% |
| OTP Asset Management SAI SA | financial services | Romania | 9.9% | - |

## 21. Investment in Associates and Subsidiaries

### *The movement of investments in associates and subsidiaries during the year 2007 is the following:*

| | December 31, 2006 | Acquisition/ Addition | Disposals | Impairment | Reclassification to held for sale | December 31, 2007 | Percentage owned |
|---|---|---|---|---|---|---|---|
| OTP Garancia Asigurari S.A. | 7,125 | - | - | - | (7,125) | - | |
| S.C. OTP Leasing Romania S.A. | - | 433 | - | - | - | 433 | 30% |
| Robinv S.A. | 379 | - | - | - | - | 379 | 99.9% |
| OTP Broker de Pensii Private SRL | - | 1,565 | - | (1,565) | - | - | 50% |
| OTP Consulting Romania SRL | - | 210 | - | - | - | 210 | 74.9% |
| **Total** | **7,504** | **2,208** | **-** | **(1,565)** | **(7,125)** | **1,022** | |

In June 2007, a leasing company, member, of the group, was established under the name: OTP Leasing Romania IFN SA. The shareholders of OTP Leasing Romania IFN SA are Merkantil Bank Hungary, with 70% and OTP Bank Romania SA with 30% of the share capital.

During the third quarter of year 2007, other new group member companies were founded as follows:

- OTP Consulting Romania SRL (OTP Bank Romania SA owns 74,9% and OTP Hungaro Project Kft. owns 25,1% of the company's share capital);
- OTP Asset Management SAI SA (OTP Alapkezelõ ZRT owns 90.1% and OTP Bank Romania S.A. own 9.9% of the company's share capital),
- OTP Broker de Pensii Private SRL (share capital: 3,129 thousands RON out of which OTP Garancia Asigurari SA owns 50%).

Because of the loss incurred by the OTP Broker which exceeded the paid up capital, the investment was adjusted by a RON 1,565 thousands provision which refers to the diminution in the company equity value.

## 22. Non current assets held for sale

Investment in OTP Garancia Asigurari S.A. was made in several steps, starting from February 2006 when the Bank acquired 11.29% shares in this company, established under the name S.C. Asigurarea ROMAS CECCAR S.A. and registered within the Trade Register in Pitesti, having received the authorization from Supervision Office for Insurance – Reinsurance activities of the Ministery of Finance in April 1998.
By the end of year 2006 the Bank's investment increased up to 29.5% of company's paid-in capital.

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.
S.C. Asigurarea ROMAS CECCAR S.A. changed its registered name into OTP Garancia Asigurari S.A. at the end of year 2006.

In January, 2007, OTP Bank Romania increased its share participation in OTP Garancia Asigurari S.A. with 7,293 thousands RON .

As at December 31, 2007, OTP Bank Romania holds 45.9% of OTP Garancia Asigurari S.A.

Due to the fact that OTP Group announced its intention to sell its participation on OTP Garancia during the first semester of 2008, this investment was reclassified from "Investment in Associates and Subsidiaries" into "Non-current assets held-for-sale".

The movement in OTP Garancia Asigurari S.A. investment during year 2007 was the following:

| | December 31, 2006 | Acquisition/ Addition | Disposals | Impairment | December 31, 2007 | Percentage of ownership |
|---|---|---|---|---|---|---|
| **OTP Garancia Asigurari SA** | 7,125 | 7,293 | - | - | 14,418 | 45.92% |

## 23. Other assets, net

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Prepaid expenses | 2,258 | 2,053 |
| Consumables | 1,908 | 774 |
| Sundry debtors, net | 4,439 | 268 |
| Other assets | 128,159 | 77,748 |
| Allowance for other assets | (178) | (127) |
| **Total** | **136,586** | **80,716** |

The main items included within the "Other assets" are Clearing, settlements and other pending accounts amounting RON 126,906 thousands out of which RON 104,887,thousands amounts to be recovered from OTPH representing the value of loans transferred at the end of December 2007 (principal+interest).

Sundry debtors rose principally due to accrued agency fee to receive from OTPH to the amount of RON 3,655 thousands.

## 24. Due to banks

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | RON | FCY | Total | RON | FCY | Total |
| Demand deposits banks | 10,172 | 15,460 | 25,633 | 153,909 | 75,783 | 229,692 |
| Term deposits banks | - | 1,217,399 | 1,217,399 | 70,527 | 757,320 | 827,847 |
| **Total** | **10,172** | **1,232,859** | **1,243,032** | **224,436** | **833,103** | **1,057,539** |

The annual interest rates paid by the Bank for deposits from banks was 7% for RON deposits (December 31, 2006: 5.0% to 8.0%) and ranged from 2.90% to 6,70% for foreign currency deposits (December 31, 2006: 2.0% to 5.3%).

## 25. Due to customers

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | RON | FCY | Total | RON | FCY | Total |
| Demand deposits | 204,292 | 92,894 | 297,186 | 129,995 | 86,955 | 216,950 |
| Term deposits | 418,604 | 288,109 | 706,713 | 213,434 | 106,267 | 319,701 |
| **Total** | **622,896** | **381,003** | **1,003,899** | **343,429** | **193,222** | **536,651** |

The annual interest rates extended by the Bank for current accounts opened by individuals was 0.25% for each currency for amounts exceeding RON 500, EUR 150, USD 150, HUF 25,000, respectively; below this threshold the bank did not pay any interest.
The interest applied to legal entities' deposits was 0.20% for values above RON 500, EUR 500, USD 500, HUF 40,000, GBP 500, CHF 500.
According to the currency and amount of saving account opened, the Bank pays interest rates in the following ranges:

| | |
|---|---|
| RON saving accounts | 0.00% - 7.00% |
| EUR saving accounts | 0.00% - 2.25% |
| USD saving accounts | 0.00% - 3.50% |
| HUF saving accounts | 0.00% - 4.00% |

The annual interest rates paid by the Bank for the RON term deposits both to individuals and companies as at the end of December, 2007 ranged from 0.0% to 8.25% (31.12.2006: 0.5% to 14.00%).
The foreign currency term deposits are mainly denominated in USD and in EURO.
The annual interest rates in 2007 ranged from 0.00% to 5.25% (0.25% to 4% during 2006) for USD , and from 0.00% to 4.60% (0.2% to 4.3% during 2006) for EURO.

Interest rates for other currency deposits:

| | |
|---|---|
| HUF deposits | 0.00% - 4.75% |
| GBP deposits | 0.00% - 4.00% |
| CHF deposits | 0.00% - 2.00% |

## 26. Borrowings

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Loans from parent company OTP Bank RT. | 849,545 | 634,444 |
| Loans from EBRD | 3,630 | - |
| Loans from Ministry of Finance | 5,525 | 6,498 |
| **Total** | **858,700** | **640,942** |

The Bank has three loans from the mother company recorded within the accounting books , as follows:

- The first 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 was made available for the Bank in USD, EUR and CHF.

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.
As of December 31, 2007 the balance of the disbursements in relation to this facility stands for CHF 19,646,764.

- On November 15, 2006, a new medium-term revolving facility was signed between OTP Bank RT. and OTP Bank Romania SA, to the maximum aggregate amount of EUR

175,000,000, equivalent, ,having the final maturity on January 15, 2008. 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.

This facility was withdrawn in three tranches, as follows: CHF 95,000,000 and EUR 115,000,000 on November 11, 2006 and EUR 550,688. The facility agreement was amended in 2007 and the maturity was prolonged till January 2009.

• The third loan facility agreement with OTP Bank Plc, was signed on June 27, 2007. In accordance with this agreement the Bank can receive up to a maximum aggregate amount of EUR 50 million that should be utilized for general corporate purposes. The facility is available in EUR and CHF. The Bank shall pay interest on each advance at the rate determined to be the aggregate of 0.35% per annum margin for the period between the repayment date and extended repayment date plus EURIBOR / LIBOR according to the withdrawal currency. The final maturity date of the loan is June 25, 2010. The amounts outstanding as of December 31, 2007 are: CHF 41,375,000.00 and EUR 25,000,000.00.

The other loans received by the Bank are detailed below:

• 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.

• In June 2006, OTP Bank Romania and EBRD signed a loan agreement, whereas the latter lends 10,000,000 EUR as part of SME Finance Facility. The loan will be used by OTP Bank Romania to onlend to the private sector. In October and November 2007, OTP Bank Romania made two equal disbursements of EUR 500,000 each one and bearing 4.76% interest rate.

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

## 27. Taxation

The Bank has computed the deferred tax as of December 31, 2007 using the statutory rate of 16% (2006: 16%).

### *The income tax expense for the year comprises:*

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Current income tax expense | - | - |
| Deferred income tax (revenue)/expense | 760 | (1,653) |
| **Total income tax** | **760** | **(1,653)** |

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, 2007 is reconciled as follows:

| | Temporary difference | Tax effect |
|---|---|---|
| **IFRS adjustments to tangible and intangible assets** | **9,362** | **1,498** |
| Restatement of equity investments: | 343 | 55 |
| Loan adjustments: | | |
| - impairment for loans | 2,206 | 353 |
| Other adjustments | | |
| Loan from OTP Bank Plc. | (20) | (3) |
| Wages and Social Security | (4,745) | (759) |
| Provision for off balance sheet items | (340) | (54) |
| Deferral of loans' commissions income | (921) | (148) |
| **Deferred tax liability as of December 31, 2007 - NET** | | **942** |

## 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)** |

## Movement in deferred tax

| | | |
|---|---|---|
| **Deferred tax asset as at 1 January** | **(2,655)** | **291** |
| Deferred tax charge to profit and loss | 760 | (1,653) |
| Deferred tax charged to equity | 953 | (1,293) |
| **Deferred tax as of December 31** | **(942)** | **(2,655)** |

### *Reconciliation of tax losses versus accounting losses*

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Loss for the period before tax | (30,839) | (35,573) |
| Change in gain in equity | (5,956) | (2,972) |
| Total gross recognised income/ expense for the period | (36,795) | (27,549) |
| IFRS adjustments affecting profit and loss without tax effect | (1,090) | 8,891 |
| IFRS net change in gain in equity | 5,956 | 2,972 |
| Not taxable income | (3,380) | (940) |
| Not deductible expenses | 4,665 | 5,694 |
| Tax loss | (30,644) | (43,782) |
| Current tax | - | - |
| Def tax on IFRS temporary differences effect of permanent differences in P&L | (760) | 871 |
| Tax on IFRS adjustments in equity | (953) | (452) |
| Tax on previous years in equity | | 1,745 |
| **Total change in def tax** | **(1,713)** | **1,293** |

Total tax losses carried over are Ron 100,243 thousand out of which Ron 25,818 thousand can be used over the period of next 3 years, Ron 43,781 thousand can be used over the period of next 4 years and Ron 30,644 thousand which can be used over next 5 years. Deferred tax asset in amount of 16,038 thousand as of 31 December 2007 was not recognized due to uncertainty of future profits because of losses incurred over the last years.

## 28. Other liabilities

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Deferred income | 1,513 | 536 |
| Other liabilities | 59,157 | 8,210 |
| Accrued expense | 9,827 | 7,119 |
| Sundry creditors | 4,820 | 1,785 |
| Provision for off BS items | 340 | 340 |
| **Total** | **75,657** | **17,990** |

The main portion of 'Other liabilities' caption is represented the amounts of interbanking payments in clearing procedures amounting to RON 58,010 thousands.

## 29. Share capital

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| **Share capital as of beginning of the period** | **367,471** | **190,325** |
| Increase of share capital | 65,438 | 177,146 |
| **Share capital as of end of period** | **432,909** | **367,471** |

The Bank's paid-up capital increased in 2007 after the most recent contribution performed by the parent company (OTP Bank Plc.) at the end of August to the amount of EUR 20,000,000 (RON 65,437,920). The shareholders' structure also changed during the 3rd quarter. Consequently, the present shareholding structure consists of two shareholders and as of December 31, 2007 it is the following:

- ORSZÁGOS TAKARÉKPÉNZTÁR ÉS KERESKEDELMI BANK RÉSZVÉNYTÁRSASÁG
  – 1,803,784 shares with nominal value of 240 RON, with total amount of 432,908,160 RON, representing 99.99977824445% of share capital;
- MERKANTIL BANK ZRT.
  – 4 share with nominal value of 240 RON, representing 0.00022175555%, of share capital;

## 30. Off balance sheet financial commitments

### Issued guarantees and letters of credit

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

All letters of credit issued by the Bank are collateralized. As of December 31, 2007 and December 31, 2006 the probability of material loss arising in connection with letters of credit is considered to be remote and accordingly no provision has been established.

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

### Credit commitments

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

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

The aggregate amounts of outstanding guarantees, commitments, and other off balance sheet items as of December 31, 2007 and December 31, 2006 are the following:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Import letters of credit and other commitments, out of which: | 355,304 | 170,419 |
| *Letters of credit* | *19,696* | *1,597* |
| *Unutilized credit limits* | *335,608* | *168,822* |
| Letters of guarantee and other guarantees | 116,432 | 71,395 |
| Other financial commitments | 1,998 | 2,056 |
| **Total guarantees and other financing commitments** | **473,734** | **243,870** |

As of December 31, 2007, over the existing provision for losses from letters of guarantee no additional provision was made (see Note 9).

## 31. Concentration of assets due by government and held with the central bank

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

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Accounts with the National Bank of Romania (Note 16) | 678,711 | 959,148 |
| Treasury bills (Note 17) | 517 | 520 |
| **Total** | **679,228** | **959,668** |

## 32. Balance sheet structure by currency

Below there is summarized the Bank's exposure to foreign currency exchange rate risk as of December 31, 2007 and December 31, 2006 (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, 2007 | EUR | USD | CHF | HUF | Other FCY | Total FCY | RON | Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash | 15,930 | 2,588 | 1,285 | 1,550 | 707 | **22,060** | 38,627 | **60,687** |
| Current accounts and deposits at banks | 179,572 | 24,508 | 232 | 5,446 | 1,365 | **211,123** | - | **211,123** |
| Accounts with the National Bank of Romania | 583,306 | - | - | - | - | **583,306** | 95,405 | **678,711** |
| Securities held-to-maturity | - | - | - | - | - | **-** | 7,408 | **7,408** |
| Loans and advances to customers, net | 735,017 | 960 | 821,409 | 1 | - | **1,557,387** | 731,910 | **2,289,297** |
| Investment securities - Available for sale | 248 | - | - | - | - | **248** | 201 | **449** |
| Investment in Associates and Subsidiaries | 433 | - | - | - | - | **433** | 589 | **1,022** |
| Non-current Assets held-for-sale | - | - | - | - | - | **-** | 14,418 | **14,418** |
| Tangibles and intangibles assets, net | - | - | - | - | - | **-** | 148,265 | **148,265** |
| Deferred tax assets, net | - | - | - | - | - | **-** | - | **-** |
| Other assets, net | 4,162 | 8 | 105,706 | 2 | 7 | **109,885** | 26,700 | **136,585** |
| **Total assets** | **1,518,668** | **28,064** | **928,632** | **6,999** | **2,079** | **2,484,442** | 1,063,524 | **3,547,966** |
| | | | | | | | | |
| **LIABILITIES** | | | | | | | | |
| Demand deposits banks | - | - | 15,443 | 17 | - | **15,460** | 10,173 | **25,632** |
| Term deposits banks | 691,354 | - | 526,045 | - | - | **1,217,399** | - | **1,217,399** |
| Demand deposits customers | 68,611 | 5,201 | 16,732 | 3,226 | 927 | **94,697** | 202,490 | **297,187** |
| Term deposits customers | 263,999 | 17,253 | 2,208 | 3,942 | 706 | **288,108** | 418,604 | **706,713** |
| Borrowings | 513,217 | 5,525 | 339,958 | - | - | **858,700** | - | **858,700** |
| Deferred tax liability, net | - | - | - | - | - | **-** | 942 | **942** |
| Other liabilities | 789 | 8 | 10,321 | 1 | - | **11,119** | 64,539 | **75,658** |
| Total liabilities | 1,537,970 | 27,987 | 910,707 | 7,186 | 1,633 | **2,485,483** | 696,748 | **3,182,230** |
| **Net Currency position** | **(19,302)** | **77** | **17,925** | **(187)** | **446** | **(1,041)** | 366,776 | **365,735** |

| 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** | 446,588 | **1,345,668** |
| Investment securities - Available for sale | 65 | - | - | - | - | **65** | 6,528 | **6,593** |
| Investment in Associates and Subsidiaries | - | - | - | - | - | **-** | 7,504 | **7,504** |
| Tangibles and intangibles assets, net | - | - | - | - | - | **-** | 126,699 | **126,699** |
| Deferred tax assets, net | - | - | - | - | - | - | - | - |
| Other assets, net | 1,598 | 3 | 76,801 | 2 | 6 | 78,410 | 2,306 | **80,716** |
| **Total assets** | **1,070,373** | **12,696** | **579,075** | **3,577** | **2,343** | **1,668,064** | **923,093** | **2,591,157** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | | |
| Demand deposits | 75,783 | - | - | - | - | **75,783** | 153,909 | **229,692** |
| Term deposits | 463,377 | - | 293,943 | - | - | **757,320** | 70,527 | **827,847** |
| Demand deposits | 65,152 | 13,756 | 4,511 | 1,975 | 1,561 | **86,955** | 129,995 | **216,950** |
| Term deposits | 82,789 | 20,877 | 589 | 1,474 | 537 | **106,266** | 213,435 | **319,701** |
| Borrowings | 392,619 | 6,498 | 241,825 | - | - | **640,942** | - | **640,942** |
| Deferred tax liability, net | - | - | - | - | - | **-** | 2,655 | **2,655** |
| Other liabilities | 1,771 | 237 | 14,007 | 1 | - | **16,016** | 1,974 | **17,990** |
| **Total liabilities** | **1,081,491** | **41,368** | **554,875** | **3,450** | **2,098** | **1,683,282** | **572,495** | **2,255,777** |
| **Net Currency position** | **(11,118)** | **(28,672)** | **24,200** | **127** | **245** | **(15,218)** | **350,598** | **335,380** |

## 33. 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). Interest bearing assets and liabilities of the Bank are analyzed below into relevant re-pricing grouping as December, 2007 and December 31, 2006.

| December 31, 2007 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash | 60,687 | - | - | - | - | 60,687 |
| Current accounts and deposits at banks | 211,123 | - | - | - | - | 211,123 |
| Accounts with the National Bank of Romania | 678,711 | - | - | - | - | 678,711 |
| Securities held-to-maturity | - | - | - | 7,408 | - | 7,408 |
| Loans, net | 954,190 | 528,464 | 790,732 | 6,317 | 9,594 | 2,289,297 |
| **Total interest bearing assets** | **1,904,711** | **528,464** | **790,732** | **13,725** | **9,594** | **3,247,226** |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| Demand deposits banks | 25,633 | - | - | - | - | 25,633 |
| Term deposits banks | 89,331 | 473,224 | 654,844 | - | - | 1,217,399 |
| Demand deposits customer | 297,186 | - | - | - | - | 297,186 |
| Term deposits customer | 468,588 | 141,673 | 90,304 | 5,864 | 284 | 706,713 |
| Borrowings | - | 54 | 46,205 | 808,830 | 3,610 | 858,700 |
| **Total interest bearing liabilities** | **880,738** | **614,951** | **791,353** | **814,694** | **3,894** | **3,105,631** |
| **Net interest sensitivity gap** | **1,023,973** | **(86,488)** | **(621)** | **(800,969)** | **5,700** | **141,595** |
| **Net cumulative interest sensitivity gap** | **1,023,973** | **937,487** | **936,864** | **135,895** | **141,595** | **-** |

| December 31, 2006 | Up to 1 month | 1 to 3 months | 3 to 12 months | 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 | 1,280,336 | 2,865 | 23,891 | 19,804 | 18,772 | 1,345,668 |
| **Total interest bearing assets** | **2,296,681** | **2,930** | **23,891** | **27,371** | **18,772** | **2,369,645** |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| Demand deposits banks | 229,692 | - | - | - | - | 229,692 |
| Term deposits banks | 133,965 | 693,882 | - | - | - | 827,847 |
| Demand deposits customer | 216,950 | - | - | - | - | 216,950 |
| Term deposits customer | 248,357 | 53,929 | 16,351 | 1,064 | - | 319,701 |
| Borrowings | - | - | - | 635,635 | 5,307 | 640,942 |
| **Total interest bearing liabilities** | **828,964** | **747,811** | **16,351** | **636,699** | **5,307** | **2,235,132** |
| **Net interest sensitivity gap** | **1,467,717** | **(744,881)** | **7,540** | **(609,328)** | **13,465** | **134,513** |
| **Net cumulative interest sensitivity gap** | **1,467,717** | **722,836** | **730,376** | **121,048** | **134,513** | **-** |

## 34. Related parties

The bank's parent company is OTP Bank Hungary (**Országos Takarékpénztár És Kereskedelmi Bank Részvénytársaság)**. Other companies which are members of the Group are detailed in Note 21. The values of transactions performed between other Group members and the Bank are presented under caption "Other companies – Group members".

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, 2007 and December 31, 2006 are presented below:

| | Directors of the Bank | | Parent Company | | Other companies – Group members | |
|---|---|---|---|---|---|---|
| | December 31, 2007 | *December 31, 2006* | December 31, 2007 | *December 31, 2006* | December 31, 2007 | *December 31, 2006* |
| **Assets** | | | | | | |
| Due from other banks | - | - | 5,441 | 2,404 | - | - |
| Loans and advances to customers, net | 5,268 | 2,567 | - | - | - | - |
| Other assets | - | - | 108,517 | 76,814 | - | - |
| **Total assets** | **5,268** | **2,567** | **113,958** | **79,218** | **-** | **-** |
| | | | | | | |
| Liabilities | | | | | | |
| Due to other banks | - | - | 550,810 | *698,400* | 851 | - |
| Due to customers | 2,265 | 2,642 | - | - | 43,257 | 7,732 |
| Loans from banks | - | - | 849,545 | 634,444 | - | |
| Other liabilities | - | - | 10,304 | 442 | - | - |
| **Total liabilities** | **2,265** | **2,642** | **1,410,659** | **1,333,286** | **44,108** | **7,732** |
| | | | | | | |
| Interest income | 118 | 31 | 474 | 93 | - | - |
| Interest expenses | 28 | 10 | 44,471 | 19,898 | 998 | 324 |
| Non-interest income | - | - | 7,048 | - | 736 | 20 |
| Non-interest expenses | - | - | 84 | - | 7,972 | - |
| **Off-balance sheet commitments** | **191** | **-** | **-** | **-** | **-** | **40** |

**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 periods ended December 31, 2007, respectively December 31, 2006 were as follows:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Salary for key management personnel | 5,917 | 4,937 |
| Short-term and long-term benefits | 4,579 | 3,093 |
| Termination benefits | 129 | 559 |
| **Total benefits for key management personnel** | **10,625** | **8,589** |

## 35. Restricted assets

### *As of December 31, 2007 and December 31, 2006 the Bank held the following restricted assets:*

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Compulsory reserves at National Bank of Romania | 678,711 | 903,126 |
| Collateral deposits at banks (1) | - | 65 |
| **Total restricted assets** | **678,711** | **903,191** |

(1) – Collateral at American Express Bank and at Commerzbank

## 36. Maturity structure

Below is an analysis of the Bank's assets and liabilities as of December 31, 2007 and December 31, 2006 into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date.

Those assets and liabilities that do not have a contractual maturity date are grouped together in the "no fixed maturity" category.

Liquidity of liabilities presented on undiscounted basis is presented below:

| December 31, 2007 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash | 60,687 | - | - | - | - | - | 60,687 |
| Current accounts and deposits at banks | 211,123 | - | - | - | - | - | 211,123 |
| Accounts with the National Bank of Romania | 678,711 | - | - | - | - | - | 678,711 |
| Securities held-to-maturity | - | - | - | 7,408 | - | - | 7,408 |
| Loans, net | 35,354 | 111,505 | 556,150 | 488,590 | 1,097,698 | - | 2,289,297 |
| Investment securities-Available for sale | - | - | - | - | - | 449 | 449 |
| Investment in Associates and Subsidiaries | - | - | - | - | - | 1,022 | 1,022 |
| Non-current Assets held-for-sale | - | - | - | - | - | 14,418 | 14,418 |
| Tangible assets, net | - | - | - | - | - | 148,265 | 148,265 |
| Other Assets, net | - | - | - | - | - | 136,586 | 136,586 |
| **Total assets** | **985,875** | **111,505** | **556,150** | **495,998** | **1,097,698** | **300,740** | **3,547,966** |
| **LIABILITIES** | | | | | | | |
| Demand deposits banks | 25,633 | - | - | - | - | - | 25,633 |
| Term deposits banks | 89,404 | 475,521 | 665,632 | - | - | - | 1,230,557 |
| Demand deposits customer | 297,186 | - | - | - | - | - | 297,186 |
| Term deposits customer | 469,326 | 143,309 | 92,189 | 6,522 | 322 | - | 711,668 |
| Borrowings | 13 | 381 | 80,902 | 827,202 | 3,697 | - | 912,195 |
| Deferred tax liability, net | - | - | - | - | - | 942 | 942 |
| Other liabilities | - | - | - | - | - | 75,657 | 75,657 |
| **Total liabilities** | **881,562** | **619,211** | **838,723** | **833,724** | **4,019** | **76,599** | **3,253,838** |
| Shareholders' equity | - | - | - | - | - | 365,736 | 365,736 |
| **Total liabilities and shareholders' equity** | **881,562** | **619,211** | **838,723** | **833,724** | **4,019** | **442,335** | **3,619,574** |
| Net liquidity gap | 104,313 | (507,706) | (282,573) | (337,726) | 1,093,679 | (141,595) | (71,608) |
| **Cumulative net liquidity GAP** | **104,313** | **(403,393)** | **(685,966)** | **(1,023,692)** | **69,987** | **(71,608)** | **-** |

| December 31, 2006 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash | 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 |
| Investment securities - Available for sale | - | - | - | - | - | 6,593 | 6,593 |
| Investment in Associates and Subsidiaries | - | - | - | - | - | 7,504 | 7,504 |
| Tangible assets, net | - | - | - | - | - | 126,699 | 126,699 |
| Other Assets, net | - | - | - | - | - | 80,716 | 80,716 |
| **Total assets** | **1,026,615** | **100,506** | **347,063** | **296,884** | **598,577** | **221,512** | **2,591,157** |
| **LIABILITIES** | | | | | | | |
| Demand deposits banks | 229,692 | - | - | - | - | - | 229,692 |
| Term deposits banks | 134,244 | 695,354 | - | - | - | - | 829,598 |
| Demand deposits customer | 216,950 | - | - | - | - | - | 216,950 |
| Term deposits customer | 248,793 | 54,447 | 16,844 | 1,087 | - | - | 321,171 |
| Borrowings | 16 | 244 | 19,762 | 640,896 | 5,628 | - | 666,546 |
| Deferred tax liability, net | - | - | - | - | - | 2,655 | 2,655 |
| Other liabilities | - | - | - | - | - | 17,990 | 17,990 |
| **Total liabilities** | **829,695** | **750,045** | **36,606** | **641,983** | **5,628** | **20,645** | **2,284,602** |
| Shareholders' equity | - | - | - | - | - | 335,380 | 335,380 |
| **Total liabilities and shareholders' equity** | **829,695** | **750,045** | **36,606** | **641,983** | **5,628** | **356,025** | **2,619,982** |
| Net liquidity gap | 196,920 | (649,539) | 310,457 | (345,099) | 592,949 | (134,513) | (28,825) |
| **Cumulative net liquidity GAP** | **196,920** | **(452,619)** | **(142,162)** | **(487,261)** | **105,688** | **(28,825)** | **-** |

## 37. Contingencies

As of December 31, 2007 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.

## 38. Bank acting as an agent

OTP Bank Romania S.A. 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 December 31, 2007 is RON 590,966, thousands as mentioned in Note 18 (31 December 2006: RON 76,728 th.).

## 39. Significant events after the balance sheet date

Subsequent to the balance sheet date, the bank increased its holding in OTP Asset Management. General Shareholders Meeting of OTP Asset Management SAI S.A. decided, on January 29, 2008 to rise the company share capital by EUR 940,000 by issuing new nominal shares. OTP Bank Romania contributed to the extent of EUR 93,060, representing 9.9% of the increase. Therefore the Bank voting proportion did not alter.

Another important change occurred in case of OTP Garancia Asigurari S.A. According to Shareholders Meeting of OTP Garancia Asigurari S.A. held on November 11, 2007, the share capital of the company grew by RON 11,573,100.
This modification was recognised by the Trade Register by notification dated January 9, 2008. This amount was subscribed entirely by the other shareholder, OTP Garancia Bisztosito Zrt.. Consquently, OTP Bank Romania share drop from 45.92% to 33.55%.

OTP Group announced its intention to sell its participation on OTP Garancia during the first semester of 2008 and, as a consequence, the Bank will receive the value of its investment in OTP Garancia Asigurari S.A. As at the report date, this amounts were not cashed yet.

A final change in the portfolio of investments in associates relates to OTP Broker de Pensii Private SRL. In January 2008, OTP Bank Romania purchased 50% of the share capital from OTP Garancia Asigurari S.A. As a result, this company is solely owned by our bank.

# Corporate Governance

# Dr. Antal Pongrácz

## *Chairman of the Supervisory Board, OTP Bank Romania*

Dr. Antal Pongrácz (62) began his professional activity in OTP Group as Deputy Chief Executive for OTP Bank Inc. (1988-1990). Starting from 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 Chief Executive Officer of the Hungarian Airlines Inc - Malev Rt. (1998-1999).

From 2001, Dr. Antal Pongrácz is the Chief Administration Officer of OTP Banc Plc. – one of the largest universal banks 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 Resources Directorate, Legal Directorate, Corporate Secretariat, Controlling Directorate, Compliance Department, Bank Security Department and Media Communications Department.

Regarding his academic background, Dr. Antal Pongrácz graduated from the Budapest University of Economics (1969). He also obtained a PhD in Economics from the University of Economics.

Before joining OTP, Dr. Antal Pongrácz had a lot of activities in the economy and financial area. He was Economist of the Petrochemical 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.

Besides these positions, dr. Antal Pongrácz had other professional assignments, such as: Member of the Board at OTP Bank Plc.; Chairman of the Supervisory Board at OTP Bank Romania; Chairman of the Supervisory Board of the British American Tabacco (HU); Chairman of the Supervisory Board at 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).

# Enikő Zsakó

*Member of the Supervisory Board, OTP Bank Romania*

Enikő Zsakó (46) is Member of the Supervisory Board at OTP Bank Romania, since 2007. Between 2004 and 2007, she was Member of the Board of Directors of OTP Bank Romania. She joined OTP Bank in 1993 and worked as Head of IT Audit Department at the Internal Audit Directorate, between 2001 and 2007.

From May 2007 she is the Head of Bank Group Coordination, Analyzing and Methodology Department.

Regarding his academic background, Enikő Zsakó graduated as Electrical Engineer at the Technical University of Cluj-Napoca in 1985, and she graduated as Banking Consultant, in 1997, at the International Banking School in Budapest. She is a Certified Information System Auditor since 1999.

# Mihály Bácsfalvi

*CFO, OTP Garancia Insurance*
*Member of the Supervisory Board,*
*OTP Bank Romania*

Mihály Bácsfalvi (51) is serving as CFO of OTP Garancia Insurance since 1996. In this position, he coordinates the following departments: Accounting-Financing, Controlling/Planning, Investment-Logistics, Administrations and BPR.

Mihály Bácsfalvi studied Engineer-Economy at the University of Kharkov (1976-1981) 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).

From 1989 until 1994, he was Deputy Head of IT and Head of Controlling Department of the AB-Aegon Co.Ltd. During this assignment, 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 Eridania Beghin Say Budapest.

In 1996, he became the Finance Director of Motorola Ltd from Budapest, being responsible of the following departments: Accounting-Financing, Administration and Budgeting-Reporting.

# Zsuzsa Marti

## *Member of the Supervisory Board, OTP Bank Romania*

Zsuzsa Marti (31) is the Director of the Real Estate Finances Department, in Acquisitions and Project Finance Directorate of OTP Bank. In this assignment, she coordinates the structuring of internal and international projects and the monitoring of the legal medium for real estate finances in Hungary and other 10 countries.

Zsuzsa Marti joined OTP Bank in 2003, and until 2004 she was project manager in Real Estate Finances Department, Acquisitions and Project Finance Directorate. Between 2004 and 2005 she occupied the position of Senior Project Manager in the same department, being responsible for structuring real estate project financing and offering support and assistance for setting up the project finance department of the Bulgarian subsidiary of OTP Bank. Before joining OTP Bank, she worked as project manager at MKB Bank Rt.

Since 2007, she is Member of the Supervisory Board of OTP Bank Romania.

Regarding her education, Zsuzsa Marti graduated from University of Economical Sciences and Public Administration - Budapest, Faculty of Economy (2001). She also attended one semester at the University of New York, studying International Finances (1999).

# Zsolt Szabó

## *Member of the Supervisory Board, OTP Bank Romania*

Zsolt Szabó (45) is the Director of the Market and Product Management Head Department at OTP Bank Plc.

Starting with 1995, Zsolt Szabó worked for OTP Bank, in various managerial positions.

Since 2007, he is Member of the Supervisory Board of OTP Bank Romania.

Regarding his academic background, he graduated from the Agricultural University, Faculty of Agricultural Engineering, in 1987, and he also earned a degree from Budapest Economic College, Faculty of Accountancy, in 2000.

# Szabolcs Annus

## *Member of the Supervisory Board, OTP Bank Romania*

Szabolcs Annus (32) is since 2007 Country Manager of Romania and Senior Manager in OTP Bank. In the same year, he became Chairman of the Supervisory Board at OTP Travel Ltd. and Member of the Supervisory Board of OTP Bank Romania.

Szabolcs Annus joined OTP Bank in 2000, and initially occupied the position of controller and subsidiary expert in the Bankgroup and Branch Network Directorate. Between 2005 and 2006 he was advisor to Head of Staff Division, and in 2007, for a few months, occupied the position of Head of Group-Level Coordination Department.

Regarding his academic background, Szabolcs Annus studied Economy at Budapest University of Economic Studies (1995-2001), having as major qualification Accounting and as submajor qualification Corporate Evaluation. He also obtained a postgraduate degree in Banking at International Training Center for Bankers (2001-2003).

# László Diósi

## *Chairman of the Management Board and CEO OTP Bank Romania*
## *Member of the Board, OTP Garancia Asigurari S.A.*

László Diósi (41) is Chairman of the Management Board and CEO of OTP Bank Romania, since May 2007.

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

Since 2006, he has been Member of the Administration Council of OTP Garancia Asigurari S.A.

László Diósi is an experienced professional, with high performances in a wide spectrum of bank areas, such as mortgage banking, financial analysis, training, staff coordination, project management, insurances, finances, accounting, facultative private pensions' funds, management of investments, negotiations. In terms of education, László Diósi started at the Semmelweis Medical University. After three years, he attended an IT programming course that apparently decided his future career. Later on, he studied at the Finance and Accounting College and graduated with a specialization in Finance. He completed his studies with a business management course that he attended at Chilterns University College – Open Business School.

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

# János Komorowicz

## *Deputy CEO of the Finance and Planning Division, OTP Bank Romania Vice-chairman of the Management Board, OTP Bank Romania Member of the Council of Administration, OTP Garancia Asigurari S.A. Member of the Supervisory Board, OTP Leasing Romania IFN S.A.*

János Komorowicz (42) is Deputy CEO of the Finance and Planning Division of OTP Bank Romania from September 2004 and Vice-chairman of the Management Board since May 2007. He helped the integration process of Robank into the OTP Bank Group following its acquisition with working on finance, operations and IT issues. He was responsible for the development of the accounting and finance functions to reach the professional level of a full scale wholesale and retail banking subsidiary of a foreign listed parent from the basic level of a privately held small bank offering a few corporate products.

He initiated the development of new infrastructure, centralization of the back office and accounting processes, design of efficient new processes. He introduced Six Sigma process improvement methodology. Started electronic document management system implementation to improve efficiency and to complete centralization from branches. Started the implementation of SAP accounting, financial and controlling modules. He is responsible for the development of Treasury and Capital Markets activities since June 2007.

Regarding his education, János Komorowicz graduated from Budapest Technical University (1985-1990), as MSc in Electrical Engineering. He also obtained Master of Business Administration degree at the University of Edinburgh Management School, UK (1993-1994), where he studied Finance, Accounting, Economy, Financial Institutions, Capital Markets. János Komorowicz began his professional activity as consultant at Price Waterhouse Corporate Finance and Recovery in 1990. This position allowed him to participate in many large privatisation deals as advisor of multinational buyers. He also participated in many management consultancy projects mainly at financially distressed companies.

In 1995 and 1996, János Komorowicz worked as Head of Corporate Finance Desk for Bayerische Hypotheken und Wechselbank, Budapest, where he developed investment products for corporate customers and provided general consultancy to German investors. Starting with 1996, he joined General Electric Capital Europe, as Business Development Associate, in London. He worked on acquisitions and acquisition-integration projects across Europe. From 1998, he was appointed Director of Strategy and Advisor to the CEO for General Electric Capital – Budapest Bank in Hungary, in charge of knowledge transfer from GE Capital businesses and the preparation of strategic and annual business plan and management reporting. He was member of the Board of a number of subsidiaries of the bank. In 2001, János Komorowicz joined KPMG Consulting and was in charge of a number of successful consultancy projects for banks and leasing companies in the Central European region (e.g. Oracle Financials implementation, development of data-warehouse strategy, preparation for Basel II, various process improvement and cost saving projects, development and implementation of privatization strategy, electronic document management implementation).

# György Bodó

## *Deputy CEO of the IT & Logistics Division, OTP Bank Romania Member of the Management Board, OTP Bank Romania*

György Bodó (48) has 22 years experience in IT and 18 years in a position of head of department or director in different companies. He also gained 15 years of international experience with companies from Austria, Germany, France, Canada and Hungary.

György Bodó joined OTP Bank in August 2005, when he took over the position of Deputy CEO of the IT & Logistics Division. Some of his current activities include supervising the flawless and efficient operation of the Bank's IT & Communications systems, ensuring the fulfilment of the data-processing requirement at the business areas; 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); Large Project coordination, other.

Regarding his academic background, György Bodó graduated the University "Gh. Asachi" of Iasi. He has also been attending an Executive MBA in General Management, at the University Sheffield, UK, which he will graduate 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.

Beside purely IT related matters, György Bodó has extended experience in managerial activities such as Strategic planning, Project management, Budgeting, Resource planning, Recovery planning, Banking security measures, Operations, Cost optimization, Contract negotiation etc.

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

# Gábor Ljubičić

## *Deputy CEO of Retail Banking Division, OTP Bank Romania Member of the Supervisory Board, OTP Asset Management*

Gábor Ljubičić (40) is Deputy CEO of Retail Banking Division at OTP Bank Romania, since 2007.

Gábor Ljubičić studied College of Finance and Accountancy (1988-1993), obtaining a Bank specialisation. He also attended a Master of Business Administration at University Corvinus, between 2005-2007.

Gábor Ljubičić has had a long and prodigious career with OTP Bank. He joined the Bank in 1986, occupying several types of positions. Starting from 1996, Gábor Ljubičić took over the position of Deputy District Director at Branch in District XV. He was also Director of TeleBank Centre and, later on, Director of Electronic Services Directorate.

Between 2001 and 2005, Gábor Ljubičić occupied various managerial positions at OTP Bank, as Deputy Executive Director for Branch Network Directorate, Executive Director at Downtown Region and Deputy Executive Director for Northern Hungary Region.

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

# Tobias W. Seiferth

## *Deputy CEO of Corporate Banking Division, OTP Bank Romania*

Tobias W. Seiferth (33) is Deputy CEO of Corporate Banking Division at OTP Bank Romania, since 2007.

Tobias W. Seiferth graduated University Politehnica Bucharest, Faculty of Economical Engineering - German Department (1994-1999). He has also attended an Executive Master of Business Administration, at ASEBUSS, Romania & Kennesaw State University, Atlanta, USA (2004-2006) gaining certifications in: credit risk, foreign trade risk, analysis of financial statements, treasury, international payments, project finance, banking legislation, cash flow analysis etc.

Tobias W. Seiferth began his career in 1998, at Dehn & Soehne GmbH & Co KG, Head Office, Germany, as Advisor to the Commercial Director, being in charge with preparation of business plan for entering the Romanian market. His first bank experience was in 1999, when he took over the position of Risk Manager at HVB Bank, Head Office, Bucharest. For a period of four years, he was responsible of performing risk assessment on credit applications, analysis of financial statements, loan portfolio and loan administration of the bank.

Between 2002 and 2004, Tobias W. Seiferth occupied the position of Senior Relationship Manager - Global Account Management, at Raiffeisen Bank, Head Office, having as responsibilities the relationship with large multinationals, a portfolio of more than 60 multinational customers, negotiation and structuring of credit transactions.

Starting with 2004, Tobias W. Seiferth became the Head for Multinational Corporate Customers at Raiffeisen Bank. During this assignment, he managed a portfolio of more than 530 accounts/clients, being in charge with building up and leading a team of skilled relationship managers, developing tactics to increase assets, liabilities and profitability, cross/sell banking services and products.

# Ferenc Bakk

## *Deputy CEO of Lending & Risk Management Division, OTP Bank Romania*

Ferenc Bakk (34) is Deputy CEO of Lending & Risk Management Division at OTP Bank Romania, since January 2008.

Regarding his academic background, Ferenc Bakk graduated *Babes-Bolyai* University, Faculty of Economics, Cluj-Napoca, being specialized in Bank and Stock Exchange. He also obtained a Master in financial strategies at the same university, which he graduated with the highest GPA. He recently attended a Master of Business Administration, specialized in finance and general management, at CEU Business School, Budapest.

In terms of professional experience, Ferenc Bakk started as employee of a stock broker company in 1997. Later on, he worked for ARDAF Insurance/Reinsurance Co., Cluj-Napoca, in the position of Product Manager.

Between 1998 and 2000, Ferenc Bakk was appointed Corporate development manager and Project manager at TIG-RES Rt., in Budapest, where he was in charge with participation in cash-flow improvement projects, developing the strategy regarding the financial investments, preparation of business plans or cost cutting projects. Further on, he worked as credit analyst and monitoring analyst at HVB Bank Hungary Rt., being responsible for drawing up risk opinions regarding the loan requests of corporate clients, preparation of feasibility studies for the largest borrowers, setting up and implementation of the monthly loan portfolio analysis etc.

Starting with 2004, for a period of three years, Ferenc Bakk was Senior credit advisor at the K&H Bank Rt., in Budapest, having as responsibilities the preparation of credit advices for the loan requests of the largest Hungarian companies, representation of the credit management in several internal projects and being a teacher in the credit school of the Bank.

Ferenc Bakk joined OTP Romania in June 2007, occupying the position of Director of Credit Administration Directorate. Since January 2008 he has been nominated Deputy CEO of Lending and Risk Management Division.

***"The future is not something we enter.***
***The future is something we create."***
*Leonard I. Sweet*

# Corporate Social Responsibility

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OTP Bank Romania plays an important role in the life of the communities where it develops its activities. The most important value cherished by the Romanian subsidiary of OTP Group is Trust, the trust that OTP Group is able to deliver quality services to the clients, based on years of experience, as well as on successful stories.

We trust that all our employees perform their tasks in a professional manner, adjusted to the clients' needs, we trust that we can always give a hand to others and we trust that we are able to meet necessities and fulfil dreams.

OTP Bank Romania is a growing financial institution, which carries on its activity on the Romanian market in accordance with the juridical framework of the country and in close connection with the people it stands for. OTP Bank Romania appreciates the national traditions and values and actively takes part in projects with a high social, cultural and sportive importance, any time it has the opportunity.

Thus, OTP Bank Romania offers its customers a range of special packages to support achievement of the objectives of certain groups within society, e.g. preferential account management fees for students or new and small business.

One of its subsidiaries, OTP Consulting, as a new service, offers advice regarding opportunities for securing EU funding and assists in the preparation of applications.

The bank's future plans include joining the EBRD's "Energy Efficiency Financing Facility" program, which has the aim of financing projects that will result in a 20% year-on-year reduction in energy consumption or contribute to improving the efficiency of energy supply.

OTP Bank Romania places particular emphasis on the training of its employees and offers incentives and rewards for innovative ideas (e.g. suggestions for the recycling of used envelopes).

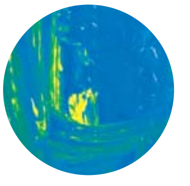
For OTP Bank Romania, reducing its environmental footprint is an important objective: switching the computers off at night reduces energy consumption and leads to a one-ton fall in $CO_2$ emissions. When selecting furniture, preference is given to products made from recycled material from the local lumber industry.

The bank launched its "Selective Waste Disposal for Beginners" program, under which paper, food waste and ink cartridges are collected separately. A plan for the future is to extend this scheme and begin to use recycled paper. Petrol-powered cars are fitted with manual gearboxes, which reduce consumption and $CO_2$ emissions.

An objective for the future is to reduce the impact arising from travel by supporting the use of public transport and encouraging distance work. The bank also plans to procure hybrid-powered vehicles. All of the bank's branches are barrier-free.

In the spirit of full competitiveness and high performance, during 2007, OTP Bank Romania has financially sustained a series of programs, always taking into account the human factor, as well as the potential value of the sponsored actions.

The experience gained by OTP Bank Romania in the course of its sponsorship activities shows that its initiatives to sponsor events that serve objectives at local level (town, school, children associations) are the most successful and therefore it gives preference to these (e.g. Oradea Partium University – Sports Day; Ady Secondary School, Oradea; Miercurea – Ciuc festival; "The future starts today" Association, Brasov – Grigore Moisil high-school; "Save the Children" Association, Bucharest – Christmas Tree Festival).



# Provisions

# Provisions against Money Laundering

Money laundering and terrorism financing are widely considered as global level problems which need adequate measures and controls in order to be able to limit and/ or to prevent their occurrence. International entities largely engaged in combating and preventing money laundering and terrorism financing are giving an important focus to both relevant legislation and regulation.

OTP Bank Romania, in its double quality (i) of member of one of the largest leading financial banking group in Central and Eastern Europe and (ii) an active important player of the Romanian banking system, is continuously concerned to meet legal framework provisions and parent-institution requirements in its entire activity.

From this perspective, Bank management, at all levels, is committed to use its best efforts with a view to manage efficiently and effectively this specific compliance risk and to preserve the credit institution reputation and values for the stakeholders. Consequently, several general relevant principles are in force:

- Identification of all clients before the account opening is made and products/ services are made available, including verifications against sanction lists as well. This principle is applicable to occasional clients as well;
- Prohibition of account opening for persons mentioned in the sanctions lists, as well as for anonymous entities;
- Forbiddance of initiating business relationship with potential clients not physically present at bank premises;
- Establishment of correspondent banking relationship considering, inter alia sound business criteria and the avoidance of shell-banks.

OTP Bank Romania is closely monitoring changes with relevance to compliance risk management in the Romanian legal framework, as well as international standards and best practice and updates its internal regulations accordingly, in order to maintain adequate methods, procedures and internal control system.

In addition, Bank staff is trained periodically, with a view to be able (i) to fully apply customer identification procedure, (ii) to keep necessary evidences and archive them according to legal provisions, (iii) to record completely and correctly information and data made available to them, (iv) to maintain confidentiality and bank secret over the identity, transactions and products/ services of the bank clients.

OTP Bank Romania is paying constantly attention to the requirements of the National Bank of Romania and National Office for Prevention and Control of Money Laundering (national FIU), being the promoter of smooth relationship with these relevant authorities in the combat against money laundering and terrorism financing.

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