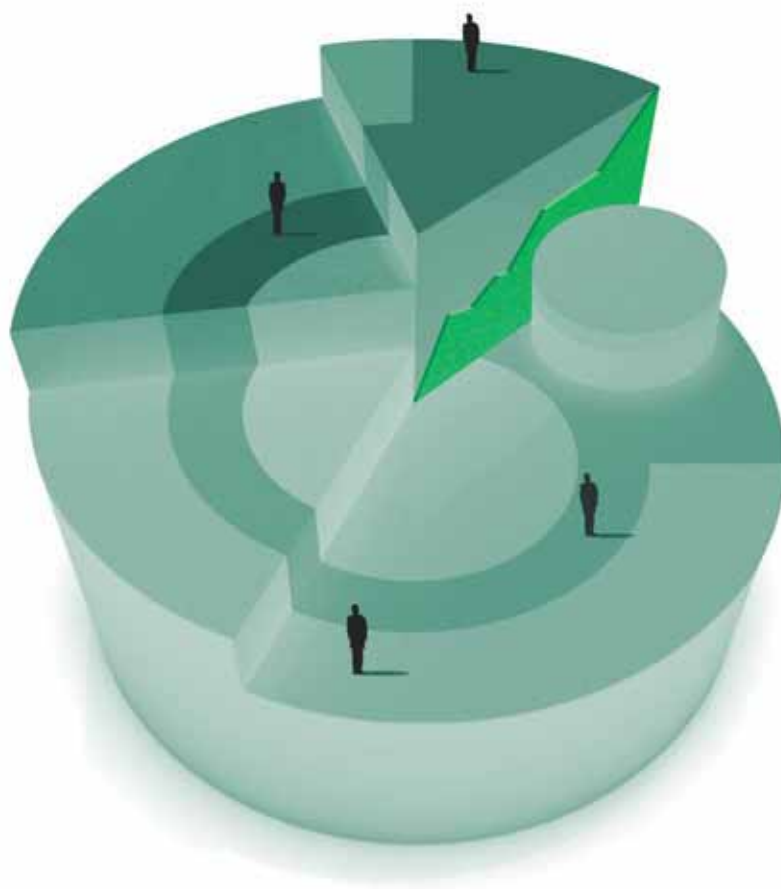


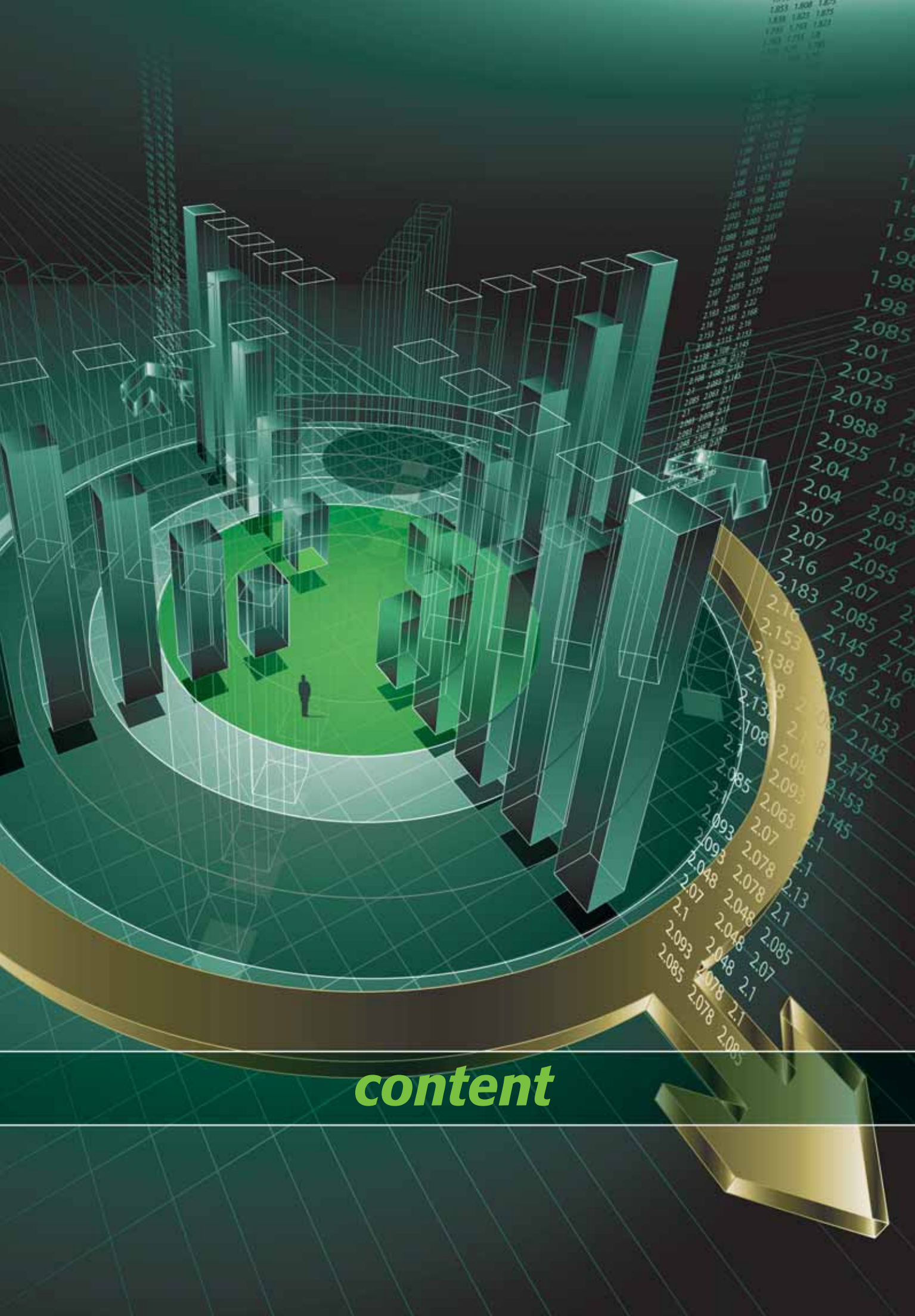


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# Message from the Chairman of the Supervisory Board



*2010 was a year marked by challenges, as the financial conditions were ever-changing. The management had to permanently adapt the business decisions to the continuous changing landscape and continue with the cost reduction process, so as to face the upcoming of an uncertain business environment.*

*In spite of such a delicate economic climate, the challenges we faced proved to be not only challenges, but also opportunities to consolidate our position on the local market and especially to strengthen the relationship we have with our clients. Even more, in 2010, we dedicated to one of our most important goals – to prove to our clients that they are our most important asset.*

As a consequence, 2010 proved to be a very good financial year for the Romanian subsidiary of OTP Group:

- According to the Separate Financial Statements prepared in accordance with IFRS for the year ended December 31, 2010, OTP Bank Romania recorded a 64% increase of the total non-interest income, compared to year 2009;
- The volume of net loans to customers increased by 5% in 2010, compared to year 2009;
- The deposits taken from clients increased with 8% as of December 31, 2010, compared to the previous year, while borrowings from other banks and financial

institutions decreased with 38% in 2010, due to the fully reimbursement of a loan facility contracted on medium term;

- The level of non-performing loans was significantly below the market.

Even though OTP Bank Romania managed very efficiently the client's overdue payments, through the debtor protection program, the provisions for credit risk were significantly higher, with a 62% increase in the balance of IFRS provisions in 2010, compared to 2009.

The debtor protection program is a special project that still makes a difference on the local banking market. It aims at supporting those individual clients and companies who



previously contracted loans and which due to the economic environment conditions have to face downwards in their monthly incomes or business activity. Launched ever since 2009, the program went on successfully during 2010 as well.

In 2010, the clients' trust in the stability of OTP Bank Romania was doubled by the shareholders' trust. Thus, the continuous involvement and support of the Group was again proved when an increase of Bank's share capital with 80 million RON was performed by the main shareholder.

Besides our financial evolution, OTP Bank Romania had a year of strong social involvement through several successful campaigns that brought us closer to the people and their everyday needs. The best

example is the "Right to Read" campaign, the first national CSR program of the bank, which had a great impact in 2010. 53 rural schools were fully equipped with books and the proper furniture, thus more than 11.000 children received back their natural right to read.

We trust that in 2011, OTP Bank Romania will continue a financial positive trend and that the values we truly believe in, trust, responsibility and stability will continue to define OTP Bank Romania.



Pongrácz Antal, Dr.  
Chairman of the Supervisory Board





# ***financial highlights***



**OTP Group\***

<b>Profit and Loss Account (in RON thousands)</b>	<b>2009**</b>	<b>2010**</b>	<b>Change %</b>
Net interest income	8,928,391	9,489,565	6.3%
Net interest income after provisioning	5,190,163	5,311,353	2.3%
Non-interest Income	2,971,735	3,073,232	3.4%
Total income (with net fees)	11,900,142	12,562,796	5.6%
Operating cost	5,283,704	5,416,138	2.5%
Profit before tax	2,605,035	2,973,679	14.2%
Profit after tax	2,273,895	1,803,212	-20.7%
<b>Balance Sheet (in RON thousands)</b>	<b>2009**</b>	<b>2010**</b>	<b>Change %</b>
Total assets	152,258,100	150,533,430	-1.1%
Loans and advances to customers	107,805,923	115,468,376	7.1%
Retail loans	66,987,148	73,411,884	9.6%
Corporate loans	36,230,523	35,510,839	-2.0%
Municipal loans	3,559,482	5,613,944	57.7%
	1,029,629	931,694	-9.5%
Interbank loans and advances	6,880,787	7,868,587	14.4%
Deposits from customers	88,792,148	89,598,537	0.9%
Retail deposits	65,013,532	67,228,211	3.4%
Corporate deposits	18,258,816	18,335,591	0.4%
Municipal deposits	4,848,766	3,590,905	-25.9%
Accrued interest payable related to customer deposits	671,097	443,815	-33.9%
Issued securities	22,012,712	15,932,040	-27.6%
Provisions for possible loan losses	7,716,252	11,717,107	51.8%
Shareholders' equity	18,598,586	20,140,632	8.3%

\* In RON thousands, using the NBR year-end exchange rates.

\*\* According to the 2009 and 2010 audited annual reports

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

	2009	2010	Variation %
<b>Loans</b>			
<b>Gross loans</b>	<b>2,189,579</b>	<b>2,362,717</b>	<b>8%</b>
- from which:			
Individuals	851,834	1,078,865	27%
Corporate	1,337,745	1,283,853	-4%
<b>Provisions</b>	<b>101,016</b>	<b>163,871</b>	<b>62%</b>
<b>Net Loans</b>	<b>2,088,563</b>	<b>2,198,847</b>	<b>5%</b>
<b>Investment securities available for sale</b>	<b>80,424</b>	<b>134,036</b>	<b>67%</b>
<b>Securities held-to-maturity</b>	<b>384,085</b>	<b>501,970</b>	<b>31%</b>
<b>Liabilities from credit institutions</b>			
- from which:			
<b>Loans, net:</b>	<b>56,228</b>	<b>34,843</b>	<b>-38%</b>
- from BERD	39,342	30,677	-22%
- from Ministry of Finance	4,880	4,166	-15%
- from Eximbank	12,007	-	
<b>Deposits from Banks</b>	<b>16,112</b>	<b>248,781</b>	<b>1444%</b>
<b>Deposits from clients</b>	<b>2,621,694</b>	<b>2,831,520</b>	<b>8%</b>
<b>Derivatives at fair value with group members (liability)</b>	<b>185,444</b>	<b>312,775</b>	<b>69%</b>
<b>Total Shareholders' Equity</b>	<b>395,441</b>	<b>445,201</b>	<b>13%</b>
<b>Total assets</b>	<b>3,337,583</b>	<b>3,945,282</b>	<b>18%</b>

\*According to the Separate Financial Statements or the year-end December 31, 2010, prepared in accordance with the International Financial Reporting Standards, together with the Independent Auditors' Report.

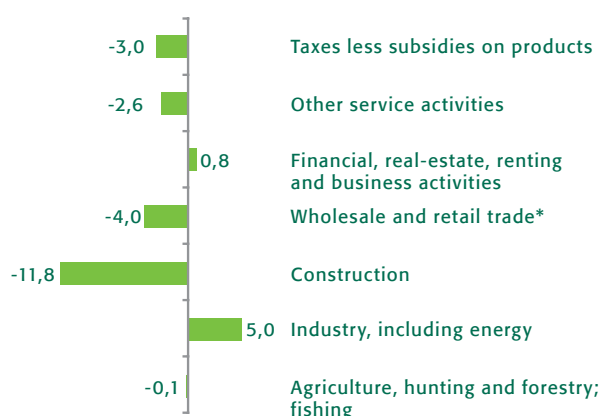
# Macroeconomic and financial environment

## Economic activity overview

In 2010, the Romanian economy marked a second year of recession, when real GDP growth rate dropped by 1.3% YoY. The fiscal measures taken at the middle of the year contributed to the improvement of the fiscal

stance of the country, but delayed the overall recovery process. International trade picked up on the back of better economic conditions in the trade partners' countries and also due to a stable currency. However, due to still tight lending conditions and weak capital inflows, companies did not restart investments.

Growth rates of GDP components by production method (2010 vs. 2009)



Growth rates of GDP components by expenses method (2010 vs. 2009)



Source: National Institute of Statistics

Note: \*it includes repair of motor vehicles and household goods, hotels and restaurants; transport and communications.

From the supply side, construction sector continued to post the highest drop (-11.8% YoY) due to its cyclical nature. The governmental program First House had a social impact, but it did not boost the economy in the Keynesian sense. Also, the domestic trade was in the negative territory, with a slump of 4% YoY. This resulted from a continuing decrease of trade with motor vehicles and of retail trade, while wholesale trade showed a small advance mainly due to wholesale intermediation activities. Industry was the best performer (+5% YoY), as manufacturing and energy sectors advanced, the former being

helped by the restart of growth in the trade partners countries where Romania exports a large part of the manufactured products.

On the demand side, consumption continued to fall by 2.2% YoY, out of which public consumption diminished by 3%, given that the requirements to meet the budget deficit criteria were in a large part fulfilled by cutting expenditures. Investments (gross fixed capital formation) plunged by 14.1% (YoY) in 2010, after they had dropped by 21.4% YoY in 2009, indicating that business confidence has not improved consistently in the past year.

## Unemployment and wages

The unemployment rate decreased from 7.8% in 2009, to 6.9% in 2010, the number of unemployed persons reaching 630 thousands at December 10, 2010, while the number of employed continued to downsize from 4.4 mn in 2009, to 4.1 mn in 2010. The decrease of real monthly net wage growth rate was bigger than in 2009 (-2.6% in 2010 vs. -1.5% in 2009), after the 25% cut of wages in the public sector.

## Monetary policy and banking environment

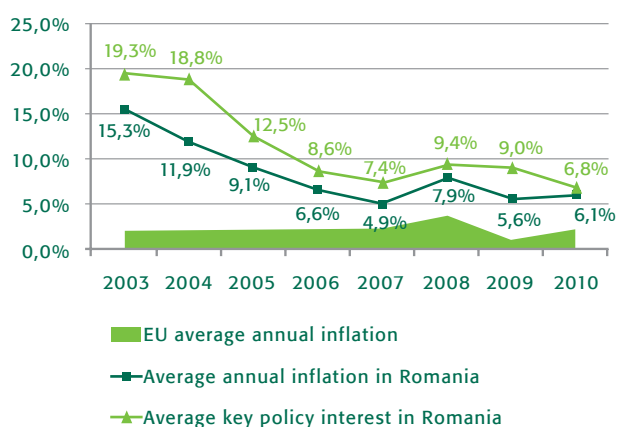
In 2010, the National Bank of Romania (NBR) continued to relax the monetary policy, as it has done in 2009, in order to stimulate lending. Consequently, it decreased the key policy rate 4 times, from 8% to 6.25%. Non-governmental loans (in RON) increased by 4.7% YoY and the average loan interest rates for RON denominated loans dropped by 220 bps to 14.1%, compared to 2009. However, less than half of the new loans were denominated in RON and household loans in RON even decreased. At the same time, the credit quality deteriorated and the NPL ratio (90 DPD+) jumped from 7.8% in December 2009, to 11.9% in December

2010. Looking at the non-performing loans, according to the national methodology, they advanced by 550 bps in 2010, while in 2009 the increase was higher (880 bps). Banking assets posted a modest growth of 3.5% YoY, similar to 2009, when they grew by 5% YoY.

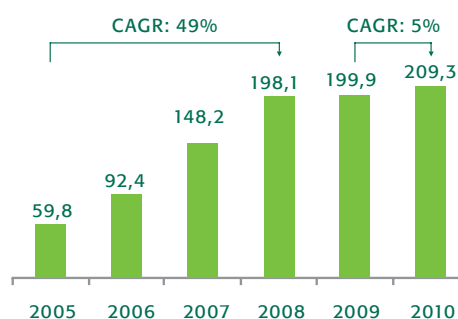
The international reserves kept by NBR increased from bn 30.9 EUR in 2009, to bn 36 EUR, due to the IMF (International Monetary Fund) disbursements which enforced NBR's stance regarding the exchange rate. The EUR/RON exchange rate was stable, RON depreciated against EUR by 1.3%, to 4.28, but it weakened by 20% compared to CHF, up to a parity of 3.42, a historical low for RON. Luckily, the impact on non-performing loans was reduced due to low share of CHF denominated loans (less than 10%).

**Inflation** interrupted the descending trend it had been in the last decade and increased from 5.6%, to 6.1% (annual average). The main reason was the VAT hike from 19%, to 24%, on July 1, 2010. Other factors which influenced the rise were the increase in oil prices on international markets, as well as the rise of administered prices and tensions on agri-food markets, given the supply shortfall of these goods on the domestic market.

Evolution of inflation in Romania compared to inflation in the EU (2003-2010)



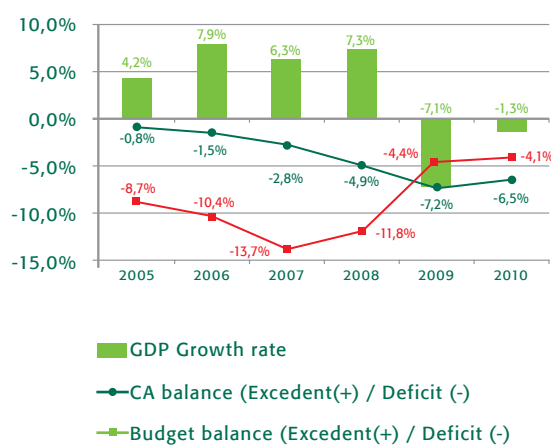
Non-governmental loans evolution between 2005-2010



## Deficits: General government balance and balance of payments

One of the few positive effects of the recession was the declining CA deficit which continued to shrink to 4.1% in 2010, from 4.4% in 2009. This evolution was a result of declining transfers from abroad and also of a contracting trade balance. Exports extraordinary growth outpaced imports in 2010, sustained by the improved business

sentiment in the trade partners' countries. Imports speed of growth decelerated compared to exports after 2008, when the economy fell below the potential output. Only half of the CA deficit was financed by foreign direct investments (bn 2.6 EUR) which declined 3.6 times compared to 2008 when the crisis was first felt in Romania. Investors' sentiment towards Romania might improve following the fiscal measures taken to reduce the budget deficit in 2010.



Source: NBR, Intellinews, internal calculations

The uptrend of the **budget deficit** was reversed in 2010. Through measures that involved heavy expenditure cuts and VAT increase by 5 percentage points to 24%, the cash deficit was brought down to 6.5% in 2010 from 7.2% in 2009. Among the most important actions regard the reduction by 25% of public wages together with layoffs in the public sector (approximately 100.000). Most social transfers were cut by 15%. Also, the income from banks deposits and luncheon tickets were taxed by 16%, up from 0% in the previous year.

The budget deficit was one of the most important performance criteria of the stand - by agreement with IMF for the amount of EUR 13 bn (EUR 20 bn in total) which started in May, 2009 ended in March, 2011. The program helped in preserving a stable currency and also in taking steps to a more sustainable fiscal policy. Considering the risks regarding the international economic climate, a new 24 month precautionary agreement was signed in March, 2011.

## Outlook 2011:

### External financial package and

**country risk:** Upon completion of the 2009 arrangement, IMF approved another precautionary financial package amounting to EUR 3.6 bn, which is part of a total support of EUR 5.4 bn. European Union precautionary funds amount to EUR 1.4 bn and World Bank funds consist of EUR 0.4 bn. During this period, another EUR 1.2 bn is planned to be lent by EBRD, EIB and IFC. In Jan, 2011 the total public debt was at 35% of GDP which is well within the lines of Maastricht Treaty, so the additional debt contracted in 2009 (the EUR 20 bn package) was beneficial in weathering the crisis and in maintaining the country risk premium in line with similar countries in the region. At the date of the current writing (April 15th, 2011), Romania's CDS stands at 225 bps, lower than the value recorded at the end of 2009 (290 bps). It can be expected that Romania's country rating will change to "investment grade", by the end of the year.



**Central Bank:** On March 31, NBR lowered the foreign currency minimum reserve requirements to 20%, from 25%. It also announced it may take measures to limit FX lending for clients whose income is not denominated in foreign currency which could put further pressure on the already fragile lending demand. Due to the increased inflation expectations, NBR might put on hold further cuts in the key policy rate.

**Inflation:** Disinflation process was interrupted due to the VAT hike in July 2010. Although the base effect will vanish in the second half of 2011, the average inflation for 2011 might hit 6.5%, considering the higher oil and food prices on international markets. The upward risks include also incertitude regarding the administered prices and the evolution of the euro zone economy, as well as the sovereign debt crisis.

**Growth:** The main sources for growth in 2011 are likely to include the continuation of exports' rise faster than imports and investments increase as a consequence of stronger FDI flows. According to the National Commission for Prognosis, real GDP growth is seen at 1.5% YoY in 2011, increasing slowly to 4.7% YoY in 2014.







***business results***

# Business Results

*OTP Bank Romania is a subsidiary of OTP Group, the largest independent Central-Eastern-European banking group. OTP Group provides universal financial services in Hungary, Romania, Montenegro, Croatia, Bulgaria, Russia, Ukraine, Slovakia and Serbia, for its more than 12 million clients, through almost 1500 branch offices, the ATM network and electronic channels.*

## History of OTP Bank Romania

The predecessor of **OTP Group**, called the National Savings Bank was established in 1949 as a nation-wide, state-owned banking entity. In 1990, the National Savings Bank became a public company with a share capital of HUF 23 billion. Its name was changed to the National Savings and Commercial Bank. Subsequently, non-banking activities were separated from the bank, along with their supporting organizational units.

### **OTP Bank's privatization began in 1995.**

As a result of 3 public offers along with the introduction of the bank's shares into the Budapest Stock Exchange, the state's ownership in the bank decreased to a single voting preference (golden) share. Currently, the bank is characterized by dispersed ownership of mostly private and institutional (financial) investors.

After the privatization process, OTP Bank started its **international expansion**, targeting countries in the CEE region, which

offer great economic growth potentials similar to that of its domestic market.

OTP Bank has completed several **successful acquisitions** in the past years, becoming a key player in the region. Besides Hungary, OTP Group currently operates in other 8 countries of the region via its subsidiaries: in Bulgaria (**DSK Bank**), in Croatia (**OTP banka Hrvatska**), in Romania (**OTP Bank Romania**), in Serbia (**OTP banka Srbija**), in Slovakia (**OTP Banka Slovensko**), in Ukraine (**CJSC OTP Bank**), in Montenegro (**Crnogorska komercijalna banka**) and in Russia (**OAO OTP Bank**).

OTP Group entered the Romanian financial-banking market in **2004**, by purchasing 99.99% of RoBank, which afterwards became **OTP Bank Romania**.

**2005** was the year when OTP Bank Romania entered the Retail market, thus launching its first products for individuals: personal loan, personal loan with mortgage, overdraft, banking deposit and current account. 12 new units were opened in 2005, as well.

No less than 7 types of banking cards were launched in **2006**, all designed both for individuals and companies. Two of them were absolute premiers on the local market: the first co-branded credit card with a gas station chain (issued with MOL Romania) and the first transparent credit card.

At the end of third quarter of **2007**, the total assets of OTP Bank Romania increased by 15.9%, up to HUF 236.4 billion (EUR 930.706.800). The incurred losses were remarkably lower than in the second quarter of the year. Moreover, the net interest income increased significantly up to 93%, due to the strengthening the bank's deposit base.

In only one month, December **2007**, 20 new branches were opened, OTP Bank Romania reaching the significant number of 104 branches.

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

**2008** was also marked by a significant increase of assets, loans and deposits volumes. Compared to 2007, the total assets have increased with 24%, the volume of loans rose by almost 50%, while the deposits volume has increased with 20%.

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

**2009** and **2010** were difficult years for the players on the banking market. During these

crisis years, OTP Group's main targets (hence OTP Bank Romania's targets) were stability, liquidity and profitability. Even though the delicate economic climate raised a series of uncertainties and doubts, coming both from clients and financial institutions, OTP Bank Romania continued its consolidation process and dedicated to one of its most important goals – to prove its clients that they are the most important asset of the bank.

### **OTP Bank Romania's approach**

OTP Bank Romania, as part of OTP Group – the largest independent bank in Central and Eastern Europe – is an universal bank which provides high quality financial products and complete banking services, both to individuals and companies.

The support of the Group has helped OTP Bank Romania grow dynamically but at the same time cautiously and responsibly, in accordance with the Romanian banking market challenges. OTP Bank Romania has a strong local character, adapted to the particular needs of the Romanian market.

OTP Bank Romania guides its potential clients towards fair offers and services that meet the highest standards and provides high quality customer services.

The approach towards customers is defined by solid values like **trust, honesty, responsibility, transparency** and **true flexibility**, all implemented in order to shorten the response time between demand and offer and to create a partnership relation with our clients.

As a member of an innovative group, OTP Bank Romania was the first bank in Romania to launch new banking products and services on the local market, like the first unique transparent credit card, the first co-branded credit card with a gas station company – OTP-MOL, as well as innovative investment funds and savings packages, in collaboration with OTP Asset Management – one of the top 5 funds administrators on the local market.



OTP Bank Romania recognizes and develops the human asset, exposing them to quality and professionalism. We have a young dedicated team involved in an ongoing development process. OTP Bank Romania strongly believes that customer service is the key factor that makes the difference, as human quality cannot be overlooked.

After more than 6 years of presence on the local market, OTP Bank Romania intends to turn every challenge into an opportunity. Thus, the management permanently adapts the business decisions to the continuous changing landscape, in order to further consolidate the bank's position on the local market and especially to strengthen the relationship we have with our clients.



## Targets

„In 2010, we focused all our efforts on being close to our clients, but also on defining and implementing a strict cost control strategy. We rapidly reacted to the ever-changing financial-banking environment.”

2010 continued to be a difficult year for the players on the banking market. The delicate economic climate raised a series of uncertainties and doubts, coming both from clients and financial institutions.

In that very context, an important fact for OTP Bank Romania turned out to be a real client-oriented policy, with special focus on finding the proper solutions for identified

financial needs. Moreover, we managed to take the client-bank relationship to another level. Thus, OTP Bank Romania is not just a financial products and services provider, but a true adviser for its clients. Trust, flexibility and closeness are very important attributes we take into consideration in our relationship with them.

Moreover, fast responsiveness was a significant condition in 2010, towards both the clients and the ever-changing financial-banking environment.

This year, we will also be cautious and act responsibly towards our clients, so as to continue what we have managed to build in more than 6 years of presence on the Romanian market.

**Diósi László**  
**General Director,**  
**Chairman of the Management Board**  
**OTP Bank Romania**

## Objectives

Ever since its entering the Romanian market, OTP Bank has been implementing an universal banking strategy, with a series of specializations.

Three sources come to emphasize the universal nature of the bank: first, the largest independent bank in Central and Eastern Europe, with more than 60 years tradition on the Hungarian banking market, the innovative members of the Group present in Romania and third, the corporate and retail banking.

Within our universal banking strategy, we differentiate ourselves through the means of expertise in a series of product groups/client segments, such as corporate midmarket, MSEs, mortgages, investment funds, Private Banking and OTPdirekt service package.

One of our most important objectives for 2011 is to increase the lending activity beyond the market level, thus bringing an active contribution to the Romanian financial



market. We trust that the strong points our performance benefits from will continue to differentiate us from other financial institutions: non-performing loans level below the market, a very high coverage ratio (risk cost versus non-performing loans) as well as increased incomes and decreased costs.

In 2011, we intend to reach profit again and at the same time we will continue to being dedicated to one of our most important goals – to prove to our clients that they are our most important asset.

## Quality Assurance Projects

### Projects and Processes Management quality statement

The mission of the Projects and Processes Management is to identify, monitor, optimize and expand the crucial activity areas, by providing relevant information needed for steering the business, focusing on making the processes faster, simpler and more cost effective and implementing new strategic initiatives, while ensuring communication improvement and integration of flexibility and of the right stakeholders' "needs hierarchy" in the implemented changes.

As a major process optimization solution, in 2010, OTP Bank Romania started the implementation of a cutting edge solution for four major support oriented flows: legal opinions, litigations, complaints and incoming/outgoing correspondence with NBR (National Bank of Romania) and other official institutions. The software customized

for these flows covers basic functionalities for managing documentation, keeping history of all interactions and used documents, offers quick responses and optimal logistic by managing requests in a single interface, automatic allocation of tasks based on availability (in case of legal opinions), library facilities for standard legal opinions and more conveniently accessible reports (average response time, workload legal responsibility etc) for the most efficient monitoring of activities and to reduce bottlenecks.

In terms of project management, in 2010, we updated the methodology in order to allow the monitoring of projects based on a case-by-case tailored approach and to reflect, in the internal procedures, the proper collaboration between different parties involved in a project life cycle. We continued to permanently monitor, no matter the project, the clients' impact, costs, benefits and resource allocation.

In 2010, OTP Bank Romania also focused on satisfying the customers' needs for e-products, in order to spend less time at the bank desks. In this area, the main accomplishments are related to:

- OTPe-broker implementation, in order to allow the clients' access to capital market services and to facilitate the transfer of the clients' orders or instructions, as well as to offer the possibility of being informed in real time about the evolutions of the capital market and their own investments;
- The development of an "online" card interface between OTP Bank Romania and the card provider, which will lead to a better cardholder convenience, due to instant updates of the debit card balances and transactions blocking and will open the possibility for cardholders to use OTPdirekt 24h/7 for performing transfers to the debit card attached to the accounts;
- OTPdirekt - new facilities were added and started the development for an extended processing program.

Based on Project Management methodology, we coordinated the initiatives of implementing new measures for increasing the collection rate in case on non-loan-related commissions, a special treatment for inactive clients, optimizing the personal loan with mortgage and mortgage loan flows and conclude new service level agreements, necessary to support the business needs.

The results of implementing the business process management system, coordinating and monitoring the activities based on project management methodology and of a quality orientation approach and processes improvement, led to important savings in terms of cost, time reduction and business enhancements.

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

#### **IT Projects quality assurance**

During 2010, the IT and Logistics Division continued to enhance the service quality offered to both internal and external clients, services which offer even more support to the business processes in the unfavorable environment caused by the global crisis.

The IT services were focused on improving the response time in solving different business requests and on assuring a competitive advantage with respect to the scheduled time and the approved budget for the new implemented business processes.

All the provided services were concluded in order to enhance the bank's activity, efficiency and productivity in a difficult and competitive economic climate.

In economic terms, 2010 was a difficult year, marked by the global financial crisis, which affected almost all countries. Mainly for that

reason, OTP Bank Romania has adjusted its strategy to adapt to these conditions, in terms of resources, financing and adjustment of solvency and liquidity to the limits imposed by the worsening of the loan portfolio.

In 2010, the IT and Logistics Division staff took action to consolidate and optimize the last year's achievements, to introduce new IT facilities, systems and software applications, to monitor business processes and workflows to eliminate redundancies and to reduce energy consumption (Green IT). The most challenging task, in 2010, was to keep under a strict control the operational expenses and investment costs. In this respect, following the Group's initiative, we constituted a Cost Management Forum and organized periodical meetings in order to identify, analyze, establish the implementation steps and monitor the evolution of specific cost savings and cost reduction measures, with notable results.

The **Operational Excellence** concept was consolidated by focusing on competencies like teamwork and problem solving, resulting in continuous improvement throughout the organization, paying attention to the customers' needs, empowering employees and optimizing existing activities in the processes and standards. Considering that you cannot improve if you don't measure, metrics and Key Performance Indicators (KPI) definition for as much as possible processes were considered most important. Once a metric value can be calculated, based on the data coming directly from the process crucial measurement points, continuous improvement means continuously improving on existing metrics and KPI values.

Operational Excellence's main objective is to reduce operation cost and wastes, without affecting quality, time delivery and cost of products and services.

In order to achieve the 2010 targets, the IT and Logistics Division has established the following major goals: implementation of new banking products (included in our

differentiation strategy and LIIB tasks); flexibility and quick reaction to changes and business needs, increasing the security, availability and reliability of the IT systems.

Furthermore, the cost management and the cost efficiency also generated a series of measures implemented in 2010. The IT infrastructure was aligned to the newest and latest technology (e.g. migration to Microsoft Exchange 2010, which allows achieving new levels of reliability and performance related to simplifying the email server's administration); the operational risk management was reduced to a minimum acceptable level and kept under strict control.

Influenced by the macro-economic conditions and group-level requirements, the main software developments, during 2010, were based on developing new solutions to help customers in difficulty to repay their debts to the bank (developing and improving the existing options offered to the clients in difficulty) and to adjust the solvency and liquidity indicators by attracting new resources. New products were implemented and existing products were improved based on business needs. Considering the related legal requirements, IT developments were made in order to facilitate the client database actualization (as part of the Know Your Client program).

A number of other projects started in 2009 were also continued in 2010, while new projects were launched in order to guarantee the continuity of business processes in case of failure or disasters (BCP&DRP plans) and to ensure the conformity with legal requirements, internal audit, NBR recommendations and market trend. The most important are related to handling the implementation within OTP Bank Romania of the NBR Regulation No. 18/2009 on governance arrangements of the credit institutions, internal capital adequacy assessment process and the conditions for outsourcing their activities, Target 2 and SEPA standards implementation, extending

DMS utilization (at this moment, the approval process of 99% of crediting products for individuals are handled through DMS) and starting the development of EU Funds Business Line.

The internal reporting part (serving to different purposes) is supported by a reporting server, developed in 2009 and continuously improved for allowing a proper management of information.

Some other projects were developed mainly to increase the bank's efficiency and productivity (quarterly revision of branch and Operations Directorate needs, taking into account the operations' type, time stamps measured/estimated and their historical volumes), or to reduce the cost at every level.

The main vision of IT and Logistics Division – to transform the services provided and the infrastructure to a business driver, to support the business needs at expected time, with acceptable price, using the right assets from the available sources – has been fully achieved in 2010.

### **Treasury quality statement**

During 2010, the bank's Treasury continued to work with professionalism on increasing its activity turnover, as well as diversifying the types of products available to customers.

Having previously focused on improving OTP Bank Romania's funding structure and liquidity, the treasury focused on managing the existing liquidity, while preserving the prudent investor principles. We have managed to increase the volume of investments in T-Bills and T-Bonds issued by the Ministry of Finance, both in RON and EUR, in the same difficult and risk aversion environment.

Such a development was in line both with the market evolution and with the safety strategy adopted by the bank. Major parts of these placements are "eligible assets" for Repo deals with the National Bank of Romania

(NBR), in case of liquidity shortfalls. This had the added benefit of conforming to the NBR requirements, as well as the Government's requirements, who considered that owning a buffer of government securities is an important part of a commercial bank's safety strategy, as they are "eligible assets" for Repo deals with NBR in case of liquidity shortfalls.

Another type of investment was possessing monetary funds issued by several large banks on the Romanian market, thus taking advantage of the higher yield paid off by these types of instruments (based largely on fixed income components: T-Bills and deposits).

### **Account Management, Sales Network and Bank Transactions**

In 2010, OTP Bank Romania maintained its territorial network of 106 territorial units. During this year, the bank managed to keep all units, only in some cases proceeding to relocations, in order to reduce costs and to have a better market position.

Starting 2010, the efforts of the sales force turned back to promoting loans more actively, as the economic environment stabilized. Internal competitions and promotional offers to customers were developed by the bank. The main direction of the loan granting process was represented by the mortgage backed loans. Even so, the collection process was still an important part of the activity, so OTP Bank Romania maintained a good portfolio quality.

#### **International transactions**

Starting July 1, 2010, the new ICC publication URDG 758 entered into force, the standard bank models of all foreign currencies letters of guarantee were adapted to the new requirements. The new version is even more useful for customers who need demand guarantees or counter-guarantees incorporating best practices and it is more clear and precise than the last version, by offering clear instructions regarding advice

of a guarantee, amendments, standard for presentation examination and for payment request.

### **OTPdirekt Internet Banking, Contact Center and SMS Alerts**

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

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

#### **1. OTPdirekt – Internet Banking (transactions and information)**

Available 24 hours out of 24, 7 days a week, the Internet Banking service brings all the information about the customers' accounts at one «enter»'s distance. The commissions for payments can be two times smaller than those in the OTP Bank's territorial units, while the account balance interrogation and the account statement are free of charge. Also, the Internet Banking application was optimized for access from any mobile phone with internet connection.

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;
- periodical payments;
- exchanges/transfers between the same person's accounts;
- foreign exchanges;
- opening/viewing/closing deposits;
- account balance generated in files that can be printed or saved on the user's computer;
- payments for local taxes EBPP type (Electronic Bill Presentment and Payment);





- presenting the detailed information about loans and the debts related, about debit instruments (incoming and outgoing debit instruments) and collateral deposits (through Electronic RM menu). The client can also receive alerts regarding the information offered through Electronic RM;
- importing domestic payments from a file: any type of payments (inter-banking payments, payments representing treasury rates and taxes, transfers to beneficiaries who have accounts opened at OTP Bank Romania etc.) can be imported automatically through a file with a standard form and subsequent sent for group processing (bulk) or sent in the desired order;
- utilities payments;
- creating models of domestic payments;
- models of foreign currency payments;
- sending messages to the bank, with different demands.

## 2. OTPdirekt – Contact Center (transactions and information)

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

The Bank representatives can be reached free of charge in the Romtelecom network, by calling the number 0800.88.22.88.

The Contact Center can also be reached with a normal call charge in the Vodafone and Orange networks at \*OTPBANK (\*6872265). In order to contact the Contact Center from other networks (then the ones

previously mentioned) customers can dial +4021.308.57.10.

The Contact Center can be reached from Monday to Friday, starting 08:30 until 17:30 (local Romanian time).

Besides the general information regarding OTP Bank, through OTPdirekt Contact Center, with one phone call customers can find out anything they want about the Bank's financial products and services, about exchange rates, standard commissions and many others. If a customer already has an OTP Bank account, then he can choose:

- to obtain specific information (private) regarding his financial status (accounts, deposits, credits, taxes, commissions, special offers etc.);
- to perform transactions/operations (only for OTPdirekt clients), like: opening current accounts, transfers in RON or foreign currencies, exchange, card blocking, opening/closing deposits, closing/ending/modifying/suspending an Intra – Banking Direct Debit contract, making foreign exchanges at a negotiated exchange rate etc.

## 3. OTPdirekt – SMS Alerts (only information)

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

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

- **Frequent Balance:** This alert sends to the client, through an SMS, the account balance for the account selected in the contract, at the requested date;
- **Account Control:** With this alert, the client is informed about the activities of the account (crediting/debiting of the account, regardless of the reason), having control on his account in real time;
- **Card Control:** Card Control sends an alert immediately after the card is involved in a transaction (POS/ online payments/ cash withdrawals) or security inquiry (incorrect PIN/ CVC);

- **NBR Exchange Rate:** This alert will send, daily, the NBR quotations (from Monday to Friday), after 13:00 o'clock (after the official exchange rates are supplied by NBR);
- **Debit Instruments for payment:** The alert will be sent in real time immediately after the information for the instrument is verified in the system. It is useful for the clients to better manage their payment instruments;
- **Electronic RM:** These SMSes are sent only for legal entities to be notified concerning: maturity of credit facilities, commissions, loan installments, loans interests, deposits that reach their maturity. Together with the SMS sent on the mobile phone, the customer will also be notified through the alerts received on the Internet Banking interface.

The number of OTPdirekt–Internet Banking and Contact Center users, as of December 31, 2010, was 20,412, divided as follows:

- Private persons including staff: 10,997
- Legal entities: 9,415

The number of OTPdirekt – SMS Alerts contracts, on December 31, 2010, was of 12,547, divided as follows:

- Private persons including staff: 7,576
- Legal entities: 4,971

The number of SMSes messages sent to the clients during 2010 was 1,275,692.

The number of calls to the Contact Center reached, in 2010 was 27,516. The number of transactions through OTPdirekt – Contact Center was 224 and through OTPdirekt - Internet Banking 680,360. The transaction volume through OTPdirekt was:

- Contact Center: 1,397,061 Euro
- Internet Banking: 1,324,633,669 Euro

### Bank Card Business

In 2010, OTP Bank Romania successfully continued developing its bank card business, on all three main related segments: Cards, Merchant POS and ATMs and managed



to improve the quality of the card related products and services offered to its customers.

The total card portfolio of OTP Bank Romania increased with **17%** due to new card sales during 2010, compared to end-of 2009, most of the new portfolio being composed of a variety of debit cards, such as: MasterCard Unembossed, MasterCard Standard, VISA Electron Junior and Visa Business. The credit card issuance continued to be moderate during 2010, mostly due to the risk factors and market conditions, thus the credit card portfolio increased with around **3%**.

The total number of transactions performed by cardholders of OTP Bank Romania also increased in 2010, compared to 2009, with **14.5%**, despite the overall reduced customer spending market trend, mostly due to economical and social environment.

The Merchant POS business also registered a substantial increase during the year 2010. At the end of December, 2010, OTP Bank Romania owned a POS network consisting of **1,021 point-of-sales terminals**, while the total transactions volume increased with **42%**, (2010 vs. 2009).

The most important of OTP Bank Romania, card related project in 2010, was without any doubt the implementation of the EMV standard on card issuance (smart chip cards issuance), which was successfully completed around mid-year and, after a thorough testing period, was released on full

scale in November 2010. Consequently, all MasterCard and VISA cards issued by OTP Bank Romania starting from that date are fully EMV compliant.

The introduction of smart chip cards brings several potential benefits both to the bank and the cardholder, such as: higher security (lower fraud potential), potential to process other applications via the smart chip (additional card functionalities) and improved control due to the possibility of the bank to up-date / re-program the chip cards over the time (for example, the up-date of the EMV risk management parameters).

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

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

### Products for individuals (Liabilities and loans)

New strategies and tactics for customer loyalty and customer retention, maintaining the quality of the existing portfolio, but also creating an ideal environment for attracting new customers, have been the main priorities for 2010.

In order to attract new customers and new sales, thus increasing the existing loan volumes, OTP Bank Romania has launched a new campaign for mortgage loans in EUR

with competitive pricing conditions and a fixed interest rate in the first loan year. Taking into consideration the market evolution and client demand, OTP Bank Romania has periodically updated the pricing conditions for new lending products. In the same time, OTP Bank Romania also focused on the existing clients by offering them new solutions of rescheduling /suspension of loan payments, part of the Credit Protection Program and loyalty benefits for those with good credit history with the Bank.

In 2010, a great importance was in what concerns the implementation of the law OUG 50/2010 for individuals lending for the new loans granted and also for the existing portfolio.

The loan products are developed in order to satisfy the needs of the potential and existing customers in a very short time. Depending on the loan purpose and the specific collateral required, individuals lending products of OTP Bank Romania are divided in two main categories:

- Loans with mortgage;
- Personal loans and consumer loan products;



#### 1. Loans with mortgage

**Personal Loan with Mortgage.** This is a product aimed at financing studies, holidays / trips, medical treatments, conferences / symposiums abroad, agriculture and other general needs of the borrower. Also, this product is available for any type of loan refinancing from other banks. There are three

available currencies: EUR, RON and CHF, with a minimum credit amount of EUR 1,000 (or equivalent) and a maximum of EUR 1,000,000 (or equivalent). The granting period is between 6 and 360 months. The accepted collaterals are a 1st rank mortgage on a property (an inferior mortgage rank acceptable only if the superior ranks are in favor of OTP Bank Romania). The maximum amount of financing was between 70% and 85% of the property's value, due to the market evolution. On December 31, 2010 the outstanding balance was RON 2,007,198,504.55 (annual change of +25.68%).

**Mortgage Loan for acquisition.** This loan can be used for the following purposes: houses/flats full or partial acquisition and also refinancing of mortgage loans previously contracted from other banks. There are three available currencies: RON, EUR and CHF. The minimum credit amount is EUR 1,000 (or equivalent) and maximum is EUR 1,000,000 (or equivalent). The minimum granting period is 6 months and the maximum is 360 months. The collateral accepted is 1 rank mortgage on the purchased property and property insurance assigned in favor of OTP Bank Romania. Also, OTP Bank Romania continued to offer the **First House** mortgage loans, included in the First House governmental program, designed to stimulate the constructions and house acquisitions market in Romania. The First House loans are guaranteed by the Romanian state and have a 4% maximum margin for EUR loans and 2.5% margin for RON loans.

**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 1,000 (or equivalent) and maximum is EUR 1,000,000 (or equivalent). The minimum of the granting period is 6 months and the 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, 2010 the outstanding balance for Mortgage Loan for acquisition and Mortgage Loan for Construction Purposes was RON 1,027,384,892.19 (annual change of +17, 93%).

## 2. Personal loans and other loans products

**Personal loan.** This product helps customers to put all their plans into practice (holidays, studies, conferences and other needs of the customer), without collaterals. We accept a wide variety of eligible incomes and we offer the loan in RON, EUR and CHF, with different interest rates. The minimum credit amount is EUR 150 (or equivalent) and the maximum is 10,000 EUR (or equivalent). On December 31, 2010 the outstanding balance was 189,835,372.43 RON (annual change -35%).

**Car loan.** It can be used for financing new or second-hand cars, new scooters and new motorbikes. The loan is available in RON, EUR and CHF. The minimum credit amount is EUR 1,000 (or equivalent) and the maximum is EUR 30,000 (or equivalent). The second-hand cars must have maximum 50.000 km usage and not more than 4 years. The minimum down-payment is 20% for new cars and 25% for old cars.

On December 31, 2010 the outstanding balance was RON 1,233,105.88 (annual change of -19%)

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

On December 31, 2010, the outstanding balance was RON 11,584,070.53 (annual change of +11%).

### Savings products

OTP Bank Romania also offers products for investment and saving purposes: term deposits, savings accounts, investment funds, etc.

**The term deposit** is an account opened on the basis of the contract where the customers can deposit money for a fixed interest rate until maturity; this way clients have the possibility of increasing the savings due to the influence of capitalized interest rate. The deposit account can be opened in RON, EUR, USD, HUF, GBP and CHF. There are no commissions at opening, closing or withdrawing, in case the withdrawn is made at maturity. The interest rate is fixed until the maturity of the deposit. OTP Bank Romania offers standard term deposits with maturities of 1 week, 1 month, 2 months, 3 months, 4 months, 6 months, 9 months, 12 months for all available currencies and 18 months, 24 months only for RON term deposits. Also, flexible maturities are available between 1 month – 24 months for RON and 1 month – 12 months for foreign currencies. The minimum amount for opening is RON/USD/EUR/CHF/GBP 100 and HUF 25,000. For standard term deposits, the client has the possibility of automatic administration of deposits by choosing one of the three options available at maturity: automatic deposit renewal with interest capitalization - the deposit will be automatically extended by the bank for an equal number of months with the initial option, using the interest rate valid on the renewal date of the deposit, while the accumulated interest for the previous period will be added to the initial deposit; automatic deposit renewal without capitalization - the deposit will be automatically extended by the Bank for an equal number of months with the initial option, using the interest rate valid on the renewal date of the deposit, while the accumulated interest for the previous period will be transferred to the current account; automatic deposit liquidation - the Bank transfers the deposit amount and the appropriate interest in the client's current account. Besides typical term deposits, OTP Bank Romania offers five more term deposits with an interest rate higher than standard: Anniversary Term Deposit – if the clients form a term deposit in the month they were born, they will benefit of a bonus to the interest rate; Term Deposit for Retirees – Based on the latest pension slip

or bank account statement in original (not older than 2 months), a retiree can form a deposit with a bonus to the interest rate; Term Deposit with Flexible Maturity – the clients can choose the maturity from the intervals specified above; Term Deposit with Progressive Interest Rate – the interest progressively increases each month (for 6 or 12 months); OTP Sincron Hybrid Term Deposit - Term deposit opened for 1, 2, 3, 4 or 6 months, both in RON and EUR, after a prior investment in any of the three open-ended investment funds, OTP AvantisRO, OTP BalansisRO, OTP ComodisRO, distributed by the Bank.

On December 31, 2010 the outstanding balance was EUR 149.205.521 (annual change -14,35%).

**Savings Account** This is a sight deposit that has the advantage of obtaining a higher level of interest rate compared to the current account. It has a high 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, to make inter/intra-banking transfers, to withdraw cash with no restrictions regarding the amount or the number of times and without any penalties, to transfer funds only to the owned current accounts opened at OTP Bank Romania and to reimburse automatically credit installments from the savings accounts.

The savings account can be accessed through a debit card issued on the name of the account holder or his/her empowered.

On December 31, 2010 the outstanding balance was EUR 17.927.067 (annual change +6,59%).

**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 interest rate is progressive, depending on the amount deposited. For a larger amount, the client receives a higher interest. The Junior Account has the advantage of obtaining a



higher level of interest rate compared to the current account and lower commissions.

- **Junior Start** was designed for children under 14 years old;
- **Junior Plus** was created for people aged between 14 and 18 years. The customers can also obtain a Junior Plus debit card;
- **Junior Max** is created for people aged between 18 and 25 years. A Junior Max debit card is also available to the customers.

**Current Account** It has no restrictions to the funds, cash operations or money transfers during the schedule with the clients. Customers receive a sight interest for the amounts placed in the current account. It can be opened in RON, EUR, USD, HUF, GBP and CHF. Statements of account are sent monthly (3 RON/ month) to the home/ mailing address mentioned by the clients that request this facility. 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 and OTPdirekt - Internet Banking, Call Center and SMS Alerts. On December 31, 2010 the outstanding balance was EUR 16.612.355 (annual change +22,87%).

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

### General provisions

The number of Bank's customers (individuals) grew from 179,560 to 191,281 during 2010 (achieving a substantial growth of 6.53%) and

the number of issued bankcards with 16.45% over the previous year, reaching 170,700. The number of the Bank's ATMs also slightly increased in 2010, reaching 138 by the end of the year.

The number of retail (individuals + legal entities) current accounts managed by the Bank reached 284,335 at year-end, while the number of corporate accounts had surpassed 3,900.

### Products for Retail Legal Entities

The Retail Division of OTP Bank Romania administrates all legal entities clients with yearly turnover up to 2 million Euro and which do not exceed any limit established for corporate legal entities by the internal credit risk assumption regulations.

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

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

- **Fixed Interest Loan:** a financing facility which proves to be an efficient tool for the companies needing protection against market and foreign exchange fluctuations. The short term loan is granted in RON, with fixed interest rate during the entire period. Clients have the opportunity to select the functionality of the facility, whichever is better adapted to their cash-flow forecasts, as the loan can be revolving or repayable in monthly installments. A maximum amount of RON 1.000.000 can be used for financing the company's current activity.

- **Free Purpose Loan:** designed to support the general expenses of the companies, in a challenging business environment. The facility is granted for maximum 84 months. An original feature was developed in order to allow the clients to benefit from the repayments made and to reuse those amounts for the current business or small investments. The credit can be contracted in EUR or in RON and the maximum amount is 600.000 RON (150.000 EUR).

- **L/Gs for amounts up to 50.000 lei:** a useful product for all clients that are requesting Performance Bond, Advance Payment or Tender Guarantee. The letters can be issued based on cash collateral deposits, either individually or within a contract (in case of high and constant demand for such instruments). The issuing process is very simple and rapid, adapted to the present market conditions.

- **Packages for foreign exchange offices – Standard, Plus, Premium:** a bundle of products and services structured to meet the various needs and business volumes of the foreign exchange offices. These innovative packages, targeting a special category of clients, include: current account services, competitive spreads offered to the exchange transactions and advantageous cash withdrawals fees (free of charge for the Premium packages). Furthermore, the Plus and Premium packages offer attractive interest rates for the available balance of current accounts in RON or Euro.

- **Certification of cheques:** a special product designed for the business transactions where the utilization of cheques certified by a bank is needed.

OTP Bank's constant care for offering financial solutions to the legal entities in accordance with the business environment and economic realities has led to the collaboration with EximBank, besides the existing Guarantee Convention concluded with FNGCMM S.A. IFN in 2007. Based on this agreement,



EximBank may issue guarantees up to 80% from the loan amount granted by OTP Bank.

Besides the new products developed, the existing product portfolio was tailored according to the evolution of the financial environment and to the clients' expectations. Therefore, the following products were revised:

- **The credit limit for L/Gs, L/Cs and certification of cheques:** the facility currently allows utilizations in other currency than the reference once and a disbursement period of 12 months. The workflow was simplified in order to make the product more accessible towards all legal entities clients.

- **Credit limit for cheques, promissory notes and invoices:** the revolving loan is offered in order to meet the temporarily liquidity deficit, by converting the receivables into cash. The enhancements brought to the product features include the simplification of the eligibility criteria and of the conditions for the payment instruments and invoices assigned in favor of the bank.

- **Packages of products and services – Confort, Electronic and Gold:** a new service was added to the benefits already included in the packages, the Direct Debit (inter and intra banking), without increasing the monthly subscription fee. The packages are currently addressed to all legal entities clients, not only SME clients.

- **Investment Loan:** the applicability area of the credit facility was modified in order to be applicable for all legal entities clients.

OTP Bank Romania finances short, medium and long term investments, depending on the value and purpose of the loan, the complexity of the investment, the company's own sources and the repayment capacity.

- **Performance bond deposit:** a comfort instrument, useful in business relations with partners that require solid securities, as well as in case of contracts concluded with governmental institutions. The main modifications consisted of the introduction of the possibility to set up this deposit in EUR and USD and to extend the maturity.

- **Administrators' guarantee deposit:** this product is designed for the legal entities clients (commercial companies, public institutions etc.) and ensures the proper management of the material guarantees of their employees who work as administrators. The revised conditions allow partial withdrawals and/or deposits if the guarantees are recalculated.

Considering that "Every business is like a battlefield", OTP Bank continued to support the SME clients and promoted the "Business Kombat" Campaign between May 10 and July 9, 2010. The products offered within the campaign conditions were the Packages of products and services – Confort, Electronic and Gold and the Fixed Interest Loan. The SME clients who included in their business strategy any of the Packages have received six months free subscription fee. In addition, the clients benefited from a special offer for the short term loan in RON: fixed interest rate of 9%/year and 0 administration fee. Due to the success of the campaign among the SME clients, the offer was extended for the Fixed Interest Loan. Therefore, between July 12 and September 30, the SME clients were offered a fixed interest rate of 9%/year and a monthly management fee reduced to 0.15%.

Improving the quality of the loan portfolio is a constant preoccupation for OTP Bank Romania, as active support is offered to the clients in order to overcome

their financial difficulties. The Debtor Protection Program was continued in 2010, providing efficient tools for restructuring and securing loans, debt recovery and monitoring. Also, the data mining and segmentation analysis (performed with the support of ShoreBank International), started in 2009, was continued to give a better understanding of clients' expectations and real requirements. A customer satisfaction survey was conducted for special segments of clients, in order to identify their needs and develop customized products and services.

On December 23, 2010, OTP Bank Romania has concluded with the European Bank for Reconstruction and Development a lending agreement for an amount of EUR 10,000,000 to sustain projects designed for increasing the energy efficiency in the economy, respectively granting loans to private legal entities clients observing the eligibility criteria set by the lender (EBRD).

The potential clients benefit of free technical consultancy offered by Tractebel Engineering S.A. (the Project Consultant), which verifies the technical eligibility criteria, prepares the Rational Energy Utilization Plan (REUP) for each project (this includes the performance indicators computation, as well as the recommendations for the specific projects), and the energetic audit for the projects, if it is the case. Privately owned legal entities clients, eligible for this lending product, can receive, as a result of the implementation of the investment project for increased energy efficiency, a grant from European funds paid by EBRD. The grant is calculated as representing 15% from the smallest value among the total loan amount (principal) disbursed and the total cost related to the investment project, (exclusive of VAT). The maximum value of a loan granted within this facility is 2.500.000 Euro.

Considering the findings of the data mining activity, the economical and financial context, as well as OTP Bank's constant strive to support the SME clients, the strategy for 2011 includes:

- The development of the European funds business line, including dedicated workflow and loan products for accessing European funds, as well as a close collaboration with OTP Consulting Romania;
- Promoting the loans granted from the EU/ EBRD Energy Efficiency Finance Facility that allow the clients to reduce their energy consumptions and increase their competitiveness;
- Elaborating dedicated products for entrepreneurs;
- Launching the Business Credit Card for legal entities clients;
- Creating a Loyalty Rewarding System for the existing legal entities clients of the bank;
- Updating the existing products, such as the overdraft or the short term cash loan, to the present market conditions.

## Private Banking

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

The service is addressed to customers who invest more than EUR 50,000 in products offered by OTP Bank Romania or cash in a minimum monthly income of EUR 5,000 in a current account opened at OTP Bank Romania.

An important aspect for the clients included in the Private Banking category is represented by the personalized relationship between them and the dedicated counselor. In addition, the clients are members in a group which benefit from products and services offered in accordance to their profiles, objectives, needs and risk tolerance. All these advantages provide them a special position.

The Private Banking services of OTP Bank Romania were initially offered

through a singular banking unit, especially created and dedicated to serve this purpose. 2010 brought a change in our strategy: we extended the Private Banking services to a wider level (all the territorial units) and, in the meantime, we restructured the whole activity in the Head Office. The purpose of this shift in the approach was to be able to offer the Private Banking package to the elite clients, countrywide, regardless their location, so they can benefit from all the advantages included.

The results at the end of 2010 indicated an increase with 70% in the number of clients included in the Private Banking category, compared to January, 2009. The total assets under management for the Private Banking clients also increased with 50%, compared to figures registered in January, 2009.

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

## Corporate Banking

As far as the year 2010 was marked by a difficult economic situation, the corporate activity was focused on promptly responding to the specific needs of the corporate customers.

The versatility of our organization allowed us to reorient our activity under the conditions of the relatively low request for loans during the first part of 2010, while the second part of the year was marked by an aggressive trend of majority of banks with regards to the refinancing the corporate clients with good financial standing.

Still under the auspices of the existing financial crisis, we adapted to the context by remaining close to the clients in difficulty, so that a part of our activity was focused in restructuring existing credit facilities (especially on project finance transactions) and a very close monitoring and the cooperation with our customers, in order to prevent possible default.

Given the international and domestic crisis, the main pillars of our strategic approach towards customers were:

- Partnership;
- Quality of services;
- Flexibility.

The 2010 strategic tasks of the Corporate Division were:

- Focus on profitable business generation (income increase)
- Maintain the quality of loan portfolio (existing and new).

The main aspects to be underlined, among others, in what regards the corporate activity, refer to:

### **1. Attracting new customers**

- Focus on good clients, with constant and high turnover, shareholders with good financial standing, low seasonality of the business;
- Considering that good clients have already a home bank, more focus is put on takeovers/ club deals/ syndication;
- Focus on developing/improving high yield credit products: trade finance, discounting facilities (cash ceiling on cheques, promissory notes and invoices), revising the non-cash ceiling;
- Develop packages and product services (cross selling opportunities);
- Special attention given to investment loans of companies involving an EU fund component (e.g.: green energy projects, etc.);
- Maintain a high level of quality for all services in terms of response time, tailored made solutions, proactive approach, sharing expertise.

### **2. Product management**

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

We enlarged the number of products addressed to the groups of companies with common financial management with MT101 (Request for transfer) product, a new tool able to improve the liquidity and optimize payment processes group-overall.

Also, we focused on cash management products that enable our customers to better control their liquidities, like OTP Trezor product.

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

We can conclude that the year 2010 proved again the necessity of adopting a client-centered orientation and creating business relationships based on trust and partnership.

It is a certain fact that we constantly improve the quality of the client service, through cross sales, personalized approach, flexible and fast solutions.

## **Treasury**

In 2010, the macroeconomic situation of Romania has been stable, with positive outlook for 2011, in line with the evolution of the international markets. The 2009 high negative performance in GDP (-7.1%) has been replaced with a moderate evolution in 2010 (-1.3%), overall Romania meeting the main targets set by IMF in the standby agreement conditions.

Romania's Central Bank, after having halted its rate hiking cycle after seven consecutive hikes, before 2009, continued to operate a number of rate cuts, totaling 175 bps for the year 2010.

In 2010, OTP Bank Romania continued its product development plans. During the last quarter of 2010, the Treasury developed the previous existing FX margin trading with



the opportunity to trade foreign currencies. Through a combination of good spreads and intelligent leverage, clients have the opportunity to trade the selected currency pairs, while keeping a good return potential. As required by the existing regulations, clients have to be interviewed prior to signing the contract, in order to determine their level of understanding the traded instruments and the involved risks. The capital markets activity (securities services such as brokerage or public offers to our clientele) was also further developed during 2010.

In order to ensure an optimum liquidity management in the slow – lending environment created by the 2008 turmoil, the Treasury was also preoccupied, during 2010, too, with identifying low risk uses for any excess liquidity, as well as ensuring adequate returns, consistent with the existing cost of funds and the prevailing market conditions at any given time. The implementation of a dynamic medium and long term funding strategy resulted in optimum funding levels for the bank. The liquidity indicators were also kept at or near an optimum level, a very important aspect taking into consideration the volatile international financial environment, as the crisis effects continued to influence most of the world markets (including Romania). The Treasury increased the volume of derivatives

transactions portfolio and diversified the type of traded products.

## **OTP Bank Subsidiaries Present in Romania**

### **OTP Asset Management Romania SAI S.A.**

OTP Asset Management Romania, member of OTP Group and operational since April 2008, is positioned as an innovative and active player within the local mutual funds market. The company aims to satisfy its client's needs, offering quality products and services.

Presently, OTP Asset Management Romania manages four open end mutual funds, as well as three closed end capital guaranteed funds. The company is currently the 5<sup>th</sup> player in the market, with respect to assets under management and continues to maintain its position through its rapid growth in assets and new products launched.

During 2010, OTP Asset Management Romania continued to expand its products range.

Thus, on the April 1, 2010, the company introduced OTP Green Energy (IPO launched in November, 2009) at the Bucharest Stock Exchange quota.

In October 2010, the company launched its first open end fund in euro denominated, OTP Euro Bond, to address investors with financial resources in Euro currency. The fund benefits from the performance of bonds issued by states, municipalities or corporations from CEE region.

OTP Asset Management Romania also focused the sales force on assets growth and raising the number of investors in the existing funds. Thereby, the total assets under management by EOY 2010 grew by 46% and the number of investors increased by 86%.

Due to sustained launching of new and innovative products, the company contributed to the development of the Romanian capital



market, thus receiving several prizes from the financial sector:

- Finmedia, "Award for OTP Asset Management Romania", for the first Closed End Fund capital guaranteed, which brought the green energy sector at BSE and "The most innovative Fund Manager".

For the future, the company intends to maintain its position among the most important asset management companies on the market and continue along its strategy to bring innovative products to satisfy investors' needs.

#### **OTP Consulting Romania S.R.L**

OTP Consulting Romania was established by OTP Bank Romania and the consultancy company OTP Hungaro Projekt from Hungary. The experience gained by OTP Hungaro Projekt in preparing and managing projects for companies and local administrations, as well as the experience of the consultants from OTP Consulting and OTP Bank Romania, guarantees offering a high quality assistance to the Romanian clients, which confront with similar issues after adhering to the European Union as the other clients from the region.

OTP Consulting Romania offers a wide range of services, being able to offer to its clients complex solutions for the local development, including trainings and technical assistance, support in identifying new projects and financing sources, consultancy services in drawing up the projects, as well as project management services. OTP Consulting Romania does not offer only project solutions, but also assistance in implementing the projects, being able to also support the beneficiary's personnel development in project management. By the end of 2010, the company had a turnover growth of 25.5%, compared to 2009. OTP Consulting Romania had under implementation, in 2010, four projects for the municipalities of ADI Bogat, Miercurea-Ciuc, Lugasu de Jos, Vadu Crisului. The company experts elaborated applications for local authorities and SMEs, in order for them to access EU funds. In 2010, the company

developed 86 new applications for financing projects.

The success rate of the projects developed by the company is currently 87 %.

#### **OTP Broker de Intermedieri Financiare S.R.L**

OTP Broker de Intermedieri Financiare started its activity on July 13, 2007, as a part of OTP Bank, one of the leading financial groups in Central and Eastern Europe. The team members are financial consultants who promote and intermediate sales for banking products and services.

Last year, the main objective of the company was to serve its clients with a complete range of high quality financial products and services, increasing added value on the Group's level.

Boosting sales volumes and growth of profitability of this sales channel represent the measures of success. This objective was based on values such as: confidence, dynamism, innovation, stability, professionalism, flexibility, transparency, integrity, customer focus.

The company was focused on creating the mobile sales force on a national level, by targeting areas with economic potential. We have implemented a multilevel scheme of commissions for the sales force, based on their expertise, sales results and ability to develop and coordinate the sales teams (e.g. agents – team leaders - manager).

During 2010, our financial consultants succeeded to intermediate new products and services for individuals and legal entities, in order to increase the range of services offered through this sales channel (treasury products, Private Banking package etc.). In the same time, a constant objective was to identify solutions in order to increase the number of new customers and the cross-selling ratio for the existing clients.

As a general conclusion, the result of all the actions mentioned above was the profit registered by the company in 2010, a measure of its successful strategy.

### OTP Leasing Romania IFN S.A.

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

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

As of December 31, 2010 the shareholders of OTP Leasing Romania were Merkantil Bank Hungary, member of Merkantil Group (99,9999631%) and OTP Bank Romania (0,0000369%).

## Activities of Other Foreign Subsidiaries of OTP Group\*

### DSK CSOPORT (Bulgaria)

#### Performance of DSK Group:

Main components of P&L account in HUF mn	2009	2010	Change (%)
After tax profit w/o dividends and net cash transfer	24,797	18,190	-27%
Pre-tax profit	27,693	20,230	-27%
Operating profit	54,199	56,031	3%
Total income	84,757	87,709	3%
Net interest income	67,615	69,972	3%
Net fees and commissions	15,555	15,478	0%
Other net non-interest income	1,587	2,260	42%
Operating expenses	-30,557	-31,678	4%
Provision for possible loan losses	-25,855	-35,232	36%
Other provision	-651	-569	-13%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Total assets	1,207,328	1,218,627	1%
Gross customer loans	1,027,820	1,072,128	4%
Retail loans	831,729	861,281	4%
Corporate loans	196,091	210,847	8%
Allowances for possible loan losses	-61,810	-96,706	56%
Deposits from customers	801,112	847,807	6%
Retail deposits	688,399	733,511	7%
Corporate deposits	112,713	114,296	1%
Liabilities to credit institutions	100,739	37,541	-63%
Subordinated debt	95,049	97,866	3%
Total shareholders' equity	193,214	217,992	13%
Loan Quality	2009	2010	Change (%)
90+ days past due loan volume (in HUF million)	72,080	118,453	64.3%
90+ days past due loans/gross customer loans (%)	7.0%	11.0%	4.04%
Cost of risk/average gross loans (%)	2.53%	3.36%	0.82%
Total provisions/90+ days past due loans (%)	85.8%	81.6%	-4.1%
Performance Indicators (%)	2009	2010	Change (%-point)
ROA	2.1%	1.5%	-0.6%
ROE	13.8%	8.8%	-5.0%
Total income margin	7.13%	7.23%	0.11%
Net interest margin	5.68%	5.77%	0.08%
Cost/income ratio	36.1%	36.1%	0.1%
Net loan/Deposit ratio	121%	115%	-6%

\* According to the English translation of the documentation for the annual general meeting of OTP Group

- **Stable operating results, rising risk costs for loan losses resulted in a 27% decline of 2010 after tax profit y-o-y**
- **Due to significant loan loss provisioning during the year (+36%) DPD90+ coverage ratio (81.6%) is well above the Group average**
- **Net interest margin improved by 8 bps y-o-y (2010: 5.77%)**
- **Slightly increasing FX-adjusted loan and deposit portfolio (+1% and +3% y-o-y)**
- **Steadily outstanding cost efficiency (cost/income ratio in 2010: 36.1%)**

The DSK Group after tax profit in 2010 was HUF 18.2 billion, by 27% less compared to the level of the previous year. The performance of the Bulgarian bank in 2010 proved its henceforward robust income generating capability and efficient cost control. The Bank's operating profit (before tax and provisioning for loan losses) in 2010 increased slightly over the base period (+3% y-o-y). Total income of the year 2010 in BGN terms grew by 5% y-o-y, due to 5% increase of net interest income. The y-o-y +42% growth of other net non-interest income is reasoned by the revaluation gain on the shares of the merging two Bulgarian settlement houses on the revaluation gain and loss of securities line.

It was a favourable improvement that in 2010 net interest margin grew quarter-by-quarter (1Q 2010: 5.36%, 2Q: 5.66%, 3Q: 6.02%, 4Q: 6.09%), mainly as a result of pricing and liquidity management measures on the liability side. The previously mentioned stringent cost control is reflected in the continuously low cost/income ratio (2010: 36.1%). Due to the aforementioned, the higher risk costs were the main reason for the decrease in net profit for the period: HUF 35.2 billion risk cost volume of 2010 represents a yearly growth of 36%.

During the year the loan portfolio quality deteriorated with a gradually decreasing pace of was still significant: proportion of 90+ days past due loans rose from 7% to 11%. The pace of deterioration shows decline (in %-point: 1Q: +0.9, 2Q: +1.6, 3Q: +1.2, 4Q: +0.3 q-o-q) even

if the figures are adjusted for the effect of the sale of a consumer portfolio in 3Q 2010. With regards to the components: in the year the DPD90+ ratio of mortgage and SME loans grew, however remarkable slow-down was experienced in both segment during the last quarter. In case of consumer loans the portfolio deterioration was experienced again in 4Q and DPD90+ ratio reached 10.5% (+3.2%-points y-o-y). However regarding corporate loans the deterioration moderated (the year-end ratio reached 6.2%). As a result of the HUF 35.2 billion provisioning the coverage of non-performing loans is the third highest in the Group, 81.6%.

As for the development of total revenues it is favourable that due to its robust liquidity position during the nine month period the Bank lowered its interest rates on deposits and did not renew its expiring deposit campaigns. Consequently, net interest margin improved gradually. What is more favourable, despite the interest rates cuts, the Bank's market share in the retail deposit market only slightly eroded (y-o-y -0.5%-points) and in the corporate deposit market it kept its position. On annual base net fee and commission income reflects stable performance.

Regarding the loan volumes new disbursements in 2010 could only keep the portfolio at the level of the previous year. In a yearly comparison the maintenance of current loan base was supported by the similar 4% y-o-y FX-adjusted growth of mortgage and corporate loans, while the decline of SME segment (-8% y-o-y) had a negative impact. On a yearly basis consumer loan portfolio stagnated. The Bank kept its stable market share in the loan market (year-end 2010 14.2%).

Despite the previously mentioned pricing measures, deposit base of the Bank increased continuously (FX-adjusted y-o-y growth is +3%). Due to higher increase of deposit portfolio the net loan-to-deposit ratio decreased slightly (2010: 115%, FX-adjusted -5%-points y-o-y).

The subordinated capital base remained flat in BGN on a yearly basis. At the same time, interbank funding dropped significantly on a

yearly basis (-63% y-o-y). There were two main reasons for the yearly decrease: on one hand as a result of the repayments the portfolio of mother bank funding diminished significantly (approximately -HUF 45 billion y-o-y), on the other hand a syndicated loan EUR 140 million (about HUF 40 billion) was paid back on April 8, 2010.

Capital position of DSK is still very strong, the capital adequacy ratio is more than double of the regulatory minimum (2010: 23.7% vs. 12%

of the regulatory minimum; Tier1 ratio: 17% vs. 6% regulatory minimum). In 2010, the ratio improved significantly due to changes in the Bulgarian regulations. Among the changes the one that modified the risk weight of some asset classes had the major impact, leading to a ytd decline of 13% in the risk-weighted assets.

In 2010, Moody's Investors Service did not change the „Baa3“ local and foreign currency deposit rating of DSK Bank (outlook is negative).

### OTP Bank Russia\*

#### Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	2009	2010	Change (%)
After tax profit w/o dividends, net cash transfers and one-offs	3,086	20,545	566%
Pre-tax profit	4,400	26,916	512%
Operating profit	25,975	51,022	96%
Total income	67,810	100,551	48%
Net interest income	60,316	88,991	48%
Net fees and commissions	4,701	9,638	105%
Other net non-interest income	2,793	1,922	-31%
Operating expenses	-41,834	-49,529	18%
Provision for possible loan losses	-21,040	-24,389	16%
Other provision	-535	282	-153%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Total assets	579,941	664,403	15%
Gross customer loans	369,877	508,139	37%
Retail loans	250,463	405,562	62%
Corporate loans	103,719	86,657	-16%
Allowances for possible loan losses	-38,493	-54,718	42%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Deposits from customers	306,646	396,788	29%
Retail deposits	196,744	263,136	34%
Corporate deposits	109,902	133,652	22%
Liabilities to credit institutions	163,592	117,474	-28%
Issued securities	15,955	22,814	43%
Subordinated debt	13,607	15,421	13%
Total shareholders' equity	71,459	97,778	37%
Loan Quality	2009	2010	Change (%)
90+ days past due loan volume (in HUF million)	46,027	62,573	35.9%
90+ days past due loans/gross customer loans (%)	12.4%	12.3%	-0.1%
Cost of risk/average gross loans (%)	5.59%	5.56%	-0.03%
Total provisions/90+ days past due loans (%)	83.6%	87.4%	3.8%
Performance Indicators (%)	2009	2010	Change (%-point)
ROA	0.6%	3.3%	2.7%
ROE	4.7%	24.3%	19.6%
Total income margin	12.23%	16.16%	3.93%
Net interest margin	10.88%	14.30%	3.43%
Cost/income ratio	61.7%	49.3%	-12.4%
Net loans to deposits	108%	114%	6%

\* 2009 figures are based on the aggregated financial statements of OAO OTP Bank and Donskoy Narodny Bank, since the merger of the Banks in 1Q 2010 figures are based on the financial statements OAO OTP Bank.

- **HUF 20.5 billion profit for 2010 is about seven times higher than the net profit for 2009, the second highest PAT in the Group**
- **Doubling operating income y-o-y, robust interest and fee income**
- **Strong consumer loan disbursement, extremely successful cross-selling of credit card products, further increasing personal loan portfolio**
- **Stable NPL ratio on a yearly basis, improving coverage**
- **Improving cost efficiency due to higher income and controlled cost base (2010 CIR at 49%, -12%-points y-o-y)**

The HUF denominated financials of OTP Bank Russia were highly influenced by the development of the RUB/HUF exchange rate: in 2010, the closing rate of the HUF weakened by 10% y-o-y, while the 2010 average rate depreciated by 8% y-o-y against RUB.

After tax profit of OTP Bank Russia for 2010 exceeded HUF 20.5 billion which is an outstanding result taking into consideration that during 1H 2010 the Bank had to set aside almost HUF 7.3 billion provisions as a one-off item for a corporate exposure defaulting in February.

2010 net interest income grew by 48% y-o-y as a combined effect of increasing consumer loan portfolio and strong interest margin, net fee and commission income increased by 105%. All of these coupled with a cost base growing by less than loan portfolio (operating costs +18% y-o-y) resulted in outstanding operating profit dynamics (+96% y-o-y). The 16% y-o-y increase of risk costs was caused by a HUF 7.3 billion provisioning (one-third of total risk cost for 2010) for a loan of one corporate customer during 1H 2010. Risk cost rate remained stable (2009: 5.59%, 2010: 5.56%) which is clearly due to the still favourable quality of consumer loans portfolio, giving two-third of loan book total. In 4Q 2010 non-performing loans were written off (RUB 1.8 million in total, about HUF 12.4 billion), which inferred

further provisioning (RUB +316 million, about HUF 2.2 billion).

The good financial performance of the Bank is mainly due to the robust increment of the income side, which is owing to a large extent to the successful sale of consumer loans. Latter is proved by the fact that consumer loan portfolio in 2010 is half as much again than in 2009 (+61%). In case of the flagship product POS loans the sales performance has improved in line with the significantly increasing demand since summer 2009. Sales were supported with the extension of internal and external agent network. The dynamics of origination remained outstandingly strong in 2010 moreover it hit all-time-high record in 4Q 2010, so the market share remained above 20%, starting from 2H 2009 (2010: 20.8%). Due to the outstanding 4Q origination POS loan portfolio grew dynamically (4Q 2010: +58% y-o-y in RUB), the Bank kept its second position on the top list both in terms of new origination and portfolio.

As for credit card loans the success was due to the re-design of the product proposal in August 2009 and the intensive sales campaigns afterwards. The number of newly issued cards as well as the achieved utilization rate significantly exceeded the results of previous campaigns. As a consequence the portfolio of credit card loans increased dynamically: +9% q-o-q in 1Q 2010, +19% in 2Q and +18% in 3Q and +12% in 4Q (adjusted for write-offs, latter would be 16%). Altogether the yearly growth reached 72% in 2010. Besides the outstanding dynamics of card issues, utilization rate also improved from 10% to 14% y-o-y, so with respect to credit card loans the bank is currently the 4th largest player in the Russian market. As a favourable improvement, personal loans sold in the branch network demonstrated a strong increment in the course of 2010 (although from a relatively low base but the portfolio increased by 111% y-o-y in RUB terms, adjusting for write-offs 124%). 11% ytd growth of mortgage loans is

mainly due to portfolio purchase in 3Q 2010.

Total income and net interest margin of OTP Bank Russia were significantly boosted by the strong dynamics of consumer lending: the former increased to 16.2% and the latter to 14.3% in 2010, which is a remarkable improvement compared to the previous year's levels (+3.93%-points and +3.43% y-o-y, respectively). Besides the strong consumer lending activity the margin improvement was generated also by the fact that offered deposit rates were decreased in several steps from 4Q 2009 on, furthermore the active selling campaigns were stopped. These changes are reflected in the slowing dynamics of deposit base growth in 2010: in RUB terms the deposit base increased by 18% y-o-y in 2010 after the outstanding 41% y-o-y growth in 2009. As the combined effect of these changes the rapid decline of the net loan-to-deposit ratio experienced in 2009 was replaced by growth in 2010 (4Q 2010: 114%, +5%-points y-o-y FX-adjusted growth).

The 105% y-o-y increment of net fee and commission income in 2010 was also boosted by the previously detailed consumer loan and deposit trends. Growth is mainly owing to credit card and POS loans related fee income increase.

The significant increase of risk costs for loan losses in 2010 (HUF 24.4 billion, +16% y-o-y) was induced primarily by a HUF 7.3 billion one-off provisioning requirement for a corporate loan after the default of Technosila Group. The company was a retail trader of electronic and home appliances, with a wide distribution network. The coverage of the exposure with provisions and collaterals did not necessitate further provisioning in 2H 2010. The biggest lender of Technosila, the Russian MDM Bank pro forma took over the company in 2010, and refused to repay its obligations to the previous lenders. Due to the growth of the consumer loans portfolio

risk cost to average loans ratio was stable y-o-y in 2010 (5.56%), which is by even 1.5%-points lower than the 2009 risk cost rate adjusted by the risk cost of Technosila. Ratio of DPD90+ loans was also flat on a yearly basis (4Q 2010: 12.3%, -0.1%-point y-o-y, mainly due to the write-offs). The coverage ratio of non-performing loans improved (4Q 2010: 87.4%, +3.8%-points y-o-y).

Due to stringent operating cost control, operating expenses increased by only 9% y-o-y in RUB terms (in HUF +18%) it is practically in line with the Russian CPI (2010 inflation: 8.8%). As a result of branch network rationalization the headcount of the bank decreased to 4,768 people from 5,224 (y-o-y -9%); while number of branches decreased to 155 from 162 (-7 y-o-y). The POS loans agent network has been expanding since 2Q 2009. Cost/Income ratio decreased below 50% in 2010 due to the above detailed developments (2010: 49.3%, -12.4%-points y-o-y).





## OTP Bank JSC (Ukraine)\*

### Performance of OTP Bank JSC:

Main components of P&L account in HUF mn	2009	2010	Change (%)
After tax profit w/o dividends and net cash transfer	-43,650	8,928	-120%
Pre-tax profit	-44,646	5,719	-113%
Operating profit	51,033	35,280	-31%
Total income	74,948	60,330	-20%
Net interest income	62,759	50,690	-19%
Net fees and commissions	7,442	7,999	7%
Other net non-interest income	4,747	1,641	-65%
Operating expenses	-23,916	-25,050	5%
Provision for possible loan losses	-94,974	-29,439	-69%
Other provision	-704	-121	-83%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Total assets	711,155	715,760	1%
Gross customer loans	670,758	692,878	3%
Retail loans	311,158	323,568	4%
Corporate loans	300,795	316,956	5%
Car financing loans	58,806	52,354	-11%
Allowances for possible loan losses	-110,583	-154,126	39%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Deposits from customers	165,764	190,061	15%
Retail deposits	98,164	113,056	15%
Corporate deposits	67,600	77,005	14%
Liabilities to credit institutions	403,803	366,979	-9%
Total shareholders' equity	90,711	109,469	21%
Loan Quality	2009	2010	Change (%)
90+ days past due loan volume (in HUF million)	149,827	202,859	35.40%
90+ days past due loans/gross customer loans (%)	22.3%	29.3%	6.9%
Cost of risk/average gross loans (%)	13.24%	4.32%	-8.92%
Total provisions/90+ days past due loans (%)	73.8%	76.0%	2.2%
Loan Quality	2009	2010	Change (%-point)
ROA	-5.6%	1.3%	6.9%
ROE	-51.1%	8.9%	60.0%
Net interest margin	8.06%	7.10%	-0.95%
Cost of risk/average gross loans	13.24%	4.32%	-8.92%
Cost/income ratio	31.9%	41.5%	9.6%
Net loans to deposit	338%	283%	-54%

- Net profit for the year 2010 exceeded HUF 8.9 billion despite high level of provisioning and y-o-y 20% decline of total income
- The FX-adjusted development of gross loan volumes reflects a declining trend, however there were signs of recovery in case of corporate loans in 2H
- Despite the yearly decline of risk costs, coverage ratio of non-performing loans (2010: 76.0%) increased by 2.2%-points y-o-y

- FX-adjusted DPD90+ loan volume development moderated significantly on a yearly basis
- Increase in operating expenses (+5% y-o-y) lagged behind the level of inflation remained stable (+5% y-o-y)

In 2010, OTP Bank JSC Ukraine realized HUF 8.9 billion after-tax profit as opposed to the loss realized in the previous year. The profit development was partially influenced by the still significant provisioning, while the positive

\* From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, while from 4Q 2009 the result of LLC OTP Faktoring Ukraine was also aggregated.

effect of deferred tax income (booked in 4Q 2010) was reflected in earnings as well. Significant part of the tax savings was induced by the changes of tax legislation with respect to the financial crisis. Accordingly, accrued but unpaid interest income became deductible from the tax base, thus generating a deferred tax income.

Operating profit of the Bank (without risk cost) decreased by 31% y-o-y, primarily driven by the 20% y-o-y decline of total income. The development of the income side was mainly influenced by the decrease of net interest income determined by several factors. On one hand the development of gross loan volumes reflected a decreasing trend (-7% y-o-y adjusted for FX-effect) and it was influenced by the sale of loan portfolios to OTP Factoring Ukraine, – notwithstanding in the Business Report transferred portfolios are included in the balance sheet of OTP Bank Ukraine at gross value – because no interest income is booked on transferred portfolios. Due to pricing measures over the year the favourable impact of lower interest level on the liability side was demonstrated in the q-o-q increase of net interest income in the last quarter. It should be noted that HUF denominated financials of OTP Bank Ukraine were highly influenced by exchange rate developments: the average rate of the HUF weakened by 4% y-o-y against the UAH.

Net fee and commission income out of total revenues grew by 7% y-o-y (+17% in local currency terms) reflecting the improving performance of commissions related to deposits, payment- and card transactions (+27% y-o-y, +11% y-o-y). In 2010 the number of transactions in ATMs and POS-terminals grew approximately by 50%, due to the increasing number of sales points accepting the bankcards. New card products and services were introduced, too.

Other net non-interest income dropped on a yearly basis (by 76% y-o-y). The revaluation result of the positions hedging the revaluation of FX provisions dropped by 74% y-o-y driven by the UAH exchange rate fluctuations,

and this negative impact was only partially balanced by the gain (HUF 308 million) realized on securities in the period.

Operational costs remained flat in local currency terms y-o-y reflecting the efficiency of cost control. This is remarkable in light of the high (over 10%) average yearly increase of CPI in Ukraine in 2010. Personnel expenses showed a 7% increase in UAH terms stemmed from the year-end bonus payments. In parallel with the decline in business activity, the headcount of the bank was gradually reduced reaching 3.075 person by the end of December (-758 person y-o-y). The yearly decline of other expenses (-2% in UAH terms y-o-y) was driven by the implementation of stringent cost control measures. As a consequence of network rationalization some of the of branches mainly serving retail clients were closed (-17 branches y-o-y), thus the number of branches decreased to 189 as at the year-end 2010.

In 2010, OTP Bank Ukraine set aside HUF 30 billion provision for possible loan losses representing one- third of provisions of the last year; thus risk cost to average gross loan ratio decreased to 4.32% from 13.24%. However the coverage on non-performing loans (4Q 2010: 76.0%) was showing an increase of 2.2%-points in line with the slowdown in the dynamics of portfolio deterioration.

In 2010, moderate loan demand characterised the Ukrainian market, as a consequence of the measures taken by National Bank of Ukraine. Foreign currency lending was restricted by tough administrative regulations, furthermore interest rates of UAH denominated loans remained unfavourable, and the gross loan portfolio adjusted for FX-effect was showing a 7% yearly decline. On the corporate side there were signs of recovery from the beginning of 2H 2010, the FX-adjusted volume of corporate loans increased by 6% in a quarterly comparison in 4Q. The main reasons behind the recovery in the corporate sector were the increase of portfolio of companies involved in trading/

export of agricultural products and the establishment of new limits for existing borrowers. Regarding the other segments, the recovery is slipping away, during the last year retail mortgage and SME portfolios were shrinking (-7% and -11% adjusted by FX-effect).

The pace of loan portfolio deterioration moderated significantly in 2010. The FX-adjusted DPD90+ loan volume development decreased gradually (1Q: 4, 2Q: 14, 3Q: 8, 4Q: 7). The DPD90+ ratio stood at 29.3% by the end of December (2009: 22.3%), mainly influenced by the shrinking loan volumes. The portfolio quality deterioration trend was experienced in the retail and in SME segment: in case of mortgage loans DPD90+ ratio increased to 37.2% from 22.3% y-o-y, in case of SME loans DPD90+ ratio reached 46% against 29.1% a year earlier. It should be highlighted the in case of corporate loans the portfolio development was more favourable: DPD90+ ratio moderated to 18.3% from 21.2% on a yearly basis.

The Bank provides a debtor protection program to its retail customers; within this framework it allows its customers to change their originally USD denominated

mortgage and car loans into UAH loans, and is also open to agree temporarily on lower instalments. The ratio of restructured loans in the retail segment reached 41.2% by the end of December, it is favourable, however, that the volume of retail restructured loans in LCY was showing a downward trend.

The Bank several times lowered its interest on deposits in 2010, still it managed to preserve its deposit base. The retail deposit base of the Bank showed an increase of 5% (adjusted by FX-effect), mainly fuelled by the periodic increase of sight deposit base reflecting the growing trust of people in the banking sector. Simultaneously, corporate deposits grew by 3% y-o-y (adjusted by FX-effect). In the forthcoming period retail deposits will be the engine of the growth because Ukrainian companies still face restricted access to credit and their saving capability will remain on a low level. Consequently, the Bank's net loan-to-deposit ratio improved further both on yearly (-54 bps) as well as quarterly (-2 bps) basis.

Capital position of the Bank is strong, the CAR calculated under local regulations stood at 22.1% by the end of December, which is twofold the regulatory minimum (10%).

## OTP Banka Hrvatska (Croatia)

### Performance of OTP Banka Hrvatska:

Main components of P&L account in HUF mn	2009	2010	Change (%)
After tax profit w/o dividends, net cash transfers and one-offs	3,245	2,721	-16%
Pre-tax profit	4,068	3,441	-15%
Operating profit	6,068	7,017	16%
Total income	19,540	20,233	4%
Net interest income	13,239	13,964	5%
Net fees and commissions	3,935	3,986	1%
Other net non-interest income	2,366	2,282	-4%
Operating expenses	-13,472	-13,216	-2%
Provision for possible loan losses	-1,947	-3,120	60%
Other provision	-52	-455	770%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Total assets	469,304	484,923	3%
Gross customer loans	318,477	335,828	5%
Retail loans	194,021	208,515	7%
Corporate loans	122,183	125,395	3%
Car financing loans	2,273	1,918	-16%
Allowances for possible loan losses	-9,195	-13,083	42%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Deposits from customers	337,935	373,813	11%
Retail deposits	294,348	331,255	13%
Corporate deposits	43,588	42,558	-2%
Liabilities to credit institutions	60,377	40,271	-33%
Total shareholders' equity	60,626	57,262	-6%
Loan Quality	2009	2010	Change (%)
90+ days past due loan volume (in HUF million)	28,417	42,991	51.3%
90+ days past due loans/gross customer loans (%)	8.9%	12.8%	3.88%
Cost of risk/average gross loans (%)	0.62%	0.95%	0.33%
Total provisions/90+ days past due loans (%)	32.4%	30.4%	-1.9%
Performance Indicators (%)	2009	2010	Change(%-point)
ROA	0.7%	0.6%	-0.1%
ROE	5.6%	4.6%	-1.0%
Total income margin	4.19%	4.24%	0.05%
Net interest margin	2.84%	2.93%	0.09%
Cost/income ratio	68.9%	65.3%	-3.6%
Net loans to deposits	92%	86%	-5%

In 2010, **OBH Group** realized HUF 2.7 billion net profit representing a decrease of 16% over 2009. The main reason for the lower income is the higher provisioning for the non-performing loans (+60% y-o-y). However, nicely growing operating results (+16% y-o-y) partially offset that impact. This rise is reasoned by the deteriorating portfolio quality and the change of regulations\* effective since March 31 as well.

On deposit side notwithstanding the continuously declining deposit rates Bank's

portfolio grew by 11% y-o-y. However the whole Croatian market was characterized by a moderate lending activity. In case of OBH beside the stagnating corporate loan portfolio only consumer loan portfolio represented some extension. As a result of these the net loan-to-deposit ratio decreased by a further 5% in 2010.

The net fee and commission income for 2010 resembles the previous year, with regards to operating expenses, strong cost control prevailed.

\* According to the previous regulation, retail loans became non-performing after 180 days of delay. From March 31 2010 on, 90 days past due loans are qualified non-performing, related interest income shall be accrued and at the same time, provision for loan losses shall also be made.

As a result of its favourable funding position during the year OBH prepaid CHF 140 million senior loan and paid HRK 200 million (around HUF 7.6 billion) interim dividend to the mother bank, Despite the interim dividend payment the capital adequacy ratio of the Bank improved on a yearly basis

(from 13.4% to 14.2%) and it was well above the 12% regulatory minimum level.

The number of employees at OBH Group stood at 1,016 as at the end of December 2010, the number of existing branches did not change (105 branches).

### OTP Banka Slovensko (Slovakia)\*

#### Performance OTP Banka Slovensko:

Main components of P&L account in HUF mn	2009	2010	Change (%)
After tax profit w/o dividends and net cash transfer	-6,673	-952	-86%
One-off items <sup>1</sup> , after tax <sup>**</sup>	-244	0	-100%
After tax profit w/o dividends, net cash transfers and one-offs	-6,429	-952	-85%
Pre-tax profit	-6,633	-833	-87%
Operating profit	3,289	3,727	13%
Total income	13,731	13,885	1%
Net interest income	10,485	11,207	7%
Net fees and commissions	2,705	2,380	-12%
Other net non-interest income	541	298	-45%
Operating expenses	-10,442	-10,157	-3%
Provision for possible loan losses	-9,029	-4,715	-48%
Other provision	-894	154	-117%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Total assets	375,208	349,448	-7%
Gross customer loans	273,269	273,641	0%
Retail loans	163,779	179,440	10%
Corporate loans	109,490	94,202	-14%
Allowances for possible loan losses	-13,633	-15,677	15%
Deposits from customers	253,462	256,751	1%
Retail deposits	219,597	234,543	7%
Corporate deposits	33,865	22,209	-34%
Liabilities to credit institutions	28,707	11,825	-59%
Issued securities	55,457	43,655	-21%
Subordinated debt	7,876	8,109	3%
Total shareholders' equity	24,767	24,551	-1%
Loan Quality	2009	2010	Change (%)
90+ days past due loan volume (in HUF million)	24,286	27,965	15.1%
90+ days past due loans/gross customer loans (%)	8.9%	10.2%	1.3%
Cost of risk/average gross loans (%)	3.07%	1.72%	-1.35%
Total provisions/90+ days past due loans (%)	56.1%	56.1%	-0.1%
Performance Indicators (%)	2009	2010	Change (%-point)
ROA	-1.6%	-0.3%	1.3%
ROE	-23.2%	-3.9%	19.4%
Total income margin	3.41%	3.83%	0.42%
Net interest margin	2.61%	3.09%	0.49%
Cost/income ratio	76.0%	73.2%	-2.9%
Net loans to deposits	102%	100%	-2%

\* In 3Q and 4Q 2010 OBS sold loans to Group members. The balance sheet of OBS in 2010 reflects the standing before the transfer of loans to OTP Bank Plc and OTP Factoring Ltd. Accordingly; gross loans contain the gross value of sold loans less recoveries since the sale. Furthermore, provisions for loan losses contain the provisions related to these sold loans. P&L effect of the loan sale was not significant, so the P&L was not adjusted.

\*\* In 2009, one-off loss booked in relation to loan transfers; in 4Q 2009 exchange rate correction in relation to the loan transfers

In 2010, **OTP Banka Slovensko** posted a net loss of HUF 952, compared to HUF 6,429 million net loss in 2009. The main reason for the lower loss was the lower risk cost, however higher income and cost savings also contributed to the favourable development.

Operating profit in 2010 was by 13% higher in HUF terms y-o-y, and grew by even more in EUR terms, since in 2010 the average exchange rate of HUF versus EUR was by 2% stronger compared to the average of 2009. Analysing the P&L developments in EUR terms, the improvement of operating profit was mainly due to the good total income (+3% y-o-y), and lower operating expenses (-1% y-o-y), as a result of the stringent cost control. Cost/Income ratio shrank by 2.9% y-o-y to 73.2%.

In 2010, within total income, net interest income improved by 9% y-o-y in EUR terms. Interest income decreased due to the shrinking loan portfolio in LCY and the lower reference rates. This was partly offset by the gradual repricing of corporate loans in the preceding quarters. The lower reference rates as well as the expiry of term deposits with attractive deposit rates from early 2009 lowered interest expenses on deposits. All in all, net interest margin increased to 3.09% in 2010 (+49 bps y-o-y).

The drop of net fees and commissions in 2010 (in EUR -10% y-o-y) is mainly due to the weak business activity in the corporate segment. Other net non-interest income, which represents a tiny proportion of total income, almost halved in 2010 y-o-y, as a result of the lower net foreign exchange gain.

15 In 3Q and 4Q 2010 OBS sold loans to Group members. The balance sheet of OBS in 2010 reflects the standing before the transfer of loans to OTP Bank Plc and OTP Factoring Ltd. Accordingly; gross loans contain the gross value of sold loans less recoveries since the sale. Furthermore, provisions for loan losses contain the provisions related

to these sold loans. P&L effect of the loan sale was not significant, so the P&L was not adjusted.

In 2010, OBS set aside HUF 4.7 billion provision for possible loan losses, which is half of the 2009 figure. The main reason for the significant y-o-y change in the other risk cost line is due to release of provisions related to off-balance-sheet items suggested by the auditor and the national bank.

By the end of 2010, the DPD90+ ratio increased by 1.3% to 10.2% y-o-y. In case of mortgage loans the portfolio quality stagnated in 2010, the quality of consumer loans improved, while quality of corporate loans deteriorated. The coverage of DPD90+ loans did not change in 2010 compared to 2009.

The development of deposit and loan volumes was in line with the intention to strengthen the retail focus of the Bank. Analysing the dynamics in EUR terms, total deposits decreased by 2% y-o-y, mainly because large corporate deposits dropped by 32% and municipality deposits fell by 42%, while retail and SME deposits both rose by 4% y-o-y. On a quarterly base deposits remained flat, the yearly trends characterised the last quarter if looking at the segments. Considering the sold loan portfolio in 3Q and 4Q 2010 (EUR 30 and 32 millions in gross value, respectively) as part of the gross loans portfolio, it dropped in EUR terms by 3% y-o-y. The volume of corporate loans decreased by 16% y-o-y, contrary to that, lending to households is picking up (in EUR +7.5% y-o-y). The home equity loan portfolio grew by 6.2% y-o-y. Noteworthy is the 51% yearly growth of non-mortgage backed loans.

Net loan-to-deposit ratio decreased to 100% by the end of 2010 (-2%-points y-o-y).

After the significant rationalisation in 2009, the number of branches decreased by only 1 branch to 76 branches in 2010, the headcount decreased by 34 persons to 573.



## OTP Banka Srbija (Serbia)

### Performance of OTP banka Srbija:

<b>Main components of P&amp;L account* in HUF mn</b>			
	<b>2009</b>	<b>2010</b>	<b>Change (%)</b>
After tax profit w/o dividends, net cash transfers and one-offs	-8,990	-7,312	-19%
Pre-tax profit	-9,024	-7,325	-19%
Operating profit	-2,278	465	-120%
Total income	8,010	6,934	-13%
Net interest income	4,051	2,568	-37%
Net fees and commissions	1,954	1,689	-14%
Other net non-interest income	2,004	2,677	34%
Operating expenses	-10,287	-6,469	-37%
Provision for possible loan losses	-6,277	-7,288	16%
Other provision	-470	-502	7%
<b>Main components of balance sheet* closing balances in HUF mn</b>			
	<b>2009</b>	<b>2010</b>	<b>Change (%)</b>
Total assets	127,025	114,796	-10%
Gross customer loans	89,878	88,753	-1%
Retail loans	33,607	35,826	7%
Corporate loans	56,271	52,928	
Allowances for possible loan losses	-12,189	-18,560	52%
Deposits from customers	32,395	37,180	15%
Retail deposits	23,546	27,304	16%
Corporate deposits	8,848	9,875	12%
Liabilities to credit institutions	25,952	15,922	-39%
Subordinated debt	38,910	40,846	5%
Total shareholders' equity	27,690	17,987	-35%
<b>Loan Quality</b>			
	<b>2009</b>	<b>2010</b>	<b>Change (%)</b>
90+ days past due loan volume (in HUF million)	30,321	42,443	40.0%
90+ days past due loans/gross customer loans (%)	33.7%	47.8%	14.1%
Cost of risk/average gross loans (%)	6.80%	8.16%	1.36%
Total provisions/90+ days past due loans (%)	40.2%	43.7%	3.5%
<b>Performance Indicators (%)</b>			
	<b>2009</b>	<b>2010</b>	<b>Change (%-point)</b>
ROA	-6.7%	-6.0%	0.6%
ROE	-27.3%	-32.0%	-4.7%
Total income margin	5.94%	5.73%	-0.21%
Net interest margin	3.00%	2.12%	-0.88%
Cost/income ratio	128.4%	93.3%	-35.1%
Net loans to deposits	240%	189%	-51%

**OTP banka Srbija** realized HUF 7.3 billion loss in 2010, which is 19% less than in the base period.

The 2010 operating result turned into positive as cost savings materialized after the operating cost cutting measures took in 2009 could offset the 13% decline of total revenues. The lower net interest income is explained mainly by the gradually declining loan portfolio on which interest income is booked (as a consequence of portfolio quality deterioration). The y-o-y increase of other net non-interest income was to a great extent influenced by the previously

suspended but in 2010 collected interest income and on the other hand the offsetting of risk costs' increment as a result of the revaluation of provisions due to FX-rate changes was booked on this line as well.

The gradually rising ratio of more than 90 days past due loans is overwhelmingly attributable to the SME and corporate segment. The y-o-y soaring risk costs resulted in improving coverage ratio of DPD90+ loans (+3.5%-points y-o-y).

The gross loans decreased by 2% y-o-y (adjusted for the FX-effect). Thanks to the

successful deposit campaign started in 4Q 2010, the FX-adjusted deposit base expanded by 14% y-o-y and consequently, the net loan to deposit ratio dropped to 189% at the end of 2010.

In 2010, the headcount declined to 708 persons (-76 persons y-o-y) and with five newly opened branches the branch number grew to 55.

### Crnogorska Komercijalna Banka (Montenegro)\*

#### Performance of CKB:

Main components of P&L account in HUF mn	2009	2010	Change (%)
After tax profit w/o dividends, net cash transfers and one-offs	428	-16,844	
Pre-tax profit	430	-16,844	
Operating profit	7,227	3,825	-47%
Total income	13,400	9,793	-27%
Net interest income	10,136	7,131	-30%
Net fees and commissions	2,946	2,981	1%
Other net non-interest income	318	-319	-200%
Operating expenses	-6,173	-5,968	-3%
Provision for possible loan losses	-6,730	-20,316	202%
Other provision	-68	-353	422%
Main components of balance sheet closing balances in HUF mn	2009	2010	Change (%)
Total assets	234,804	212,228	-10%
Gross customer loans	181,137	158,321	-13%
Retail loans	112,606	100,069	-11%
Corporate loans	68,531	58,252	-15%
Allowances for possible loan losses	-10,362	-31,149	201%
Deposits from customers	164,317	158,021	-4%
Retail deposits	90,943	101,295	11%
Corporate deposits	73,374	56,726	-23%
Liabilities to credit institutions	30,662	21,860	-29%
Subordinated debt	7,317	7,532	3%
Total shareholders' equity	23,049	16,222	-30%
Loan Quality	2009	2010	Change (%)
90+ days past due loan volume (in HUF million)	19,673	42,166	114.3%
90+ days past due loans/gross customer loans (%)	10.9%	26.6%	15.8%
Cost of risk/average gross loans (%)	3.09%	11.97%	8.88%
Total provisions/90+ days past due loans (%)	52.7%	73.9%	21.2%
Performance Indicators (%)	2009	2010	Change (%-point)
ROA	0.2%	-7.5%	-7.7%
ROE	2.1%	-85.8%	-87.9%
Total income margin	4.94%	4.38%	-0.55%
Net interest margin	3.73%	3.19%	-0.54%
Cost/income ratio	46.1%	60.9%	14.9%
Net loans to deposits	104%	80%	-23%

The **Crnogorska Komercijalna Banka's** net loss for the year 2010 was HUF 16.8 billion. The unfavourable financial performance of the Bank was driven by the three times higher provisioning y-o-y but the decline (-47%) of operating income had a negative effect, too.

The decline of net interest income was primarily due to the moderated lending activity caused

by the downturn in demand for loans. EUR 11 million worth of loan portfolio was sold to OTP Core Hungary in 1Q 2010 and there was a meaningful sale (in the amount of EUR 66 million) of portfolio to the Montenegrin collection company (transferred portfolio is included in the balance sheet of CKB Group in gross value, however no interest income is recognized after it).

\* In 4Q 2010, OTP Groups's Montenegrin collection company (OTP Factoring Montenegro d.o.o.) started its operation, therefore from 4Q 2010, CKB Bank and its subsidiary's consolidated balance sheet and P&L statement are reported.

The deterioration of the loan portfolio continued in 2010, by the end of the year DPD90+ ratio reached 26.6%. Due to significant provisioning, DPD90+ coverage (73.9%) is near OTP Group's average coverage level.

In 2010, FX-adjusted loan portfolio decreased by 15% (corporate loans: -17% y-o-y, retail loans: -14% y-o-y). The total deposit base diminished

further by 7% y-o-y mainly driven by the significant withdrawal of corporate deposits (-13% y-o-y), while it was only partially offset by the increase of the retail deposit base (+8% y-o-y).

Following the net loss realized in 1H 2010 CKB Bank received a capital injection in the amount of EUR 35 million from its parent company in June.

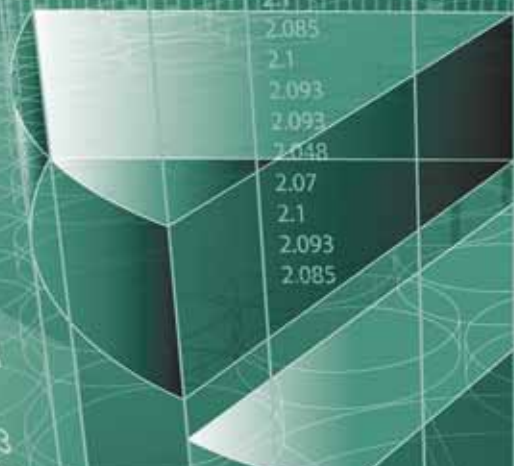
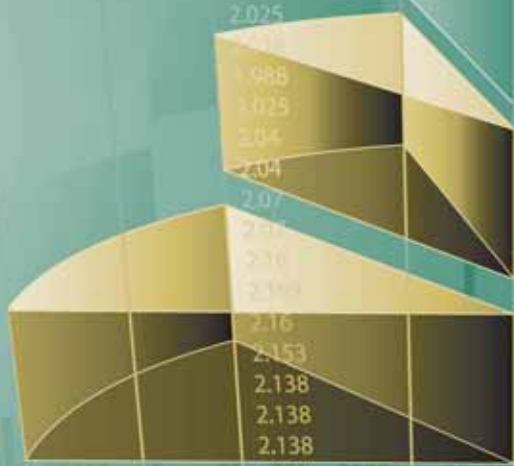


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# ***financial statements***

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

# Independent Auditor's Report

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Reg. Com. J40/6775/1995  
C.U.I. 7756924

1. We have audited the accompanying separate financial statements of OTP Bank Romania S.A., ("the Bank") which comprise the unconsolidated statement of financial position as of December 31, 2010, and the unconsolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

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

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

## Opinion

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



Deloitte Audit S.R.L.  
Bucharest, Romania  
March 7, 2011



**OTP BANK ROMANIA S.A. Unconsolidated Income Statement and  
Statement of Comprehensive Income as of December 31, 2010**

UNCONSOLIDATED INCOME STATEMENT	Note	Year ended December 31, 2010	Year ended December 31, 2009
<b>Interest Income</b>	<b>6</b>	<b>321,652</b>	<b>411,982</b>
<b>Interest Expense</b>	<b>7</b>	<b>(165,929)</b>	<b>(273,506)</b>
<b>Net interest income</b>		<b>155,723</b>	<b>138,475</b>
Fee and commission income	<b>8</b>	72,180	85,097
Fee and commission expense	<b>8</b>	(15,532)	(12,195)
<b>Net fee and commission income</b>		<b>56,648</b>	<b>72,902</b>
<b>Impairment losses</b>	<b>9</b>	<b>(104,703)</b>	<b>(55,896)</b>
<b>Net interest, fee and commission income after impairment losses</b>		<b>107,669</b>	<b>155,481</b>
Trading income, net	<b>10</b>	40,011	23,611
Other income	<b>13</b>	989	990
Income from sale of shares		12,139	7,834
<b>Total non- interest income</b>		<b>53,139</b>	<b>32,435</b>
<b>Income before non-interest expense</b>		<b>160,808</b>	<b>187,917</b>
Salaries and related expenses	<b>11</b>	(92,275)	(93,511)
Operating expenses	<b>12</b>	(61,979)	(62,794)
Other expenses	<b>13</b>	(40,383)	(39,940)
<b>Total non-interest expense</b>		<b>(194,637)</b>	<b>(196,244)</b>
<b>Loss before income taxes</b>		<b>(33,829)</b>	<b>(8,328)</b>
Income tax expense (-)/revenue (+)	<b>27</b>	(43)	(29)
Deferred Income tax expense (-)/revenue (+)		(1,966)	(2,078)
<b>Net Loss for the period</b>		<b>(35,837)</b>	<b>(10,435)</b>
<b>Basic earnings per ordinary share (face value RON 240) in RON</b>	<b>29</b>	<b>(18.03)</b>	<b>(5.75)</b>
<b>Unconsolidated Statement of Comprehensive Income</b>		<b>Year ended December 31, 2010</b>	<b>Year ended December 31, 2009</b>
Net profit/(loss) after tax		(35,837)	(10,435)
<b>Other components of comprehensive income, after tax</b>			
Revaluation of financial assets available for sale		5,598	(301)
<b>Total comprehensive income/(loss) for the reporting period</b>		<b>(30,239)</b>	<b>(10,736)</b>

These financial statements have been authorized for issue by the management in March, 2011.

**Mr. László Diós**  
President and CEO



**Mr. Marin Ban**  
Economic Director

**OTP BANK ROMANIA S.A.**  
**Unconsolidated Statement of Financial Position**  
**as of December 31, 2010**

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	December 31, 2010 (Audited)	December 31, 2009 (Audited)
<b>ASSETS</b>			
Cash	14	168,990	69,064
Current accounts and deposits at banks	15	356,434	256,729
Accounts with the National Bank of Romania	16	383,816	292,164
Securities held-to-maturity	17	501,970	384,085
Loans and advances to customers, net	18	2,198,847	2,088,562
Investment securities - Available for sale	20	134,036	80,424
Investment in Associates and Subsidiaries	21	210	589
Tangible and intangible assets, net	19	132,859	134,933
Derivatives	26	13,518	-
Other assets, net	22	54,601	31,032
<b>Total assets</b>		<b>3,945,282</b>	<b>3,337,583</b>
<b>LIABILITIES</b>			
Due to Banks		248,781	16,112
Demand deposits banks	23	42,625	7,954
Term deposits banks	23	206,156	8,159
Due to customers		2,831,520	2,621,694
Demand deposits customers	24	574,101	277,220
Term deposits customers	24	2,257,419	2,344,473
Total deposits		3,080,301	2,637,806
Borrowings	25	34,843	56,228
Derivatives	26	312,775	185,444
Deferred tax liability, net	27	8,366	5,334
Other liabilities	28	63,796	57,330
<b>Total liabilities</b>		<b>3,500,080</b>	<b>2,942,142</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
Share capital, nominal	29	542,909	462,909
Share capital restatement	5	42,751	42,751
Total share capital		585,660	505,660
Accumulated deficit	5	(140,459)	(110,219)
<b>Total shareholders' equity</b>		<b>445,201</b>	<b>395,441</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>3,945,282</b>	<b>3,337,583</b>

These financial statements have been authorized for issue by the management in March, 2011.

**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, 2010**

UNCONSOLIDATED STATEMENT OF CASH FLOWS	Note	Year ended December 31, 2010	Year ended December 31, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Loss before taxation</b>		<b>(33,829)</b>	<b>(8,328)</b>
<b>Adjustments for non-cash items:</b>			
Depreciation expense	11	20,354	22,527
Loss/(Gain) on disposals of fixed assets		(5,050)	91
Profit on disposal of Available-for-sale securities	8	-	-
Charge / (Release) of other provisions		-	957
Impairment losses on loans and advances to customers		103,425	34,992
Impairment losses on fixed assets		(2,203)	736
Impairment losses for investment in subsidiaries	8	379	(1,674)
Impairment losses on sundry transactions	8	851	-
Other adjustments		(3,830)	-
Valuation of derivative transactions		113,812	63,682
Total adjustments for non-cash items		227,738	124,659
<b>Net profit / (loss) adjusted for non-cash items</b>		<b>193,909</b>	<b>116,332</b>
<b>Changes in operating assets and liabilities</b>			
(Increase)/decrease of restricted cash at National Bank of Romania		(92,311)	66,426
(Increase)/ decrease of pledged current accounts and deposits at banks		-	-
(Increase) / decrease of loans and advances to customers		(213,709)	273,151
(Increase)/ decrease of other assets		(23,762)	4,125
Increase / (decrease) of demand deposits		331,553	(43,587)
Increase/(decrease) of term deposits		110,942	(13,735)
Increase / (decrease) of other liabilities		6,423	(3,022)
Total changes in operating assets and liabilities		119,136	283,359
<b>Net cash provided by operating activities</b>		<b>313,045</b>	<b>399,690</b>
<b>Cash flows from investing activities</b>			
(Purchase of) / proceeds from investments available for sale		(46,947)	(51,532)
(Purchase of) / proceeds from sale of investments held to maturity		(117,885)	(369,137)
(Purchase)/sale of tangible and intangible assets, net		(11,027)	(10,587)
Dividends received		3,830	-
(Increase) / decrease in investment in Associates	20	-	-
<b>Net cash from/(used in) investing activities</b>		<b>(172,029)</b>	<b>(431,256)</b>
<b>Cash flows from financing activities</b>			
(Decrease) / increase of borrowings		(21,386)	(23,713)
Proceeds from issue of shares	28	80,000	30,000
<b>Net cash provided by/ (used in) financing activities</b>		<b>58,614</b>	<b>6,287</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>199,631</b>	<b>(25,278)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>13</b>	<b>325,794</b>	<b>351,072</b>
<b>Cash and cash equivalents at end of period</b>	<b>13</b>	<b>525,424</b>	<b>325,794</b>

These financial statements have been authorized for issue by the management in March, 2011.

**Mr. László Diósz**  
**President and CEO**



**Mr. Marin Ban**  
**Economic Director**

**OTP BANK ROMANIA S.A.**  
**Unconsolidated Statement of Changes in Equity**  
**for the period ended December 31, 2010**

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share Capital RON '000	Share capital restatement reserve RON '000	Retained earnings/ Accumulated deficit RON '000	Total RON '000
<b>Balance as of January 1st, 2009</b>	<b>432,909</b>	<b>42,751</b>	<b>(99,483)</b>	<b>376,176</b>
Changes in fair value of investment securities - available for sale	-	-	(358)	(358)
Deferred tax recognized directly in equity	-	-	57	57
Net income recognized directly in equity	-	-	(301)	(301)
Net loss for the period ended December 31, 2009	-	-	(10,435)	(10,435)
Total recognized income and expense for the period	-	-	(10,736)	(10,736)
Increase in share capital	30,000	-	-	30,000
<b>Balance as of December 31, 2009</b>	<b>462,909</b>	<b>42,751</b>	<b>(110,219)</b>	<b>395,441</b>
<b>Balance as of January 1st, 2009</b>	<b>462,909</b>	<b>42,751</b>	<b>(110,219)</b>	<b>395,441</b>
Changes in fair value of investment securities - available for sale	-	-	6,665	6,665
Deferred tax recognized directly in equity	-	-	(1,066)	(1,066)
Net income recognized directly in equity	-	-	5,598	5,598
Net profit for the period ended December 31, 2010	-	-	(35,837)	(35,837)
Total recognized income and expense for the period	-	-	(30,239)	(30,239)
Increase in share capital	80,000	-	-	80,000
<b>Balance as of December 31, 2010</b>	<b>542,909</b>	<b>42,751</b>	<b>(140,458)</b>	<b>445,201</b>

These financial statements have been authorized for issue by the management in March, 2011.

**Mr. László Diósi**  
President and CEO



**Mr. Marin Ban**  
Economic Director

All amounts are expressed in RON thousands, unless otherwise stated

**OTP BANK ROMANIA S.A.**  
**Notes to Unconsolidated Financial Statements**  
**for the period ended December 31, 2010**

**1. General Overview on Bank and its Operations**

OTP BANK ROMANIA SA (hereinafter the "Bank" or "OTP Romania") was established as a private bank in 1995, under the official name "Banca Comercială RoBank S.A. and Trade Register number J40/10296/1995.

In July 2004, OTP Bank Ltd (Hungary) became the main shareholder of the Bank and in July 2005 the Bank was officially registered with the Romanian Trade Register under the name "OTP Bank Romania S.A."

The Head Office of the Bank is seated in 66-68 Buzești Street, District 1, Bucharest, Romania.

The Bank's tax identification number is RO 7926069.

**Members of Statutory Bodies as of December 31, 2010**

**Management Board (MB):**

László Diósi – Chairman Of The Management Board and CEO

János Komorowicz – Vice-Chairman Of The Management Board and Deputy CEO

György Bodó - Member Of The Management Board and Deputy CEO

Gábor István Ljubičić - Member Of The Management Board and Deputy CEO

Ferenc Csaba Bakk - Member Of The Management Board and Deputy CEO

**Supervisory Board (SB):**

Antal Pongrácz – Chairman Of The Supervisory Board

Annus Szabolcs - Vice-President of SB

Enikő Zsakó - Member

László Kálmán - Member

Ákos Monostori - Member

Szabó Zsolt - Member

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

**Scope of the Business:**

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

The basic activity of the Bank is the provision of a wide range of banking and financial services to various entities, mainly to large and medium enterprises, private individuals, and institutional customers.

The Bank's core scope of business, under the banking authorization from the NBR, is as follows:

- other activities representing intermediation of money – acceptance of deposits and other repayable funds;
- lending including, inter alia: consumer credit, mortgage credit, factoring with or without recourse, financing of commercial transactions, including forfeiting;
- money transmission services;
- issuing and administering means of payment, such as credit cards, travelers' cheques and other similar means of payments, including issuing of electronic money;
- issuing guarantees and commitments;
- trading for own account and/or for account of clients, according to law, in:
  - money market instruments, such as: cheques, bills, promissory notes, certificates of deposit;
  - foreign exchange;
  - transferable securities and other financial instruments;
  - exchange and interest rate instruments;
  - operations with options on exchange rates.

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

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

- Depositing assets of investment funds and investment companies;
- Distribution of investment funds' units and investment companies' shares;
- Data processing services, database management or other such services for third parties;
- Carrying out automatic payment operations in the accounts of customers (both natural and legal entities), under the mandate granted by clients in this respect;
- Safekeeping and administration of the financial instruments;
- Participation in securities issues and other financial instruments by underwriting and selling them or by selling them and the provision of services related to such issues;

- Acting as agent in case of syndicated loan transactions and of the loans granted by non-resident banks;
- Portfolio management and advice;
- Managing portfolio of movable and / or immovable assets, which are the property of the credit institution, but are not used for the performance of its financial activities;
- Non-financial mandate or commission operations, especially in the account of other entities within the group the Bank relates, respectively:
  - Bank assurance activity, according to the provisions of Law 32 / 2000 on insurance companies and insurance supervision, with the subsequent amendments and supplements;
  - Mandate operations: acting as marketing agent for the voluntary pension funds.

#### Shareholders Structure:

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

As of December 31, 2010, the shareholders' structure of the Bank was the following:

Shareholder's Name	Percentage of ownership	Number of shares	Amount (RON)
1. Országos Takarékpénztár és Kereskedelmi Bank Nyilvánosan Működő Részvénytársaság	99.99982317%	2,262,117	542,908,080
2. Merkantil Bank zRt.	0.000177%	4	960
<b>Total</b>	<b>100%</b>	<b>2,262,121</b>	<b>542,909,040</b>

#### Organizational Structure and Number of Employees

As of December 31, 2010, the Bank operated 7 regional centre's through 106 network units (out of which 56 branches and 50 agencies) and the registered Head Office, distributed in all counties of Romania.

The main cities are distributed with a higher number of units, as follows:

- Bucharest (22 units);
- Cluj (8 units);
- Timis, Brasov, Constanta (5 units);
- Harghita, Bihor, Mures (4 units);
- Sibiu, Covasna, Arges, Prahova (3 units);



- Dolj, Neamt, Hunedoara, Iasi, Galati, Vaslui, Bacau (2 units);

The total number of Bank's employees as of December 31, 2010 is 1,105 (December 31, 2009: 1,094).

## 2. Capital Adequacy and Regulatory Requirements

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

In 2010, the Bank monitored the development of requirements for regulatory capital and prepared reports on the required levels of the Bank's regulatory capital on a monthly basis. These reports have been submitted to the National Bank of Romania and to the Board of Directors' meetings for periodical analysis.

The regulatory capital of the Bank's financing is stipulated by the provision of the NBR and comprises:

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

The Bank has complied with the capital adequacy ratio required by the National Bank of Romania ("NBR") as of 31 December 2010 as well as of December 31, 2009.

The bank is also subject to other regulatory requirements of the NBR, including those pertaining to lending limits, liquidity, foreign

currency exposure, interest rate risk etc. Starting with January 1, 2008, the Bank applies provisions of National Bank of Romania (NBR) – National Committee of Securities (CNVM) regulations harmonized with Basel requirements, which state that the minimum capital adequacy ratio is 8%.

### Capital management

The Bank manages its capital with the objective of maintaining a strong capital base to support its business activities and to meet capital regulatory requirements in the current period and going forward. The Bank's capital level planning process is based on a regular capital structure analysis and a forecast which takes into account future capital requirements generated by increasing business volumes and future risks as expected by the Bank. This analysis principally leads to adjustments of the level of the Bank's dividend pay-out, identification of future capital needs and maintenance of a balanced capital composition. The Bank's capital principally consists of the following balances: share capital, reserve funds, and cumulated losses from prior years. The National Bank, as the local regulatory authority, oversees the Bank's compliance with the capital adequacy ratio on a stand-alone basis.

## 3. Summary of Significant Accounting Policies

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

### 3.1 Basis of Preparation

#### Statement of Compliance

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

The separate financial statements of the Bank for the period ended December 31, 2010 and comparative data for the period ended as at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

The accompanying separate financial statements are prepared in terms of the purchasing power of the Romanian New Leu (“RON”) as of December 31, 2010 and are expressed in thousands Romanian Lei (“RON”), rounded to the nearest thousand. The Bank’s management assessed the functional currency of the Bank to be RON, which is also the presentation currency of these financial statements.

In 2010, the Bank adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods commencing January 1, 2010. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank’s accounting policies that have affected the amounts reported for the current or prior year.

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

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

*Standards and Interpretations effective in the current period*

The following amendments to the existing standards issued by the International

Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- IFRS 1 (revised) “First-time Adoption of IFRS” (effective for annual periods beginning on or after July 1, 2009),
- IFRS 3 (revised) “Business Combinations” (effective for annual periods beginning on or after July 1, 2009),
- Amendments to IFRS 1 “First-time Adoption of IFRS” - Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after January 1, 2010),
- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after January 1, 2010),
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after July 1, 2009),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items (effective for annual periods beginning on or after July 1, 2009),
- Amendments to various standards and interpretations “Improvements to IFRSs (2009)” resulting from the annual improvement project of IFRS published on April 16, 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after January 1, 2010),
- IFRIC 17 “Distributions of Non-Cash Assets to Owners” (effective for annual periods beginning on or after July 1, 2009),

- IFRIC 18 “Transfers of Assets from Customers” (effective for transfer of assets from customers received on or after July 1, 2009)

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Bank’s accounting policies.

*Standards and Interpretations in issue not yet adopted*

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

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 “First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010),
- Amendments to IFRS 1 “First-time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011),
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011),
- Amendments to IAS 12 “Income Taxes” - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012),
- Amendments to IAS 24 “Related Party Disclosures” - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011),
- Amendments to IAS 32 “Financial

Instruments: Presentation” – Accounting for rights issues (effective for annual periods beginning on or after February 1, 2010),

- Amendments to various standards and interpretations “Improvements to IFRSs (2010)” resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after January 1, 2011),
- Amendments to IFRIC 14 “IAS 19 – The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction” - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011),
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after July 1, 2010).

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial of the Bank in the period of initial application. The adoption of these standards and interpretations in future periods is not expected to have a material impact on the Bank’s profit or equity.



### 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.
- Where no legal requirements are available, the amounts recognized as provisions for other liabilities and other assets are based on the management's judgments and represent the best estimate of receivables/ expenditures required to settle an asset/ liability of uncertain timing or amount resulting from a right/ obligation.
- Income tax rules and regulations have undergone significant changes in recent years and there are little historical precedent or interpretative rulings on a number of complex issues affecting the banking industry. Also, tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Accordingly there is a high level of inherent uncertainty about the ultimate outcome of examinations by the tax authorities.
- In connection with the current economic environment, based on currently available information the management has considered

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

### 3.3 Offsetting

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

### 3.4 Separate and consolidated financial statements

The Bank is part of the consolidation group of OTP Group. Consolidated financial statements for all groups of consolidation group entities are prepared by Országos Takarékpénztár és Kereskedelmi Bank Nyilvánosan Működő Részvénytársaság, the parent company with its seat at Nádor utca 16, 1051 Budapest, Hungary ("OTP Bank Nyrt."). OTP Bank Nyrt. is also an immediate consolidating entity of the Bank.

#### 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 PLC is in the process of finalizing the preparation of consolidated financial statements as of December 31, 2010 which is expected to be

available for public use on internet address: [www.otpbank.hu](http://www.otpbank.hu) as of April 2011

### 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. For details related to Bank's subsidiaries and Affiliates please refer to Note 21.

### 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 reporting periods for major foreign currencies:

	RON / CHF	RON / USD	RON / EUR	RON / 100 HUF
Exchange rate as of December 31, 2010	3.4211	3.2045	4.2848	1.5391
Exchange rate as of December 31, 2009	2.8496	2.9361	4.2282	1.5608

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

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

Revenue from various services the Bank performs is recognized when the following conditions are satisfied:

- persuasive evidence of an arrangement exists;
- the services have been rendered;
- the fee or commission is fixed or determinable;
- Collectability is 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 recognized as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with the change in fair value recognized in profit or loss the fees are recognized as revenue when the instrument is initially recognized.

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

- *fees earned as services are provided*

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

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

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

This treatment is applicable to wide range of standard banking services and related fees (money transfers, foreign currency exchange, etc.) and fees charged due to additional services performed upon client's request (fee for an agreement copy, fee for agreement change upon borrower's request, etc.). Such fees are treated as one-off fees related to specific service that is provided by the Bank and therefore accounted for on cash basis.

### 3.8 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 Financial instruments - initial recognition, measurement and de-recognition*

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

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

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

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

## **3.9 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 amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The policy related to impairment of loans is specifically disclosed in caption Loans and advances to customers.

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

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

## **3.10 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 recognized in books will be equal to the net cash flow paid or received by the Bank. Loans and receivables are subsequently measured at amortized cost using the effective interest method, and are subject to impairment testing.

When financial assets are impaired by credit losses the Bank records the impairment in a

separate account - a provision account rather than directly reducing the carrying amount of the asset.

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

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

### *3.10.1 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.

The created provision corresponds to the difference between the carrying amount of the exposure and the net present value of estimated future cash flows, assuming that the exposure will default and undergo a collateral collection process. These cash flows account for projected principal and interest payments made by the borrower,

collateral collection, reduced by any costs related to the collection process. In order to calculate their present value, expected cash flows are discounted using the effective interest rate.

If the Bank determines that no objective evidence of impairment exists for an individually assessed exposure, it includes the exposure in a group of assets with similar credit risk characteristics and collectively assesses them for impairment.

The exposures that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

### *3.10.3. 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,
- SME.

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

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

Additionally, each sub portfolio is divided into five more homogenous groups (buckets) based on the number of days overdue, the last bucket representing the default bucket, as follows: 0DPD, 1-30 DPD, 31-60 DPD, 61-90 DPD, Default.

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

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

#### *Probability of default*

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

#### *Recovery indicator*

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

#### *Loss Amount*

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

#### *Exposure at default*

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

#### *Gross amortized cost*

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



### **3.11 Tangible and intangible assets**

Property, plant and equipment that qualify for recognition as tangible assets are initially measured at cost. Subsequent to initial recognition as assets, land, buildings and other fixed assets are stated at their restated cost less accumulated depreciation value and accumulated impairment losses.

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. The Bank mainly includes in this category the software developments which are amortized over a period of 3 years, having an annual amortization rate of 33%.

Depreciation / amortization of tangible and intangible assets is charged to the income statement line "Operating expenses". Depreciation/ amortization commences in the following month after such assets are put into use. Land and works of art are not depreciated.

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. At the balance sheet date the Bank reviews the carrying value of its non-current tangible assets, estimated useful life and method of depreciation. The Bank also reassesses the recoverable amount in order to determine the extend (of any) of the impairment loss. Where the carrying amount of premises and equipments is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount through the income statement. Where the estimated recoverable amount exceeds the carrying amount of an asset, a provision for impairment loss is released through the income statement.

At balance sheet date, the Bank assesses as well whether there is any indication that an impairment loss recognized in prior periods

for an asset may no longer exist or has decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. If the estimated recoverable amount exceeds the carrying value of an asset, a reversal of an impairment loss is recognized in the income statement.

### 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. No financial leases are held by the Bank as of December 31, 2010.

### 3.13 Interest bearing Borrowings and borrowing costs

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

### 3.14 Derivative Financial Instruments

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional

value of the contract. Generally, derivative financial instruments include currency forward and swap agreements. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are initially recognised at acquisition cost, which includes transaction expenses and which is subsequently re-measured to fair value. Fair values of derivatives are determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve and foreign currency translations using the ECB rates valid on the calculation day. Fair values of derivative transactions are determined in parts.

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

### 3.15 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 in full, using the liability method, on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts in the financial statements (Please see Note 27 for details).

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

Deferred tax is charged or credited to profit or loss, except when it relates to items

charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 16%. (2009:16%).

### 3.16 Contingencies

A contingent liability is:

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

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

Contingent liabilities are not recognized in the financial statements, but are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

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

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

### 3.17 Provisions

A provision is recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle

the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect in financial statements of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

### 3.18 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.

### 3.19 Related parties

Counterparty is considered related to the Bank if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the bank (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the Bank that gives it significant influence over the Bank; or
  - (iii) has joint control over the bank;
- (b) the party is an associate of the bank (as mentioned in Note 3.4.2);
- (c) the party is a joint venture in which the Bank is a venturer;
- (d) the party is a member of the key management personnel of the bank or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the bank, or of any entity that is a related party of the Bank.

### 3.20 Employee benefits

#### Short-term employee benefits:

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

#### Post-retirement benefits:

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

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

### 3.21 Comparatives

Where necessary, certain reclassifications have been made to December 31, 2009 balances to conform to the presentation as of December 31, 2010.

### 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 development involves investments to modernizing the IT system, launching new customized products on the market and investment in human resources



At the end of October 2010, the mother company paid-up an amount of RON 79.999.920 for increasing its participation to the Bank's share capital.

Management is confident that financial support will be provided by the shareholders, if required, and that the Bank will be able to generate sufficient future cash flow to continue its operations in the foreseeable future. These financial statements have also been prepared under the exercise of prudence to the extent that losses are recognized as soon as they are foreseeable.

### 3.24 Basic earnings per share

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

## 4. Risk Management

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

- credit risk
- Interest rate risk
- market risk – which refers to exposures to market factors as interest rate, exchange rates and equity markets
- 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 assessment and management processes.

Bank's risk related policies and management approach are assessed periodically and updated to the changes that occurred on each analyzed area of activity

## 4.1 Market Risk Management

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

During 2010, the bank didn't managed a trading book portfolio, so the market risk only refers to foreign exchange risk for the whole balance sheet. Although, considering the bank intention to initiate trading activities in the near future, the Bank's objective in market risk management is to ensure appropriate management of the risks generated by the trading activities, through the implementation of procedures, models and adequate application of monitoring and risk control related with the trading activities.

Market Risk Department, as part of the Risk Division, has the following responsibilities:

- To monitor the compliance with the existing limits, but also to report any exceeding to the bank's management;
- To revise and submit for approval any application/ request of new limits establishment;
- To prepare and to transmit consolidated reports regarding market risks towards / to the Risk Management Committee and Board of Directors.

### 4.1.1 Interest Rate Risk (Banking book)

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

OTP Bank Romania S.A. assumes a conservative approach towards risks and has implemented in this regard a risk management system that identifies, evaluates, manages and controls the risks related to its activity in a prudent manner. Regarding the interest rate risk on the banking book, the bank manages its exposure with the aim of limiting the potential losses due to unfavorable fluctuations of the interest

rates, in such a way that these losses do not threaten the profitability of the bank, the own funds or the safety of operations.

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

For the assessment of the interest rate risk on the banking book, the bank uses repricing gap analysis, modified duration analysis and stress test scenarios estimating the possible effects of interest rate changes on bank profits and economic value. Approaching a

prudent management, the bank established through internal rules a limit exposure to interest rate risk more restrictive than that imposed by the regulator. The interest rate risk exposure as of the end of December 2010 ranks comfortably below the exposure limit set.

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

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

Loans granted to customers	December 31, 2010				December 31, 2009			
	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	11.57	14.27	20.69	N/A	11.75	14.49	21.10	13.72
Personal loans with mortgage	6.24	5.16	14.50	N/A	6.32	6.6	15.03	N/A
Housing	5.97	5.05	14.14	N/A	6.17	5.88	15.03	N/A
Car loans	8.11	11.35	11.78	N/A	N/A	N/A	N/A	N/A
Corporate loans	5.60	5.55	8.84	7.73	5.65	5.46	13.89	5.79

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

	December 31, 2010	December 31, 2009
<b>ASSETS</b>		
Loans, gross		
+ 100 bp	4,499	30,928
- 100 bp	(4,499)	(30,928)
Securities held-to-maturity		
+ 100 bp	3,010	2,255
- 100 bp	(3,010)	(2,255)
Money market deposits, net		
+ 100 bp	54	51
- 100 bp	(54)	(51)
<b>LIABILITIES</b>		
Borrowings		
+ 100 bp	80	107
- 100 bp	(80)	(107)
Due to customers (currency accounts, sight and term deposits)		
+ 100 bp	1,813	2,554
- 100 bp	(1,813)	(2,554)
Derivatives, net		
+ 100 bp	(199)	(110)
- 100 bp	199	110
<b>TOTAL net impact in Profit and Loss account + 100 bp</b>	<b>5,471</b>	<b>30,463</b>
<b>TOTAL net impact in Profit and Loss account - 100 bp</b>	<b>(5,471)</b>	<b>(30,463)</b>

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. Interest bearing assets and liabilities of the Bank are analyzed below into relevant re-pricing groups as of December 31, 2010 and December 31, 2009:

December 31, 2010	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
<b>ASSETS</b>						
Cash and cash equivalents	168,990	-	-	-	-	168,990
Current accounts and deposits at banks	356,434	-	-	-	-	356,434
Accounts with the National Bank of Romania	383,816	-	-	-	-	383,816
Treasury securities	7,952	15,261	349,994	128,762	-	501,970
Loans, net	479,185	629,135	1,079,582	9,099	1,846	2,198,847
Derivatives	22	-	13,496	-	-	13,518
<b>Total assets</b>	<b>1,396,399</b>	<b>644,396</b>	<b>1,443,072</b>	<b>137,862</b>	<b>1,846</b>	<b>3,623,576</b>
<b>LIABILITIES</b>						
Due to Banks	238,781	10,000	-	-	-	248,781
Demand deposits banks	42,625	-	-	-	-	42,625
Time deposits banks	196,156	10,000	-	-	-	206,156
Due to customers	1,932,214	818,405	64,332	14,913	1,656	2,831,520
Demand deposits customers	574,101	-	-	-	-	574,101
Time deposits customers	1,358,112	818,405	64,332	14,913	1,656	2,257,419
Borrowings	96	4,141	30,606	-	-	34,843
<b>Derivatives</b>	<b>-</b>	<b>-</b>	<b>312,775</b>	<b>-</b>	<b>-</b>	<b>312,775</b>
<b>Total liabilities</b>	<b>2,171,090</b>	<b>832,546</b>	<b>407,713</b>	<b>14,913</b>	<b>1,656</b>	<b>3,427,918</b>
<b>Net assets interest rate sensitivity</b>	<b>(774,692)</b>	<b>(188,150)</b>	<b>1,035,360</b>	<b>122,949</b>	<b>190</b>	<b>195,658</b>
<b>Net assets cumulative interest rate sensitivity</b>	<b>(774,692)</b>	<b>(962,864)</b>	<b>72,518</b>	<b>195,467</b>	<b>195,657</b>	<b>-</b>

December 31, 2009	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
<b>ASSETS</b>						
Cash and cash equivalents	69,064	-	-	-	-	69,064
Current accounts and deposits at banks	256,729	-	-	-	-	256,729
Accounts with the National Bank of Romania	292,164	-	-	-	-	292,164
Treasury securities	6,390	101,313	97,112	179,271	-	384,085
Loans, net	572,530	651,589	210,181	240,578	413,685	2,088,562
<b>Derivatives</b>	-	-	-	-	-	-
<b>Total assets</b>	<b>1,196,877</b>	<b>752,902</b>	<b>307,293</b>	<b>419,848</b>	<b>413,685</b>	<b>3,090,606</b>
<b>LIABILITIES</b>						
Due to Banks	14,312	1,800	-	-	-	16,112
Demand deposits banks	7,954	-	-	-	-	7,954
Time deposits banks	6,359	1,800	-	-	-	8,159
Due to customers	1,553,532	902,648	138,541	3,791	23,183	2,621,694
Demand deposits customers	277,220	-	-	-	-	277,220
Time deposits customers	1,276,312	902,648	138,541	3,791	23,183	2,344,473
Borrowings	12,329	422	39,683	3,373	422	56,228
<b>Derivatives</b>	-	-	<b>185,444</b>	-	-	<b>185,444</b>
<b>Total liabilities</b>	<b>1,580,173</b>	<b>904,869</b>	<b>363,668</b>	<b>7,163</b>	<b>23,604</b>	<b>2,879,478</b>
<b>Net assets interest rate sensitivity</b>	<b>(383,296)</b>	<b>(151,968)</b>	<b>(56,375)</b>	<b>412,685</b>	<b>390,081</b>	<b>211,127</b>
<b>Net assets cumulative interest rate sensitivity</b>	<b>(383,296)</b>	<b>535,264</b>	<b>(591,639)</b>	<b>(178,954)</b>	<b>211,127</b>	<b>-</b>

#### 4.1.2 Interest Rate Risk (Trading book)

The interest rate risk refers to the fluctuation in the value of financial instruments included in the trading book due to the changes in market interest rates. During 2010, the bank didn't hold trading positions on financial instruments exposed to interest rate risk. Bank's strategy for interest risk management includes continuous assessment of Treasury deals on monetary and exchange market (approved currencies and agreed / approved counterparties) as well as approved transaction limits settled by the Risk Management Committee. A VaR limit for the fixed income instruments included in the trading book will be also established.

#### 4.1.3 Currency Risk

Currency risk is the risk of loss resulting from changes in exchange rates. The currency fluctuations induce the risk of losses in value in respect of net monetary assets.

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

Regarding the money market and currency market operations, the risk profile is a reduced one, being unitary managed by using Kondor+ and Market Risk Portal by OTP Bank Hungary.

The currency position managed according to the internal rules and also considering the NBR regulations. There is a VaR system which monitors this position throughout OTP Group in a module Kondor+ system.

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk

diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

The FX net open position limits are assigned by the Bank and are much lower than the prudential limits imposed by the National Bank of Romania. The exposure to the limits is monitored on a daily basis by Market Risk department.

#### December 31, 2010

FX	Assets	Liabilities and equity	Net position of balance sheet	Net position of off-balance sheet	Total	Gains (losses) incurred for a change of +1% in currency exchange rate	Gains (losses) incurred for a change of -1% in currency exchange rate
USD	48,192	78,396	(30,204)	26,297	<b>(3,907)</b>	(3,946)	(3,868)
EUR	1,780,156	848,759	931,397	(1,033,995)	<b>(102,598)</b>	(103,624)	(101,572)
CHF	689,503	125,194	564,309	(548,476)	<b>15,833</b>	15,992	15,675
Other	7,388	6,838	550	(497)	<b>53</b>	53	53
HUF	5,232	23,171	(17,939)	17,600	<b>(339)</b>	(343)	(336)
<b>Total</b>	<b>2,530,471</b>	<b>1,082,358</b>	<b>1,448,113</b>	<b>(1,539,070)</b>	<b>(90,957)</b>	<b>(91,867)</b>	<b>(90,047)</b>
<b>Net gain (loss) in P&amp;L</b>						<b>(910)</b>	<b>910</b>
<b>RON</b>	<b>1,414,811</b>	<b>2,862,924</b>	<b>(1,448,113)</b>		<b>1,448,113</b>		

#### December 31, 2009

FX	Assets	Liabilities and equity	Net position of balance sheet	Net position of off-balance sheet	Total	Gains (losses) incurred for a change of +1% in currency exchange rate	Gains (losses) incurred for a change of -1% in currency exchange rate
USD	11,268	55,285	(44,017)	41,942	<b>(2,075)</b>	(2,096)	(2,055)
EUR	1,289,016	671,993	617,023	(701,247)	<b>(84,224)</b>	(85,066)	(83,381)
CHF	734,812	26,571	708,240	(686,446)	<b>21,794</b>	22,012	21,576
Other	3,235	2,866	370	-	<b>370</b>	370	370
HUF	9,233	10,512	(1,279)	638	<b>(640)</b>	(647)	(634)
<b>Total</b>	<b>2,047,564</b>	<b>767,227</b>	<b>1,280,337</b>	<b>(1,345,113)</b>	<b>(64,776)</b>	<b>(65,427)</b>	<b>(64,124)</b>
<b>Net gain (loss) in P&amp;L</b>						<b>(651)</b>	<b>651</b>
<b>RON</b>	<b>1,290,019</b>	<b>2,570,357</b>	<b>(1,280,338)</b>		<b>1,280,338</b>		

From the total loans to non-banking clients as at 31.12.2010, 81.7% (RON 1,773,344 thousands) were other currency loans (especially EUR and CHF). Loans granted by the Bank in RON as at the year-end represented only RON 410,143 thousands.

On the other hand, the most important part of term deposits due to non-banking clients comprises RON deposits taken from OTP Financing Netherlands B.V. (member of OTP Bank Plc group) for a total amount of RON 1,077,000 thousands having contractual maturities between 5 and 7 years (remaining maturities of 3 to 5 years).

In order to cover the currency position mismatch due to the significant portion of financing

sources received in RON while most important part of placements were made in foreign currency, the Bank entered into derivative transactions with the mother-company during the year 2008. The notional value of these transactions as at 31.12.2010 was 1,065,721 thousands and the contractual maturities are of 5 and 7 years, respectively (remaining maturities of 3 and 5 years).

Below there is summarized the Bank's exposure to foreign currency exchange rate risk as of December 31, 2010 and December 31, 2009. Included in the tables are the Bank's assets and liabilities at carrying amounts, structured by local and main foreign currencies.

December 31, 2010	EUR	USD	CHF	HUF	OtherFCY	Total FCY	RON	Total
<b>ASSETS</b>								
Cash	41,256	13,601	4,608	3,638	6,376	69,480	99,510	168,990
Current accounts and deposits at banks	106,311	33,717	3,527	1,593	922	146,071	210,363	356,434
Accounts with the National Bank of Romania	225,340	-	-	-	-	225,340	158,476	383,816
Securities held-to-maturity	275,436	-	-	-	-	275,436	226,534	501,970
Loans and advances to customers, net	1,104,823	801	674,856	-	-	1,780,480	418,367	2,198,847
Investment securities – Available for sale	2,918	-	-	-	-	2,918	131,118	134,036
Investment in Associates	-	-	-	-	-	-	210	210
Tangibles and intangibles assets, net	-	-	-	-	-	-	132,859	132,859
Derivatives	-	-	-	-	-	-	13,518	13,518
Deferred tax assets, net	-	-	-	-	-	-	-	-
Other assets, net	24,070	73	-	-	89	30,747	23,855	54,601
<b>Total assets</b>	<b>1,780,157</b>	<b>48,192</b>	<b>689,503</b>	<b>5,233</b>	<b>7,388</b>	<b>2,530,473</b>	<b>1,414,809</b>	<b>3,945,282</b>
<b>LIABILITIES</b>								
Due to Banks	107,127	24,357	-	20	745	132,249	116,532	248,781
Demand deposits banks	21,425	-	-	20	-	21,445	21,180	42,625
Term deposits banks	85,702	24,357	-	-	745	110,804	95,352	206,156
Due to customers	698,542	49,823	104,018	22,933	6,092	881,408	1,950,112	2,831,520
Demand deposits customers	218,667	11,381	99,801	15,860	1,101	346,810	227,291	574,101
Term deposits customers	479,875	38,443	4,217	7,073	4,991	534,598	1,722,821	2,257,419
Borrowings	30,677	4,166	-	-	-	34,843	-	34,843
Derivatives	-	-	-	-	-	-	312,775	312,775
Deferred tax liability, net	-	-	-	-	-	-	8,366	8,366
Other liabilities	12,414	50	21,177	218	-	33,860	29,936	63,796
<b>Total liabilities</b>	<b>848,759</b>	<b>78,397</b>	<b>125,194</b>	<b>23,172</b>	<b>6,838</b>	<b>1,082,360</b>	<b>2,417,720</b>	<b>3,500,080</b>
<b>Net Currency position</b>	<b>931,398</b>	<b>(30,204)</b>	<b>564,309</b>	<b>(17,939)</b>	<b>550</b>	<b>1,448,113</b>	<b>(1,002,911)</b>	<b>445,202</b>



December 31, 2009	EUR	USD	CHF	HUF	OtherFCY	Total FCY	RON	Total
<b>ASSETS</b>								
Cash	19,746	2,671	3,435	2,761	706	29,319	39,745	69,064
Current accounts and deposits at banks	104,126	628	2,779	6,469	2,516	116,519	140,210	256,729
Accounts with the National Bank of Romania	164,220	-	-	-	-	164,220	127,944	292,164
Securities held-to-maturity	142,235	-	-	-	-	142,235	241,850	384,085
Loans and advances to customers, net	857,583	7,895	721,757	-	-	1,587,235	501,328	2,088,562
Investment securities – Available for sale	755	-	-	-	-	755	79,669	80,424
Investment in Associates	-	-	-	-	-	-	589	589
Tangibles and intangibles assets, net	-	-	-	-	-	-	134,933	134,933
Deferred tax assets, net	-	-	-	-	-	-	-	-
Other assets, net	351	74	6,840	3	13	7,282	23,751	31,032
<b>Total assets</b>	<b>1,289,016</b>	<b>11,268</b>	<b>734,812</b>	<b>9,233</b>	<b>3,235</b>	<b>2,047,564</b>	<b>1,290,302</b>	<b>3,337,583</b>
<b>LIABILITIES</b>								
Due to Banks	6,343	-	-	25	-	6,367	9,745	16,112
Demand deposits banks	-	-	-	25	-	25	7,929	7,954
Term deposits banks	6,343	-	-	-	-	6,343	1,816	8,159
Due to customers	616,900	49,361	9,440	10,488	2,866	689,054	1,932,639	2,621,694
Demand deposits customers	78,056	11,261	7,608	5,349	482	102,756	174,464	277,220
Term deposits customers	538,844	38,100	1,833	5,138	2,384	586,298	1,758,175	2,344,473
Borrowings	39,342	4,880	-	-	-	44,221	12,007	56,228
Derivatives	-	-	-	-	-	-	185,444	185,444
Deferred tax liability, net	-	-	-	-	-	-	5,334	5,334
Other liabilities	9,409	1,045	17,131	(1)	-	27,584	29,746	57,330
<b>Total liabilities</b>	<b>671,993</b>	<b>55,285</b>	<b>26,571</b>	<b>10,512</b>	<b>2,866</b>	<b>767,227</b>	<b>2,174,915</b>	<b>2,942,142</b>
<b>Net Currency position</b>	<b>617,023</b>	<b>(44,017)</b>	<b>708,240</b>	<b>(1,279)</b>	<b>370</b>	<b>1,280,337</b>	<b>(884,896)</b>	<b>395,441</b>

#### 4.1.4 Equity risk

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

During 2010, the bank didn't hold trading positions on equities. Trading in equities and derivatives is scheduled to commence in the near future. Bank's strategy concerning equities and derivatives trading risk management involves the monitoring of transactions limits:

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

#### 4.2 Credit Risk Management

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

The bank's main objective regarding credit risk management is: to maintain the portfolio quality by monitoring the evolution of a set of indicators which is detailed in Risk Strategy for 2010; Bank's strategy regarding credit risk management includes:

- Strengthening the bank's debt collection activity ;
- Organizing monthly meetings of the Monitoring Committee in order to have a

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

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

As part of overall credit risk management, the credit concentration risk is actively managed using standard tools (e.g. analysis, assessment, setting of internal limits, reporting and use of risk mitigation techniques as appropriate).

The Bank aims not to take any excessive credit concentration risk. Credit

concentration risk management procedures cover individual counterparties as well as economically connected groups, selected industry sectors and collateral providers. The system of internal limits is established such that the Bank complies with regulatory limits set in respect of concentration risk.

The structure of economic sector risk concentration is presented in Note 18 c).

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

#### 4.2.1 Individually impaired assets

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

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

The breakdown of these provisions by industry is as follows :

	December 31, 2010	December 31, 2009
Agriculture	0	1,030
Construction	10,759	7,990
Hotels and restaurants	2,014	273
Other Industries (Furniture, Food and beverages, Fashion, Chemical, Forestry)	8,027	2,711
Other services	3,574	1,901
Others	950	1,525
Trade and finance	49,722	29,365
Transportation	1,564	2,391
<b>Total</b>	<b>76,610</b>	<b>47,186</b>

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

\* same % for all ratings

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

\*\*\* for other vehicles and equipments we take into consideration:

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

\*\*\*\* with the followings exceptions:

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

#### Area 1

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

#### Area 2

- cities / areas which are not in Area 1



The Bank accepts as collaterals collaterals specified below:

	December 31, 2010	December 31, 2009
<b>Type of collaterals (to the extent of the exposures)</b>		<b>Book value in LCY</b>
Cash collaterals	20,492,102	22,004,773
Bank guarantees and cash sureties	4,958,190	2,094,772
Guarantees of other state and organizations owned by state	1,939,417,000	1,939,417,000
Revenue assignment	3,332,272	3,265,488
Assignment of other receivables	190,857,941	215,675,521
Registration of pledge for stock	566,500,020	677,538,315
Mortgages	3,394,893,011	2,897,655,525
Other	117,351,821	48,397,727
<b>Total</b>	<b>6,237,802,357</b>	<b>5,806,049,121</b>

#### 4.2.3 Collaterals as result of foreclosure procedures

and Intangible Assets starting with year 2007, under the "Land and Buildings" category.

Collateral obtained as a results of foreclosure procedures have been included in Tangible

The movement related to these assets during 2010, is presented below:

	December 31, 2009	Additions	Disposals	December 31, 2010
Gross book value	3,240	3,304	(3,149)	3,395
Impairment	(2,204)	-	2,204	-
<b>Net balances</b>	<b>1,036</b>	<b>3,304</b>	<b>(945)</b>	<b>3,395</b>

#### 4.2.4 Quality of Loans receivable

amount, interest, etc) is overdue, the entire loan receivable is considered as an overdue receivable.

The loans receivable portfolio has been structured below based on the overdue days in repayment in order to present a clear view of the quality of these financial assets. If any portion of a loan receivable (principal

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

2010	Gross loans Without Identified Impairment	Gross loans With Identified Impairment	Provision	TOTAL gross loans
within maturity	372,383	1,656,686	33,700	2,029,069
0 - 15 days	8,989	38,497	544	47,486
16 - 30 days	1,788	22,152	3,678	23,940
31 - 60 days	3,981	63,182	19,323	67,163
61 - 90 days	2,976	25,399	6,635	28,375
91 - 180 days	1,419	46,120	22,752	47,539
more than 180 days	3,519	115,627	77,239	119,146
<b>Total gross</b>	<b>395,054</b>	<b>1,967,663</b>	<b>163,871</b>	<b>2,362,717</b>

For certain loans granted to customers which are overdue of more than 90 days as at the reporting date (December 31, 2010 and December 31, 2009) the Bank received collaterals of significant higher amounts than the related exposures. Therefore, the total

provision recorded by the Bank for these loans is less than the total exposure as at each of the reporting dates.

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

<b>2010</b>	<b>Within maturity</b>	<b>Overdue 1 to 30 Days</b>	<b>Overdue more than 30 Days</b>	<b>Total</b>
Corporate	161,443	0	193	161,636
Mortgage	161,678	9,587	5,742	177,006
Consumer loans	49,262	1,190	5,959	56,412
	<b>372,383</b>	<b>10,777</b>	<b>11,894</b>	<b>395,054</b>

<b>2009</b>	<b>Within maturity</b>	<b>Overdue 1 to 30 Days</b>	<b>Overdue more than 30 Days</b>	<b>Total</b>
Corporate	439,951	4,176	4,659	448,786
Mortgage	134,314	5,708	4,968	144,990
Consumer loans	83,131	387	9,644	93,162
	<b>657,396</b>	<b>10,271</b>	<b>19,271</b>	<b>686,938</b>

**4.2.5 Aging of impaired loans**

<b>December 31, 2010</b>		
<b>Overdue days</b>	<b>Provision</b>	<b>Loans (gross amounts)</b>
within maturity	33,700	2,029,069
0 - 15 days	544	47,486
16 - 30 days	3,678	23,939
31 - 60 days	19,323	67,163
61 - 90 days	6,635	28,375
91 - 180 days	22,752	47,539
more than 180 days	77,239	119,146
<b>TOTAL</b>	<b>163,871</b>	<b>2,362,717</b>

<b>December 31, 2009</b>		
<b>Overdue days</b>	<b>Provision</b>	<b>Loans (gross amounts)</b>
within maturity	27,791	1,964,908
0 - 15 days	1,462	39,996
16 - 30 days	942	11,429
31 - 60 days	7,874	52,448
61 - 90 days	4,386	18,310
91 - 180 days	14,810	26,305
more than 180 days	43,750	76,183
<b>TOTAL</b>	<b>101,016</b>	<b>2,189,579</b>

#### 4.2.6 Analysis of restructured loans and receivables, gross

Restructured loans receivable, amounting RON 340,573 thousands gross value, represent loans for which the repayment terms have been rescheduled in order to avoid early overdue payments.

During 2009, the Bank developed a special program for supporting retail debtors.

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

	December 31, 2010		December 31, 2009	
	Gross amount	Provision	Gross amount	Provision
<b>Retail loans</b>				
Overdue up to 30 days	86,989	874	30,969	325
Overdue from 31 to 90 days	5,635	358	1,854	137
Overdue more than 90 days	1,057	739	28	28
<b>Retail loans - TOTAL</b>	<b>93,681</b>	<b>1,970</b>	<b>32,850</b>	<b>490</b>
<b>SME loans</b>				
Overdue up to 30 days	68,730	5,464	53,606	1,040
Overdue from 31 to 90 days	10,676	2,725	5,465	1,939
Overdue more than 90 days	12,842	6,547	4,730	3,404
<b>SME loans - TOTAL</b>	<b>92,248</b>	<b>14,736</b>	<b>63,801</b>	<b>6,383</b>
<b>Corporate loans</b>				
Overdue up to 30 days	138,317	8,757	155,012	1,154
Overdue from 31 to 90 days			8,348	2,030
Overdue more than 90 days	16,327	7,900	1,002	-
<b>Corporate loans - TOTAL</b>	<b>154,644</b>	<b>16,658</b>	<b>164,362</b>	<b>3,184</b>

#### 4.2.7 Concentration of credit risk to Romanian Government

The following table presents the Bank's credit risk to companies controlled by the Romanian

Government, municipalities and similar exposures:

	December 31, 2010		December 31, 2009	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Compulsory reserve at National Bank of Romania	383,816	9.76%	292,164	8.72%
Loans and receivables, net of provisions for possible loan losses	33,188	0.84%	40,879	1.22%
Held-to-maturity financial investments	423,193	10.76%	284,964	8.51%
<b>Total</b>	<b>383,816</b>	<b>9.76%</b>	<b>618,008</b>	<b>18.45%</b>

#### 4.2.8 Concentration of credit risk to counterparties – other banks

Bank to other credit institutions, based on ratings available for Romanian and Hungarian Banks, as follows:

The following table presents the counterparty risk related to the deposits placed by the

	December 31, 2010		December 31, 2009	
	Amounts in thousands RON equiv	Moody's Rating for counterparty's country of origin	Amounts in thousands RON equiv	Moody's Rating for counterparty's country of origin
OTP Bank Plc.	83,815	Baa3	44,662	Baa3
CEC Bank	85,037	Baa3	25,007	Baa3
MKB Romexterra Bank SA	20,270	Baa3	45,176	Baa3
Unicredit Tiriac Bank SA	66,052	Baa3	45,000	Baa3
Garanti Bank SA	30,002	Baa3	32,639	Baa3
Banca Comerciala Intesa Sanpaolo Romania SA	25,025	Baa3	-	Baa3
Bancpost SA	14,420	Baa3	-	Baa3
Banca C.R. Firenze Romania SA	9,427	Baa3	-	Baa3
Piraeus Bank Romania SA	8,570	Baa3	16,913	Baa3
Ate Bank Romania SA	-	Baa3	8,456	Baa3
Banca Italo Romena Bucuresti	-	Baa3	24,525	Baa3
Bank of America, N.A. (New York Branch)	2,924	Baa3	378	Baa3
Banca Comerciala Romana SA	928	Baa3	1,767	Baa3
UBS AG (Head Office- Zurich)	3,391	Aaa	2,673	Aaa
Danske Bank Aktieselskab	134	Aaa	49	Aaa
Banco Santander Central Hispano S.A	167	Aa1	307	Aaa
Commerzbank AG	323	Aaa	299	Aaa
Deutsche Bank AG	4,211	Aaa	5,463	Aaa
Standard Chartered Bank (Germany) GMBH	1,000	Aaa	842	Aaa
Unicredito Italiano SPA	191	Aa2	124	Aa2
Royal Bank of Scotland PLC	265	Aaa	2,058	Aaa
Mizuho Corporate Bank LTD	2	Aa2	30	Aa2
Skandinaviska Enskilda Banken AB (PUBL) Stockholm	66	Aaa	4	Aaa
Bank of New York Mellon	178	Aaa	51	Aaa
Standard Chartered Bank (ex Amex)	37	Aaa	47	Aaa
BNP Paribas SA	-	Aaa	107	Aaa
Raiffeisen Zentralbank Oesterreich AG	-	Aaa	84	Aaa
Citibank NA	-	Aaa	69	Aaa
<b>TOTAL</b>	<b>356,434</b>		<b>256,729</b>	



### 4.3 Liquidity Risk Management

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

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

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

OTP Bank Romania S.A. manages the liquidity risk considering: the estimation of the cash flows needs and of the operative liquidity, the daily banking book



structure, the liquidity GAP – on each currency and overall, the level and the structure of the liquid assets portfolio, the liquidity indicators – calculated on a daily basis and having early warning limits internally established, the simulation regarding the liquidity indicators levels, the risk assessment on crisis situations by using stress tests.

If the indicators monitored in the reports enumerated above, register an attention or crisis level, the Assets and Liabilities Committee disposes the necessary measures needed for the indicators to revert to normal levels. If the measures taken by the Assets and Liabilities Committee have not been successful in improving the liquidity indicators, the alternative plan for liquidity management in crisis situations will be activated. This plan comprises the existing stand-by refinancing agreements with maturities over 1 year without early reimbursement clauses.

Strict monitoring and prudent management of liquidity is supervised by the Assets and Liabilities Management Committee. The following tables show an analysis of assets, liabilities and equity according to their remaining maturities, reflecting the remaining period between the balance sheet date and the contractual maturity date (as of December 31, 2010 and December 31, 2009).

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

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

December 31, 2010	Up to 1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	No fixed maturity	Total
<b>ASSETS</b>							
Cash	168,990	-	-	-	-	-	168,990
Current accounts and deposits at banks	356,434	-	-	-	-	-	356,434
Accounts with the National Bank of Romania	383,816	-	-	-	-	-	383,816
Securities held-to-maturity	7,952	15,261	349,994	108,994	19,768	-	501,970
Loans and advances to customers, net	82,284	108,021	509,271	341,647	1,157,624	-	2,198,847
Investment securities - Available for sale	-	-	-	-	-	134,036	134,036
Investment in Associates and Subsidiaries	-	-	-	-	-	210	210
Tangible assets, net	-	-	-	-	-	132,859	132,859
Derivatives	22	-	13,496	-	-	-	13,518
Other Assets, net	-	-	-	-	-	54,601	54,601
Deferred tax asset, net	-	-	-	-	-	-	-
<b>Total assets</b>	<b>999,498</b>	<b>123,282</b>	<b>872,762</b>	<b>450,641</b>	<b>1,177,392</b>	<b>321,707</b>	<b>3,945,282</b>
<b>LIABILITIES</b>							
Demand deposits from banks	42,625	-	-	-	-	-	42,625
Term deposits from banks	196,156	10,000	-	-	-	-	206,156
Demand deposits from customer	574,101	-	-	-	-	-	574,101
Term deposits from customer	733,112	366,405	64,332	1,091,913	1,656	-	2,257,419
Borrowings	96	-	12,242	22,505	-	-	34,843
Derivatives	-	-	-	312,775	-	-	312,775
Deferred tax liability, net	-	-	-	-	-	8,366	8,366
Other liabilities	-	-	-	-	-	63,796	63,796
<b>Total liabilities</b>	<b>1,546,090</b>	<b>376,405</b>	<b>76,574</b>	<b>1,427,193</b>	<b>1,656</b>	<b>72,162</b>	<b>3,500,080</b>
Shareholders' equity	-	-	-	-	-	445,201	445,201
<b>Total liabilities and shareholders' equity</b>	<b>1,546,090</b>	<b>376,405</b>	<b>76,574</b>	<b>1,427,193</b>	<b>1,656</b>	<b>517,363</b>	<b>3,945,282</b>
Net liquidity gap	(546,593)	(253,123)	796,187	(976,551)	1,175,736	(195,657)	-
<b>Cumulative net liquidity GAP</b>	<b>(546,593)</b>	<b>(799,716)</b>	<b>(3,528)</b>	<b>(980,080)</b>	<b>195,657</b>	<b>-</b>	<b>-</b>

December 31, 2009	Up to 1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	No fixed maturity	Total
<b>ASSETS</b>							
Cash	69,064	-	-	-	-	-	69,064
Current accounts and deposits at banks	256,729	-	-	-	-	-	256,729
Accounts with the National Bank of Romania	292,164	-	-	-	-	-	292,164
Securities held-to-maturity	6,390	77,000	121,425	179,271	-	-	384,085
Loans and advances to customers, net	179,348	122,736	427,073	474,051	885,355	-	2,088,562
Investment securities - Available for sale	-	-	-	-	-	80,424	80,424
Investment in Associates and Subsidiaries	-	-	-	-	-	589	589
Tangible assets, net	-	-	-	-	-	134,933	134,933
Other Assets, net	-	-	-	-	-	31,032	31,032
Deferred tax asset, net	-	-	-	-	-	-	-
<b>Total assets</b>	<b>803,695</b>	<b>199,736</b>	<b>548,497</b>	<b>653,321</b>	<b>885,355</b>	<b>247,262</b>	<b>3,337,583</b>
<b>LIABILITIES</b>							
Demand deposits from banks	7,954	-	-	-	-	-	7,954
Term deposits from banks	6,359	1,800	-	-	-	-	8,159
Demand deposits from customer	277,220.3	-	-	-	-	-	277,220
Term deposits from customer	873,971	310,572	82,430	888,501	189,000	-	2,344,473
Borrowings	5,349	422	19,483	30,554	422	-	56,228
Derivatives	-	-	-	-	185,444	-	185,444
Deferred tax liability, net	-	-	-	-	-	5,334	5,334
Other liabilities	-	-	-	-	-	57,330	57,330
<b>Total liabilities</b>	<b>1,170,852</b>	<b>312,793</b>	<b>101,912</b>	<b>919,055</b>	<b>374,866</b>	<b>62,663</b>	<b>2,942,142</b>
Shareholders' equity	-	-	-	-	-	395,441	395,441
<b>Total liabilities and shareholders' equity</b>	<b>1,170,852</b>	<b>312,793</b>	<b>101,912</b>	<b>919,055</b>	<b>374,866</b>	<b>458,104</b>	<b>3,337,583</b>
<b>Net liquidity gap</b>	<b>(367,157)</b>	<b>(113,058)</b>	<b>446,585</b>	<b>(265,734)</b>	<b>510,489</b>	<b>(211,126)</b>	<b>-</b>

In June 2010, the stand-by facility signed with OTP Bank Plc for CHF 140,000,000 has been renewed, with a new contractual maturity in June, 2017. Also, in 2008, the Bank received from the mother-company a stand-by facility of EUR 100,000,000 with contractual maturity in January 2012. Cumulated amount of the two stand-by facilities contracted with mother-company and undrawn as at 31.12.2010 represented RON 907,434,000.

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

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

#### **4.4 Fair value of the Bank's Financial Assets and Liabilities**

The fair value of the Bank's financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Market inputs are used in valuation models to the maximum extent. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly impact on the estimates. Therefore, the estimated fair market values

may not be realised in the current sale of the financial instrument.

#### **Management's assessment of fair values**

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

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

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

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

#### **Loans**

Generally, the fair value of variable yield loans that are regularly re-valued approximates their carrying value with no significant changes in credit risks. The fair value of loans at fixed

interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit risks.

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

#### Held-to-Maturity Financial Investments

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

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

#### Banks and Amounts due to Customers

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

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

#### 4.5 Fair value of financial instruments

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

LINES OF THE BALANCE SHEET	Carrying amounts		Fair values	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>ASSETS</b>				
Cash	168,990	69,064	168,990	69,064
Current accounts and deposits at Banks	356,434	256,729	356,434	256,729
Accounts with the National Bank of Romania	383,816	292,164	383,816	292,164
Securities held-to-maturity	501,970	384,085	501,970	384,085
Loans and advances to customers, net	2,198,847	2,088,562	2,198,847	2,088,562
Investment securities - Available for sale	134,036	80,424	134,036	80,424
<b>Derivatives</b>	<b>13,518</b>	<b>-</b>	<b>13,518</b>	<b>-</b>
<b>LIABILITIES</b>				
Demand deposits banks	42,625	7,954	42,625	7,954
Term deposits banks	206,156	8,159	206,156	8,159
Demand deposits customers	574,101	277,220	574,101	277,220
Term deposits customers	2,257,419	2,344,473	2,257,419	2,344,473
Borrowings	34,843	56,228	34,843	56,228
<b>Derivatives</b>	<b>312,775</b>	<b>185,444</b>	<b>312,775</b>	<b>185,444</b>

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

- Short term financial assets and liabilities, defined as those with remaining maturities of 90 days or less - the fair value

approximates their carrying amounts due to their short term maturity. The following instruments were considered predominantly short-term: on the assets side, cash, current account and deposits at banks, accounts with NBR and on the liabilities side demand deposits from banks and demand deposits from customers.

- Securities held-to-maturity - the fair value of these instruments equal their carrying amount as of December 31, 2010 and December 31, 2009 as being based on quotations obtained from Bucharest Stock Exchange (Please refer to Note 17 for details)
- Securities available for sale - quoted securities are presented in accompanying financial statements at their fair value.
- Loans and advances to customers, net - the fair value of loans equal their carrying amounts due to the fact that interests are

repriced to market on regular basis as the loans bear variable interest rates. There are no loans with fixed interest rates granted to customers.

- 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, 2010 and December 31, 2009 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.

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

	December 31, 2010			December 31, 2009		
	Derivative Financial Assets	Available for Sale Investments	Derivative Financial Liabilities	Derivative Financial Assets	Available for Sale Investments	Derivative Financial Liabilities
Level 1	-	37,584	-	-	-	185,444
Level 2	13,518	96,452	312,775	-	80,424	-
<b>Total</b>	<b>13,518</b>	<b>134,036</b>	<b>312,775</b>	<b>-</b>	<b>80,424</b>	<b>185,444</b>

## 5. Reconciliation between Statutory Profits / (Losses) with Profits (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). The enclosed financial statements are based on the statutory records and include adjustments and restatements for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). According to National Bank of Romania Law 58 / 2004 regarding banking activity and NBR Order no 1418 / 1997 regarding the

approval of chart of accounts for banking entities and methodological norms for implementation with following modifications, the Bank performed the revaluation of share capital issued in foreign currency. Part of this revaluation was transferred to capital at the revaluation date and part of it was held in reserves, for the amount of RON 42,751 thousands.

The provisions related to the possibility of revaluation of capital as well as their transfer into capital were cancelled during the following financial years, therefore the Bank maintained the remained revaluation capital reserve at the existing level of RON 42,751 thousands.

Below there is a summary of the significant differences in net loss and accumulated deficit as recorded under statutory books compared to the IFRS financial statements:

	December 31, 2010		December 31, 2009	
	Net profit/ (loss)	Retained earnings/ (accumulated deficit)	Net profit/ (loss)	Retained earnings/ (accumulated deficit)
<b>RAS preliminary financial statements</b>	<b>(52,129)</b>	<b>(103,200)</b>	<b>(20,307)</b>	<b>(51,070)</b>
<i>Adjustments to restate equity items:</i>				
- restatement of share capital	-	(42,751)	-	(42,751)
- restatement of reserves	-	-	-	-
	-	<b>(42,751)</b>	-	<b>(42,751)</b>
<i>Adjustments to restate tangible and intangible assets:</i>				
- restatement of tangible and intangible assets	(4,315)	(3,259)	617	1,056
- depreciation of tangible and intangible assets	5,092	8,012	2,356	2,920
- impairment of tangible assets	-	(4,775)	-	(4,775)
- impairment of intangible assets	-	(1,172)	-	(1,172)
- statutory revaluation	-	(36,732)	-	(37,131)
	<b>777</b>	<b>(37,927)</b>	<b>1,018</b>	<b>(39,103)</b>
<i>Adjustment to investment - available for sale</i>	-	6,925	-	(260)
DTL directly recognized in Equity		(1,108)		42
Net effect in retained earnings from FV adjustments		5,817		(218)
<b>Other adjustments:</b>				
- impairment losses for investment in subsidiaries	-	-	1,674	1,674
- (impairment for loans) / recovery from loans	17,871	40,041	9,668	22,170
- deferred tax for the period	(1,966)	(3,547)	(2,078)	(3,547)
- deferred tax related to revaluation of fixed assets recognized on statutory accounts	-	(1,745)	-	(1,745)
- (provision) / release of provision for off-balance-sheet items	-	(340)	-	(340)
- Fair value adjustments for Derivatives	32	-	487	487
- other adjustments	(423)	3,193	1,859	5,898
- estimation for days of vacation not performed	-	-	-	-
	<b>15,515</b>	<b>37,602</b>	<b>11,610</b>	<b>22,923</b>
<b>Net effect of adjustments</b>	<b>16,292</b>	<b>(37,258)</b>	<b>9,871</b>	<b>(59,149)</b>
<b>Balance under IFRS</b>	<b>(35,837)</b>	<b>(140,458)</b>	<b>(10,435)</b>	<b>(110,219)</b>

## 6. Interest Income

	Year ended December 31, 2010	Year ended December 31, 2009
Interest on current loans	197,406	240,533
<b>Total interest on loans</b>	<b>197,406</b>	<b>240,533</b>
Time deposits with other banks	6,717	20,396
Demand deposits and accounts with the Central Bank	5,061	11,232
<b>Total interest on deposits with banks</b>	<b>11,778</b>	<b>31,628</b>
Interest on treasury securities, net	33,985	17,185
Interest on derivatives, net	78,483	122,636
<b>Total interest income</b>	<b>321,652</b>	<b>411,982</b>



## 7. Interest Expense

	Year ended December 31, 2010	Year ended December 31, 2009
Time deposits	157,694	254,684
Demand deposits	7,585	14,508
<b>Total interest on customers' deposits</b>	<b>165,279</b>	<b>269,192</b>
Interest on other borrowed funds	650	4,315
<b>Total interest expense</b>	<b>165,929</b>	<b>273,507</b>

## 8. Fees and Commissions Income and Expenses

FEES AND COMMISSIONS INCOME	Year ended December 31, 2010	Year ended December 31, 2009
FX payment transactions	1,800	1,531
Card related fees and commissions	3,750	3,630
Fee income from other services	4,638	4,873
Payment transfers	13,936	12,040
Cash management fees	8	7
Lending business	43,259	59,720
Deposit and turnover fees and commissions	4,788	3,295
<b>Total fees and commissions income</b>	<b>72,180</b>	<b>85,097</b>

FEES AND COMMISSIONS EXPENSES	Year ended December 31, 2010	Year ended December 31, 2009
Deposit and turnover fee and commission expenses	1,095	1,209
Expenses on card operations	5,524	3,869
Other services	3,728	1,903
Fees for experts and services	4,500	4,381
Loan commissions expenses	684	833
<b>Total fees and commissions expenses</b>	<b>15,532</b>	<b>12,195</b>

## 9. Impairment Losses

	Note	Year ended December 31, 2010 RON ('000)	Year ended December 31, 2009 RON ('000)
Allowance for loans and advances to customers	18	(94,542)	(64,223)
Release of provisions	18	31,687	29,231
<b>Total impairment losses on loans and advances to customers</b>		<b>(62,855)</b>	<b>(34,992)</b>
<b>Impairment losses on other assets</b>			
(Allowance) for / Recoveries from other assets provision (including held for sale assets)	18	(192)	(2,516)
(Allowance) for / Recoveries from provision for investment in subsidiaries	21	-	1,674
(Allowance) for / Recoveries from provision for held to maturity securities	17	659	637
(Allowance) for / Recoveries from off balance sheet items provision		-	-
Impairment losses for FA		2,203	(736)
Impairment losses on Receivables sold for collection		(51,264)	(22,414)
Impairment losses on overdue commissions		(2,630)	-
Foreign exchange differences		10,693	2,451
<b>Total Impairment losses on other assets</b>		<b>(41,849)</b>	<b>(20,905)</b>
<b>Total Impairment losses on loans and other assets</b>		<b>(104,703)</b>	<b>(55,896)</b>
<b>TOTAL</b>		<b>(104,703)</b>	<b>(55,896)</b>

## 10. Foreign Exchange Income, Net

	Year ended December 31, 2010	Year ended December 31, 2009
Foreign exchange income	8,227,561	6,500,181
Foreign exchange expenses	(8,079,050)	(6,406,859)
Foreign exchange incomes related to derivative operations	358,899	151,704
Foreign exchange expenses related to derivative operations	(467,399)	(221,414)
<b>Total trading income</b>	<b>40,011</b>	<b>23,611</b>

## 11. Personnel Expenses

	Year ended December 31, 2010	Year ended December 31, 2009
Salaries	69,507	70,732
Social insurance contributions	19,383	19,339
Other employee benefits	3,385	3,440
<b>Total</b>	<b>92,275</b>	<b>93,511</b>

## 12. Operating Expenses

	Year ended December 31, 2010	Year ended December 31, 2009
Materials and services	16,642	16,625
Depreciation and amortization	20,354	22,527
Taxes	14,712	13,769
Other operating expenses	10,270	9,873
<b>Total</b>	<b>61,979</b>	<b>62,794</b>

## 13. Other Income and Other Expenses

### OTHER INCOME

	Year ended December 31, 2010	Year ended December 31, 2009
Rent income	211	403
Income from non-banking services	698	587
Dividend Income from Associated Companies	80	-
<b>Total</b>	<b>989</b>	<b>990</b>

### OTHER EXPENSES

	Year ended December 31, 2010	Year ended December 31, 2009
Advertising	10,789	11,177
Rent and utilities expenses	22,785	24,795
Insurance premiums	2,262	2,538
Cancellation of reevaluation following the closing of subsidiaries	179	-
Other expenses	4,367	1,430
<b>Total</b>	<b>40,383</b>	<b>39,940</b>

## 14. Cash

	December 31, 2010			December 31, 2009		
	RON	FCY	Total	RON	FCY	Total
Cash	88,313	69,480	157,793	29,520	29,319	58,839
Cash in ATM	11,197	-	11,197	10,225	-	10,225
<b>Total</b>	<b>99,510</b>	<b>69,480</b>	<b>168,990</b>	<b>39,745</b>	<b>29,319</b>	<b>69,064</b>

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:

	December 31, 2010	December 31, 2009
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	168,990	69,064
Current accounts and deposits at banks	356,434	256,729
Cash at the National Bank of Romania	383,816	292,164
	<b>909,240</b>	<b>617,957</b>
less Pledged deposits at banks	-	-
less Compulsory reserves at National Bank of Romania	(383,816)	(292,164)
<b>Total cash and cash equivalents</b>	<b>525,424</b>	<b>325,793</b>

## 15. Current Accounts and Deposits at Banks

	December 31, 2010			December 31, 2009		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	-	12,744	12,744	-	15,171	15,171
Deposits at banks	210,363	133,327	343,690	140,210	101,348	241,558
<b>Total</b>	<b>210,363</b>	<b>146,071</b>	<b>356,434</b>	<b>140,210</b>	<b>116,519</b>	<b>256,729</b>

Placements existing in Bank's accounting books as at 31 December 2010 (as well as at 31 December 2009) are free of any obligation or commitment (not pledged).

The interest rates received by OTP Bank Romania S.A. for current accounts and deposits at banks as at December 31, 2010 and as of December 31, 2009 were the following:

	December 31, 2010		December 31, 2009	
	RON	FCY	RON	FCY
Current accounts at banks	-	-	-	-
Deposits at banks	3.60% - 7.50%	0.40% - 2.28%	9% - 11.75%	0.40% - 5.50%

Currents accounts with banks are non-interest bearing deposits.

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

	December 31, 2010			December 31, 2009		
	RON	FCY	Total	RON	FCY	Total
Compulsory reserves	158,476	225,340	383,816	127,944	164,220	292,164
Current accounts	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
<b>Total</b>	<b>158,476</b>	<b>225,340</b>	<b>383,816</b>	<b>127,944</b>	<b>164,220</b>	<b>292,164</b>

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

As at December 31, 2010, the reserve was set up at the following rates:

- **RON:** 15% of the borrowed funds in local currency;
- **Foreign currency:** 25% of the borrowed funds in other than local currency.

The interest rate paid by the National Bank of Romania for minimum compulsory reserve as of December 31, 2010 was as follows:

- **RON:** 1.56% (December 31, 2009: 3.38%)
- **EUR:** 0.80% (December 31, 2009: 1.27%)

## 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, 2010 stand for RON 418,867 thousands out of which RON 294,431 thousands with the residual maturity of less than 1 year and respectively RON 128,762 thousands with the residual maturity of more than 1 year. Their interest rate is between 5.25% and 11.25%.

The treasury bonds are unencumbered and at the immediate disposal of the Bank as at December 31, 2010 and December 31, 2009. The bonds from OTP Bank PLC reached RON 75,994 thousands with the maturity in May 2011 (interest rate EURIBOR 3M + 16 bp).

Moody's ratings available for Romania and Hungary as at 31.12.2010 were as follows:

**Romania**

- Local currency: Baa3
- Foreign currency: Baa3

**Hungary**

- Local currency: Baa3
- Foreign currency: Baa3

The structure of bonds and other fixed-yield securities as at December 31, 2010 and December 31, 2009 was the following:

	December 31, 2010	December 31, 2009
Fixed rate Bonds	501,970	209,973
Fixed rate Treasury Bills		
- impairment provision	-	-
Carrying amounts	501,970	209,973
Variable rate Bonds (Treasury Bills)	-	174,112
- impairment provision	-	-
- carrying amounts	-	-
<b>TOTAL Securities held-to-maturity</b>	<b>501,970</b>	<b>384,085</b>

## 18. Loans and Advances to Customers, Net

a) Structure by currency (gross and net amounts)

Structure by currency	December 31, 2010			December 31, 2009		
	RON	FCY	Total	RON	FCY	Total
Loans, gross	477,365	1,885,353	2,362,717	548,248	1,641,330	2,189,579
Impairment losses on loans	(58,998)	(104,873)	(163,871)	(46,305)	(54,711)	(101,016)
<b>Total loans and advances to customers, NET</b>	<b>418,367</b>	<b>1,780,480</b>	<b>2,198,847</b>	<b>501,943</b>	<b>1,586,620</b>	<b>2,088,562</b>

b) Structure by type of ownership (gross amounts):

December 31, 2010				
	Total loans	RON	FCY	%
Legal entities	1,191,101	280,810	910,292	54.17%
Individuals	1,007,745	137,557	870,188	45.83%
<b>Total loans and advances to customers, NET</b>	<b>2,198,847</b>	<b>418,367</b>	<b>1,780,480</b>	<b>100%</b>
December 31, 2009				
	Total loans	RON	FCY	%
Legal entities	1,277,440	292,072	985,369	61.16%
Individuals	811,122	209,871	601,251	38.84%
<b>Total loans and advances to customers, NET</b>	<b>2,088,562</b>	<b>501,943</b>	<b>1,586,620</b>	<b>100%</b>

c) Concentration by sector:

	December 31, 2010	%	December 31, 2009	%
<b>RETAIL</b>	<b>1,365,129</b>	<b>62%</b>	<b>761,415</b>	<b>36%</b>
Consumer loans	533,586	24%	243,032	12%
Housing	831,543	38%	518,383	25%
<b>CORPORATE</b>	<b>833,718</b>	<b>38%</b>	<b>1,327,147</b>	<b>64%</b>
Trade and finance	329,338	15%	614,860	29%
Manufacturing	75,716	3%	107,260	5%
Transportation and communications	3,596	0%	22,625	1%
Services	170,500	8%	253,019	12%
Agriculture and forestry	58,188	3%	69,454	3%
Real estate and construction	70,110	3%	124,537	6%
Other sectors	126,270	6%	135,392	6%
<b>Total loans and advances to customers, NET</b>	<b>2,198,847</b>	<b>100%</b>	<b>2,088,562</b>	<b>100%</b>

d) Impairment losses

	Other assets	Investments and securities	Off balance sheet items	Loans and interest receivable	Total
	RON ('000)	RON ('000)	RON ('000)	RON ('000)	RON ('000)
<b>Balances at January 1, 2010</b>	<b>7,500</b>	<b>3,129</b>	<b>340</b>	<b>101,016</b>	<b>111,985</b>
Charge during the year	2,822	659	0	94,542	98,023
Release during the year	0	0	0	(31,687)	(31,687)
<b>Balance at December 31, 2010</b>	<b>10,322</b>	<b>3,788</b>	<b>340</b>	<b>163,870</b>	<b>178,320</b>

### 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, 2009	113,634	44,034	9,312	15,963	182,943	7,529	29,566	220,035
<b>Accumulated depreciation January 1, 2009</b>	<b>(20,129)</b>	<b>(12,931)</b>	<b>(6,563)</b>	<b>(11,157)</b>	<b>(50,779)</b>	-	<b>(23,780)</b>	<b>(74,556)</b>
<b>Net book value January 1, 2009</b>	<b>93,505</b>	<b>31,103</b>	<b>2,750</b>	<b>4,806</b>	<b>132,164</b>	<b>7,529</b>	<b>5,786</b>	<b>145,479</b>
Additions	240	1,964	582	1,832	4,618	25,258	7,188	37,064
Transfers from construction in progress	-	-	-	-	-	(25,025)	-	(25,025)
Disposals	-	(430)	(564)	(548)	(1,544)	-	-	(1,544)
<b>Gross book value December 31, 2009</b>	<b>113,874</b>	<b>45,568</b>	<b>9,331</b>	<b>17,246</b>	<b>186,018</b>	<b>7,762</b>	<b>36,754</b>	<b>230,530</b>
Dep'n charge for 1 year period ended December 31, 2009	(5,539)	(6,474)	(1,517)	(2,706)	(16,236)	-	(6,291)	(22,527)
Accumulated depreciation of disposals	-	410	531	542	1,483	-	-	1,483
Accumulated depreciation December 31, 2009	(25,668)	(18,994)	(7,548)	(13,320)	(65,531)	-	(30,071)	(95,598)
<b>Net book value December 31, 2009</b>	<b>88,205</b>	<b>26,574</b>	<b>1,782</b>	<b>3,926</b>	<b>120,486</b>	<b>7,762</b>	<b>6,684</b>	<b>134,932</b>
<b>Gross book value January 1, 2010</b>	<b>113,874</b>	<b>45,568</b>	<b>9,331</b>	<b>17,246</b>	<b>186,018</b>	<b>7,762</b>	<b>36,754</b>	<b>230,530</b>
<b>Accumulated depreciation January 1, 2010</b>	<b>(25,668)</b>	<b>(18,994)</b>	<b>(7,548)</b>	<b>(13,320)</b>	<b>(65,531)</b>	-	<b>(30,071)</b>	<b>(95,598)</b>
<b>Net book value January 1, 2010</b>	<b>88,205</b>	<b>26,574</b>	<b>1,783</b>	<b>3,926</b>	<b>120,487</b>	<b>7,762</b>	<b>6,684</b>	<b>134,932</b>
Additions	3,700	-	-	-	3,700	10,356	5,361	19,417
Transfers from construction in progress	2,373	2,026	151	1,090	5,640	(5,640)	-	-
Disposals	(6,297)	(353)	(188)	(2,416)	(9,254)	-	(1,910)	(11,166)
<b>Gross book value December 31, 2010</b>	<b>113,649</b>	<b>47,241</b>	<b>9,294</b>	<b>15,920</b>	<b>186,103</b>	<b>12,478</b>	<b>40,205</b>	<b>238,781</b>
Dep'n charge for 1 year period ended December 31, 2010	(4,902)	(6,449)	(911)	(1,840)	(14,103)	-	(6,251)	(20,354)
Accumulated depreciation of disposals	5,299	231	188	2,400	8,118	-	1,910	10,028
Accumulated depreciation December 31, 2010	(25,272)	(25,213)	(8,271)	(12,761)	(71,516)	-	(34,412)	(105,923)
<b>Net book value December 31, 2010</b>	<b>88,377</b>	<b>22,028</b>	<b>1,023</b>	<b>3,159</b>	<b>114,586</b>	<b>12,478</b>	<b>5,793</b>	<b>132,858</b>

## 20. Investment Securities, Available for Sale

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

	December 31, 2010	December 31, 2009
<b>Quoted shares</b>	<b>37,501</b>	<b>3,700</b>
- OTP Green Energy	3,040	3,700
- Fondul de Investitii Proprietatea	34,461	-
<b>Unquoted shares</b>	<b>96,535</b>	<b>956</b>
SNCDD	201	201
SWIFT	82	81
OTP Asset Management SAI S.A.	683	674
<b>Investment funds</b>	<b>95,569</b>	<b>75,768</b>
- OTP Comodis	76,857	75,768
- BRD Simfonia	16,559	-
- OTP Eurobond	2,153	-
<b>TOTAL Available for sale investments</b>	<b>134,036</b>	<b>80,424</b>

During 2010, the Bank invested RON 31,999 thousands in shares from Proprietatea Fund and RON 15,437 thousands in Simfonia Fund which is managed by BRD Asset Management SAI. Considering the listing on the Stock Exchange of the Proprietatea Fund on January 25, 2011, this investment was revalued by the Bank by RON 2,461 thousands using an average listing price of 0.63 RON/share.

In March 2010, the Bank bought unit funds amounting RON 58,000 thousands from BCR Monetar which were sold by the end of the year and invested as well EUR 500,000 in euro-bonds issued by OTP Bank PLC.

The Bank maintained its investments in OTP Comodis Investment Fund and in

OTP Green Energy, both funds being managed by OTP Asset Management SAI. OTP Green Energy is listed on the Stock Exchange and its earnings are related to the evolution of the most important European companies from the renewable energy industry, based on the European Renewable Energy Index Price return, offered by Societe Generale. The Bank's intention is to hold these investments for a longer period, but if necessary, the investment units can be sold at any time, at the value available on that date (Net assets of the Fund on the selling date, divided by the number of units issued ).

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

Company	Nature of business	Country of incorporation	% in share capital	
			December 31, 2010	December 31, 2009
SNCDD	clearing	Romania	3.75	3.75%
SWIFT	interbank financial communications	Belgium	less than 1	less than 1%
Visa	interbank financial communications	United Kingdom	less than 1	less than 1
OTP Asset Management SAI S.A.	financial services	Romania	9.90%	9.90%

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



## 21. Investment in Associates and Subsidiaries

The movement of investments in associates and subsidiaries at the end of the year 2010 is the following:

Thousands RON equivalent	December 31, 2009 Net book value	Acquisition / Addition	Disposals	Impairment	Release of Impairment	Reclassi- fication to held for sale	December 31, 2010 Net book value	Percentage owned as at December 31, 2009
S.C. OTP Leasing Romania S.A.	-	0.10	-	-	-	-	0.10	0.0%
Robinv S.A.	379	-	(379)	-	-	-	-	0%
OTP Broker de Intermedieri Financiare SRL	-	-	-	-	-	-	-	100.0%
OTP Consulting Romania SRL	210	-	-	-	-	-	210	74.9%
OTP Faktoring SRL	0.225	-	-	-	-	-	0.225	15.0%
SC Aloha Buzz SRL	-	0.010	-	-	-	-	0.010	5%
SC Favo Consultanta SRL	-	0.010	-	-	-	-	0.010	5%
SC Tezaur Cont SRL	-	0.010	-	-	-	-	0.010	5%
<b>Total</b>	<b>589</b>	<b>-</b>	<b>(379)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210</b>	<b>-</b>

Starting with January 2010, the Bank owns 5% of the shares of Aloha Buzz, Favo Consultanta, Tezaur Cont along with OTP Faktoring who owns the rest of the companies' shares.

The participation of 99.9% owned by the Bank in Robinv was cancelled in December 2010 following the company's liquidation.

## 22. Other Assets, Net

	December 31, 2010	December 31, 2009
Prepaid expenses	4,316	4,014
Consumables	1,339	1,361
Sundry debtors, net	8,672	9,245
Other assets	43,974	19,538
Provisions for other assets	(3,700)	(3,125)
<b>Total</b>	<b>54,601</b>	<b>31,032</b>

The other assets layout increased substantially as at December 2010 compared with December 2009 due to recording of the amount of RON thousands 21,983 owed by OTP Faktoring to the Bank following the sale of receivables in December 2010. This amount was paid in January 2011. Provisions from possible losses from other

assets relate to the loss receivables from various debtors (RON thousands 360), overdue commissions (RON thousands 2,630) and to off-balance sheet and operational risk (RON thousands 710).

An analysis of movements in provisions for possible losses from other assets is as follows:

	December 31, 2010	December 31, 2009
<b>Balance at the beginning of the year</b>	<b>3,125</b>	<b>580</b>
Provisions for possible losses on other assets	2,985	2,644
Used provisions during the year	-	124
Exchange difference	(123)	25
<b>At the end of year</b>	<b>5,986</b>	<b>3,125</b>

### 23. Due to Banks

	December 31, 2010			December 31, 2009		
	RON	FCY	Total	RON	FCY	Total
Demand deposits banks	21,180	21,445	42,625	7,929	25	7,954
Term deposits banks	95,352	110,804	206,156	1,816	6,343	8,159
<b>Total</b>	<b>116,532</b>	<b>132,249</b>	<b>248,781</b>	<b>9,745</b>	<b>6,367</b>	<b>16,112</b>

The annual interest rates paid by the Bank for deposits from banks ranged from 3% to 7.25% for RON deposits (December 31, 2009: 8.50% to 10.65%) and was 0.55% to 1.25% for foreign currency deposits (December 31, 2009: 0.40%).

Current accounts, sight and term deposits due to banks are unencumbered and at the immediate disposal of the Bank as at December 31, 2010 and December 31, 2009.

### 24. Due to Customers

	December 31, 2010			December 31, 2009		
	RON	FCY	Total	RON	FCY	Total
Demand deposits customers	227,291	346,810	574,101	174,464	102,756	277,220
Term deposits customers *	1,722,821	534,598	2,257,419	1,758,175	586,298	2,344,473
<b>Total</b>	<b>1,950,112</b>	<b>881,408</b>	<b>2,831,520</b>	<b>1,932,639</b>	<b>689,054</b>	<b>2,621,694</b>

According to the currency and amount of saving account opened, the Bank pays interest rates in the following ranges:

December 31, 2010	
RON saving accounts	6.50% - 6.81%
EUR saving accounts	2.75%
USD saving accounts	1.75%
CHF saving accounts	0%
HUF saving accounts	0.00% - 4.15%

December 31, 2010	
RON deposits from customers	0.00% - 15.25%
EUR deposits from customers	0.00 - 7%
USD deposits from customers	0.00% - 2.85%
CHF deposits from customers	0.75% - 1.80%
HUF deposits from customers	0.00% - 3.60%
GBP deposits from customers	0.00% - 3.20%

## 25. Borrowings

	December 31, 2010	December 31, 2009
Loans from European Bank for Reconstruction and Development	30,677	39,342
Loans from Banca de Export - Import a Romaniei EXIMBANK SA	-	12,007
Loans from Ministry of Finance	4,166	4,880
	<b>34,843</b>	<b>56,228</b>

### 1. European Bank for Reconstruction and Development

The Bank signed on July 28, 2007 a Loan contract with European Bank for Reconstruction and Development in total amount of EUR 10,000,000 with the purpose of sustaining the development of small and medium enterprises. The Loan is intended to enable the Bank to provide mid-term financing to its Small and Medium clients, mainly for investment purposes. The Bank may finance from the Loan proceeds the following types of development projects: investment projects including purchase of machinery, purchase of real estate, working capital requirements for production purposes or provision of services and new projects or modernization or expansion of existing businesses.

This loan was fully engaged as at December 31, 2008 with semi-annual repayments, Euribor + 6 months +2.2.% as interest-rate and maturing in 2013.

In December 2010, the Bank signed another Loan contract with the European Bank of Reconstruction and Development amounting EUR 10,000,000 which has not been engaged yet.

### 2. Banca de Export - Import a Romaniei EXIMBANK SA

Medium term facility agreement signed with Banca de Export - Import a Romaniei EXIMBANK SA has been fully reimbursed during 2010.

### 3. Ministry of Finance

As of December 31, 2010, there was an outstanding amount of RON 4,166 thousands representing a credit facility signed with the Ministry of Finance on February 14, 2003 with semi-annual repayments and an interest rate of 1.11% . The loan has the maturity in February 2015 and represents a Subsidiary Loan Agreement for the Rural Financing Project.

## 26. Derivatives

The negative fair value of the derivative financial instruments is included in "Derivatives". Changes in their fair value that do not qualify for hedge accounting are recognized in the income statement

lines "Foreign exchange expenses related to derivatives" and respectively " Foreign exchange incomes related to derivatives".

The financial derivative instruments at face and fair values as of December 31, 2010 and December 31, 2009 were as follows:

	December 31, 2010			December 31, 2009		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Intercompany cross currency interest rate derivatives	1,065,721	-	312,775	1,065,721	-	185,409
Short term currency instruments	371,201	13,518	-	205,317	-	36
	<b>1,436,921</b>	<b>13,518</b>	<b>312,775</b>	<b>1,271,038</b>	<b>-</b>	<b>185,444</b>

## 27. Taxation

legal rate of 16% (2009: 16%).  
The income tax expense for the year comprises:

The Bank has computed the deferred tax as of December 31, 2010 using the statutory

	December 31, 2010	December 31, 2009
Current income tax expense	(43)	(29)
Deferred income tax revenue / (expense)	(1,966)	(2,078)
<b>Total income tax revenue / (expense)</b>	<b>(2,009)</b>	<b>(2,107)</b>

The deferred tax liability as of December 31, 2010 is reconciled as follows:

	Temporary difference	Tax effect
<b>IFRS adjustments to tangible and intangible assets</b>	<b>(5,400)</b>	<b>(864)</b>
Restatement of equity investments:	163	26
Loan adjustments:		
- impairment for loans	40,041	6,407
Other adjustments		
Provision for off balance sheet items	(340)	(340)
Derivatives	-	-
Other adjustments	-	-
<b>Additional deductible items under IAS 12</b>	<b>34,465</b>	<b>5,514</b>
<b>Deferred tax liability as of December 31, 2010 - Faire-value adjustment of AFS shares</b>	<b>6,925</b>	<b>1,107</b>
<b>Deferred tax liability as of December 31, 2010 related to previous adjustments for revaluation Fixed assets</b>	<b>-</b>	<b>1,745</b>
<b>Deferred tax liability as of December 31, 2010 - NET</b>	<b>-</b>	<b>(8,366)</b>

The deferred tax liability as of December 31, 2009 is reconciled as follows:

	Temporary difference	Tax effect
IFRS adjustments to tangible and intangible assets	(290)	(46)
Restatement of equity investments:	343	55
Loan adjustments:		
- impairment for loans	22,170	3,547
Other adjustments		
Provision for off balance sheet items	(340)	(54)
Derivatives	-	-
Other adjustments	286	46
<b>Additional deductible items under IAS 12</b>	<b>22,169</b>	<b>3,547</b>
<b>Deferred tax liability as of December 31, 2009 - Faire-value adjustment of AFS shares</b>	<b>260</b>	<b>42</b>
<b>Deferred tax liability as of December 31, 2009 related to previous adjustments for revaluation Fixed assets</b>	<b>-</b>	<b>1,745</b>
<b>Deferred tax liability as of December 31, 2009 - NET</b>	<b>-</b>	<b>(5,344)</b>

**MOVEMENT IN DEFERRED TAX**

	December 31, 2010	December 31, 2009
<b>Deferred tax liability (-) / asset (+) as at 1 January</b>	<b>(5,334)</b>	<b>(3,313)</b>
Deferred tax charge (-) / release(+) to profit and loss	(1,966)	(2,078)
Deferred tax charged (-) / released (+) to equity	(1,066)	57
<b>Deferred tax liability (-) / asset (+) as of December 31</b>	<b>(8,366)</b>	<b>(5,334)</b>

**RECONCILIATION OF TAX LOSSES VERSUS ACCOUNTING LOSSES**

	December 31, 2010	December 31, 2009
Loss for the period before tax	(33,829)	(8,328)
Change in gain in equity	6,665	(358)
Total gross recognized income/ expense for the period	(27,164)	(8,686)
IFRS adjustments affecting profit and loss without tax effect	-	-
IFRS net change in gain in equity	5,598	(301)
Not taxable income	(10,170)	(789)
Not deductible expenses	11,696	8,488
Tax profit (+) / loss (-)	(32,303)	(629)
Current tax	(43)	(29)
Def tax on IFRS temporary differences		
effect of temporary differences in P&L release (+) / charge (-)	(1,966)	(2,078)
Tax on IFRS adjustments in equity	(1,066)	57
<b>Total change in def tax</b>	<b>(3,032)</b>	<b>(2,021)</b>

	December 31, 2010	December 31, 2009
<b>Net Statutory loss of the period</b>	<b>(52,129)</b>	<b>(20,307)</b>
Not taxable income	(10,170)	(789)
Not deductible expenses	11,696	8,488
<b>Fiscal loss</b>	<b>(50,603)</b>	<b>(12,608)</b>
Carried fiscal loss	(105,778)	(93,170)
<b>Total carried forward</b>	<b>(155,951)</b>	<b>(105,778)</b>
Income tax rate	16%	16%
Current income tax	-	-

**28. Other Liabilities**

	December 31, 2010	December 31, 2009
Deferred income	53,201	42,783
Unearned income	1,998	2,292
Other liabilities	51,203	40,491
Current taxes	6,913	9,162
Sundry creditors	3,682	5,046
Provision for OFF BS items	-	340
	<b>63,796</b>	<b>57,331</b>

An important part of liabilities included under the caption "Other Liabilities" representing RON 21,059 thousands, represents amounts to be reconciled based on interbank settlement

process (promissory notes, cheques) . Amounts to be settled with other members of the Group are also included under this caption, for the value of RON 23,947.

## 29. Share Capital

	December 31, 2010	December 31, 2009
Share capital as of January 1,	462,909	432,909
Increase of share capital	80,000	30,000
<b>Share capital at the end of the period</b>	<b>542,909</b>	<b>462,909</b>

As at 31 December 2010, the Bank's share capital amounted to RON 542,909 thousand and consisted of 2,262,121 registered ordinary shares with face value of RON 240 per share.

All of the shares are ordinary shares and no special rights are attached to them. Voting rights per share are equivalent to the face value per share.

As of December 31, 2010, the Bank's entire share capital was registered in the Commercial Register and fully paid in. None

of the Bank's shares are held by the Bank, its subsidiaries, or entities in which the Bank has a significant interest.

### Earnings per share

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

	2010	2009
Profit/(loss) after tax in the accounting period	(35,837)	(10,435)
Average number of ordinary shares outstanding during the period	1,987,235	1,814,205
<b>Earnings per ordinary share (face value RON 240) in RON</b>	<b>(18.03)</b>	<b>(5.75)</b>

## 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, 2010 and December 31, 2009 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, 2010 and December 31, 2009 are the following:

	December 31, 2010	December 31, 2009
Import letters of credit and other commitments, out of which:	229,317	103,815
Confirmed Letters of credit	2,051	2,426
Unutilized credit limits	227,267	101,389
Letters of guarantee and other guarantees	141,855	142,322
Other financial commitments	2,565	36
<b>Total guarantees and other financing commitments</b>	<b>373,737</b>	<b>246,172</b>

As of December 31, 2010, over the existing provision for losses from letters of guarantee no additional provision was made as well as

there was no release of provisions (please see Note 9 for details).

### 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, 2010	December 31, 2009
Amounts with the National Bank of Romania (Note 16)	383,816	292,164
Treasury Bills (including accrued interest receivable)	423,193	111,761
<b>Total</b>	<b>807,010</b>	<b>403,925</b>



### 32. Related Parties

The Bank enters into transactions with related parties, which are members of OTP Group, in the normal course of the business. All related party transactions were made under substantially similar terms, including interest rates and collateral requirements, as those prevailing for similar transactions with unrelated

parties. The most significant transactions represent time deposits, loans and the respective interest and fees received/paid.

The volume of related parties transactions, outstanding balances and related expense and income for the periods ended December 31, 2010 and December 31, 2009 are presented below:

	Management		Parent company		Other Related parties	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Assets</b>						
Due from other banks	-	-	83,815	44,661	-	-
Loans and advances to customers, net	8,633	7,955	-	-	1,615	-
Other assets	-	-	15,622	99,120	22,947	-
Investment securities - Available for sale	-	-	-	-	82,050	79,208
Securities with fixed income	-	-	80,919	-	-	230
Fair Value of Derivatives Financial Instruments	-	-	13,518	-	-	-
Investment in Associates and Subsidiaries	-	-	-	-	893	230
<b>Total assets</b>	<b>8,633</b>	<b>7,955</b>	<b>193,874</b>	<b>143,782</b>	<b>25,455</b>	<b>230</b>
<b>Liabilities</b>						
Due to other banks	-	-	22,869	9,750	713	600
Due to customers	6,526	4,469	-	-	1,327,199	1,106,800
Loans from banks	-	-	-	-	-	-
Other liabilities	-	-	2,627	-	2	-
Fair Value of Derivatives Financial Instruments	-	-	312,284	185,409	-	-
<b>Total liabilities</b>	<b>6,526</b>	<b>4,469</b>	<b>337,779</b>	<b>195,159</b>	<b>1,327,914</b>	<b>1,107,400</b>
<b>Income statement items</b>						
Interest and Commission income	-	-	1,655	1,749	671	-
Interest and Commission expense	-	-	657	1,891	101,168	53,221
Other income	-	-	-	4	30	669
Other expense	-	-	-	56	-	-
Net result (expense) from derivative deals	-	-	48,918	52,223	-	-

#### COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

The cumulated short term, long term and termination benefits granted to directors and other members of key management during periods ended December 31, 2010, respectively December 31, 2009 were as follows:

	December 31, 2010	December 31, 2009
Salary for key management personnel	10,215	7,458
Short-term and long-term benefits	5,918	5,050
Termination benefits	123	310
<b>Total benefits for key management personnel</b>	<b>16,226</b>	<b>12,818</b>

### 33. Restricted Assets

As of December 31, 2010 and December 31, 2009 the Bank held the following restricted assets:

	December 31, 2010	December 31, 2009
Compulsory reserves at NBR	383,816	292,164
Treasury securities – pledged	-	-
Pledged deposit at bank	-	-
Collateral deposits at banks	-	-
<b>Total restricted assets</b>	<b>383,816</b>	<b>292,164</b>

### 34. Contingencies

As of December 31, 2010 (as well as at the issuance date of these financial statements), the Bank was involved in several lawsuits. Claims against the Bank are made in the normal course of business. The management of the Bank believes that the ultimate liability of the bank, if any, arising from such actions or complaints will not have a material adverse effect over the financial position or result of future operations of the Bank. Based on legal advice received, management of the Bank decided that no additional provision is required in respect of such lawsuits.

### 35. Bank Acting as an Agent

OTP Bank Romania shall act as Agent on behalf of OTP Bank Nyrt and OTP Financing Solutions B.V. for the loans receivables which were sold to these two entities.

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

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

- as a security agent, the Bank will record and monitor all the collaterals 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;
- the Bank will keep the client informed of any actions taken by under the Loan Agreement.

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

At December 31, 2010 the Bank was administrating and monitoring transferred loans in original currencies amounting CHF 634,9 millions and EUR 91,8 millions.

### 36. Significant Events After the Balance Sheet Date

On February 25, 2011, the Bank acquired 51% of S.C. OTP Leasing Romania IFN S.A. representing 3,842,151 shares of the company, based on the selling-buying contract signed with previous owner – Merkantil Bank Zrt.





***corporate governance***

# Supervisory Board

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

The Supervisory Board consists of Chairman, Vice-chairman and the other members.



# Dr. Antal Pongrácz

*Chairman of the Supervisory Board,  
OTP Bank Romania*

Dr. Antal Pongrácz (65) graduated from the Budapest University of Economic Sciences and earned a Ph.D. in 1971.

From 1969, he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976, he worked in various management positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports.

Between 1988 and 1990, he was the first Deputy CEO of OTP Bank. Afterwards, between 1991 and 1994, he was the CEO, and then Chairman & CEO of the European Commercial Bank Ltd. Between 1994 and 1998, he was the Chairman and CEO of Hungarian Gambling Corporation, then in 1998-1999 he served as CEO of Hungarian flagship carrier, Malév.

Since 2001, he has worked as the managing director of OTP Bank's Staff Division and



more recently as Deputy CEO. Staff Division is comprised of the following professional areas: Human Resources Directorate, Internal Audit Directorate, Compliance Department, Banking Security Directorate, Corporate Secretariat, Communications Department. He has been a member of OTP Bank's Board of Directors since 2002 and Deputy Chairman since June 2009.

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).



# Szabolcs Annus

*Vice-chairman of the Supervisory Board,  
OTP Bank Romania*

Szabolcs Annus (35) has been, since 2007, Country Manager of Romania and held managerial positions in OTP Bank. In the same year, he became 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 2007, he was advisor to Head of Staff Division. Since 2008, he has been the Head of Bankgroup Supervision Department within the Staff Division of OTP Bank.

Besides these positions, Szabolcs Annus has had other professional assignments in OTP Group, such as: member of the Board of Directors of OTP Building Society Ltd. and member of the Supervisory Board of Portfolion Venture Capital Fund Management Ltd.



Regarding his academic background, Szabolcs Annus studied Economics 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 the International Training Center for Bankers (2001-2003).



# Enikő Zsakó

*Member of the Supervisory Board,  
OTP Bank Romania*

Enikő Zsakó (49) has been Member of the Supervisory Board since 2007. Between 2004 and 2007, she was Member of the Board of Directors of OTP Bank Romania.

She joined OTP Group in 1993. Between 2001 and 2007 she worked as Head of IT Audit Department at the Internal Audit Directorate of OTP Bank Plc. From 2007, she is the Head of Bank Group Coordination, Analyzing and Methodology Department.

She graduated as Electrical Engineer at the Technical University of Cluj-Napoca, in 1985, and as Banking Consultant, in 1997, at the International Banking School in Budapest. Since 1999, she has been a Certified Information System Auditor. In 2008, she obtained a postgraduate degree in Economics, at the Budapest Business School – Finance and Accounting College.



# Zsolt Szabó

*Member of the Supervisory Board,  
OTP Bank Romania*

Zsolt Szabó (48) is the Director of the Business and Product Management Head Department at OTP Bank Plc. Starting from 1995, Zsolt Szabó worked for OTP Bank, in various managerial positions.

Since 2007, he has been 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 in 2000, he also earned a degree from Budapest Economic College, Faculty of Accountancy.



# László Kálmán

*Member of the Supervisory Board,  
OTP Bank Romania*

Kálmán László (41) has directed the SME Business Line of OTP Bank Plc., Hungary, between 2007 and 2010. Currently, he is responsible for SME business strategy and product development.

Mr. Kálmán also serves on the Board of Directors of OTP's car finance subsidiary, Merkantil Bank, as well as OTP Health Fund.

Prior to this, Mr. Kálmán gained a 15-year experience in fields such as consumer finance, corporate products and sales management.



Mr. Kálmán received a MB degree in Foreign Trade from College of Foreign Trade, Budapest, in 1991 and a MB degree in Economics, from Corvinus University, Budapest in 2004.

# Ákos Monostori

*Member of the Supervisory Board,  
OTP Bank Romania*

Ákos Monostori (34) is the Deputy Head of the Planning and Controlling Department of OTP Bank Plc. since 2009 and member of the Supervisory Board of OTP Bank Romania since 2010.

He joined OTP Bank Plc. in 2003, as a financial controlling expert. Since 2005, as a department head, he is in charge for the management, development and overview of the annual financial budgeting and quarterly forecasting process of OTP Bank Hungary and partly of OTP Group.

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



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

# Management Board

The Management Board ensures the management function within the Bank, through the fulfillment of all the necessary and useful actions for the achievement of the Bank's activity object.

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

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



# László Diósi

*Chairman of the Management Board  
and CEO of OTP Bank Romania*

László Diósi (44) has been Chairman of the Management Board and CEO of OTP Bank Romania, since May 2007.

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

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

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

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



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

# János Komorowicz

*Deputy CEO, Head of the Finance and Planning Division,  
OTP Bank Romania*

*Vice-Chairman of the Management Board,  
OTP Bank Romania*

*Chairman of Board of Directors, OTP Leasing Romania*

János Komorowicz (45) has been Deputy CEO, Head of the Finance and Planning Division of OTP Bank Romania, since September, 2004 and Vice-Chairman of the Management Board, since May 2007. He helped the integration process of RoBank into OTP Bank, following its acquisition.

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 and started electronic document management system implementation to improve efficiency and to complete centralization from branches. He started the implementation of SAP accounting, financial and controlling modules and he has been 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 a 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.

Between 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. In 1998, he was appointed Director of Strategy and Advisor to the CEO for General Electric Capital – Budapest Bank in Hungary.

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.



# György Bodó

*Deputy CEO, Head of the IT and Logistics Division,  
OTP Bank Romania*

*Member of the Management Board,  
OTP Bank Romania*

György Bodó (50) has 25 years experience in the area of Information and Communication Technology (ICT) and 20 years in managerial position in different companies in engineering or financial business. 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, Head of the IT and Logistics Division, and member of various committees as well. Since May, 2007 he has been member of the Management Board and president of the IT Development Committee.

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

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



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

Mr. Bodó considers that the mission of the IT and Logistics Division is to provide all structures of the Bank with high level services, able to support the business processes, in the goal to achieve the Bank's overall financial objectives and keep the competitive advantages.

The big challenge for Mr. Bodó is to get the balance between the required agility to adjust quickly to the market changes, have and keep the technological advantage, respect the regulatory requirements framework, and have under control the associated operational risk, and all these with reasonable and acceptable cost.

# Gábor István Ljubičić

*Deputy CEO, Head of the Retail Banking Division,  
OTP Bank Romania*

*Member of the Management Board, OTP Bank Romania*

*Member of the Supervisory Board,*

*OTP Asset Management Romania*

Gábor István Ljubičić (43) has been Deputy CEO, Head of the Retail Banking Division at OTP Bank Romania, since 2007 and Member of the Management Board at OTP Bank Romania, since 2009.

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

Gábor István Ljubičić has a long and prodigious career with OTP Group. He joined the Bank in 1986, occupying several types of positions. Starting from 1996, Gábor István 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 István 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 István 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).



# Ferenc Csaba Bakk

*Deputy CEO, Head of Lending and Risk Management  
Division, OTP Bank Romania*

*Member of the Management Board, OTP Bank Romania*

Ferenc Csaba Bakk (38) has been Deputy CEO, Head of Lending and Risk Management Division at OTP Bank Romania, since January, 2008 and Member of the Management Board of OTP Bank Romania, since 2009.

Regarding his academic background, Ferenc Csaba Bakk graduated Babeş-Bolyai University, Faculty of Economics, Cluj-Napoca, being specialized in Banks and Stock Exchange. He also obtained a Master in Financial Strategies at the same university and he graduated Master of Business Administration 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, as Product Manager.

Between 1998 and 2000, Ferenc Csaba Bakk was appointed Corporate Development Manager and Project Manager at TIG-RES Rt. in Budapest, where he was in charge with cashflow improvement projects, developing the strategy regarding the financial investments, preparation of business plans or cost cutting projects.

Between 2000 and 2004, 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, preparing feasibility studies for the largest borrowers, setting up and implementing the monthly loan portfolio analysis etc.



Starting from 2004, for a period of three years, Ferenc Csaba Bakk was Senior Credit Advisor at the K&H Bank Rt., in Budapest, having as responsibilities the preparation of credit advice 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 Csaba Bakk joined OTP Bank Romania in June, 2007, occupying the position of Director of Credit Administration Directorate. Since January, 2008, he has been nominated Deputy CEO, Head of Lending and Risk Management Division.





***corporate social responsibility***



# Corporate Social Responsibility

*“True civilization is the one in which one gives the others the rights he demands for himself”*

*Robert Ingersoll*

The quote above represents the quintessential message that is a mind set for each of our social responsibility initiatives.

Ever since OTP Bank started its operations in Romania, the bank has set the basis for a responsible development by including corporate social responsibility (CSR) projects into its development strategy.

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



## OTP Equal Opportunity Program

OTP Bank Romania sustains events and institutions that make efforts to support **social groups**. Our targeted categories are those who are the most disadvantaged, with a special focus on children. Taking into account that they are our tomorrow's future we constantly try to improve their lives through partnerships with different associations and children organizations.

## OTP Community Building Program

OTP Bank Romania is also a supporter of events, programs and products developed by different organizations that aim to build personal relationships and consolidate **communities**.

**Culture** is a heritage that is entrusted to us for further development. That is why OTP Bank Romania gives all its support and financial help to theatres, concerts, actors and films related to community, special publications such as albums, exhibitions and artists' associations.

## OTP Sport Program

OTP Bank Romania tries to promote with every occasion the Latin philosophy regarding the harmony between the body and the

mind, "Mens sana in corpore sano". Thus, OTP Bank Romania promotes sports and a healthy way of living.

OTP Bank Romania is a reliable partner for different **sport organizations**, team sports and competitions in which physical and psychic effort come to meet a high level and the game precision is a must.

**Employees** are, doubtless, the most important resource the bank has and the engine for all outstanding results gathered in more than 6 years of presence in Romania. Especially for them, OTP Bank Romania has set a wide range of internal personal and professional development programs.

By implementing a healthy and moral working philosophy, the bank managed to turn social responsibility into a general practice inside the organization. Among the internal initiatives of our employees are: recycling paper and other used materials and a responsible usage of energy – through the means of intelligent systems of cutting the energy consumption, donating blood, volunteering to several trees planting activities and many others.

### Right to Read CSR Campaign

In March, 2010, OTP Bank Romania launched its first national wide social responsibility campaign, „**Right to Read**”.

Starting from the sad reality that a large number of schools from the rural environment do not have libraries or have a limited collection of books, the campaign aimed mainly at equipping disadvantaged general schools from the rural environment with more than 10,000 books, during 2010.

The main objectives of the campaign were:

- Directly donate at least 10,000 carefully selected books and the appropriate furniture to create libraries in 20 rural schools recommended by the Ministry of Education, Research, Youth and Sports;



- Get the public to support access to reading by asking them to donate books, in all the territorial banking units of OTP Bank Romania and in the partners' locations;
- Collect donations of at least 15,000 books throughout 2010, to allow for the installation of at least 15 additional libraries.

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

#### Key messages:

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

In a very short time, the campaign made a huge number of people aware of the disadvantaged children's needs. On **March 24, 2010** we launched the Facebook fan page of the campaign. In **only 2 hours** since its launch, **39 likes** were already posted on the fan page. After only 3 weeks, the page had **1.781 fans**. 4 months after the launch, the number of campaign fans reached **3.447**. At the beginning of 2011, the Right to Read had **13.051** fans on Facebook.

The results of Right to Read campaign were much beyond the initial objectives. Up to December, 2010, libraries were donated in **53 schools**, (the 20 schools initially agreed with the Ministry of Education and **33 others** newly selected with the help of the campaign's fans).





Up to the beginning of 2011, **11.000** children from the rural environment, benefited from new books. The donations exceeded **30,000 books**. The campaign successfully continues in 2011 as well.

### [www.estedreptulmeu.ro](http://www.estedreptulmeu.ro)

In 2010, OTP Bank Romania launched its dedicated CSR website, **www.estedreptulmeu.ro**, a website that stands as a reminder that everyone has a natural right to an education, to a healthy climate and a cleaner environment.

**www.estedreptulmeu.ro** was designed to permit a better interaction with its visitors taking the shape of a manifest for a better world under the slogan „The right to a better world”. Our followers can find out here details about the projects in which they can get involved in along with the bank representatives. Thus, the website became the online communication platform for OTP Bank’s social responsibility programs.

### Special CSR logo

In 2010, OTP Bank Romania also developed its special CSR logo.

The graphic representation of the logo, the dove, a symbol of love and peace, gets you to think of simplicity and purity, but also takes the viewer in an aspiration area. The dove brings us hope and together with the slogan, **“the right to a better world”**, reminds us

that each and every one of us has natural right to an education, to a healthy climate and a cleaner environment.

### CSR annual report

**OTP Bank Romania** publishes, starting 2009, an annual CSR report, highlighting the most important social responsibility projects and programs, as well as the annual results achieved in this area.

Both the OTP Group’s CSR annual report and OTP Bank Romania’s report are made in accordance with the Global Reporting Initiative G3 guidelines. These are most frequently used and internationally appreciated sustainability reporting guidelines.

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

**OTP Bank** has made a part of its **mission** to continue to act in a responsible way towards society and its customers as it did since the foundation of the bank.







***provisions against money laundering***

# Provisions against money laundering

Compliance is a dynamic environment with constant changes occurring both in statutory obligations and internal processes.

The requirements of the compliance function have been transformed basically during the past years. Nowadays, the identification and the effective management of the risks subsequent from the non-compliance to the legal and other requirements are not just the self-interest of financial institutions, but the minimal level of management is determined by laws on one hand and official requirements on the other. The best practice is expanding and appears in regulators and in official requirements, more and more often; there are further regulators reflecting the unified, EU compatible requirements. By now, the compliance activity is a regulated banking activity, which operates within legal frameworks.

The reason for the greater expectations is that the complexity and the conformity

of the financial and investment services are steadily developing. Consequently, the requirement to ensure the compatibility with the external terms created a new and determinative function in the Banks' internal operating system. The expectations have been permanently growing on the compliance activity and, at the same time, the complexity, expansion and interaction of the services required new efforts from the compliance guiding. In parallel with these, the general requirements to ensure the compliance with the rules appear as a new challenge.

In the organization of the OTP Bank Romania S.A. the Compliance Directorate is responsible for the compliance function implementation and management.

The main Compliance Principles are:

- Commitment;
- Implementation;
- Monitoring and Measuring;
- Continual improvement.

One of the most important Compliance areas in OTP Bank Romania S.A. is related to combating money laundering and terrorism financing and to the Know Your Customer rules.

OTP Bank Romania S.A. is committed to comply with legal expectations at all time in the field of action against money laundering and terrorism financing. Compliance with these assumes continuous development of the relevant internal rules and controls and keeping up an efficient and up-to-date group level anti-money laundering



programme. In order to ensure a high-standard compliance with action against money laundering, the Bank management and staff cooperates with the compliance area.

The key programme elements are regulation of activities aimed at knowing and screening the customers, compliance with the reporting obligations, cooperating with the relevant authority, educating the employees and compliance with the requirements of document retention.

In order to ensure efficient compliance with the AML provisions on internal and external expectations, the Bank's has developed complex compliance programs that comprise customer segmentation in its anti-money laundering systems, as well as matching risk-based transaction screening.

The threat of money laundering is effectively managed in OTP Bank Romania through AML compliance programs, by understanding and addressing the potential money laundering risks associated with customers, products, services, geography and transactions.

Compliance has dealing with smart tools for identifying, assessing, and monitoring AML risks and also, for controlling the

functionality of the internal controls designed for the mitigation of these risks.

An effective transaction monitoring framework was implemented in the Bank, consisting in procedures for: (i) proper customer due diligence, (ii) analyzing customer transactions and profiles, (iii) internal escalation of potentially suspicious activity, (iv) filing reports of suspicious activity, and (v) record keeping and documentation of these processes. The monitoring programs include an appropriate use of technology solutions and all personnel who evaluate and investigate the transactions are adequately trained to do so.

AML programs provide initial and ongoing training to ensure all relevant staff are aware of their personal responsibilities and the antimoney laundering procedures in respect of identifying clients, monitoring, recordkeeping, remaining vigilant at all time and reporting any suspicious transactions.

OTP Bank Romania, aligned to the Group Policy, is decided to continue applying and developing the prevention of money laundering and financing terrorist acts programs, under all their aspects, according to the Romanian in force legislation and with the international standards.



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