OTP Bank Romania






2008
annual report

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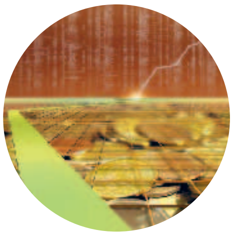     

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Summary

Message from the Chairman of the Supervisory Board

2008 represented a milestone in the institution's history. After almost five years of development and proper choices (a clever branch network expansion, launching the CHF loans, OTPdirekt service or Private Banking, the successful rebranding, bankassurance, the important development of MSE segment and DMS system), 2008 was marked by the first profitable semester in the history of OTP Bank Romania. This was achieved in the environment of the global financial crisis and ever-increasing competition on the local market, which proves that the original strategy decided during the market entry period, was the right one.

As one of the region's most important financial institutions, OTP Group is among those ones whose conservative lending and investment policy have preserved its good capital and liquidity situation, without outside help.

The basic values of the Group: conservative policies, stability, strong compliance, innovation, customer orientation and flexibility have proven outstanding in these days and are building a trustful relationship with its clients.

If 2007 represented OTP Bank Romania's expansion and transition from a small to a medium sized bank, 2008 was a year of strengthening OTP Bank Romania's position on the local market.

The trust its clients and partners paid in OTP Bank Romania has made it a safe and stable institution, with a dynamic growth and a responsible involvement in the life of the community it operates in. 2008 brought an operating income increase of 65.5%, compared to 2007, namely from HUF 10,152 million to HUF 16,800 million:

- the loan portfolio recorded a 50% growth (compared to year 2007);
- the net interest income increased by 27%;
- the net income from fees and commissions increased by almost four times, from HUF 1.015 million in 2007, to HUF 3.931 million in 2008.

The consolidation of the bank's position was also marked by the increase with 3% of the market share on retail deposits and loans, by 5% on corporate deposits, and by 8% on corporate loans.

These are figures that prove our flexibility to adjust to clients' needs and the innovation we brought in order to face the challenges imposed by a worldwide economy that made it harder for any institution to achieve growth.

Moreover, we are confident that our flexibility will allow OTP Bank Romania to take advantage of the challenges and opportunities the year 2009 has to offer. This can be easily translated into continuing the consolidation process, with focus on MSE sector, Private Banking, as well as cash management field.

I deeply believe that these foundations will assure that OTP Group and OTP Bank Romania in particular will continue the implementation of its successful strategy, even during the difficult years yet to come.

Pongrácz Antal, Dr.
Chairman of the Supervisory Board

Financial Highlights

*OTP Group**

Profit and Loss Account (in RON thousands)	2007	2008	Change %
Net interest income	6,434,830	6,574,022	2.2%
Net interest income after provisioning	5,605,708	4,898,498	-12.6%
Non-interest Income	4,394,971	7,891,166	79.5%
Total income (with net fees)	**9,489,061**	**12,090,072**	**27.4%**
Operating cost	5,941,495	7,965,239	34.1%
Profit before tax	3,547,566	4,124,833	16.3%
Profit after tax	2,971,809	3,624,216	22.0%

Balance Sheet (in RON thousands)	2007	2008	Change %
Total assets	**120,582,075**	**141,009,900**	**16.9%**
Loans and advances to customers	82,095,675	105,250,779	28.2%
Retail loans	47,062,050	63,991,319	36.0%
Corporate loans	31,744,725	38,111,641	20.1%
Municipal loans	3,288,900	3,147,819	-4.3%
Interbank loans and advances	9,330,900	8,923,280	-4.4%
Deposits from customers	71,795,775	78,466,956	9.3%
Retail deposits	46,264,050	53,731,516	16.1%
Corporate deposits	21,312,300	20,543,961	-3.6%
Municipal deposits	4,219,425	4,191,479	-0.7%
Issued securities	14,040,525	22,951,506	63.5%
Provisions for possible loan losses	2,546,475	4,069,403	59.8%
Shareholders' equity	12,762,300	15,770,215	23.6%

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

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

	2007	2008	Change %
ROAA %	-1.0%	0.3%	1.3%
ROAE %	-8.6%	2.7%	11.3%
Cost/income ratio %	112.6%	77.9%	-34.7%
Capital adequacy ratio % (unconsolidated, RAS)	13.5%	14.0%	0.5%

Market share	2007	2008	Change %
Assets	1.39%	1.10%	-0.3%
Retail deposits	0.72%	0.67%	-0.1%
Retail loans	2.16%	2.81%	0.7%
Corporate deposits	0.84%	0.79%	-0.1%
Corporate loans	1.85%	2.04%	0.2%

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

	2007	2008	Change %
Gross loans	2,316,598	2,462,729	6.31%
Individuals	953,350	938,814	-1.52%
Legal Entities	1,363,248	1,523,915	11.79%
Provisions	-27,301	-66,024	141.84%
Net loans	2,289,297	2,396,705	4.69%
Deposits	1,003,899	2,090,675	108.26%
Liabilities to credit institutions	2,101,732	684,393	-67.44%
Loans from OTP Bank	849,545	2,195	-99.74%
Loans from EXIMBANK SA		32,175	
Loans from MF	3,630	5,658	55.87%
Loans from EBRD	5,525	39,913	622.41%
Due to banks	1,243,032	604,452	-51.37%
Shareholders' equity	365,736	376,177	2.85%
Subscribed capital	432,909	432,909	0.00%
Total assets	**3,547,966**	**3,331,433**	**-6.10%**
Profit before tax	**-30,839**	**12,194**	
Profit after tax	**-30,079**	**9,922**	

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

* in RON thousands

Loans*

	2007	2008	Change %
Gross loans	2,316,598	2,462,729	6%
Individuals	953,350	938,814	-2%
Legal entities	1,363,248	1,523,915	12%
Provisions	27,301	66,024	142%
Net loans	2,289,297	2,396,705	5%

Gross loans*

December 31, 2008	Individuals		Legal entities	Total
Loans quality	**Consumer**	**Housing**		
Perfoming	248,235	3,700	1,482,584	1,734,519
To-be-monitored	551,007	106,864	11,118	668,989
Below average	6,377	1,777	6,844	14,997
Doubtful	16,917	2,100	13,497	32,515
Bad	1,340	497	9,872	11,709
Total	**823,876**	**114,938**	**1,523,915**	**2,462,729**

December 31, 2007	Individuals		Legal entities	Total
Loans quality	**Consumer**	**Housing**		
Perfoming	259,218	4,613	701,238	965,070
To-be-monitored	578,572	92,064	436,021	1,106,657
Below average	5,783	-	73,330	79,113
Doubtful	4,498	-	117,272	121,770
Bad	8,101	501	35,386	43,988
Total	**856,172**	**97,178**	**1,363,248**	**2,316,598**

Impairment provisions*

December 31, 2008	Individuals		Legal entities	Total
Loans quality	**Consumer**	**Housing**		
Perfoming	1,477	6	17,727	19,210
To-be-monitored	6,998	3,298	3,870	14,166
Below average	3,438	1,148	2,086	6,673
Doubtful	14,283	691	5,197	20,171
Bad	839	103	4,862	5,804
Total	**27,035**	**5,246**	**33,742**	**66,024**

December 31, 2007	Individuals		Legal entities	Total
Loans quality	**Consumer**	**Housing**		
Perfoming	749	1	18,643	19,393
To-be-monitored	919	44	1,555	2,517
Below average	428	-	689	1,117
Doubtful	684	-	504	1,188
Bad	1,975	18	1,093	3,085
Total	**4,755**	**63**	**22,483**	**27,301**

* in RON thousands

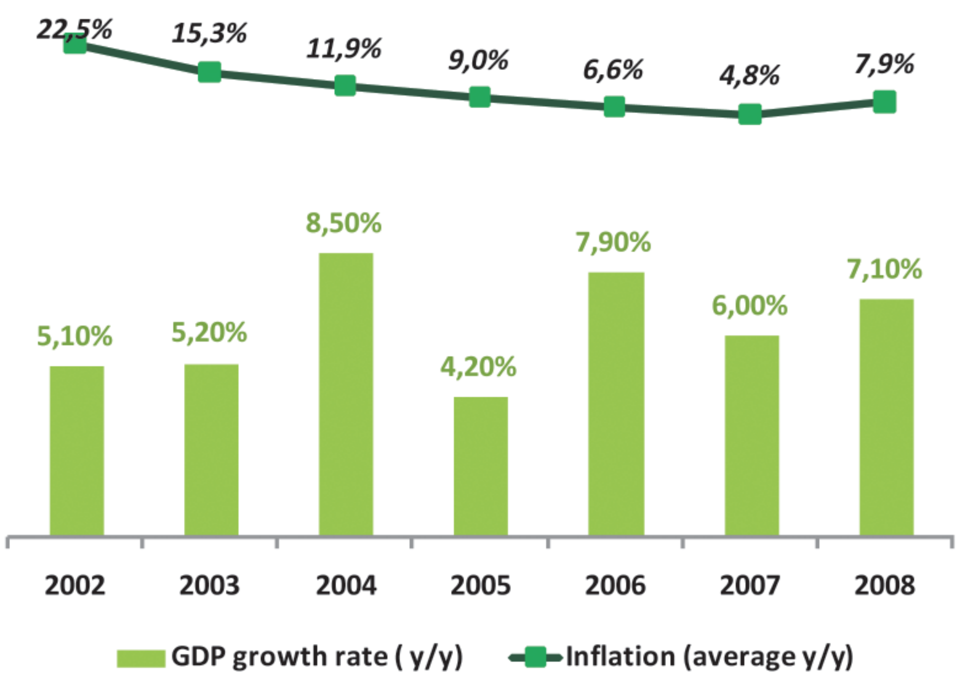
MACROECONOMIC AND FINANCIAL ENVIRONMENT

Economic activity overview

2008 was marked by extraordinary turbulences in the international financial markets, which also affected Romania, visibly in the fourth quarter of 2008. The banking crisis burst out in September 2008, with the collapse of Lehman Brothers, after a year of milder financial turmoil. The effect of the crisis in US spread around the world, leading many European countries into recession, even from the first quarter of 2008 (i.e. Denmark). A number of banks and financial institutions became insolvent in the United States, Europe and the developing world and financial conditions became significantly tighter – credit markets almost froze in the fourth quarter of 2008. This was translated into severely diminished capital inflows or even net outflows in developing countries and the evaporation of huge amounts of market capitalization. The risk perception of emerging markets worsened, as evidenced by the increase in CDS (credit default swap rates), that measure the country risk.

However, for the first three quarters of 2008, Romania's economy was fueled by strong consumption. As such, in 2008, Romania posted one of the highest real GDP growth rate in the past years, 7.1% respectively, while the EU 27 real GDP increased by 0.9%. Nevertheless, in the fourth quarter, the annual growth rate significantly decelerated to 2.9% YoY, on the back of the internal demand compression. In absolute terms, GDP was RON 503.9 bn in 2008, up from RON 412.8 bn in 2007.

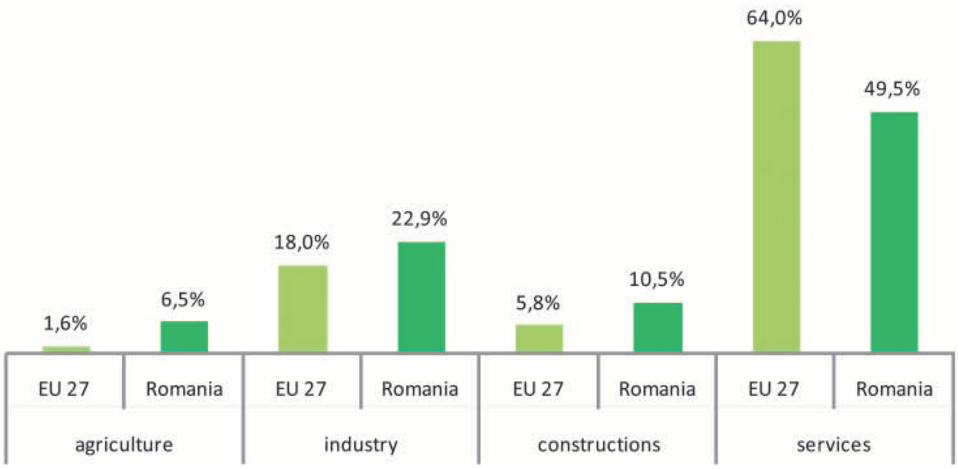
Table 1: The evolution of real GDP growth rate and CPI (2002 – 2008)



Source: NBR

The highest contributions came from services and industry, totaling 72%, but the growth was driven by agriculture and constructions, which represent 17% of GDP.

Table 2: Sectors' contribution to GDP formation in 2008



Source: Eurostat, internal calculation

Compared to EU 27, there are significant discrepancies in GDP structure. On one hand, agriculture has a large share in GDP, as opposed to EU 27: 6.5% versus 1.6%. On the other hand, the services share in GDP is below the European average (EU 27) of 64%, representing only 49.5% of GDP which emphasizes their growth potential. To continue, the construction sector represents 10.5% of GDP and it is 1.8 times as big as the European average, but it will continue to increase due to the housing deficit and need for infrastructure development.

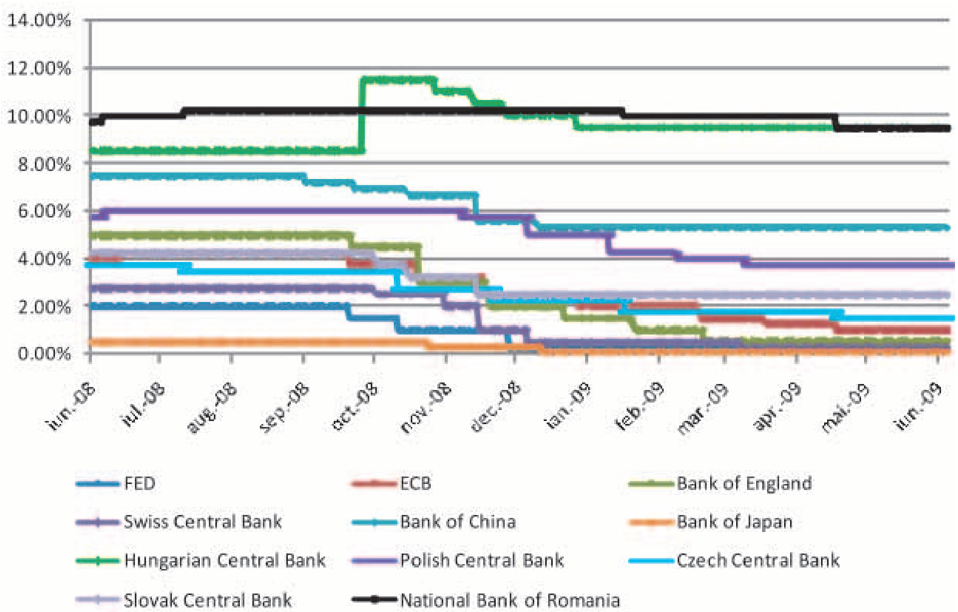
Unemployment, productivity, salary

Another consequence of the slowdown in economic activity in 2008 is the increase in unemployment rate. The average for 2008 was 4.4%, up from 4% in 2007. As this is a lagging indicator, it is expected to increase even further, to more than 8% in 2009. Simultaneously, labor productivity in industry also worsened throughout the year, but average net wage rose to RON 1280, while the real growth rate was 13.9% in 2008.

Monetary policy and banking environment

In accordance with the monetary policy strategy adopted in August 2005, the Central Bank continued to target inflation in 2008, while using other channels like the policy interest rate and the exchange rate channel. Although inflation was on a downward pattern for 11 years until 2007, in 2008 CPI rose to 7.9%, up from 4.8% in 2007. Even if it was far from the target of 3.8%+/-1%, the disinflation process resumed in the fourth quarter of 2008. As a consequence of high inflation, NBR (National Bank of Romania) increased the policy rate four times, from 8% in January 2008, to 10.25% in December 2008, while the FED and ECB had already started to cut rates in the fourth quarter to fight recession. So whereas pre crisis NBR maintained certain restrictive lending measures. In October 2008, in the context of increased world turbulences on financial markets, NBR changed its stance and reduced the minimum reserve requirement ratio on RON-denominated liabilities of credit institutions, from 20% to 18%. This measure was aimed to improve liquidity management on the interbank money market, but it also contributed to RON depreciation. Due to negative investor sentiment for the region and capital outflows, RON depreciated 10% against EUR during 2008, especially in the fourth quarter.

Table 3: The evolution of key interest rates (June 2008- June 2009)



Source: Bloomberg

After a lending boom, due to the liquidity shortage and increased costs of financing towards the end of 2008, the Romanian banking sector started to restrict lending and switched its focus to attract deposits. Nevertheless, due to three quarters of growth, banking assets increased in 2008 by 18% in EUR, a deceleration from 39% in 2007. Non performing loans started to rise for the entire banking system, from 4.21% in January 2008 to 6.53% in December 2008, due to worse economic conditions and to the large weight of foreign denominated loans, which made debt service more difficult.

Budget deficit

The economic environment deterioration of the in the fourth quarter of 2008 was heavily reflected in the public finance position. In the context of international turmoil, the effects of banking liquidity crisis on the economic agents had a negative impact on revenue collection. Under these circumstances, in 2008 the budget deficit reached 4.9% of GDP, according to cash methodology. The total revenue collected in 2008 made up to 32.8% of GDP, including self financed institutions, but the forecast was 4.4 percentage points higher. On one hand, the underperformance came from European funds, excises, profit tax and non-tax revenues. On the other hand, public expenditure recorded higher dynamics, while personnel expenditures posted a nominal increase of 35.4% compared to 2007, reaching 9.1% of GDP.

Exports and imports

In 2008, compared to 2007, exports grew faster than imports, maintaining the trend started in December 2007. FOB exports were RON 123.4 (EUR 33.6) bn, up by 25.2% in RON. Imports represented RON 206 (EUR 56.1) bn, growing by 20.3% in RON. Therefore, the difference in the dynamics of exports and imports improved the foreign trade deficit as percentage in GDP (13.3%

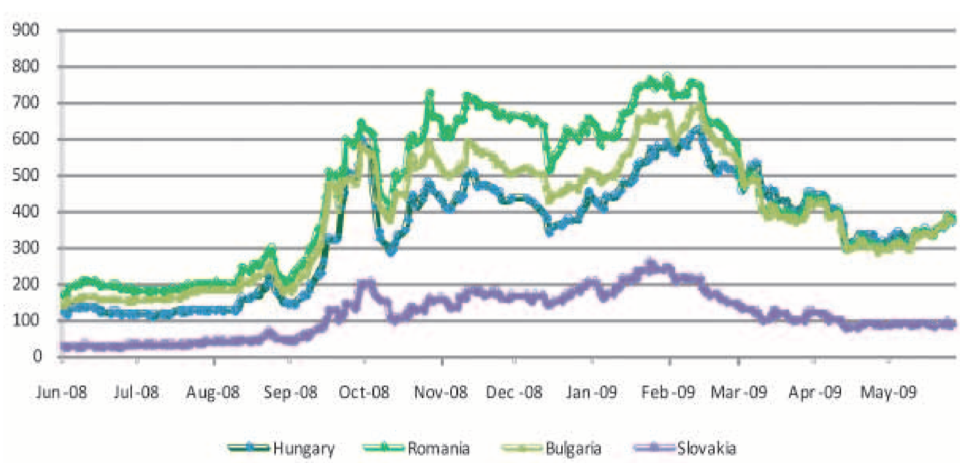
in 2008 vs. 14.4% in 2007), but in the last quarter of 2008 both exports and imports decelerated considerably, mainly due to the compression of the external demand, the moderation in domestic demand for investment and consumption (especially for durables) and the fall in commodity prices (oil price, metal prices). The trade deficit improvement also supported the amelioration of current account deficit.

In 2008, the current account deficit decreased by 1.1 percentage points, to 12.4% of GDP (or EUR 16.7 bn), from 13.5% of GDP in 2007. The upward trend which started in 2002 when the CA deficit was only 3.3% of GDP, was reversed in 2008 for a series of reasons besides the trade deficit improvement: the income balance deterioration (due to higher payments of interest abroad and higher reinvested earnings) was entirely offset by an increase in transfers and services. Up to now, the CA deficit was associated with high consumption accompanying the high real GDP growth rates of a developing country economy. However, it also signaled overheating and it was one of the reasons for which two out of three international rating agencies downgraded Romania just below investment grade in the fourth quarter of 2008.

Country risk

S&P and Fitch downgraded Romania's sovereign rating just below investment grade in 2008 and maintained it up to the date of the current writing (June 16), while the outlook is negative. At the same time, Moody's was the sole of the three major international rating agencies, which kept Romania within investment grade in 2008 and confirmed it in March 2009, with stable outlook. Meanwhile, Romania's CDS spiked to more than 5% in November and it reached approximately 6.5% by end of December, given the fact that in April it was around 1.4%. The increase in Romania's CDS was in line with the evolution of CDS of neighboring countries: Hungary and Bulgaria, where CDS reached 4.3% and 5.1% in end of December 2008. However, after having received financial support from international institutions such as International Monetary Fund (IMF), European Investment Bank (EIB) and The European Bank for Reconstruction and Development (EBRD), investors' sentiment has visibly improved, with a positive impact on the exchange rate and external borrowing cost which went down by 2 percentage points in April 2009.

Table 4: The evolution of 5 year CDS spread, denominated in EUR, measured in percentage points (1 pip = 0.01%)



Source: Bloomberg

Outlook 2009

- ***External financial package***: in order to surpass the difficulties arisen from the economic slowdown, Romania contracted an external loan, in the form of a two-year stand-by arrangement, in amount of EUR 19.95 bn from IMF, World Bank, European Commission and other international institutions. The total funding package is made up of EUR 12.9 bn from IMF, EUR 5 bn from EU, between EUR 1.2-1.5 bn from World Bank and EUR 1 bn from other international institutions. On May 5, 2009, the first SDR 4.37bn (EUR 4.9bn) tranche was transferred into the central bank's vaults and it is being used to increase the foreign exchange reserves.
- ***Central Bank***: as a result of increased foreign exchange reserves, NBR will gradually reduce the mandatory reserves ratio. The first step was on May 23, when the mandatory reserve ratio for bank's liabilities, exceeding 2 years maturities, was set to zero, down from 40%. This measure is targeted at restarting the lending activity which is also supported by a gradual decrease in the monetary policy interest rate, which fell to 9.5% after two rate cuts in 2009. The exchange rate volatility is expected to remain high. In the first quarter of 2009, RON lost 6.4% against EUR.
- ***Growth***: the external aid, together with the Central Bank's monetary policy and Ministry's of Finance careful observation of budget execution are measures directed to ease the recession in Romania. The official data for the first quarter of 2009 point to a -6.2% YoY real GDP growth rate and the forecast for 2009 is -4%, but a positive evolution is expected to be seen in the fourth quarter of 2009. The key to coming out of recession is seen to be government spending on infrastructure projects and support of SME's, especially the ones in agriculture. However, a problem might rise from the difficulty to collect revenues to the state budget.
- ***Inflation***: Disinflation process continues; inflation is expected to continually decrease to 4.4% by December 2009, while the average for 2009 is expected at 5.8%; inflation will reenter the targeted interval in 2010.
- ***FDI and CA***: FDI are expected to decrease by 50%, from EUR 9 bn in 2008. However, one positive aspect of the tense economic environment is the contraction of the CA deficit, which is forecasted to go down to 7.5% (CNP).


11.00
1.00
3.07
2.39
+1.00
-0.05
+0.15
4.05
5.30
7.25
14.75
4.16
0.75
13.50
6.60
0.28
4.21
3.10
2.00

Business Results

__OTP Bank Romania__ is a subsidiary of __OTP Group__, the largest independent bank in Central and Eastern Europe, with a __60 years tradition__ on the Hungarian banking market. Outside Hungary, OTP Group operates in Romania, Montenegro, Croatia, Bulgaria, Russia, Ukraine, Slovakia and Serbia. OTP Group serves almost 12 million customers in 9 countries, via 1,500 territorial units, the ATMs network and the electronic system.

OTP BANK ROMANIA'S HISTORY

- In December 1995, RoBank received the authorization to function as an universal bank in Romania. Four years later, the same bank was selected from a list of 10 Romanian banks for the calculation of the daily BUBID/BUBOR rates, while in 2000, RoBank signed an agreement with EBRD to participate in the Foreign Trade Facilitation Program, a project worth USD 100 million.
- In 2003, RoBank entered an agreement with Eximbank, regarding financing and pre-financing of export production. During the same year, the bank participated in the World Bank project for the financing of rural areas, granting subloans up to USD 1 million for funding financing projects in all segments of the rural economy.
- In 2004, OTP Group had purchased 99.99% of RoBank, 0.01% belonging to other companies, members of OTP Group.
- At the end of the third quarter of 2007, the total assets of OTP Bank Romania increased by 15.9%, up to HUF 236.4 billion (EUR 930.706.800). The incurred losses were remarkably lower than in the second quarter of the year.
- In 2007, the net interest income increased significantly, up to 93%, due to the bank's strengthening of its deposit base.
- In only one month, in December 2007, 20 new territorial units were opened, OTP Bank Romania reaching the important number of 104 territorial units.
- 2008 was the first profitable year in the history of the company, with an operating income increase of 65.5%, compared to 2007 (from HUF 10,152 million to HUF 16,800 million).
- 2008 can be easily defined by a significant increase of assets, but also of 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%.

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 legal entities.

- OTP Bank's intentions are to guide its potential customers towards fair offers and services, that meet the highest standards.
- 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: the first unique transparent credit card, the first bank to introduce the loan in Swiss Francs, the first co-branded credit card with a gas station company – OTP-MOL, as well as an innovative savings package – OTP Premium Duo, launched in collaboration with OTP Asset Management.
- 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.
- The approach towards customers is defined by closeness, responsiveness and true flexibility.
- The support of the Group has helped OTP Bank Romania grow dynamically, 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.

QUALITY ASSURANCE PROJECTS

OTP Bank's corporate mission is to serve its corporate and retail clients with a complete range of high quality financial products and services, operating in a transparent and prudent manner and proactively foster innovation.

Process Management Directorate statement

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

In order to reach this goal, in 2008 we have continued the series of projects to enhance the performance of core business activities. We have extended the business process management (BPM) system that allows continuous monitoring and improvement of the processes. To facilitate the use of the BPM system by all the organizational levels, we held a series of specific training sessions, oriented to increase quality, both in business approach and in product/service design.

Building on a structured approach, embracing BPM principles and methodologies, like Lean Six Sigma tools and Kaizen approach, each of the improvement projects performed resulted in the reengineering of processes in operations and products area, both in retail and corporate.
The result of BPM system implementation, quality orientation approach and processes improvement, led to more than 1 million EUR benefits in terms of cost, time reduction and business enhancements.

2008 was also a successful year in terms of project management: all the projects were driven and monitored based on a specific methodology focused on clients' impact, costs, benefits and resources allocation.

Our work helps to develop a performance culture within the entire organization, built on delivering process and project management excellence and the best customer experience. Successfully implementing the bank's business strategy depends on the performance of the critical business processes, on running efficient projects and on the motivation of the employees to develop improvement initiatives at all organizational levels.

Treasury Directorate statement

During 2008, the Tresury Directorate within OTP Bank Romania worked diligently on increasing the volume of trades, as well as diversifying the types of products available for trading, for both client's interest and company's own purposes.

Also, preparing for events like the ones that unfolded during the better part of 2008, the Treasury Directorate focused on improving the OTP Bank Romania funding structure. Thus, during last year, the bank negotiated its financing agreements, switching from short to medium and long-term funding.

The results were represented by improved liquidity indicators and additional funding for the bank, very important facts, taking into consideration the international financial turmoil, as the crisis effects spread into the Romanian market.

The Treasury Directorate increased the volume of derivatives transactions portfolio and diversified the type of traded products, including CIRS transactions in relation to its new funding strategy.
Related to the product portfolio offered to our customers, we also managed to improve it over the past year, through widening its scope by the addition of derivatives trading, especially in the derivative types most requested by our clients.

In order to balance the need for profit with the need for safety and liquidity, OTP Bank Romania also increased the volume of T-Bills Portfolio bought on the domestic secondary market. This had the added benefit of conforming to the requirements of the Central Bank (NBR), as well as the Government, who considered that owing 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 short-falls.

Ensuring the quality of IT projects

During 2008, the IT and Logistics Division continued to enhance the service quality offered to internal and external clients, services which are able to support business processes in the new environment: economical and financial global crisis. Therefore, the IT services were focused on two major directions: reducing the response times in solving different business requests on IT support side and, on the other hand, obtaining the financial goals and keeping the bank's competitive advantage in what concearns scheduled time and the approved budget for the new implemented business processes which were ment to enhance the activity, efficiency and the bank's productivity in a vicious and concurrential economical climat.
The IT and Logistics Division staff took action in 2008 in the spirit induced by the bank's top leaders, both for consolidation and optimisation of the previous years achievements and for introducing new IT facilities, systems or software applications.

In order to achieve its targets, the IT and Logistics Division has established the following major goals: permanent adaptation to clients' needs and prezent time actuality; increasing the automation degree; redefining certain existing processes and making them more efficient by the cost/profit point of view; standardizing, centralizing and modernizing the IT major processes, to reduce the operational risk to a minimum acceptable level.
The mentioned objectives were achieved through the implementation of some major projects, aimed to make the bank's business more efficient or imposed by different control, reglementation and monitoring Romanian authorities: PAID Project (electronic processing of the debit payment instruments), technical recertification of the connection to SEP Project (Electronic Payment System), implementation of a monitoring system for bank-clients relationship, starting with the debute of the relation (offer) until the sales process and the profits obtained from selling different products – Anytime system, alongside with projects which targeted to frame within a low operational, reputational and compliance risk as much as possible decreased – SafeWatch and BarnOwl projects.
A number of other projects previously starded: DMS project – phase 2 (flow management for the approval of the mortgage loans), Business Continuity Management (BCM & DRP), to ensure and guarantee the continuity of processes business in case of failure or disaster, through technical and organizational infrastructure redesign and upgrade regulations, in order to reduce disruption and loss processes operating at an acceptable level.

During 2008, the IT and Logistics Division has developed projects to upgrade the core-banking application, through new technologies usage (Microsoft SharePoint) for the entire intranet redesign, the implementation of modern electronic rights user applications management forms.
For the first time, we were introduced SLA internal links for more types of services, in a first stage OTPdirekt, monitoring cards services, communications infrastructure, user rights managing, Help-Desk, following to cover all services provided to our clients.

The main vision of IT and Logistics Division to transform the services and infrastructure in a business engine has become a reality.

TARGETS

*„**2008 brought the first profitable semester in the history of OTP Bank Romania.***

Our bank has an incisive historical path that shows us we have made the most proper choices in very important moments for our company. We wish to remind you just few of them: the branch network expansion, launching the CHF loans, OTPdirekt (Internet Banking, Contact Center, SMS alerts) or Private Banking, the bank's rebranding, bankassurance, the MSE segment development, the DMS system.
As a result, our institution is safe and stable and has started to bring profit. Having an annual increase of 88%, OTP Bank Romania registered the first profitable semester in the history of the bank, 931 million forint. The first nine months of 2008 proved that all the profit's elements have registered appreciable performances.
OTP Bank Group has finished, in September, the selling process of its assurance division, Garancia Group and received 889.2 million dollars from Groupama, its strategic partner, which will help providing the liquidities needed in the anticipated future. The Group will reach its initial profit target for 2008 – 1 billion euro – which makes OTP one of the best capitalized banks in Europe.
NBR considers us a stable and cautious institution and the management is fully engaged to maintain this position, the bank succeeding to develop its position on the market.
The strategy for 2009 aims to develop the MSEs financing business line, cash management and the Private Banking sector. The elements that will define us are stability and liquidity."

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

OBJECTIVES

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

The universal nature of the bank comes from three sources. First comes OTP Group, one of the most important financial groups in Central and Eastern Europe, with a 60 years tradition on the Hungarian banking market, secondly the innovative banking Group in Romania and third, corporate and retail banking with equal emphasis.

Within the universal banking strategy, we differentiate ourselves through the means of expertise in some product groups/client segments; we intend to focus on the Retail market, with emphasize on MSE sector, investments, Internet Banking – OTPdirekt, Private Banking services, as well as on the cards segment.

OTP Bank's mid-term objective in Romania is to increase its awareness and market share, as a middle-sized player on the local financial market.

ACCOUNT MANAGEMENT, SALES NETWORK AND BANK TRANSACTIONS

During 2008, OTP Bank Romania continued its consolidation process and opened one new territorial unit in Giurgiu. Once the new territorial unit was opened, OTP Bank Romania achieved a national coverage, continuing its sustained developing rhythm on the Romanian market. This event represented a new success registered by OTP Group, 4 years since entering the Romanian market. The total number of territorial units in the network reached 105 at the end of 2008.

In 2009, OTP Bank Romania intends to open one new territorial unit in Covasna and all the Bank Points are proposed to become full banking units.

The analysis made in 2007 released the fact that Banking Points, due to their structure (without pay office), have a much lower commercial capacity than Branches or Agencies and have much lower results in sales. In order to improve sales and create flexibility, the best solution is converting of the Bank Points into Agencies.

Domestic Settlement transactions

At the end of 2007, TransFonD has initiated a national level project (PAID07), regarding the automated processing of checks, bills of exchange and promissory notes. This project represented the last stage for the electronic settlement of RON payment instruments.

PAID07 represents the implementation project of the electronic clearing of the debit instruments (checks, bills of exchange and promissory notes) in RON. The electronic payment system SENT, operated by TransFonD, will transform the relevant information from paper documents, into electronic formats. The new system provides:

- Complete removal of paper instruments at interbank level;
- Generation of clearing electronic messages
- Use of digital images, instead of paper instruments;
- Automated clearing and settlement.

In order to start this project, the following actions were needed:

- Changing the legislation on checks, bills of exchange and promissory notes;
- Form modification of checks, bills of exchange and promissory notes;
- Frame rules and technical rules in what regards the checks, bills of exchange and promissory notes was modified by the NBR;
- Changing IT applications of each bank, such as allowing the transmission of image files and XML messages towards the partner banks, through SEP (Electronic Payment System);
- Changing the internal rules and internal working procedures;
- Training the employees;
- Modifying the settlement workflow for new form of debit instruments. In what regards OTP Bank Romania, the new workflow to settle a new form DI is:
  - Reception and verification of checks, bills of exchange and promissory notes at units level,
  - Scaning at the unit level
  - OCR (Optical Character Recognition) in the Operations Directorate – Domestic Settlement Department
  - Verification, correction and approval from the Operations Directorate - Domestic Settlement Department
  - Preparation and settlement in SEP – in the Operations Directorate - Domestic Settlement Department

The new compensation system of payment instruments became effective on October 10, 2008. Starting with this date, in OTP Bank Romania the entire DI, in new form to be settled between banks, are processed from the head office level.

International transactions

Starting with January 28, 2008, OTP Bank Romania became an indirect participant to SEPA, through Deutsche Bank AG for SCT (Scheme Credit Transfer), which means that the bank is able to issue and to receive SEPA payment orders for its clients. Also, during 2008, OTP Bank Romania became an indirect participant to TARGET 2 System.

The indirect participation to SEPA – Single European Payment Area, from the beginning, was a real important advantage for the bank's customers, as SEPA represents a market of domestic payments in the Euro area, which uses a standardized set of instruments for the credit transfer operations and other payment instruments, through which a customer could make payments from its own account to any other destination in Euro area, at a very good level of quality and price.

In 2008, OTP Bank Romania finished the centralization process for outgoing payment orders in foreign currencies, which means that all these transactions are now processed totally in the head-office, both in the bank's software system (the account registration) and in the swift system (the specific payment swift message), based on the instructions received from the territorial units.

OTPdirekt

Internet Banking, Contact Center and SMS Alerts

OTP Bank Romania provides its clients OTPdirekt, a high quality alternative that allows carrying out transactions and receiving information about accounts, without coming to the branch, in conditions of utmost security. The service consists of the following components:

1. OTPdirekt – Internet Banking (transactions and information)

Available 24 hours a day, 7 days a week, the Internet Banking service brings all the information about the customers' accounts at one "enter" distance. The payments commissions can be two times smaller than those in the OTP Bank's territorial units, while the account balance interrogation and account statement are free of charge.

The following functions are available only with a click:

- transfers in RON or foreign currency to beneficiaries who have accounts at any bank opened in Romania or abroad;
- standing orders;
- periodic payments;
- exchanges/ transfers of amounts between the same person's accounts;
- opening/ viewing/ closing deposits;
- account balance generated in files that can be printed or saved on the user's computer;
- 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 or operations on your accounts.

The Bank representatives can be reached free of charge in the Romtelecom network by calling the number 0800 88 22 88.

The 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, etc. If a customer already has an OTP Bank account, then he/she can choose:

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

3. OTPdirekt – SMS Alerts (only information)

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

The number of OTPdirekt – Internet Banking and Contact Center users, on December 31, 2008, was of 13976, divided as follows:

- Private persons with staff: 8340
- Legal entities – Retail: 4076
- Legal entities – Corporate: 1560

The number of OTPdirekt – SMS Alerts contracts, on December 31, 2008, was of 3887, divided as follows:

- Private persons with staff: 2940
- Legal entities – Retail: 901
- Legal entities – Corporate: 46

The number of SMS messages sent to the clients, until the end of 2008, was 349184.

The number of Contact Center calls, in 2008, reached 33024. The number of transactions through OTPdirekt Contact Center was of 725, while the number of transactions made though Internet Banking was 535088. The transactions volume through OTPdirekt, in 2008, was:

- Contact Center: 2 407 586.881 Euro
- Internet Banking: 1 449 137 154 Euro

BANK CARD BUSINESS

During 2008, OTP Bank Romania launched several new products and services designed to better fulfill its customers' needs:

- The card acceptance service addressed to various categories of merchants;
- EMV certifications on chip card acceptance with MasterCard and VISA international card organizations;
- The MasterCard Platinum credit card, addressed to Private Banking customers.

As of the end of 2008, after 3 years from the launching of the card program, OTP Bank Romania managed to issue a total number of over 115,000 cards on the Romanian market.

Currently, the card product portfolio of OTP Bank Romania consists of the following products:

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

The MasterCard Platinum credit cards issued by OTP Bank Romania are offered to premium clients who have applied for a credit card in RON. The clients may practically benefit of a loan without an interest, for a grace period of up to 55 days and the minimum monthly repayment is only 5% of the outstanding credit limit, which may reach up to the RON equivalent of 40,000 EUR. The card allows for national and international use, as it is accepted in millions of locations displaying the MasterCard logo, almost anywhere in the world. The MasterCard.

Platinum card owners benefit from free administration in the first year of use and, on request, the bank can issue several additional cards on the same account. The additional benefits of the MasterCard Platinum cards: consist of free premium international travel insurance valid for 2 years and access to the MasterCard worldwide Premium Collection offers.

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

During 2008, OTP Bank Romania managed to successfully pass all tests and meet all requirements in order to receive full EMV certification on acquiring business side (ATM and POS terminals) from MasterCard and VISA.

In 2008, OTP Bank Romania started the card acquiring activity. The results achieved in less than 8 months were solid, by the end of the year the network consisted of more than 600 terminals. On the other side of the accepting network, as of end of 2008 the ATM network of the bank consisted of 130 machines, all across Romania, including 25 multi-functional terminals with "cash-out" and "cash-in" capabilities.

PRODUCTS FOR INDIVIDUALS (LIABILITIES AND LOANS)

OTP Bank Romania offers the following loans for individuals:

- **Personal Loan** is a retail loan which finances holidays, studies, conferences and other needs of the customer, 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 EUR 10,000 (or equivalent).

On December 31, 2008 the outstanding balance was 415,549,759.32 RON (annual change -17%).

- **The Car Loan** is a retail loan which finances 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, 2008 the outstanding balance is 2,056,657 RON (annual change of -3.5%).

- **Personal Loan with Mortgage is a product that** finances studies, holidays/ trips, medical treatments, conferences / symposiums abroad, agriculture and other general needs of the borrower. 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 months and 360 months. The accepted collaterals are a 1st rank mortgage on a property (It is acceptable an inferior mortgage rank only if the superior ranks are in favor of OTP Bank Romania SA).

The maximum amount of financing was 80% of the value of the property for the first 10 months of the year, dropping to 50% in the last two months of 2008, due to the financial instability on the market. Also, due to this market evolution, some income types were temporarily excluded.

On December 31, 2008 the outstanding balance was 1,469,368,806 RON (annual change of +222%).

- **Mortgage Loan for acquisition** can be used for the following purposes: houses/ flats acquisition and acquisition of land for construction purposes. There are three available currencies: RON, EUR and CHF. 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 maximum is 360 months. The collateral accepted is 1st rank mortgage on the purchased property and property insurance assigned in favor of OTP Bank Romania SA.

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

On December 31, 2008 the outstanding balance for mortgage loans was 810,886,198 RON (annual change of +48%).

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

On December 31, 2008, the outstanding balance for overdrafts was 4,349,701.37 RON (annual change of + 319%).

OTP Bank Romania offers term deposits and saving accounts

• **Term deposit** is an account opened on the basis of the contract which the customers can deposit money for a fixed period of time; in this way the client has 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 is fixed until the maturity of the deposit. There are standard deposits with maturity of 1 week, 1 month, 2 months, 3 months, 6 months, 9 months, 12 months for all currencies and 18 months, 24 months only for RON term deposits. Minimum amount for opening is RON/USD/EUR/CHF/GBP 100 and HUF 25,000. For standard deposits there are three maturity options: automatic renewal with interest capitalization, automatic renewal without capitalization and automatic deposit liquidation.

On December 31, 2008 the outstanding balance was EUR 102,158,000 (annual change + 2%).

• **Savings Account** is a sight deposit. The interest rate is progressive depending on the amount deposited. At a larger amount the client receives a higher interest. It has the advantage of obtaining a higher level of interest rate compared to the current account. It has also 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. There are allowed inter/intra-banking transfers. From this account, customers can transfer only to the owned current accounts opened at OTP Bank Romania SA.

On December 31, 2008 the outstanding balance was EUR 20,558,200 (annual change + 156%).

• **Junior Account** is a savings account opened in the child name with additional attached facilities. It is available in RON, EUR, USD and HUF. The interest rate is progressive depending on the amount deposited. At a larger amount the client receives a higher interest. It has the advantage of obtaining a higher level of interest rate compared to the current account and lower commissions.

  • **Junior Start** is designed for children under 14 years old;
  • **Junior Plus** is created for people aged between 14 and 18 years. The customer has the possibility to obtain a Junior Plus debit card;
  • **Junior Max** is created for people aged between 18 and 25 years. The client has the possibility of obtaining a Junior Max debit card.

• **Current Account** has no restrictions to the funds, cash operations or money transfers during the schedule with the clients. On amounts placed on the current account the customer receives a sight interest. It can be opened in RON, EUR, USD, HUF, GBP and CHF. Statements of account are sent monthly to the address mentioned by the clients that requested 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, OTPdirekt.
On December 31, 2008 the outstanding balance was EUR 15,624,000 (annual change - 42%).

• **OTP Express service** allows Forint, Euro and US Dollar transfers to partners in Hungary or to any bank from OTP Group and the money could get to the destination in the same day with extremely favorable costs.

General provisions

The number of the Bank's customers (individuals) grew from 140,000 to 159,109 over the course of 2008 (achieving a substantial – 13.65% – growth) and the number of issued bankcards more than 50% over the previous year, reaching 116.180. The number of retail (individuals + legal entities) current accounts managed by the Bank exceeded 237,000 at year-end, while the number of corporate accounts had surpassed 3,000.

The Bank continued to expand its sales network, opening 1 new territorial unit in 2008 and operating 104 territorial units at year-end. The number of the Bank's ATMs also increased significantly in 2008, reaching 127 by the end of the year. The number of employees was 1065 persons at the end of 2008, which was 67 more than a year earlier.

By the end of the year, OTP Bank Romania intends to implement new products, such as:
• Hybrid products;
• Lombard loans;
• Certificates of deposit with Discount;
• Structured deposit;
• Tool for Fresh Money (Stimulating fresh money - IT development of fresh money recognition in the system);
• Salary Package;
• Multiplan - savings and loan program.

PRODUCTS FOR MICRO AND SMALL ENTERPRISES – MSEs

In accordance with OTP Bank Romania SA internal organisation, in force in 2008, the MSE segment is part of the Retail Division and consists of legal entities with yearly turnover up to 2 million EURO. During 2008, OTP Bank Romania offered a large range of products for MSE clients for both liabilities and assets side.

1. Current account and attached services:
• Current account (RON, EUR, USD, HUF, GBP, CHF);
  - intra and inter-banking payment orders;
  - debit instruments (cheques, promissory notes, bills of exchange);
• OTP Express;
• Cash Management.

2. Saving products:
• Term deposits (available in RON, EUR, USD, HUF, GBP, CHF);

3. Other types of deposits:
• Administrators' Guarantee Deposits
• Escrow Account

4. Fast financing:
• Loan for acquisition of real-estates
• Loan for aquisition of equipment

5. Loans:

• **Short term:**

- Credit line
- Short term cash loan
- Account facilities
  • Non-cash account facility for opening letters of credit, cheques certification, promissory notes endorsement, issuing letters of guarantee
  • Account facility for cheques and promissory notes
  • Account facility for invoices
- Account ceilings
  • Non-cash account ceiling for opening letters of credit, cheques certification, promissory notes endorsement, issuing letters of guarantee
  • Account ceiling for cheques, promissory notes and invoices
- SME loans, from EBRD and EU funds

• **Medium and long term:**

- Investment loan
- SME loans, from EBRD and EU funds

6. Cards:

• Visa Business cards
• Salary cards
• Cards Acceptance

7. OTP Direkt

8. Packages of products and services

At the end of 2008, the number of MSE clients managed by OBR was around 18.198, while the balance of granted loans reached over 374 million RON (approximately 88.6 million EURO).

In the last quarter of 2008, the market changed dramatically due to the financial turmoil and the competition switched from loans to liabilities. OTP Bank's reaction to these changes was very prompt, the strategy was adjusted quickly and several actions were taken in order to surpass the new market conditions.

For 2009, OTP Bank Romania S.A. intends to implement new products for MSE clients, such as:

• Cash collateral for proper fulfillment of contracts
• Flexible maturity deposit
• Overdraft
• Free purpose loan with fixed interest margin guaranteed with term deposit
• Executors account.

Other activities planned for 2009 are:

• Modification of the MSE packages in order to better serve the clients' needs
• Developing and implementing a scorecard for monitoring the loans of legal entities (this tool will facilitate the bank to maintain a good portfolio quality)
• Data mining and segmentation analyses.

The last two activities will be performed with the support of ShoreBank International LTD, the company which provides technical assistance within the EU/EBRD SME Finance Facility.

PRIVATE BANKING AND INVESTMENT SERVICES

OTP Bank Romania's Private Banking activities were launched officially as of the end of February 2008, capitalizing on the wide expertise of OTP Bank Hungary and envisaging to address the special needs of the affluent and high net worth individuals. OTP Private Banking is an elite financial service addressed to customers who invest through OTP Bank Romania more than EUR 50,000 or cash a minimum monthly income of EUR 5,000 in a current account opened with OTP Bank Romania. The first banking unit offering these facilities in Romania is located in an elegant building in the old downtown of Bucharest.

For OTP Bank Romania, Private Banking means professional assistance, financial solutions tailored to risk tolerance and the liquidity needs of each customer and prompt personal transactions, under conditions of maximum confidentiality. The offer is flexible and starts from the premise that each customer in this category is unique.

OTP Private Banking provides a package of facilities for a specific segment of customers, who need extra attention, dedication and confidentiality. The benefits related to the package include a complete offer of banking products, easy remote access to the account by any means – internet, phone, fax, sms, – increased confidentiality of banking measures, priority in the takeover and analysis of all the requests, including crediting, preferential conditions for the businesses developed through the companies owned by Private Banking customers, and MasterCard Platinum credit card, as a lifestyle product dedicated to Private Banking customers.

During the first half of 2008, the activities focused on sales for building a client base through a dedicated Private Banking sales force, as well as on Private Banking product development side.

Starting April 2008, OTP Bank Romania has assigned, besides the Private Banking activity, also the product management responsibilities related to investment products within the newly formed Private Banking and Investment Services Directorate.
During 2008, the Investment Services product team managed to build up the investment fund distribution capacities (dedicated infrastructure and regulations) and to launch the distribution of 4 investment funds within OTP Bank Romania network, in partnership with OTP Asset Management Romania SAI SA, the local asset management company from OTP Group. 2008 was defined by both client acquisition and product consolidation, in order to support further expansion of the business.

CORPORATE

Strategy of Corporate business line

Considering the aspects and reasons mentioned below:

- structural changes that have occurred in the Romanian market conditions due to the international financial crisis,
- changes in lending activity of the Romanian borrowers,
- new strategy of our bank in terms of differentiation and focus,
- optimization and better allocation of existing resources for increasing profitability,

a new organizational model was implemented at Corporate Division level, in order to harmonize the corporate portfolio management with the retail business line aiming the maximum profitability and cross selling.

The Corporate Division consists of specialised directorates with the following structure:

- Project Finance and Specialized Lending Directorate
- Support and Product Management Directorate, both of them having the main role of managing the corporate portfolio – medium and large customers.

The main focus was set on monitoring the existing credit portfolio and on attracting liquidities from corporations based on cash management solutions and attractive interest rates.

During the first 10 months of 2008, the corporate business line has originated and obtained the approval for new credit deals and increased the existing customer global limits for 243 corporate customers; the total amount of these transactions was in the range of RON 904 million.

Starting with September and October 2008, the strategy and credit policies were adapted to the new conditions, with view to on short and medium terms and with strict control of the increasing of the loans portfolio and monitoring the existing portfolio.

Main pillars and actions taken by the corporate team put in the center of its activity the Client:

- assessment of each customer and monitoring of their current account activity, monitoring of the existing credit exposure, evaluation of the clients' business (impact of the crisis) and finding of solutions for the companies' financial needs;
- shift on client focus:
  - focus on cash rich clients
  - high collateral coverage
  - non-cash credit exposure
  - increase of the cross sales, intensification of the sales of other non-risk products (i.e. cash management and F/X)
  - approach of clients with innovative products or savings solutions
- focus on maintaining a high level of service quality in terms of response time, tailored solutions, proactive approach, sharing expertise.

Corporate support, products and know-how management area

In order to increase the effectiveness of corporate activity, the specialized unit within Corporate Division assured the support and product management roles creating the optimum environment needed to develop fluency into territorial units and head office activities related to the Corporate Banking field.

The main results obtained in 2008 were:
- implementation of the Profitability Module in order to assess each customer relationship, a Profitability Report per client/ group of clients/RM/Branch/Industry/ Product being available, based on internal transfer price for Assets and Liabilities;

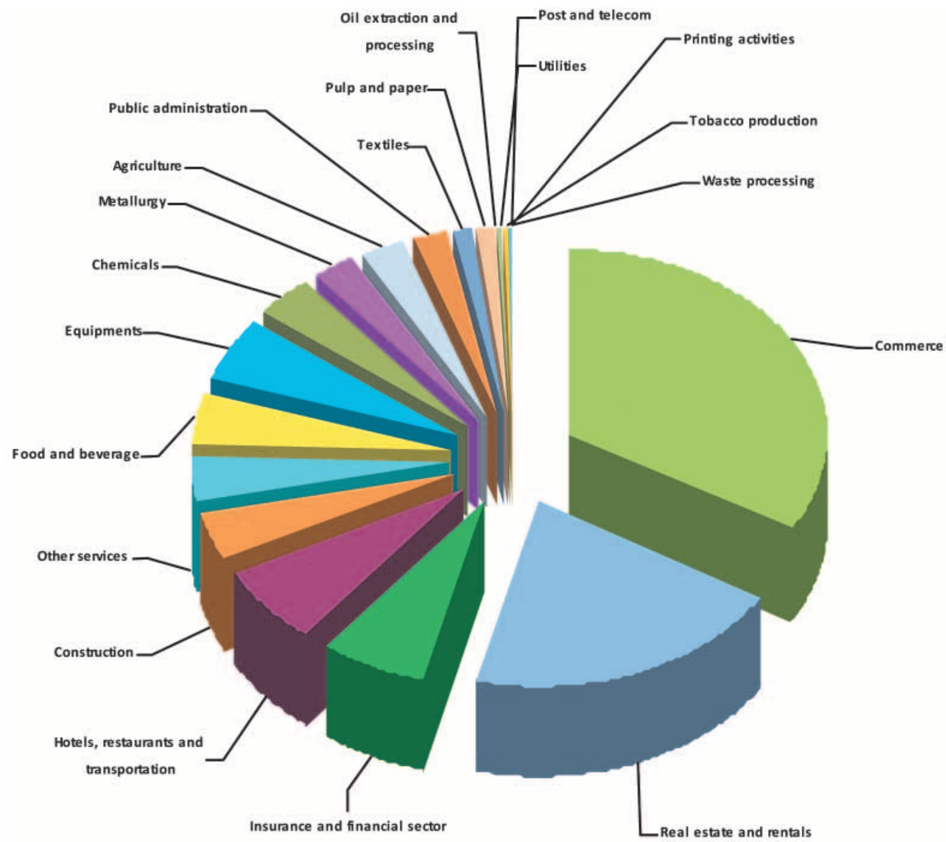
- having the mission of diversifying the products and services portfolio of the bank and in order to answer to the most exigent requests of the corporate customers, there were developed new cash management products:
  - Intra-banking Direct Debit
  - Cash Concentration
  - Collections Management
  - MT 940 – Statement of account via SWIFT.

Having in view the role of supporting the activity of the Relationship Managers, the Support and Product Management Team designed:
- Cash management products guide
- Corporate sales manual, being useful tools for the sales force of the bank.

Considering the bank's strategy and the problems that occurred in the lending activity at the level of the banking system, there were undertaken the following actions:
- Revision of the credit contracts and accessory contracts for the legal entities
- Implementation of a CRM solution - Anytime Sales Module
- Conclusion of a strategic partnership with Credit Rural Guarantee Fund by signing an Working Convention
- Revision of the current account norm for legal entities
- Revision of the credit products:
  - there were revised the financial products based on balance sheet and also the trading structure finance products such as: cash credit line, cash ceiling account on cheque, promissory notes and invoices, facility based on invoices (discounting);
  - there was revised the investment loan product – the destination of investment credit product was enlarged for dedicated financing such as: projects based on Structural Funds, bridge loan, refinancing of fixed assets a.s.o.

Diversification of the corporate loan portfolio

For 2008, the main target consisted in assuring a diversified structure of the loan portfolio by sectors, offering high quality services to the corporate customers.



Analyzing attentively the Romanian business environment, we are able to say for a certainty that 2008 was a difficult year with many slopes and often with unforeseeable changes.

Although a strong competition characterized the banking system on the first half of 2008 and the financial crisis followed it and affected the Romanian banking system, the Corporate Division maintained its value by proven flexibility and adapting capacity centered on the customers, confirming once more that it is a long term partner for its clients.

TREASURY

Originating in the US mortgage market and appearing in the second part of 2007, the financial and credit market crisis spread at all economic levels and intensified throughout 2008, developing into a severe global downturn. A dramatic fall in trading volumes for previously highly liquid markets was accompanied by a sharp contraction in asset market prices. Also, the tenor of the inter-bank lending market was dramatically reduced as the failure or near-failure of several major US and Western European banks. Some short-term funding remained available but it was largely restricted to tenors within one month. Markets for asset securitization saw significantly higher haircuts for collateralized assets and, in some cases, were frozen entirely. As the level of credit default swap spreads sky-rocketed access to other longer-term funds was also severely constrained leading to a financing costs surge of unprecedented steepness in the past decades.

The macroeconomic situation of Romania has changed significantly, in line with the developments in the international environment as well as the effects on the electoral year. Romania's central bank halted its rate hiking cycle after seven consecutive hikes, although it said persistently high inflation called for a tight stance for some time to come.
Most banks reduced their tenors and limits levels as a direct consequence of the financial turmoil.

In 2008, OTP Bank Romania continued its product development plans. The Treasury Directorate launched in June 2008 an electronic trading platform which enables clients to see market's real time fluctuations, take advantage of them and negotiate the price with an online dealer. The client has access to market's offline quotes too, with no extra charge. The whole product is offered as an incentive to increase FX volumes and no charge is applied to customers.

Related to the product portfolio offered to our customers, we also managed to improve it over the past year, through widening its scope by the addition of derivatives trading, especially in the derivative types most requested by our clients.

Having foreseen the possibility of a crisis, the OTP Bank Romania Treasury Directorate was preoccupied, during 2008, with strengthening the bank's financing structure. Thus, during last year, OBR negotiated its financing agreements, switching from short to medium and long-term funding. All Loan Facility Agreements between OTP Bank Romania and OTP Bank Plc. were converted to Term Deposit Agreements with 5-7 years maturities.

The new medium and long term funding strategy resulted in additional funding for the bank. Also liquidity indicators improved, a very important aspect taking into consideration the international financial turmoil as the crisis effects spread into the Romanian market.

The Treasury Directorate increased the volume of derivatives transactions portfolio and diversified the type of traded products, including CIRS transactions in relation to its new funding strategy.

OTP GROUP SUBSIDIARIES PRESENT IN ROMANIA

OTP Asset Management Romania

OTP Asset Management Romania, member of OTP Group and operational since April 2008, positions itself as an innovative and active player on the investment funds market. The shareholders of OTP Asset Management Romania SAI SA are OTP Bank Romania SA (9.9%) and OTP Alapkezelo ZRT (90.1%).

The company has registered an important and rapid growth in what regards product development and assets under management. Presently, OTP Asset Management Romania manages three opened ended investment funds, a monetary fund, a diversified fund and an equity fund, as well as the first close ended fund with guaranteed capital from Romania. The company also offers personalized investments services and manages individual portfolios.

OTP Asset Management Romania is increasingly recognized as an active and innovative player on the local market. In June 2008, the company launched the first close ended capital guaranteed fund on the market, OTP GarantisRO. At the end of 2008, by assets under management, OTP Asset Management had reached a 4.51% market share.

As future plans, OTP Asset Management Romania intends to continue its products innovative development and to widen its distribution channels.

OTP Consulting Romania

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 large range of services, being able to offer 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 it also offers assistance in implementing the projects, being able to also support the beneficiary's personnel development in project management.

OTP Leasing Romania

OTP Leasing Romania IFN S.A. 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.

The majority shareholders of OTP Leasing Romania are Merkantil Bank Hungary, member of Merkantil Group (70%) and OTP Bank Romania (30%).

OTP Fond de Pensii

OTP Group is present in Romania on both the private pension and the facultative pension funds markets. OTP Fond de Pensii was authorized in August 2007, has a social capital of 8 million EUR and disposes of a national territorial units network.

The private obligatory pension fund managed by OTP Fond de Pensii is "OTP Fond de Pensii Administrat Privat". The fund was established in order to increase the placed capital by long term investments in a mixed structure of assets, with different risk profiles and performances, as well as by prudential diversifying both, between assets categories and inside assets categories, according to the law limits, so that to provide a private pension to each participant.

OTP Garancia Asigurari

OTP Group entered the Romanian assurance market at the end of 2005, by the acquisition of 99% shares of Asigurarea Ceccar Romas S.A. During 2008, OTP Group and Groupama signed an agreement regarding a regional exclusive long term partnership, covering life insurance products distribution, non-life insurance and banking products. Groupama agreed to purchase 100% of OTP Garancia, one of the top insurance companies in Hungary, together with its subsidiaries from Bulgaria, Romania and Slovakia. As a part of Groupama's commitment in the regional partnership with OTP Group and in order to strengthen the distribution agreement, Groupama also agreed to purchase 8% of the OTP Bank's shares.

ACTIVITIES OF OTHER BANK FOREIGN SUBSIDIARIES

DSK GROUP[1]

ODSK Bank EAD, market leader on the Bulgarian banking market, provides its clients with a full range of financial services.

OTP Bank purchased DSK Bank EAD along with its subsidiaries in 2003, through a privatization process. Afterwards, DSK has known a significant expansion of its product range, many new products have been introduced or modified, including credit cards, student cards, foreign currency accounts, long-term deposits, consumer credits, savings accounts, electronic services, POS terminals, mortgage based loans and SME packages.
To supplement classical banking services, DSK Group offers further financial services through its subsidiaries. Beside POK DSK-Rodina (management of two private and one voluntary pension fund), DSK Tours (recreation and tourism), DSK Trans Security (safety and value delivery services), DSK Asset Management and DSK Leasing have been established.

[1] *As for 2007, financials are based on DSK Bank, POK DSK-Rodina, DSK Trans Security and DSK Tours consolidated figures aggregated with Asset Management (SPV) and adjusted with controlling calculations. In 2008, after SPV stopped its operation figures are reflecting the performance of consolidated DSK Group without SPV.*

DSK group realized HUF 31.0 billion consolidated profit after tax in 2008, a 16% y-o-y growth, in line with its financial targets. Earning dynamism in quarter four was strongly affected by the weakening HUF exchange rate: in Q4, the bank reached HUF 8.1 billion net result, a growth of 9% q-o-q in HUF terms, but in BGN it is rather flat (-2%). The profit after tax growth of 16% was strongly supported by the y-o-y 20% net interest income growth and y-o-y 22% F&C increase.

The balance sheet total of the DSK Group[1] was HIF 1,171.6 billion, meaning a 12.7% market share. The customer deposit portfolio grew to HUF 722.9 billion, leading to a market share of retail deposits of 19.9%. The gross customer loan portfolio[2] exceeded HUF 1,014 billion. The Bank's share of the loan market was 28.4%, while its share of retail customer loans reached 33.5%.

At the end of 2008, the Bank had a total number of 850 ATM's, 3,481 POS terminals and 379 territorial units. Moreover, as at December, 31 the number of employees at DKS Group was 4,279 persons.

OAO OTP BANK – OTP BANK RUSSIA[3]

July 2006, was the moment of acquisition of Moscow based Investsberbank Group by OTP Bank – its activity covers approximately 80% of the Russian territory. From March 2008, Investsberbank operates as OAO OTP Bank and is among the first 50 banks on the Russian market comprising over 1,200 participants.

In 2008, OTP Bank Russia realized a HUF 8.9 billion profit after tax, an increase of 26% y-o-y without one-off items. The primary reason for the lower profit dynamics compared to plans is the sluggish loan book development in the second half of the year, which was fairly below plans, due to the financial crisis. However the moderate portfolio growth had an economical impact on the costs as well. The HUF 3.9 billion PAT in Q4 represents more than twofold increase q-o-q and a 29% increase y-o-y.
The growth of gross customer loans was 25% y-o-y – this is well behind of the plans due to the conscious restriction of loan disbursement in the last quarter, q-o-q it represented a 4% decrease. The latter is the consequence of the stronger closing HUF exchange rate, the size of the portfolio in RUB remained flat.

In the fourth quarter, the purchase of mortgage portfolios and the card cross-selling has been suspended, the consumer loan disbursement has been significantly restricted and the interest rates were raised significantly in most product segments. New loan disbursements were limited up to the repayments of outstanding loan portfolio.

As at December 31, 2009, the Bank's total balance sheet was HUF 529 billion. Out of total liabilities, 42.4% represented customer deposits, and within this total retail deposits, amounting to HUF 137.3 billion, represented 61.2%. At the end of the year, the equity of OAO OTP Bank was more than HUF 60.7 billion.

As of the end of 2008, the Russian subsidiary operated a number of 128 territorial units, as well as 192 ATMs, and 7,862 employees.

OTP Banka Ukraine – CJSC OTP BANK

In 2006, OTP Bank decided to take a further step in its regional expansion, by entering the Ukrainian banking market.

On 1st of June 2006, OTP Bank acquired the Kyiv-based bank, founded on March 2nd, 1998. On November 20, 2006, when the transaction was closed, OTP Bank transferred the purchase price of EUR 650 million based on RBUA's current and potential value, and on the favorable growth potential of the Ukrainian banking market. Starting with November 7, 2006, the Bank bears he name of Closed Joint Stock Company OTP Bank (CJSC OTP Bank).
CJSC OTP Bank realized HUF 17.2 billion in 2008, resulting a yearly growth of + 22.1%, well beyond the management's expectations. Despite the financial crisis, the recorded HUF 6.2 billion 4Q

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[1] According to IFRS.

[2] Including SPVs

[3] Based on OAO OTP Bank (Russia) (former Investsberbank) financial statements until first quarter of 2008, from 2Q 2008 figures are based on the aggregated financial statements of OAO OTP Bank and the newly acquired Donskoy Narodny Bank.

adjusted after tax profit (+ 48% q-o-q) signs a robust growth, which is even more impressive in local currency (+ 57.9%).

This growth beyond plans was influenced by several factors. On one hand, net interest income increased by almost 67% y-o-y, primarily because of the higher interests on corporate loans. On the other hand, the realized FX gains – due to the UAH depreciation – outpaced the increase in risk cost owing to portfolio quality deterioration, as well as the branch network extension related higher operating costs.

HUF 847 billion represents the balance sheet recorded by the Bank on December 31, 2008, of which it is the ninth biggest bank in Ukraine by total assets with a market share of 3.8%. Compared to the important growth in customer loans for the year of 43.9%, customer deposits decreased by 1.4%, because of negative effect of Ukrainian adverse market conditions, significant deposit extraction.

Total gross loan volumes of the bank reached HUF 764 billion and total gross deposits represents HUF 170 billion.

The Bank increased the number of its branches from 158 to 229 in 2008. Moreover, it operated a total number of 208 ATMs and 362 POS terminals as of December 31, 2008. At the same date, the number of its employees was 4,392.

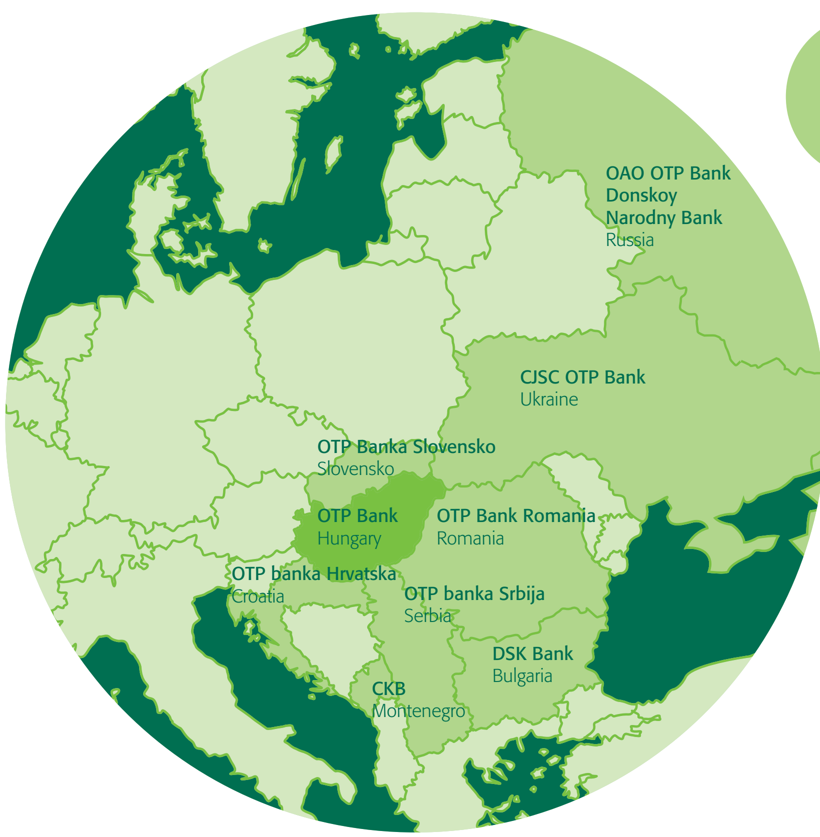
OTP BANKA HRVATSKA d.d.

The eighth largest bank in Croatia, OTP Banka Hrvatska is the market leader in the Istria peninsula.

In September 2005, the Croatian Nova Banka became OTP Banka Hrvatska, after being acquired by the OTP Bank Group in March 2005.

In 2008, after tax profit of OBH group reached HUF 5 billion an increase of 40% y-o-y. The earnings dynamism in 4Q 2008 was heavily influenced by HUF weakening: while 4Q profit of HUF 1.2 billion represented a 9% decline q-o-q, in HRK PAT setback is more significant 18% q-o-q. All in all, 2008 was characterized by stable profit with strong net interest income and continuous, stringent cost control, with the assistance of some one off items.

As at December 31, 2008, OBH's consolidated balance sheet total was HUF 462.2 billion, the Bank covering a share of 3.5% in the Croatian market. In the course of 2008, gross loans rose up to HUF 309.6 billion. Deposits from customers at year-end were HUF 315.5 billion, representing a market share of 4.1%. Moreover, the Bank reached a 4.4% market



share of retail lending and 3.1% market share of wholesale lending.

The asset portfolio of the bank showed a favorable development, the loan portfolio grew by almost 25%, driven foremost by the retail segment. The higher realized margin on loans and the higher cost of funding (including interbank loans and deposits) resulted a net interest income development of + 9.9% q-o-q, in local currency shrinkage of 1.5% q-o-q. Growth of customer portfolio was balanced in 2008. Quarterly increase of corporate loans was 11.3%, while the draw down of contracted C/A loans and short term loans were higher than in the previous quarter. Altogether the quality of the portfolio has remained good, ratio of NPL-ratio (1.7%; + 0.2%-points q-o-q) increased only marginally despite of the global crisis and is significantly lower than the Group average.

At the end of 2008, OTP Banka Hrvatska had more than 447,000 customers, for whom it managed over 422,000 retail current accounts and almost 24,000 business accounts. The number of banking cards issued in 2008 was 357,000, while the number of credit cards reached 47,000.

The Bank expanded its sales network by 5 new territorial units in 2008. The program of network development is in full progress, still. At the end of 2008, OBH operated a total number of 105 territorial units, 163 ATMs as well as 1,172 POS terminals.

OTP Banka Slovensko, a.s.

OTP Banka Slovensko was previously known as Slovakian IRB and it was OTP Bank's first successful foreign acquisition in 2001. After the privatization process, major changes were implemented, including transformation of the Bank's image and expansion in the retail services segment.

In 2008, OTP Banka Slovensko, a.s. (OBS) realized a profit after tax of HUF 2.17 billion, without one-off items, meaning 16.5% decrease compared to 2007. OBS's pre-tax profit grew by 9%, reflecting the strong income generating profile of the Bank's core business. Net interest income and net F&C income grew by 20%, respectively 32% (in the second quarter of 2008, OTP Banka Slovensko recorded a one-off commission income from an international development bank), which counterbalanced the 1% shrinkage of other non interest income. The rising tax burden registered in 2008 was due to a new taxation rule, which says that risk costs are not recognized as tax expenses. Deferred tax payment had a negative effect of HUF 419 million in 2008.

The balance sheet total of OTP Banka Slovensko, a.s. was HUF 429.1 billion as at year-end 2008. This secured the Bank a 2.7% share of the Slovakian banking market. The Bank's equity rose by 30.6%. By the end of the year, the loan portfolio of OBS has known a 22.3% increase, reaching HUF 314.4 billion, which represents a market share of 4.0%.

Deposit volume was up by 16%, structurally with a shift from the previously dominant corporate and municipal deposits to the retail (mainly term) deposits. These movements speeded up in the fourth quarter. As a result of the deposit collecting campaigns supported by successful promotion, the volume of retail deposits increased by 30% in 4Q 2008. However, the volume of corporate deposits decreased significantly following a downgrade by Moody's on 26th September (in LCY the decrease of corporate and municipal deposits were 2.5% and 77% respectively in the last quarter).

In 2008, the Bank's number of customers increased to 188,000, with retail customers accounting for more than 170,000 and corporate customers for more than 18,000 of this total.

The number of banking cards issued by OBS has reached 120,000 by the end of 2008. The number of retail cards grew to 107,000, while the number of corporate cards grew to more than 13,000. The bank's ATMs numbered 119 at the end of the year and the number of proprietary POS terminals at the end of 2008 was of 602.

By the end of 2008, the Slovak bank was serving its customers through a number of

89 territorial units. The number of employees reached 839 by December, 31.

OTP BANKA SRBIJA a.d. Novi Sad

In December 2005, a contract regarding the acquisition of Niska Banka was signed, the transaction of sale being closed in March 2006. During the same month, as part of the continuing expansion process, sale and purchase agreement for the acquisition of Zepter Banka, which was founded in 1992 as a privately-held bank, was signed by the buyer OTP Bank and the seller Philip Zepter.

In 2008, OTP Banka Srbija posted an after tax profit without dividends and net cash transfer of HUF 2,338 million after HUF 594 million in 2007. The results were boosted by one-off items.

The retail deposit volume decreased by 20% in October compared to the end of September, and by a further 7% in November. As a result of high interest rates on deposits, the retail deposit volume increased in December, counter-weighting the fall in November. The retail deposits dropped by 19% altogether during 4Q. Corporate deposit volume remained relatively stable (-2.3% q-o-q), but municipality deposits declined by 83%, mainly due to technical reasons (in accordance with a local regulation the local municipalities have to deposit their liquidity surplus at the state treasury on the last day of the year).

Loan volume expanded by 50% y-o-y, by 1% q-o-q, respectively. The Bank reduced its lending activity significantly, restricted lending conditions, and focused on lending in local currency. Retail loan volume grew by 4% q-o-q, while corporate loan volume calculated in HUF stagnated (there was a remarkable backdrop in the original currency).

The quality of loan portfolio altogether deteriorated, while the retail portfolio slightly improved, provisions in the amount of HUF 0.5 billion had to be put aside in connection with two corporate loans. NPL ratio increased by 0.9%-points q-o-q to 12.0%. High provisioning not justified by risk profile change in 3Q was followed by further provisioning in 4Q (the Bank revised the classification of loans which indicated increase in provisions). Due to this and the deterioration of the portfolio quality, the NPL coverage remained stable on a quarterly basis (44.5%), and increased by 10.6%-points y-o-y.

OTP Banka Srbija's balance sheet total at the end of 2008, was of HUF 143 billion, representing a 2.5 market share. In December 2008, the loan portfolio was HUF 94.7 billion (2.8% market share). It emphasizes a 50% growth in 2008. Within loans, the share of corporate loans was 73.8%. The Bank's 33.9 billion deposit portfolio meant a 1.4% market share in deposits at the end of 2008.

The number of the Bank's customers exceeded 362,000 at the end of the year, among which nearly 337,000 were retail customers. 94,000 represent the total number of banking cards issued by the Bank at the end of 2008, of which the number of credit cards exceeded 32,000. Moreover, the number of ATMs increased in

2008 up to 204, while the number of POS terminals stood at 3.356 at the year-end. As of the end of 2008, the Bank had a network of 95 territorial units. 1,183 represents the number of people employed by the bank in 2008.

CRNOGORSKA KOMERCIJALNA BANKA AD

On August 29, 2006, an agreement of sale and purchase was signed: for the 100% share package of Crnogorska Komercijalna Banka AD, OTP Bank acquired the market leader Bank in Montenegro. The purchase price of EUR 105 million reflected both the current market value of Crnogorska Komercijalna Banka, and the potential business value based on the anticipated development of Montenegro's economy.

The bank had an original focus on the SME sector; at the present, it provides a wide spectrum of services for both corporate and retail customers. The Bank services its approximately 215 thousand customers through a network of 26 units, as well as via electronic channels.

2008 after tax profit of CKB was HUF 3.4 billion (EUR 13.6 million), which is more than 50% higher than the profit of the last year. As for the earnings dynamism, it was fuelled by the permanent growth of net interest income – almost 52% increase y-o-y – as a result of the above the plan loan growth. Though customer loans are typically originated with fixed interest rate and the effect of repricing effects mainly the new origination, that interest margin (4Q 2008: 2.59%) has still improved significantly compared to 3Q 2008 (+0.47%-points q-o-q).

On December 31, 2008, the Bank's total balance sheet was 308.1 billion. Of the gross customer loan portfolio which is HUF 255 million, of which consisted 34.5% corporate loans, 30.3% housing loans, 32% Small and Medium Enterprises, 3.2% municipal loans. Customer deposits amounted to HUF 205.4 billion, almost half of which (45.6%) were retail deposits while 38.8% represented corporate deposits. Customers deposits made up 67% of the balance sheet total and the loan-to-deposit ratio reached 124%.

The deposit base of the Bank decreased continuously from the end of September (in total by approximately EUR 100 million), mainly due to deposit withdrawals in the retail sector; thus the annual deposit growth practically eroded. Note that the deposit withdrawal was typical in the whole banking sector of Montenegro, fuelled by negative historical experiences. Still, the market share of CKB remained almost unchanged (representing 38.1% at the end of October).

At the end of the year 2008, the Bank had a number of 40 territorial units, operated 105 ATMs and was serving more than 303,000 customers. The number of employees reached 483 as at the end of 2008.


Ladbroke
LucasVty
P & O

Financial Statements

Deloitte.

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

INDEPENDENT AUDITOR'S REPORT

1 We have audited the accompanying unconsolidated financial statements of OTP Bank Romania S.A., ("theBank") which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3 Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement .

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 unconsolidated financial statements give a true and fair view of the financial position of OTP Bank Romania S.A. as of December 31,2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Audit SRL

Deloitte Audit SRL
Bucharest, Romania
April 7, 2009

OTP Bank Romania S.A.
Income Statement as of December 31, 2008

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

	Note	Year ended 31 Dec 2008	Year ended 31 Dec 2007
Interest Income	6	**316,227**	**184,145**
Interest Expense	7	**(209,698)**	**(100,985)**
Net interest income		**106,529**	**83,160**
Fee and commission income	8	70,054	34,119
Fee and commission expense	8	(13,501)	(9,390)
Net fee and commission income		**56,553**	**24,729**
Impairment losses on loans	9	(38,723)	(9,390)
Impairment losses on other assets		(493)	(208)
Impairment losses for investment in subsidiaries		(13,667)	(1,565)
Total impairment losses	9	**(42,883)**	**(11,163)**
Net interest income after impairment losses		**120,198**	**96,726**
Trading income, net	10	83,925	38,265
Other income	13	878	755
Income from sale of shares		1,160	9,230
Total non- interest income		**85,963**	**48,250**
Income before non-interest expense		**206,161**	**144,976**
Salaries and related expenses	11	(91,823)	(77,237)
Operating expenses	12	(60,582)	(46,621)
Other expenses	13	(41,563)	(51,957)
Total non-interest expense		**(193,968)**	**(175,815)**
Loss before income taxes		**12,194**	**(30,839)**
Income tax expense (-)/revenue (+)	27	(2,272)	760
Net loss for the period		**9,922**	**(30,079)**
Basic and diluted earnings per ordinary share (face value RON 240) in RON		**5.50**	**(18.29)**

These financial statements have been authorized for issue by the management on April 7, 2009.

OTP BANK ROMÂNIA Administrația Centrală 1. Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

OTP Bank Romania S.A.
Balance Sheet as of December 31, 2008

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

	Note	December 31, 2008 (Audited)	December 31, 2007 (Audited)
ASSETS			
Cash	14	72,421	60,687
Current accounts and deposits at banks	15	278,651	211,123
Accounts with the National Bank of Romania	16	358,590	678,711
Securities held-to-maturity	17	14,948	7,408
Loans and advances to customers, net	18	2,396,705	2,289,297
Investment securities - Available for sale	20	28,893	449
Investment in Associates and Subsidiaries	21	589	1,022
Non-current Assets held-for-sale	22	0	14,418
Tangible and intangible assets, net	19	145,480	148,265
Other assets, net	23	35,156	136,586
Total assets		**3,331,433**	**3,547,966**
LIABILITIES			
Due to Banks		604,452	1,243,032
Demand deposits banks	24	3,251	25,633
Term deposits banks	24	601,201	1,217,399
Due to customers		2,090,674	1,003,899
Demand deposits customers	25	325,509	297,186
Term deposits customers	25	1,765,165	706,713
Total deposits banks		**2,695,126**	**2,246,931**
Borrowings	26	79,941	858,700
Derivatives		116,523	-
Deferred tax liability, net	27	3,313	942
Other liabilities	28	60,352	75,657
Total liabilities		**2,955,255**	**3,182,230**
SHAREHOLDERS' EQUITY			
Share capital			
Share capital, nominal	29	432,909	432,909
Share capital restatement	5	42,751	42,751
Total share capital		475,660	475,660
Accumulated deficit	5	(99,483)	(109,924)
Total shareholders' equity		376,176	365,736
Total liabilities and shareholders' equity		**3,331,433**	**3,547,966**

These financial statements have been authorized for issue by the management on April 7, 2009.

OTP BANK ROMÂNIA Administrația Centrală 1. Director General

Mr. László Diósi
President and CEO

Mr. Marin Ban
Economic Director

OTP Bank Romania S.A.
Statement of cash flows as of December 31, 2008

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

	Note	December 31, 2008	December 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**12,194**	**(30,839)**
Adjustments for non-cash items:			
Depreciation expense	11	19,138	12,975
Loss/(Gain) on disposals of fixed assets		2,654	997
Profit on disposal of Available-for-sale securities	8	(1,160)	(9,230)
Charge/(Release) of other provisions		582	209
Impairment losses on loans and advances to customers		38,723	9,390
Impairment losses on fixed assets		-	-
Impairment losses for investment in subsidiaries	8	1,565	1,565
Other adjustments		107,864	
Total adjustments for non-cash items		**171,171**	**15,906**
Net profit/(loss) adjusted for non-cash items		**183,365**	**(14,933)**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
(Increase)/decrease of restricted cahs at National Bank of Romania		320,121	224,415
(Increase)/decrease of pledged current accounts and deposits at banks		-	65
(Increase)/decrease of loans and advances to customers		(146,131)	(953,019)
(Increase)/decrease of other assets		101,429	(55,921)
Increase/(decrease) of demand deposits		5,942	(123,823)
Increase/(decrease) of term deposits		442,254	776,564
Increase/(decrease) of other liabilities		(15,304)	57,667
Total changes in operating assets and liabilities		**708,312**	**(74,052)**
Net cash provided by operating activities		**891,546**	**(88,985)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase of)/proceeds from investments available for sale		14,418	9,418
(Purchase of)/proceeds from sale of investments held to maturity		(8,122)	-
(Purchase)/sale of tangible and intangible assets, net		(14,181)	(35,538)
(Purchase)/sale of SWIFT shares		-	-
(Increase)/decrease in investment in Associates	20	(25,639)	(9,501)
Net cash from/(used in) investing activities		**(33,524)**	**(35,621)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/increase of borrowings		(778,759)	217,758
Proceeds from issue of shares	28	-	65,438
Net cash provided by/(used in) financing activities		**(778,759)**	**283,196**
Net increase/(decrease) in cash and cash equivalents		**79,263**	**158,590**
Cash and cash equivalents at beginning of period	**13**	**271,809**	**113,219**
Cash and cash equivalents at end of period	**13**	**351,072**	**271,809**

OTP Bank Romania S.A.

Statement of Changes in Shareholders' Equity as of December 31, 2008

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

	Share Capital	Share capital restatement reserve	Retained earnings/ Accumulated deficit	Total
Balance as of January 1st, 2007	**367,471**	**42,751**	**(74,842)**	**335,380**
Changes in fair value of investment securities- available for sale	-	-	(5,957)	(5,957)
Deferred tax recognized directly in equity	-	-	954	954
Net income recognized directly in equity	-	-	(5,003)	(5,003)
Increase in share capital	65,438	-	-	65,438
Net loss for the period ended December 31, 2007	-	-	(30,079)	(30,079)
Total recognized income and expense for the period	-	-	(35,082)	(35,082)
Balance as of December 31, 2007	**432,909**	**42,751**	**(109,924)**	**365,736**
Balance as of January 1st, 2008	**432,909**	**42,751**	**(105,779)**	**369,881**
Changes in fair value of investment securities- available for sale	-	-	618	618
Deferred tax recognized directly in equity	-	-	(99)	(99)
Net income recognized directly in equity	-	-	519	519
Increase in share capital	-	-	-	-
Net profit for the period ended December 31, 2008	-	-	9,922	9,922
Total recognized income and expense for the period	-	-	10.441	10,441
Balance as of December 31, 2008	**432,909**	**42,751**	**(99,483)**	**376,177**

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

1. General overview on bank and its operations

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

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

The Bank operates through its registered Head Office and branches network comprising 104 units (out of which 55 branches and 49 agencies), opened across 40 counties. The counties with more than one operational unit are: 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 other 21 branches are located in the following counties: Braila, Satu-Mare, Alba, Maramures, Arad, Olt, Salaj, Bistrita Nasaud, Valcea, Suceava, Gorj, Dambovita, Vrancea, Botosani, Ialomita, Buzau, Mehedinti, Teleorman, Calarasi, Caras-Severin, Tulcea.

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

The total number of Bank's employees as of December 31, 2008 is 1,049 (December 31, 2007: 998).

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

As at December 31, 2008, 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	99.999778%	1,803,784	432,908,160
2. Merkantil Bank zRt.	0.000222%	4	960
Total	**100%**	**1,803,788**	**432.909.120**

2. Capital adequacy and regulatory requirements

The bank calculates capital adequacy based upon the regulations issued by the National Bank of Romania ("NBR"). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and off-balance sheet commitments at weighted amount to reflect their related risk.

As of December 31, 2008, the capital adequacy ratio based upon the National Bank of Romania regulations was 13.55% (December 31, 2007: 13.51%). The bank is also subject to other regulatory requirements of the NBR, including those pertaining to lending limits, liquidity, foreign currency exposure, interest rate risk etc. Starting with January 1st 2008, the Bank applies provisions of NBR – CNVM regulations harmonized with Basel II requirements, which state that the minimum capital adequacy ratio is 8%.

3. Summary of significant accounting policies

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

3.1 Basis of Preparation

These unconsolidated financial statements include a balance sheet, profit and loss account, statement of changes in shareholders' equity, cash flow statement and notes to the financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by International Accounting Standards Board ("IASB"). The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all periods presented.

The accompanying unconsolidated financial statements are prepared in terms of the purchasing power of the Romanian New Leu ("RON") as of December 31, 2008 and are expressed in thousands Romanian Lei ("RON"), rounded to the nearest thousand. The Bank's management assessed the functional currency of the Bank to be RON, which is also the presentation currency of these financial statements.

Adoption of new and revised International Financial Reporting Standards

In 2008, the Bank adopted all of the new and revised Standards and Interpretations issued by the IASB and IFRIC that are relevant to its operations and effective for accounting periods commencing 1 January 2008 as follows:

- IFRIC 11 Interpretation of IFRS 2 – Group and Treasury Share Transactions (effective 1st of March 2007);
- Amendment to IAS 39 and IFRS 7 – Reclassification of Financial Assets (effective 1st of July 2008),
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1st of January 2008).

The adoption of these new and revised standards and interpretations has not resulted in changes to the Bank's accounting policies that would have affected the amounts reported for the current or prior years.

At the date of the authorization of these financial statements, the following standards were in issue but not yet effective; however, the Bank has decided to apply them before their effective date:

- IFRS 8 Operating Segments (effective 1st of January 2009);

At the date of the authorization of these financial statements, the following standards and interpretations have been prepared for issue but have not yet taken effect, and the Bank did not apply them:

- Amendment to IAS 23 Borrowing costs (effective 1st of January 2009);
- Amendment to IFRS 2 Share-based payments: Vesting conditions and cancellations (effective 1st of January 2009);
- Amendments to IAS 1 Presentation of Financial Statements: A revised presentation (effective 1st of January 2009);
- IFRIC 13 Customer Loyalty Programmes (effective for the reporting periods beginning on or after 1st of July 2008);
- Amendment to IAS 32 – Financial Instruments: Disclosure and Presentation (effective 1st of January 2009);
- IFRS Improvements (effective for the reporting periods beginning on or after 1st of January 2009);
- Amendment to IAS 27 – Consolidated and Separate Financial Statements and IFRS 1 – First Time Adoption of IFRS: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for the reporting periods beginning on or after 1st of January 2009).
- IFRS 1 First-time Adoption of IFRS – Restructured standard (2008) (effective for annual periods beginning on or after 1st of January 2009);
- Revised IFRS 3 – Business Combinations (effective from 1st of July 2009).

Amendments:

- Amendment to IAS 27 Consolidated and Separate Financial Statements (effective from 1st of July 2009);
- IAS 39 (revised in 2008) Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for annual periods beginning on or after 1st of July 2009);
- IAS 39 Reclassification of Financial Assets: Effective date and transition (effective from 1st of July 2008).

Interpretations:

- IFRIC 12 – Service Concession Arrangements (effective 1st of January 2008, may not be adopted prior to endorsement for arrangements currently accounted for under IFRIC 4);
- IFRIC 15 – Agreements for Construction of Real Estate (effective from 1st of January 2009);
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective from 1st of October 2008);
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1st of July 2009);
- IFRIC 18 – Transfers of Assets from Customers (effective to transfers of assets from customers received on or after 1st of July 2009);
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008);
- Amendments to IAS 27 Consolidated and Separate Financial Statements (effective 1st of July 2009);
- Revised IFRS 3 Business Combinations(effective 1st of July 2009);
- Amendments to IAS 32 Financial instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1st of January 2009);
- Amendment to IAS 27 Consolidated and Separate Financial Statements and IFRS 1 First Time Adoption of IFRS: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for the reporting periods beginning on or after 1st of January 2009) and
- IFRS Improvements (effective for the reporting periods beginning on or after 1st of January 2009).

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.

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

3.2 Key sources of estimation uncertainty

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

- Provisioning for incurred credit losses and identified contingencies involve many uncertainties about the outcome of those risks and require the management of the Bank to make many subjective judgments in estimating the loss amounts.
- Income tax rules and regulations have undergone significant changes in recent years and there is little historical precedent or interpretative rulings on a number of complex issues affecting the banking industry. Also, tax authorities have broad powers in interpreting the application of the tax laws and regulations in the course of its examination of taxpayers. Accordingly there is a high level of inherent uncertainty about the ultimate outcome of examinations by the tax authorities.

3.3 Offsetting

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

3.4 Separate and consolidated financial statements

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

3.4.1. Subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

According to IAS 27 (Consolidated and separate financial Statements), a parent need not present consolidated financial statements if and only if:

- the parent is itself a wholly-owned subsidiary, or the parent is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not preparing consolidated financial statements;

- the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

- the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market;

• the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

All conditions mentioned above are met and ultimate parent company OTP Bank PLC is in the process of finalizing the preparation of interim consolidated financial statements as at December 31, 2008 which will be available for public use on internet address: www.otpbank.hu as of April 2009.
For details about subsidiaries please see Note 21.
.

3.4.2. Associates
An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The associate is presented at cost less impairment as all conditions for such presentation are met as mentioned in the note 3.4.1. For details please refer to Note 21.

3.4.3. Non-current assets held for sale
Non-current asset (or disposal group) as held for sale are assets which, carrying amount, will be recovered principally through a sale transaction rather than through continuing use. The bank measures a non-current asset (or disposal group) held for sale at the lower of its carrying amount and fair value less costs to sell (Please refer to Note 22 for details).

3.5 Foreign currency translation
Transactions denominated in foreign currency are recorded at the exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in income statement at the date of settlement using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are expressed in RON at the balance sheet date.

For reference purposes we present below the exchange rates applicable at the end of the periods for major foreign currencies:

	CHF	USD	EUR	100 HUF
Exchange rate as of December 31, 2008	2.6717	2.8342	3.9852	1.5034
Exchange rate as of December 31, 2007	2.1744	2.4564	3.6102	1.4250

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 valuers' commissions, legal fees or insurance premiums charges.

Revenue from various services the Bank performs are recognized when the following conditions are satisfied:
• persuasive evidence of an arrangement exists;
• the services have been rendered;
• the fee or commission is fixed or determinable;
• 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 recognised as fee revenues on a straight-line basis over the period the revolving line of credit is active.

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

3.8 Financial assets

3.8.1 Classification

According to IAS 39 (Financial Instruments: Recognition and Measurement) the Bank classifies its financial assets into the following categories:
• Loans and receivables;
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

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

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

3.8.2 Recognition, derecognition and initial measurement

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

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

Accordingly, purchase of held-to-maturity and purchase and sale of available for sale financial assets are recognized on the trade date (the date when the Bank commits the purchase or sell), and loans are recognized when cash is 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 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 recognised in books will be equal to the net cash flow paid or received by the Bank. Loans and receivables are subsequently measured at amortised cost using the effective interest method, and are subject to impairment testing.

When financial assets are impaired by credit losses the Bank records the impairment in a separate account – a provision account rather than directly reducing the carrying amount of the asset.

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

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

3.10.1 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 recognised are not included in a collective assessment of impairment.

3.10.3. Collective provision

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

Based on current approach to the credit risk in the Bank, it has been decided that main division of exposures would be into the following portfolios:

- Corporate clients;
- Retail;
- Banks.

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

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

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

The collective 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 loose, on average, over the period of time in which it extends credits. This estimate includes on-balance items as well as off-balance items (free lines, contingent claims and potential future exposure), the latter typically weighted by the so-called CCF (credit conversion factor).

Gross amortised cost

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

3.11 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 or revalued amount less accumulated depreciation value and accumulated impairment losses.

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

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

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

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

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

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

3.12 Leasing

LeLeases 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 leased Assets are held by the Bank as at December 31, 2008.

3.13 Interest bearing Borrowings and Borrowing costs

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

3.14 Taxation

The current tax is the amount of income taxes payable in respect of the taxable profit reported in the statutory financial statements, computed in accordance with Romanian tax rules and accrued for in the period to which it relates.

Deferred tax is provided for in full, using the liability method, on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts in the financial statements (Please see Note 26 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%. (2007:16%).

3.15 Contingencies

A contingent liability is:

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. A contingent asset is not recognized in the accompanying financial statements but is disclosed when an inflow of economic benefits is probable.

3.16 Provisions

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

3.17 Cash and cash equivalents

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

3.18 Related parties

Counterparty is considered related to the Bank if:

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

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

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

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

3.19 Employee benefits

Short-term employee benefits:

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

Post-retirement benefits:

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

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

3.20 Comparatives

Where necessary, certain reclassifications have been made to December 31, 2007 balances to conform to the presentation as of December 31, 2008.

3.21 Subsequent events

Post-reporting date events that provide additional information about the Bank's position as of the balance sheet date (adjusting events) are reflected in the financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when they have material effect over the financial statements.

3.22 Subsequent events

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 customised products on the market and investment in human resources. The Bank achieved profitability in year 2008, being in line with the business plan assumed for long term.

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.

3.23 Basic and diluted 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.

4. Risk Management

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

- market risk – which refers to exposures to market factors as interest rate, exchange rates and equity markets;
- credit risk;
- liquidity risk.

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

The "Risk Management" Note presents informations related to Bank's exposure to each type of risk mentioned above, its objectives, policies as well as assessement and management processes.

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

4.1. Market Risk Management

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

Bank's objective in market risk management requires limiting the transactional activities until the implementation of procedures, models and adequate application of monitoring and risk control related with the transactional activities.

4.1.1. Interest Risk

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

The Bank manages its interest rate risk by setting short term variable interest rates on borrowed and lent funds.
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.

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

- To daily monitor the transaction position and the compliance with the existing limits, but also 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 Committee and Board of Directors.

The average margin of assets and liabilities is weekly computed by the Controlling, ALM & Reporting Directorate, on main currencies, and this report is delivered towards Bank's Management, corporate and retail business units, risk management and treasury, for assuring ourselves that the margin is sufficient for covering the operational expenses, credit risk and is yielding an appropriate return on economic/regulatory capital according to the budget.

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

	December 31, 2008				December 31, 2007			
Loans granted to customers	CHF	EUR	RON	USD	CHF	EUR	RON	USD
Consumer	11,91	13.99	18.54	13.72	11.10	13.76	14.92	12.42
Personal loans with mortgage	6.46	8.31	14.97	N/A	6.27	7.52	9.55	N/A
Housing	6.20	8.06	14.90	N/A	5.20	6.05	8.89	N/A
Car loans	8.34	10.91	13.91	N/A	7.61	7.99	12.00	N/A
Corporate loans	5.96	7.32	19.37	6.37	5.42	7.43	9.48	8.71

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

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

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

Balance Sheet position	Gain (loss) for period ended December 31, 2008	Gain (loss) for period ended December 31, 2007
Loans (+100bp RON and +50 FCY)		
- increase of 100 bp for RON and of 50 bp for FCY	15,616	15,459
- decrease of 100 bp for RON and of 50 bp for FCY	(15,616)	(15,459)
Borrowings from credit institutions		
- increase of 50 bp in interest rates	(730)	(4,254)
- decrease of 50 bp in interest rates	730	4,254
Borrowings from other financial institutions		
- increase of 100 bp in interest rates	(52)	(53)
- decrease of 100 bp in interest rates	52	53
Net effect – increase in interest rates	**16,398**	**11.152**
Net effect – decrease in interest rates	**(16,398)**	**(11.152)**

4.1.2. Currency Risk

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

The currency fluctuations induce the risk of losses in value in respect of net monetary assets.

The Bank manages its exposure to movements in exchange rates by permanently adjusting its assets and liabilities mix, based on the market movements in exchange rates.

The bank may trade currencies and take positions in the followings currencies: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, and NOK.

The currency position is generally closed and there is a VAR system which monitors this position throughout OTP Group in Kondor+.

Regarding the money market and currency market operations, the risk profile is a reduced one, being unitary managed by using Kondor+ and Quant systems by OTP Budapest.

RON figures

		December 31, 2008			December 31, 2007	
Currency	Open FCY position	Gains (losses) incurred for a change of +1% In currency exchange rate	Gains (losses) incurred for a change of -1% in currency exchange rate	Open FCY position	Gains (losses) incurred for a change of +1% In currency exchange rate	Gains (losses) incurred for a change of -1% in currency exchange rate
EUR	(6,616,332)	(6,682,496)	(6,550,169)	5,769,410	5,827,104	5,711,716
USD	(1,916,559)	(1,935,725)	(1,897,394)	74,467	75,211	73,722
GBP	(337,266)	(340,637)	(333,892)	280,536	283,342	277,731
SEK	90,241	91,144	89,339	21,033	21,243	20,823
CHF	(1,576,073)	(1,591,834)	(1,560,316)	371,869	375,587	368,150
DKK	145,190	146,642	143,738	115,630	116,786	114,473
JPY	23,991	24,231	23,751	3,526	3,561	3,491
AUD	17,400	17,574	17,226	4,023	4,063	3,982
CAD	24,345	24,589	24,102	(20,444)	(20,648)	(20,239)
NOK	21,343	21,557	21,130	42,362	42,786	41,939
HUF	(643,381)	(649,815)	(636,947)	30,383	30,687	30,079
TOTAL	**(10,767,101)**	**(10,874,770)**	**(10,659,432)**	**6,692,794**	**6,759,722**	**6,625,866**
Net gain (loss) in P&L		**(107,669)**	**107,669**		**66,928**	**(66,928)**

In the table above it is shown that there are no material net currency exposures that would give rise to significant net currency gains and losses recognised in the profit and loss account. For example, a 1% depreciation of domestic currency against foreign currencies causes a net gain of RON 107.7 thousands.

4.1.2. Equity risk

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

Trading in derivatives is scheduled to commence in the second half of year 2009. Bank's strategy concerning derivatives trading risk management involves the monitoring of transactions limits:

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

4.2. Credit Risk Management

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

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

Bank's strategy regarding credit risk management includes:

- implementation of credit programs based on scorecards;
- implementation of monthly reviews of the performance of the individual loan portfolio and update of the scorecards to make sure that the factors that influence non-payment are adequately controlled;
- review and periodic update of the scorecards based on analysis of the factors that generate defaults;
- review of the norms and procedures for administration of overdue and non-performing loans;
- monitoring of the exposures against the country limits set in compliance with the limits approved by OTP 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.
In order to avoid risk concentration, the bank structured its credit strategy trying to diversify its corporate portfolio, by industries, branches and counties. The structure of economic sector risk concentration is presented in Note 18 c).

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

4.2.1. Individually impaired assets
The Bank regularly re-assess all credit exposures that have already been specifically provided for, as well as all credit exposures that appear on watchlist and which are classified as individually significant.
The bank calculated provision for individually impaired loans related only to corporate business portfolio.

The breakdown of these provisions by industry is as follows:

	December 31, 2008	December 31, 2007
Agriculture	482	-
Construction	317	-
Hotels and restaurants	441	-
Other Industries (Furniture, Food and Beverages, Fashion, Chemical, Forestry)	3,746	-
Other services	388	-
Others	1,510	3,111
Trade and finance	10,681	7,405
Transportation	332	5,077
Total	**17,897**	**15,594**

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

- Mortgages on residential real-estate, with total fair values of EURO 15,705 thousands;
- Stocks of 39,941 thousands.

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

Other Industries (including: Fashion Industry, Furniture Industry and others) – collaterals received from the clients with impairement included in this caption represent:

- Mortgages on residential real-estate, with total fair values of EURO 9,975 thousands;
- Stocks of EURO 229 thousands.

Renegociated and rescheduled loans, amounting RON 17,470 thousands gross value, represent loans for which the repayment terms have been rescheduled in order to avoid early overdue payments.

The carrying amount of the renegotiated and rescheduled loans are:

Renegotiated / rescheduled loans	June 30, 2008	December, 31 2007
Carrying amount (gross value)	17,470	3,111
Impairment allowances	(3,476)	(3,111)
Net balance	**13.994**	**-**

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

Recommended loan value (% of collateral)

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

The Bank accepts as collaterals collaterals specified below

Collateral held as of:	December 31, 2008	December 31, 2007
GUARANTEES	2,370,576	3,369,320
State guarantee	-	7,606
Bank guarantee	7,959	8,060
Guarantees from self-governments	1,951,988	1,961,729
Corporate guarantee	410,629	1,391,925
Promissory note and invoices assignment	406,180	422,651
Financial risk insurance from insurance companies	4,449	969,274
REAL ESTATE MORTGAGE	3,608,615	2,956,576
Residential Real Estate	1,312,598	1,379,021
Commercial Real Estate	2,296,017	1,577,554
PLEDGE	717,898	658,442
FINANCIAL COLLATERALS	1,810	2,586
Cash	-	1,029
Securities	1,810	1,557
OTHER COLLATERALS	60,188	93,411
Total	**6,759,087**	**7,080,335**

4.2.3. Collaterals as result of foreclosure procedures

Collateral obtained as a results of foreclosure procedures have been included in Tangible and Intangible Assets starting with year 2007, under the "Land and Buildings" category.

During year 2008, there hasn't been any movement related to these assets, as presented below:

	December 31, 2008	Additions	December 31, 2007
Gross book value	3,240	-	3,240
Impairment	(2,204)	-	(2,204)
Net balances	**1,036**	**-**	**1,036**

4.2.4. Quality of Loans

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

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

Gross loans

December 31, 2008	**Individuals**		**Legal entities**	**Total**
Loans quality	Consumer	Housing		
Performing	248,235	3,700	1,482,584	1,734,519
To-be-monitored	551,007	106,864	11,118	668,989
Below average	6,377	1,777	6,844	14,998
Doubtful	16,917	2,100	13,497	32,514
Bad	1,340	497	9,872	11,709
Total	**823,876**	**114,938**	**1,523,915**	**2,462,729**

December 31, 2007	**Individuals**		**Legal entities**	**Total**
Loans quality	Consumer	Housing		
Performing	259,218	4,613	701,238	965,070
To-be-monitored	578,572	92,064	436,021	1,106,657
Below average	5,783	-	73,330	79,113
Doubtful	4,498	-	117,272	121,770
Bad	8,101	501	35,386	43,988
Total	**856,172**	**97,178**	**1,363,248**	**2,316,598**

Impairment provisions				
December 31, 2008	**Individuals**		**Legal entities**	**Total**
Loans quality	Consumer	Housing		
Performing	1,477	6	17,727	19,210
To-be-monitored	6,998	3,298	3,870	14,166
Below average	3,438	1,148	2,086	6,673
Doubtful	14,283	691	5,197	20,171
Bad	839	103	4,862	5,804
Total	**27,035**	**5,246**	**33,742**	**66,024**

December 31, 2006	**Individuals**		**Legal entities**	**Total**
Loans quality	Consumer	Housing		
Performing	749	1	18,643	19,393
To-be-monitored	919	44	1,555	2,517
Below average	428	-	689	1,117
Doubtful	684	-	504	1,188
Bad	1,975	18	1,093	3,085
Total	**4,755**	**63**	**22,483**	**27,301**

4.2.4.2. Quality of loans past due but not impaired

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

Legal entities — **December 31, 2008**

Loan category/ Overdue days	Not overdue	0 - 15	16 - 30	31 - 60	61 - 90	91 - 180	more than 180	Total
Performing	520,197	3,487	135	-	-	-	-	**523,819**
To-be-monitored	-	-	1,344	1,306	-	-	-	**2,650**
Below average	-	-	-	-	1,726	-	-	**1,726**
Doubtful	-	-	-	-	-	-	1,624	**1,624**
Bad	-	-	-	-	-	5,360	875	**6,235**
TOTAL	**520,197**	**3,487**	**1,479**	**1,306**	**1,726**	**5,360**	**2,499**	**536,054**

Individuals

Loan category Overdue days	Not overdue	1 - 15	16 - 30	31 - 60	61 - 90	91 - 180	more 180	Total
Performing	7,518	2,024	172	-	-	-	-	**9,714**
To-be-monitored	129,720	6,228	1,007	951	-	-	-	**137,906**
Below average	-	-	-	-	437	-	-	**437**
Doubtful	-	-	-	-	-	467	551	**1,018**
Bad	-	-	-	-	-	-	-	**-**
TOTAL	**137.238**	**8,252**	**1,179**	**951**	**437**	**467**	551	**149,075**

Legal entities								December 31, 2007
Loan category/ Overdue days	Not overdue	1 - 15	16 - 30	31 - 60	61 - 90	91 - 180	more 180	Total
Performing	317,776	2,260	-	-	-	-	-	**320,036**
To-be-monitored	174,577	1,422	-	-	-	-	-	**175,999**
Below average	39,703	120	-	5,650	-	-	-	**45,473**
Doubtful	49,555	1,446	-	-	-	-	-	**51,001**
Bad	29,282	-	-	1,111	-	184	-	**30,576**
TOTAL	**610,892**	**5,248**	**-**	**6,761**	**-**	**184**	**-**	**623,085**

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

4.2.5. Aging of impaired loans

December 31, 2008		
Overdue days	Provision	Loans (gross amounts)
0 - 15	25,540	1,712,202
16 - 30	1,513	8,374
31 - 60	6,325	17,657
61 - 90	6,656	12,736
91 - 180	8,852	11,473
more 180	17,138	23,972
TOTAL	**66,024**	**1,786,414**

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

4.3. Liquidity Risk Management

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

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

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

- introducing new products designed both for retail and corporate types of clients based on the GAP analysis results, in order to improve loans hedging with deposits;
- permanent monitoring of the value of the liquidity indicator calculated in compliance with the NBR norms.

Activities regarding liquidity management strategy include:

- Daily monitoring of the cash-flows for each currency, taking into account the following elements/items:
  - Maturity of deposits placed/attracted related both to customers, but to the financial institutions
  - Payment input/output (inclusively the ones related to the state budget)
  - Input/output related to cash transactions
  - Input/output related to foreign exchange transactions
  - Input/output related to loans
  - The results of the clearing
  - Minimum Reserve Requirement level
- Monitoring the value of the deposits attracted from the interbanking market following the limits approved by the Bank;
- Daily liquidity indicators calculation, in order to early identify a possible liquidity crisis;
- A set of reports in order to identify and measure liquidity risk;
- Stress test analysis.

4.4. Fair value of financial instruments

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

	Carrying amounts		**Fair values**	
LINES OF THE BALANCE SHEET	**December 31, 2007**	**December 31, 2008**	**December 31, 2007**	**December 31, 2008**
Cash	60,687	72,421	60,687	72,421
Current accounts and deposits at Banks	211,123	278,651	211,123	278,651
Accounts with the National Bank of Romania	678,711	358,590	678,711	358,590
Securities held-to-maturity	7,408	14,984	7,408	14,984
Loans and advances to customers, net	2,289,297	2,396,705	2,289,269	2,396,705
Investment securities – Available for sale	449	28,893	449	28,893
Demand deposits banks	25,632	3251	25,632	3251
Term deposits banks	*1,217,399*	*601,201*	*1,217,399*	*601,201*
Demand deposits customers	*297,186*	*325,509*	*297,186*	*325,509*
Term deposits customers	*706,713*	*1,765,165*	*702,811*	*1,755,421*
Borrowings	**858,700**	**79,941**	**858,700**	**79,941**
Derivates	**–**	**116,523**	**–**	**116,523**

Methods and assumptions:

- **Short term financial assets and liabilities**, defined as those with remaining maturities of 90 days or less – the fair value approximates their carrying amounts due to their short term maturity. The following instruments were considered predominantly short-term: on the assets side, cash, current account and deposits at 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, 2008 and December 31, 2007 as being based on quotations obtained from Bucharest Stock Exchange (Please refer to Note 17 for details)
- **Securities available for sale** – quoted securities are presentedin 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, 2007 and December 31, 2008 for term deposits with similar contractual maturities.
- **Borrowings** – the fair value of borrowings approximates to their carrying amounts due to the fact that interest rates are repriced to market on regular basis as the borrowings bear variable interest rates.

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

The books and records of the Bank are maintained in accordance with Romanian Accounting Standards ("RAS") and the Banking Act. The statutory financial statements (RAS) have been prepared under the historical cost convention (except for the statutory revaluation of tangible assets).

These financial statements are based on the statutory records and include adjustments and restatements for the changes in the general purchasing power of RON and other adjustments for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

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

		December 31, 2008		**December 31, 2007**
	Net profit/(loss)	Retained earnings/ (accumulated deficit)	Net profit/(loss)	Retained earnings/ (accumulated deficit)
RAS preliminary financial statements	874	(34,367)	(31,929)	(35,240)
Adjustments to restate equity items:				
- restatement of share capital	-	(42,751)	-	(42,751)
- *restatement of reserves*	-	4,145	-	-
	-	(38,606)	-	(42,751)
Adjustments to restate tangible and intangible assets:				
- restatement of tangible and intangible assets	***282***	***1,674***	***(555)***	***1,392***
- depreciation and amortisation of tangible and intangible assets	736	5,276	2,938	4,540
- *impairment of tangible assets*	-	(4,775)	376	(4,775)
- *impairment of intangible assets*	-	(1,172)	-	(1,173)
- statutory revaluation	-	(34,149)	-	(34,149)
	1,018	(33,147)	2,758	(34,165)
Adjustment to investment - available for sale	-	618	-	-
DTL directly recognized in Equity		(99)		-
Other adjustments:				
- (impairment for loans)/recovery from loans	10,296	8,357	(3,341)	2,206
- deferred tax for the period	(2,272)	(1,468)	760	803
- deferred tax related to revaluation of fixed assets recognised on statutory accounts	-	(1,745)	-	(1,745)
- (provision)/release of provision for off-balance-sheet items	-	(340)	-	(340)
- impairment losses for investment in subsidiaries	(1,674)	(1,674)		
- Fair value adjustments for Derivatives	487	487		
- other adjustments	1,193	2,501	873	1,308
- estimation for days of vacation not performed	-	-	800	-
	8,030	6,117	(908)	2,232
Net effect of adjustments	**9,047**	**(65,117)**	**1,850**	**(74,684)**
Balance under IFRS	**9,922**	**(99,484)**	**(30,079)**	**(109,924)**

6. Interest income

	December 31, 2008	December 31, 2007
Interest on current loans	268,822	169,978
Interest on past due loans	-	1,430
Total interest on loans	**268,822**	**171,407**
Time deposits with other banks	13,582	3,459
Demand deposits and accounts with the Central Bank	15,027	8,731
Total interest on deposits with banks	**28,609**	**12,190**
Interest on treasury securities, net	1,010	548
Interest on derivatives, net	17,786	-
Total interest income	**316,227**	**184,145**

7. Interest expense

	December 31, 2008	December 31, 2007
Time deposits	150,393	57,244
Demand deposits	23,295	15,326
Total interest on customers' deposits	**173,688**	**72,570**
Interest on other borrowed funds	36,010	28,415
Total interest expense	**209,698**	**100,985**

8. Fees and commissions income and expenses

FEES AND COMMISSIONS INCOME	December 31, 2008	December 31,2007
FX payment transactions	1,806	1,201
Card related fees and commissions	3,339	1,843
Fee income from other services	6,817	2,059
Payment transfers	14,160	11,357
Lending business	41,662	16,225
Deposit and turnover fees and commissions	2,270	1,435
Total fees and commissions income	**70,054**	**34,119**

FEES AND COMMISSIONS EXPENSES	December 31, 2008	December 31, 2007
Deposit and turnover fee and commission expenses	2,955	1,221
Expenses on card operations	2,421	930
Other services	3,938	2,690
Fees for experts and services	3,973	3,369
Loan commissions expenses	214	1,180
Total fees and commissions expenses	**13,501**	**9,390**

9. Impairment losses

	Note	December 31, 2008	December 31, 2007
Allowance for loans and advances to customers	18	(154,781)	(54,710)
Write-offs	18	(5,987)	-
Recoveries from loans written off		1,004	4,505
Release of provisions	18	121,826	40,814
Foreign exchange differences	18	(785)	-
Total impairment losses on loans and advances to customers		**(38,723)**	**(9,390)**
Impairment losses on other assets			
(Allowance) for/Recoveries from other assets provision (including held for sale assets)	18	(442)	(51)
(Allowance) for/Recoveries from provision for investment in subsidiaries	21	(3,238)	(1,565)
(Allowance) for / Recoveries from provision for held to maturity securities	17	(480)	(157)
(Allowance) for/Recoveries from off balance sheet items provision		-	-
Total Impairment losses on other assets		**(4,160)**	**(1,773)**
Total Impairment losses on loans and other assets		**(42,883)**	**(11,163)**
Impairment losses on fixed assets (charge)		**-**	**-**
TOTAL		**(42,883)**	**(11,163)**

10. Foreign exchange income, net

	December 31, 2008	December 31, 2007
Foreign exchange income	6,354,315	259,391
Foreign exchange expenses	(6,150,540)	(221,126)
Foreign exchange incomes related to derivative operations	197,282	-
Foreign exchange expenses related to derivative operations	(318,049)	-
Expenses with guarantee commitments received from other banks	917	-
Total trading income	**83,925**	**38,265**

11. Personnel expenses

	December 31, 2008	December 31, 2007
Salaries	69,606	58,317
Social insurance contributions	18,867	16,476
Other employee benefits	3,350	2,444
Total	**91,823**	**77,237**

12. Operating expenses

	December 31, 2008	December 31, 2007
Materials and services	18,150	13,021
Depreciation and amortization	19,139	12,975
Taxes	12,375	11,994
Other operating expenses	10,918	8,631
Total	**60,582**	**46,621**

13. Other income and other expenses

OTHER INCOME

	December 31, 2008	December 31, 2007
Net gain from sale of assets classified as held for sale	-	-
Rent income	645	197
Disposals of tangibles and intangibles	-	-
Income from non-banking services	233	558
Other operating income	-	-
Total	**878**	**755**

OTHER EXPENSES

	December 31, 2008	December 31, 2007
Advertising	10,342	16,407
Administration	21,422	15,222
Insurance premiums	8,251	17,447
Other expenses	1,548	2,881
Total	**41,563**	**51,957**

14. Cash

	December 31, 2008			December 31, 2007		
	RON	FCY	Total	RON	FCY	Total
Cash	30,721	30,147	60,868	31,167	22,060	53,227
Cash in ATM	11,533	-	11,533	7,460	-	7,460
Total	**42,274**	**30,147**	**72,421**	**38,627**	**22,060**	**60,687**

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

CASH AND CASH EQUIVALENTS	December 31, 2008	December 31, 2007
Cash and cash equivalents	72,421	60,687
Current accounts and deposits at banks	278,651	211,123
Cash at the National Bank of Romania	358,590	678,711
	709,662	**950,521**
less Pledged deposits at banks	-	-
less Compulsory reserves at National Bank of Romania	(358,590)	(678,711)
Total cash and cash equivalents	**351,072**	**271,810**

15. Current accounts and deposits at banks

	December 31, 2008			December 31, 2007		
	RON	FCY	Total	RON	FCY	Total
Current accounts at banks	-	17,612	17,612	-	8,899	8,899
Deposits at banks	178,000	83,039	261,039	-	202,224	202,224
Total	**178,000**	**100,651**	**278,651**	**-**	**211,123**	**211,123**

The balance of pledged deposits at Banks as at December 31, 2008 was null.

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

	December 31, 2008			December 31, 2007		
	RON	FCY	Total	RON	FCY	Total
Compulsory reserves	119,479	239,111	358,590	95,406	583,306	678,711
Current accounts	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Total	**119,479**	**239,111**	**358,590**	**95,406**	**583,306**	**678,711**

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

As at December 31, 2008, the reserve was set up at the following rates:

- RON: 18% of the borrowed funds in local currency;
- Foreign currency: 40% 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, 2008 was as follows:

- RON: 5.60% (December 31, 2007: 2.50%)
- EUR: 2.80% (December 31, 2006: 1.35%)

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, 2008 stand for RON 8,536 thousands having a residual maturity of less than 3 years and bearing an interest rate of 8.25%.

Except for these T-bills, securities held-to-maturity comprise also RON 7,049 thousands (3-year maturity) corporate bonds acquired in November 2006. The bonds are issued by Banca Comerciala Romana SA and bear 7.25% fixed interest rate. For this portfolio the bank computed and booked an impairment provision amounting RON 637 thousands, which reflects the decrease in the quoted price of the bonds on the Bucharest Stock Exchange.

Usually impairment associated with debt securities takes into account two important aspects. Firstly, the market price gives a good indicator of creditworthiness. The financial position of the issuer still needs to be assessed and monitored, just as with the borrower of a loan.

Second, the assessement of a debt securities is affected by other money markets products' returns. In BCR securities case the bond pays a coupon lower than equivalent market yields (interbank deposits) which explains why it is traded at below par (so as to realign the yield to market levels). In this case, the bank is not expecting a credit loss from the bond.

CASH AND CASH EQUIVALENTS	December 31, 2008	December 31, 2007
Fixed rate Bonds	7,049	7,049
- impairment provision	(637)	(158)
Carrying amounts	6,412	6,891
Variable rate Bonds (Treasury Bills)	8,536	517
- impairment provision	-	-
- carrying amounts	8,536	517
TOTAL Securities held-to-maturity	**14,948**	**7,408**

18. Loans and advances to customers

During the year 2008, the Bank transferred receivables in total value of CHF 496.6 millions and EUR 87.9 millions to OTP Bank Rt. (December 31, 2007: CHF 212 millions and EUR 7 millions), structured as follows:

- loans granted to retail customers – CHF 453.7 million and EUR 13.4 million
- loans granted to corporate customers – CHF 42.9 million and EUR 74.5 million

OTP Bank Romania shall act as Agent on behalf of OTP Bank Rt by performing the following activities:

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

"Transferred Receivables" 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.

a) Structure by currency (gross and net amounts)

	December 31, 2008			December 31, 2007		
	RON	FCY	Total	RON	FCY	Total
Loans, gross	660,003	1,802,726	2,462,729	738,557	1,578,041	2,316,598
Impairment losses on loans	(33,660)	(32,364)	(66,024)	(6,108)	(21,193)	(27,301)
Total loans and advances to customers, NET	**626,343**	**1,770,362**	**2,396,705**	**732,449**	**1,556,848**	**2,289,297**

b) Structure by type of ownership (gross amounts)

				December 31, 2008
	Total loans	RON	FCY	%
Private companies	1,518,552	389,859	1,128,692	61.66%
Individuals	944,178	270,690	673,488	38.34%
Total	**2,462,729**	**660,549**	**1,802,180**	**100%**

				December 31, 2007
	Total loans	RON	FCY	%
Private companies	1,363,242	409,878	953,364	58.85%
Individuals	953,356	328,679	624,676	41.15%
Total	**2,316,598**	**738,557**	**1,578,041**	**100%**

c) Concentration by sector

	December 31, 2008	%	December 31, 2007	%
RETAIL	**944,177**	**38.34%**	**953,356**	**41.15%**
Consumer loans	418,984	17.01%	856,176	36.96%
Housing	525,193	21.33%	97,179	4.19%
CORPORATE	**1,518,552**	**61.66%**	**1,363,242**	**58.85%**
Trade and finance	66,335	2.69%	638,826	27.58%
Manufacturing	316,562	12.85%	153,071	6.61%
Transportation and communications	18,723	0.76%	99,682	4.30%
Services	111,281	4.52%	222,559	9.61%
Agriculture and forestry	933,863	37.92%	59,664	2.58%
Real estate and construction	39,112	1.59%	75,559	3.26%
Other sectors	32,676	1.33%	113,881	4.92%
TOTAL, GROSS	**2,462,729**	**100.00%**	**2,316,598**	**100.00%**

d) Impairment losses

	Tangible and intangible assets (including other assets)	Investments and securities	Off balance sheet items	Loans and interest receivable	Total
Balances at January 1st, 2008	**3,817**	**1,773**	**340**	**27,301**	**33,231**
Charge/(release) during the year	(1,268)	(3,667)	-	32,955	35,354
Write-offs	-	-	-	(1,004)	(1,004)
Recoveries of loans not provided for	-	-	-	5,987	5,987
Foreign exchange differences	203	-	-	785	988
Balance at December 31, 2008	**2,752**	**5,440**	**340**	**66,024**	**74,556**

Balances for provisions on "Tangible and intangible assets – including other assets" also comprise as opening value the provisions for repossessed assets, classified as Tangible and Intangible Assets (Please see Note 19 for details) in amount of RON 2,203 th RON.

Balances for provisions on "Investments and securities" comprise provisions on investment in OTP Broker de Intermedieri Financiare SRL (Please see Note 21.for details) as well as provisions on securities held to maturity (Please see Note 17 for details)

	Tangible and intangible assets (including other assets)	Investments and securities	Off balance sheet items	Loans and interest receivable	Total
Balances at January 1st, 2007	**3,766**	**0**	**340**	**12,439**	**16,545**
Charge/(release) during the year	51	1,773	-	54,710	15,719
Write-offs	-	-	-	-	-
Recoveries of loans not provided for	-	-	-	40,815	-
Foreign exchange differences	-	-	-	967	967
Balance at December 31,2007	**3,817**	**1,773**	**340**	**108,931**	**33,231**

19. Tangible and intangible assets, net

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value January 1st, 2008	**105,373**	**36,129**	**8,894**	**14,423**	**164,819**	**16,377**	**25,038**	**206,233**
Dep'n charge for the period ended December 31, 2007	(4,235)	(4,200)	(1,703)	(2,837)	(12,975)	-	-	(12,975)
Accumulated depreciation of disposals	567	1,148	-	-	1,714	-	4	1,718
Accumulated depreciation January 1st, 2008	**(15,138)**	**(9,471)**	**(4,695)**	**(7,762)**	**(37,066)**	**-**	**(20,903)**	**(57,967)**
Net book value January 1st, 2008	**90,235**	**26,658**	**4,199**	**6,661**	**127,753**	**16,377**	**4,135**	**148,266**
Additions	8,640	10,407	418	1,540	21,005	51,611	4,574	77,190
Transfers from construction in progress	-	-	-	-	-	-	-	-
Disposals	(379)	(2,502)	-	-	(2,881)	-	(46)	(2,928)
Gross book value December 31, 2008	**113,634**	**44,034**	**9,312**	**15,963**	**182,943**	**7,529**	**29,566**	**220,035**
Dep'n charge for the period ended December 31, 2008	(5,080)	(5,873)	(1,868)	(3,395)	(16,216)	-	(2,922)	(19,138)
Accumulated depreciation of disposals	90	2,413	-	-	2,503	-	46	2,548
Accumulated depreciation as at December 31 , 2008	**(20,129)**	**(12,931)**	**(6,563)**	**(11,157)**	**(50,779)**	**-**	**(23,779)**	**(74,555)**
Net book value as at December 31 2008	**93,505**	**31,103**	**2,749**	**4,806**	**132,162**	**7,529**	**5,787**	**145,480**

	Land and Buildings	Furniture and Equipment	Vehicles	Computers	Tangible assets	Construction in progress	Other intangibles	Total
Gross book value December 31, 2006	88,958	25,560	7,312	10,049	131,879	19,524	22,073	173,475
Dep'n charge for the 12-month period ended December 31, 2006	(2,687)	(1,932)	(1,461)	(1,702)	(7,782)		(5,201)	(12,983)
Accumulated depreciation of disposals	9	607	1,196	119	1,931		6	1,937
Accumulated depreciation December 31, 2006	(11,470)	(6,419)	(2,992)	(4,925)	(25,806)	-	(20,906)	(46,712)
Reclassification – Assets classified as held for sale	3,149	-	-	-	3,149	-	-	3,149
Impairment – Assets classified as held for sale	(2,204)	-	-	-	(2,204)	-	-	(2,204)
Impairment – Land and Buildings	(1,435)	-	-	-	(1,435)	-	-	(1,435)
Reclassification – Advances	-	-	-	-	-	426	-	426
TOTAL Reclassifications and impairments	**(490)**	**-**	**-**	**-**	**(490)**	**426**	**-**	**(64)**
Net book value December 31, 2006	**76,998**	**19,141**	**4,320**	**5,124**	**105,583**	**19,950**	**1,167**	**126,699**
Gross book value January 1st, 2007	**90,672**	**25,560**	**7,312**	**10,049**	**131,389**	**19,950**	**22,073**	**173,411**
Accumulated depreciation January 1, 2007	**(11,470)**	**(6,419)**	**(2,992)**	**(4,925)**	**(25,806)**	**-**	**(20,906)**	**(46,711)**
Net book value January 1st, 2007	**79,202**	**19,141**	**4,320**	**5,124**	**105,583**	**19,950**	**1,167**	**126,700**
Additions	-	-	-	-	-	35,589	-	35,589
Transfers from construction in progress	17,573	12,664	1,582	4,374	36,193	(39,161)	2,968	-
Disposals	(668)	(2,095)	-	-	(2,763)	-	(3)	(2,768)
Gross book value December 31, 2007	**107,577**	**36,129**	**8,894**	**14,423**	**164,819**	**16,378**	**25,038**	**206,233**
Dep'n charge for 1 year period ended December 31, 2007 Dep'n charge for 1 year period ended December 31, 2007	(4,235)	(4,200)	(1,703)	(2,837)	(12,975)	-	-	(12,975)
Accumulated depreciation of disposals	567	1,148	-	-	1,714	-	3	1,718
Accumulated depreciation December 31, 2007	**(15,139)**	**(9,471)**	**(4,695)**	**(7,762)**	**(37,066)**	**-**	**(20,903)**	**(57,967)**
Net book value December 31, 2007	**92,438**	**26,658**	**4,199**	**6,661**	**129,955**	**16,378**	**4,135**	**148,266**

For Constructions included within “Land and Buildings” caption there was recorded an impairment of RON 1,435,450 at the end of year 2006. The value of impairment was settled on the basis of comparison between the market value of the fixed assets and the book value.

The amount representing advances for tangibles and intangibles is included within “Construction in progress” in Fixed assets Note above.

As at December 31, 2008, there are no financial leases held by the Bank.

20. Investment securities, available for sale

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

	December 31, 2008	December 31, 2007
Quoted shares	-	-
Unquoted shares	**28,872**	**449**
SNCDD	201	201
SWIFT	77	69
OTP Asset Management SAI S.A.	568	179
Visa	0	-
Investment Fund - Comodis	28,047	-
TOTAL Available for sale investments	**28,893**	**449**

During the second half of year 2008, the Bank invested RON 27,429 thousands (cost of investment) in units of Investment Fund OTP ComodisRO. The Fund is an open Investment Fund, registred with the National Securities Committee under number CSC06FDIR/400049 on February 27, 2008 and is managed by OTP Asset Management SAI S.A.

The Fund has investments only in fixed-rated securities, mainly: treasury bonds, treasury certificates, with a lower than 1 year maturity. As at December 31, 2008, the Fair-value of this investment increased with RON 618 thousands, getting to a reported fair value of RON 28,047 thousands.

The Bank’s intention is to hold this investment 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).

The address of the Administrator –
OTP Asset Management Romania S.A.I. S.A. is: Bucharest, no. 83 Dacia Boulevard, district 2.

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

Company	Nature of business	Country of incorporation	% in share capital December 31, 2008	% in share capital December 31, 2007
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%
Investment Fund – Comodis	investment fund	Romania	n/a	n/a

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 2008 is the following:

Thousands RON equivalent	December 31, 2007 Net book value	Acquisition / Addition	Disposals	Impairment	December 31, 2008 Net book value	Percentage owned as at December 31, 2008
S.C. OTP Leasing Romania S.A.	**433**	**1,240**	**-**	**(1,673)**	**-**	**30.0%**
Robinv S.A.	379	-	-	-	379	99.9%
OTP Broker de Intermedieri Financiare SRL	-	1,565	-	(1,565)	-	100%
OTP Consulting Romania SRL	210	-	-	-	210	74.9%
Total	**1,022**	**2,805**	**-**	**(3,238)**	**589**	

During the first half of year 2008, the Bank increased its participation in OTP Broker de Intermedieri Financiare SRL up to 100%. The new gross book value of investment as at December 31, 2008 was RON 3,129 thousands.

The investment was assessed for impairment at the end of the period and additional impairment provision of RON 1,565 thousands was recorded because the loss incurred by OTP Broker de Intermedieri Financiare SRL which exceeded the paid up capital. The Net book value of investment as at December 31, 2008 was null.

22. Non current assets held for sale

OTP Bank Romania S.A. sold its investment in OTP Garancia Asigurari S.A. (144.182 shares) during the second half of year 2008. As a result of this transaction, an income of RON 1,160 thousands has been recorded in the income statement.

As at the selling date, the Bank hold 45.9% of OTP Garancia Asigurari S.A. ' shares and the total investment in company's share capital was RON 14,418 thousands.

The movement in OTP Garancia Asigurari S.A. investment at the end of the year 2008 was the following:

	December 31, 2007	Acquisition/ Addition	Disposals	Impairment	December 31, 2008	Percentage of ownership
OTP Garancia Asigurari SA	14,418	-	14,418	-	-	0%

23. Other assets, net

	December 31, 2008	December 31, 2007
Prepaid expenses	3,272	2,258
Consumables	1,165	1,908
Sundry debtors, net	6,621	4,439
Other assets	24,678	128,159
Allowance for other assets	(580)	(178)
Total	**35,156**	**136,586**

As at December 31, 2008 the main part of "Sundry debtors, net" represents advances to suppliers. Settlement accounts included in caprion "Other assets" amounted RON 20,536 thousands as at 31 December 2008.

As at December 31, 2007 the main items included within the "Other assets" were Clearing, settlements and other pending accounts amounting RON 126,906 th, out of which RON 104,887 there were amounts to be recovered from OTPH, in less than one month.

24. Due to banks

	December 31, 2008			December 31, 2007		
	RON	FCY	Total	RON	FCY	Total
Demand deposits banks	844	2,407	3,251	10,172	15,460	25,633
Term deposits banks	-	601,201	601,201	-	1,217,399	1,217,399
Total	**844**	**603,608**	**604,452**	**10,172**	**1,232,859**	**1,243,032**

25. Due to customers

	December 31, 2008			December 31, 2007		
	RON	FCY	Total	RON	FCY	Total
Demand deposits customers	233,562	91,947	325,509	204,292	92,894	297,186
Term deposits customers *	1,467,439	297,726	1,765,165	418,604	288,109	706,713
Total	**1,701,001**	**389,674**	**2,090,675**	**622,896**	**381,003**	**1,003,899**

*During year 2008, the Bank received deposits in total amount of RON 962,000 thousands from OTPFinancing Netherlands B.V. (member of the mother-company group), with maturities of 5-7 years and without any contractual bindings of advance repayment.

26. Borrowings

	December 31, 2008	December 31, 2007
Loans from European Bank for Reconstruction and Development	39,913	5,525
Loans from parent company OTP Bank RT.	2,195	849,545
Loans from Banca de Export - Import a Romaniei EXIMBANK SA	32,175	-
Loans from Ministry of Finance	5,658	3,630
Total	**79,941**	**858,700**

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.

2. OTP Bank RT

Former loans received from the mother company OTP Bank RT, respectively EUR 175 million – medium-term revolving facility in 2006 and EUR 50 million facility agreement in 2007 were fully repaid during financial year 2008.

The remained balance of EUR 550,688 (RON equivalent of 2.1 million) has maturity in year 2009.

3. Banca de Export – Import a Romaniei EXIMBANK SA

Medium term facility agreement signed with Banca de Export – Import a Romaniei EXIMBANK SA will have its maturity in October 2009. The amount was contracted in RON currency.

4. Ministry of Finance

As at December 31, 2008, there was an outstanding amount of RON 5.290.391 representing credit facility signed with the Ministry of Finance on February 14, 2003. The loan has the maturity in February 2015 and represents a Subsidiary Loan Agreement for the Rural Financing Project.

The Bank is not part of any financial leases contracts as at 31.12.2008.

27. Taxation

The Bank has computed the deferred tax as of December 31, 2008 using the statutory legal rate of 16% (2007: 16%).

The income tax expense for the year comprises:

	December 31, 2008	December 31, 2007
Current income tax expense	-	-
Deferred income tax revenue/(expense)	(2,272)	760
Total income tax revenue / (expense)	**(2,272)**	**760**

The deferred tax liability as of December 31, 2008 is reconciled as follows:

	Temporary difference	Tax effect
IFRS adjustments to tangible and intangible assets	**(1,961)**	**(314)**
Restatement of equity investments:	343	55
Loan adjustments:		
- impairment for loans	12,502	2,000
Impairment of investments in associates	(1,673)	(268)
Loan from OTP Bank Plc.	-	-
Wages and Social Security	-	-
Provision for off balance sheet items	(340)	(54)
Derivatives	487	78
Other adjustments	(519)	(83)
Additional deductible items under IAS 12	9,178	1,469
Deferred tax liability as of December 31, 2008 – Faire-value adjustment of AFS shares	618	99
Deferred tax liability as of December 31, 2008 related to previous adjustments for revaluation Fixed assets		1,745
Deferred tax liability as of December 31, 2008 – NET		**(3,313)**

The deferred tax liability as of December 31, 2007 is reconciled as follows:

	Temporary difference	Tax effect
IFRS adjustments to tangible and intangible assets	(1,544)	(247)
Restatement of equity investments:	343	55
Loan adjustments:		
- impairment for loans	2,206	353
Other adjustments		
Loan from OTP Bank Plc.	(20)	(3)
Wages and Social Security	(4,745)	(759)
Provision for off balance sheet items	(340)	(54)
Deferral of loans' commissions income	(921)	(148)
Additional deductible items under IAS 12	(5,020)	(803)
Deferred tax liability as of December 31, 2007 related to Former Fair-value adjustments for Fixed assets		1,745
Deferred tax liability as of December 31, 2007 – NET		**942**

Movement in deferred tax

Deferred tax liability (-)/asset (+) as at the 1st of January	**(942)**	**(2,655)**
Deferred tax charge (-)/release(+)to profit and loss	(2,272)	760
Deferred tax charged (-)/released (+) to equity	(99)	953
Deferred taxliability (-)/asset (+) as of December 31	**(3,313)**	**(942)**

Reconciliation of tax losses versus accounting losses

	December 31, 2008	December 31, 2007
Loss for the period before tax	12,194	(30,839)
Change in gainin equity	618	(5,956)
Total gross recognised income/ expense for the period	12,812	(36,795)
IFRS adjustments affecting profit and loss without tax effect	-	(1,090)
IFRS net change in gainin equity	519	(5,003)
Not taxable income	(5,556)	(3,380)
Not deductible expenses	4,251	4,665
Tax profit (+) / loss (-)	10,889	(30,644)
Current tax	-	-
Def tax on IFRS temporary differences		
Effect of temporary differences in P&L release (+) / charge (-)	(2,272)	760
Tax on IFRS adjustments in equity	(99)	953
Total change in def tax	**(2,371)**	**(1,713)**

	December 31, 2008	December 31, 2007
Net Statutory loss of the period	874	(31,929)
Not taxable income	(5,556)	(3,380)
Not deductible expenses	4,251	4,665
Fiscal loss	(431)	(30,644)
Carried fiscal loss	(92,739)	(62,095)
Total carried forward	(93,170)	(92,739)
Income tax rate	16 %	16%
Current income tax	-	-

28. Other liabilities

	December 31, 2008	December 31, 2007
Deffered income	51,314	60,670
Unearned income	1,440	1,513
Other liabilities	49,874	59,157
Current taxes	5,833	9,827
Sundry creditors	2,865	4,820
Provision for OFF BS items	340	340
Total	**60,352**	**75,657**

The major part of liabilities included under the caption "Other Liabilities" -RON 34,464 thousands, represents amounts to be reconciled based on interbank settlement process (promissorynotes, cheques).

29. Share capital

	December 31, 2008	December 31, 2007
Share capital as of January 1st, 2007	**432,909**	**367,471**
Increase of share capital	-	65,438
Share capital at the end of the period	**432,909**	**432,909**

The Bank's paid-up capital as at the end of year 2008 remained the same as at December 31, 2007. Last increase was made by the parent company (OTP Bank Rt.) at the end of August 2007, for the amount of EUR 20,000,000 (RON 65,437,920).

Earnings per share

	December 31, 2008	December 31, 2007
Profit/(loss) after tax in the accounting period	9,922	(30,079)
Average number of ordinary shares outstanding during the period	1,803,787	1,644,675
Earnings per ordinary share (face value RON 240) in RON	**5.50**	**(18,29)**

30. Off balance sheet financial commitments

Issued guarantees and letters of credit

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

All letters of credit issued by the Bank are collateralized. As at December 31, 2008 and December 31, 2007 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 creditare 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, 2008 and December 31, 2007 are the following:

	December 31, 2008	December 31, 2007
Import letters of credit and other commitments, out of which:	233,220	355,304
Confirmed Letters of credit	*8,742*	*19,696*
Unutilised credit limits	*224,478*	*335,608*
Letters of guarantee and other guarantees	125,180	116,432
Other financial commitments	642	1,998
Total guarantees and other financing commitments	**359,040**	**473,734**

As of December 31, 2008, 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, 2008	December 31, 2007
Amounts with the National Bank of Romania (Note 16)	358,590	678,711
Treasury Bills (Note 17)	8,536	517
Total	**367,126**	**679,228**

32. Balance sheet structure by currency

Below there is summarized the Bank's exposure to foreign currency exchange rate risk as of December 31, 2008 and December 31, 2007. Included in the tables are the Bank's assets and liabilities at carrying amounts, structured by local and main foreign currencies.

December 31, 2008	EUR	USD	CHF	HUF	Other FCY	Total FCY	RON	Total
ASSETS								
Cash	18,742	2,493	5,415	2,585	912	**22,060**	42.274	**72,421**
Current accounts and deposits at banks	71,231	17,942	5,079	5,388	1,012	**100,651**	178,000	**278,651**
Accounts with the National Bank of Romania	239,111	-	-	-	-	**239,111**	119,479	**358,590**
Securities held-to-maturity	-	-	-	-	-	**-**	14,948	**14,948**
Loans and advances to customers, net	888,357	7,609	874,395	-	-	**1,770,361**	626,344	**2,396,705**
Investment securities – Available for sale	645	-	-	-	-	**645**	28,248	**28,893**
Investment in Associates	1,674	-	-	-	-	**1,674**	589	**589**
Non-current Assets held for sale	-	-	-	-	-	**-**	-	**-**
Tangibles and intangibles assets, net	-	-	-	-	-	-	145.479	145,479
Deferred tax assets, net	-	-	-	-	-	-	-	-
Other assets, net	2,178	11	4,454	2	16	6.662	28,495	**35,157**
Total assets	**1,220,263**	**28,056**	**889,343**	**7,975**	**1,941**	**2,147,577**	**1,183,855**	**3,331,433**
LIABILITIES								
Demand deposits banks	1,993	-	-	2	412	**2,407**	844	**3,251**
Term deposits banks	494,016	-	107,185	-	-	**601,201**	-	**601.201**
Demand deposits customers	70,610	6,545	11,558	2,341	894	**91,948**	233,562	**325,509**
Term deposits customers	263,128	23,789	3,804	6,357	648	**297,727**	1467,439	**1,765,165**
Borrowings	42,293	5,562	-	-	-	**47,855**	32,086	**79,941**
Derivatives	-	-	-	-	-	**-**	116,523	**116,523**
Deferred tax liability,net	-	-	-	-	-	**-**	3,313	**3,313**
Other liabilities	13,128	48	12,290	1,126	-	**26,592**	33,760	**60,352**
Total liabilities	**885,168**	**35,944**	**134,837**	**9,826**	**1,954**	**1,067,729**	**1,887,526**	**2,953,256**
Net Currency position	**335,095**	**(7,889)**	**754,505**	**(1,851)**	**(13)**	**1,079,848**	**(703,671)**	**376,177**

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

33. Interest rate sensitivity

The table below provides information on the extent of the Bank's interest rate exposure based on the residual maturity date of its financial instruments. It is the Bank's policy to manage its exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet (please also refer to Note 4). Interest bearing assets and liabilities of the Bank are analyzed below into relevant re-pricing grouping as December 2008 and December 31, 2007.

December 31, 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	72,421	-	-	-	-	72,421
Current accounts and deposits at banks	278,651	-	-	-	-	278,651
Accounts with the National Bank of Romania	358,590	-	-	-	-	358,590
Treasury securities	-	-	-	14,948	-	14,948
Loans, net	120,970	124,769	434,723	151,504	1,564,740	2,396,705
Total assets	**830,632**	**124,769**	**434,723**	**166,451**	**1,564,740**	**3,121,316**
LIABILITIES						
Due to Banks	453,689	43,579	53,589	53,597	-	604,453
Demand deposits banks	3,251	-	-	-	-	3,251
Time deposits banks	450,437	43,579	53,589	53,597	-	601,201
Due to customers	870,169	200,113	33,306	5,185	981,901	2,090,675
Demand deposits customers	325,509	-	-	-	-	325,509
Time deposits customers	544,660	200,113	33,306	5,185	981,901	1,765,165
Borrowings	5,921	5,490	12,456	56,074	-	79,941
Total liabilities	**1,329,779**	**249,182**	**99,351**	**114,856**	**981,901**	**2,775,069**
Net assets interest rate sensitivity	**(499,147)**	**(124,414)**	**335,372**	**51,595**	**582,839**	**346,247**
Net assets cummulative interest rate sensitivity	**(499,147)**	**(623,561)**	**(288,188)**	**(236,593)**	**346,246**	**-**

December 31, 2007	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	60,687	-	-	-	-	60,687
Current accounts and deposits at banks	211,123	-	-	-	-	211,123
Accounts with the National Bank of Romania	678,711	-	-	-	-	678,711
Treasury securities	-	-	-	7,408	-	7,408
Loans, net	954,190	528,464	790,732	6,317	9,594	2,289,297
Total assets	**1,904,711**	**528,464**	**790,732**	**13,725**	**9,594**	**3,247,226**

December 31, 2007	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
LIABILITIES						
Due to Banks	114,964	473,224	654,844	-	-	1,243,032
Demand deposits banks	25,633	-	-	-	-	25,633
Time deposits banks	89,331	473,224	654,844	-	-	1,217,399
Due to customers	765,774	141,673	90,304	5,864	284	1,003,899
Demand deposits customers	297,186	-	-	-	-	297,186
Time deposits customers	468,588	141,673	90,304	5,864	284	706,713
Borrowings	-	54	46,205	808,830	3,610	858,700
Total liabilities	**880,738**	**614,951**	**791,353**	**814,694**	**3,894**	**3,105,631**
Net assets interest rate sensitivity	**1,023,973**	**(86,488)**	**(621)**	**(800,969)**	**5,700**	**141,595**
Net assets cummulative interest rate sensitivity	**1,023,973**	**937,487**	**936,864**	**135,895**	**141,595**	**-**

34. Related parties

The Bank engages in related party transactions with other companies in 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 volume of related parties transactions, outstanding balances and related expense and income for the periods ended December 31, 2008 and December 31, 2007 are presented below:

	Management		**Parent Company**		**Other Related parties**	
	December 31, 2008	*December 31, 2007*	December 31, 2008	*December 31, 2007*	December 31, 2008	*December 31, 2007*
Assets						
Due from other banks	-	-	25,067	5,441	-	-
Loans and advances to customers, net	3,315	5,268		-	1,892	-
Other assets	-	-		108,517	-	-
Total assets	**3,315**	**5,268**	**25,067**	**113,958**	**1,892**	**-**
Liabilities						
Due to other banks	-	-	107,977	*550,810*	-	*851*
Due to customers	4,457	2,265		-	1,014	43,257
Loans from banks	-	-	2,200	849,545	-	-
Other liabilities			13,950	10,304	-	-
Fair Value of Derivatives Financial Instruments			115,188	-		
Total liabilities	**4,457**	**2,265**	**124,127**	**1,410,659**	**1,014,178**	**44,108**
Income statement items						
Interest income		118	2,272	474	24	-
Interest expenses		28	6,172	44,471	16,037	998
Non-interest income	-	-	2	7,048	455	736
Non-interest expenses	-	-		84	-	7,972
Net rezult (expense) from derivative deals			102,980		-	-

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 cummulated short term, long term and termination benefits granted to directors and other members of key management during periods ended December 31, 2008, respectively December 31, 2007 were as follows:

	December 31, 2008	December 31, 2007
Salary for key management personnel	7,934	5,917
Short-term and long-term benefits	5,048	4,579
Termination benefits	81	129
Total benefits for key management personnel	**13,063**	**10,625**

35. Restricted assets

As of December 31, 2008 and December 31, 2007 the Bank held the following restricted assets:

		December 31, 2008	December 31, 2007
Compulsory reserves at NBR		358,590	678,711
Treasury securities – pledged	(1)	-	-
Pledged deposit at bank	(1)	-	-
Collateral deposits at banks	(2)	-	-
Total restricted assets		**358,590**	**678,711**

36. Maturity structure

Below is an analysis of the Bank's assets and liabilities as of December 31, 2008 and December 31, 2007 into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. It is presented under the most prudent consideration of maturity dates when repayment schedules allow for early repayment.

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

December 31, 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
ASSETS							
Cash	72,421	-	-	-	-	-	72,421
Current accounts and deposits at banks	278,651	-	-	-	-	-	278,451
Accounts with the National Bank of Romania	358,590	-	-	-	-	-	358,590
Securities held-to-maturity	-	-	-	14,984	-	-	14,984
Loans and advances to customers, net	120,970	124,769	434,723	151,504	1,564,740	-	2,396,705
Investment securities - Available for sale	-	-	-	-	-	28,893	28,893
Investment in Associates and Subsidiaries	-	-	-	-	-	589	589
Non-current Assets held-for-sale	-	-	-	-	-	-	-
Tangible assets, net	-	-	-	-	-	145,480	145,480
Other Assets, net	-	-	-	-	-	35,157	35,157
Total assets	**830,632**	**124,769**	**434,723**	**166,451**	**1,564,740**	**210,118**	**3,331,433**
LIABILITIES							
Demand deposits from banks	3,251	-	-	-	-	-	3,251
Term deposits from banks	450,437	43,579	53,589	53,597	-	-	601,201
Demand deposits from customer	325,509	-	-	-	-	-	325,509
Term deposits from customer	544,660	200,113	33,306	5,185	981,901	-	1,765,165
Borrowings	5,921	5,490	12m456	56,074	-	-	79,941
Derivatives	-	-	-	-	116,523	-	116,523
Deferred tax liability, net	-	-	-	-	-	3,313	3,313
Other liabilities	-	-	-	-	-	60,352	60,352
Total liabilities	**1,329,779**	**249,182**	**99,351**	**114,856**	**1,098,423**	**63,664**	**2,955,256**
Shareholders' equity						376,177	376,177
Total liabilities and shareholders' equity	**1,329,779**	**249,182**	**99,351**	**114,856**	**1,098,423**	**439,841**	**3,331,433**
Net liquidity gap	(499,197)	(124,414)	335,372	51,595	466,316	(229,723)	-
Cumulative net liquidity GAP	**(499,197)**	**(623,561)**	**(288,188)**	**(236,593)**	**229,723**	**-**	**-**

December 31, 2007	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
ASSETS							
Cash	60,687	-	-	-	-	-	60,687
Current accounts and deposits at banks	211,123	-	-	-	-	-	211,123
Accounts with the National Bank of Romania	678,711	-	-	-	-	-	678,711
Securities held-to-maturity	-	-	-	7,408	-	-	7,408
Loans and advances to customers, net	35,354	111,505	556,150	488,590	1,097,698	-	2,289,297
Investment securities – Available for sale	-	-	-	-	-	449	449
Investment in Associates and Subsidiaries	-	-	-	-	-	1,022	1,022
Non-current Assets held-for-sale	-	-	-	-	-	14,418	14,418
Tangible assets, net	-	-	-	-	-	148,265	148,265
Other Assets, net	-	-	-	-	-	136,586	136,586
Total assets	**985,875**	**111,505**	**556,150**	**495,998**	**1,097,698**	**300,740**	**3,547,966**
LIABILITIES							
Demand deposits from banks	25,633	-	-	-	-	-	25,633
Term deposits from banks	89,404	475,521	665,474	-	-	-	1,217,399
Demand deposits from customers	297,186	-	-	-	-	-	297,186
Term deposits from customers	469,326	143,309	87,234	6,522	322	-	706,713
Derivatives	-	-	-	-	-	-	-
Borrowings	13	381	80,902	773,707	3,697	-	858,700
Deferred tax liability, net	-	-	-	-	-	942	942
Other liabilities	-	-	-	-	-	75,657	75,657
Total liabilities	**881,562**	**619,211**	**820,610**	**780,229**	**4,019**	**76,599**	**3,182,230**
Shareholders' equity	-	-	-	-	-	365,736	365,736
Total liabilities and shareholders' equity	**881,562**	**619,211**	**820,610**	**780,229**	**4,019**	**442,335**	**3,547,966**
Net liquidity gap	104,313	(507,706)	(264,460)	(284,231)	1,093,679	(141,595)	
Cumulative net liquidity GAP	**104,313**	**(403,393)**	**(667,853)**	**(952,084)**	**141,595**	**(71,608)**	**(71,608)**

37. Contingencies

As of December 31, 2008 and at the issuance date of these financial statements, the Bank was involved in several lawsuits. Claims against the Bank are made in the normal course of business. The management of the Bank believes that the ultimate liability of the bank, if any, arising from such actions or complaints will not have a material adverse effect over the financial position or result of future operations of the Bank. Based on legal advice received, management of the Bank decided that no additional provision is required in respect of such lawsuits.

38. Bank acting as an agent

OTP Bank Romania SA shall act as Agent on behalf of OTP Bank PLC, for loans which were sold to OTP Bank PLC. Each loan Agreement shall be administered and monitored by the Agent in the ordinary course of its business and in accordance with Agent's usual practices. OTP Bank PLC pays to OTP Bank Romania an agent's fee, on a monthly basis, for the performance of account-keeping and monitoring tasks pertaining to the credit portfolio purchased. Agent does not bear any credit risk related to loans administered. Total amount of loans administered as of the year ended December 31, 2008 is CHF 699,687 thousands and EUR 116,699 thousands.

39. Significant events after the balance sheet date

In January 2009, the Bank participated to the increase of OTP Asset Management's share capital with EURO 16,830.
The total participation to the associated company's capital after the capital increase is EUR 159,390 (RON equivalent of 574 thousands). The ownership percentarge of OTP Bank Romania S.A. hasn't changed, but remained 9.9%.

Corporate Governance

Dr. Antal Pongrácz

Chairman of the Supervisory Board, OTP Bank Romania

Dr. Antal Pongrácz (63) began his professional activity in OTP Group as Deputy Chief Executive for OTP Bank Inc. (1988-1990). Starting from 1991, Dr. Pongrácz occupied several top positions, such as: Chief Executive Officer of the European Commercial Bank Inc. (1991-1994), Chairman and Chief Executive Officer of Hungarian Gambling Corporation (1994-1998) and Chief Executive Officer of the Hungarian Airlines Inc.– Malev Rt. (1998-1999).

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

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

Before joining OTP, Dr. Antal Pongrácz had a lot of activities in the economy and financial area. He was Economist of the Petrochemical Investment Company (1969-1972) and Head of Tax Income Department of State Tax Income Head Office (1972-1975). Between 1976-1985, he worked for the Ministry of Finance and from 1986 to 1987, he was the First Vice President of the National Office of Youth and Sports.

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

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

Enikő Zsakó

Member of the Supervisory Board, OTP Bank Romania

Enikő Zsakó (47) 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. She has been a Certified Information System Auditor since 1999. In 2008, she obtained a postgraduate degree in Economics at the Budapest Business School, Finance and Accounting College.

Mihály Bácsfalvi

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

Mihály Bácsfalvi (52) has been serving as CFO of Groupama Garancia Insurance Co. since 1996. In this position, he coordinates the following departments: Accounting-Financing, Controlling/Planning, Investment-Logistics, Administrations and BPR.

Mihály Bácsfalvi studied Engineering-Economics at the University of Kharkov (1976-1981) from Ukraine, and Economics at the University of Budapest. After the graduation, from 1981 to 1989, Mihály Bácsfalvi was IT team leader of the Tungsram Co.Ltd (Budapest).

From 1989 until 1994, he was Deputy Head of IT and Head of Controlling Department of the AB-Aegon Co.Ltd. During this assignment, Mihály Bácsfalvi had to supervise the following activities: Planning, Budgeting, Reporting and Controlling. For almost two years (1994-1996), he worked as Group Internal Auditor of Eridania Beghin Say Budapest.

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

Zsuzsa Marti

Member of the Supervisory Board, OTP Bank Romania

Zsuzsa Marti (32) is the Director of the Real Estate Finances Department, in Acquisitions and Project Finance Directorate of OTP Bank. In this assignment, she coordinates the structuring of internal and international projects and the monitoring of the legal medium for real estate finances in Hungary and other 10 countries.

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

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

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

Zsolt Szabó

Member of the Supervisory Board, OTP Bank Romania

Zsolt Szabó (46) is the Director of the Market and Product Management Head Department at OTP Bank Plc.

Starting with 1995, Zsolt Szabó worked for OTP Bank, in various managerial positions. Since 2007, he 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 he also earned a degree from Budapest Economic College, Faculty of Accountancy, in 2000.

Szabolcs Annus

Member of the Supervisory Board, OTP Bank Romania

Szabolcs Annus (33) has been Country Manager of Romania and Senior Manager in OTP Bank since 2007. In the same year, he became Chairman of the Supervisory Board at OTP Travel Ltd. and Member of the Supervisory Board of OTP Bank Romania.

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

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

László Diósi

Chairman of the Management Board and CEO OTP Bank Romania

László Diósi (42) 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 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 pensions' funds, management of investments, negotiations.

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

Previous to his coming to Romania, László Diósi held top management or administrative positions in various financial organizations, such as: 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 of the Finance and Planning Division, OTP Bank Romania Vice-Chairman of the Management Board, OTP Bank Romania Member of the Supervisory Board, OTP Leasing Romania IFN S.A.

János Komorowicz (43) has been Deputy CEO of the Finance and Planning Division of OTP Bank Romania from September 2004 and Vice-Chairman of the Management Board since May 2007. He helped the integration process of RoBank into the OTP Bank Group following its acquisition with working on finance, operations and IT issues. He was responsible for the development of the accounting and finance functions to reach the professional level of a full scale wholesale and retail banking subsidiary of a foreign listed parent from the basic level of a privately held small bank offering a few corporate products.

He initiated the development of new infrastructure, centralization of the back office and accounting processes, design of efficient new processes. He introduced Six Sigma process improvement methodology. He 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. He is responsible for the development of Treasury and Capital Markets activities since June 2007.

Regarding his education, János Komorowicz graduated from Budapest Technical University (1985-1990), as MSc in Electrical Engineering. He also obtained 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. He also participated in many management consultancy projects mainly at financially distressed companies.

In 1995 and 1996, János Komorowicz worked as Head of Corporate Finance Desk for Bayerische Hypotheken und Wechselbank, Budapest, where he developed investment products for corporate customers and provided general consultancy to German investors. Starting with 1996, he joined General Electric Capital Europe, as Business Development Associate in London. He worked on acquisitions and acquisition-integration projects across Europe. In 1998, he was appointed Director of Strategy and Advisor to the CEO for General Electric Capital – Budapest Bank in Hungary, in charge of knowledge transfer from GE Capital businesses and the preparation of strategic and annual business plan and management reporting. He was member of the Board of a number of subsidiaries of the bank.

In 2001, János Komorowicz joined KPMG Consulting and was in charge of a number of successful consultancy projects for banks and leasing companies in the Central European region (e.g. Oracle Financials implementation, development of data-warehouse strategy, preparation for Basel II, various process improvement and cost saving projects, development and implementation of privatization strategy, electronic document management implementation).

György Bodó

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

György Bodó (49) has 23 years experience in the area of Information and Communication Technology (ICT) and 19 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 of the IT and Logistics Division, and since May 2007 he has been member of the Management Board, too. Some of his current activities include the overall coordination and preparation of the strategic development directions of the supervised area. He is in charge with supervising the flawless and efficient operation of the Bank's IT and Communications systems, ensuring the fulfillment of the data-processing requirement at the business areas. He also supervises the efficient operation of the existing offices of the bank, including the related infrastructure (technical, administrative, financial), and also the acquisition of necessary premises for branches, agencies and head-office. Mr. Bodó is involved in the coordination of large projects (especially those with international implications) as Steering committee member or Project sponsor, and also in the optimisation of the business processes and operations.
Regarding his academic background, Mr. György Bodó graduated the University "Gh. Asachi" of Iasi in 1985, specialised in Computer Science and Automation. He has also attended an Executive MBA in General Management, at the University Sheffield, UK, which he graduated with Distinction in 2008. 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, in Romania etc.

Beside purely ICT related matters, György Bodó has extended experience in managerial activities such as strategic planning, project management, budget preparation and follow-up, resource administration, business continuity and disaster recovery planning, banking security measures, operations, cost optimization, contract negotiation etc.
His previous work experience includes financial institutions such as: Volksbank Romania S.A., where he was Director of IT Division; BNP – Dresdner Bank (Romania) S.A., as Head of IT Department; Romanian Loan Guarantee Fund (FRGC), where he coordinated the IT System Department, as Director.

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. His vision is to transform to a business driver the infrastructure and the services provided by his team, which can offer competitive advantage for the company.

Gábor Ljubičić

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

Gábor Ljubičić (41) has been Deputy CEO of Retail Banking Division at OTP Bank Romania, since 2007 and he is Member of the Management Board at OTP Bank Romania since 2009.

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

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

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

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

Ferenc Bakk

Deputy CEO of Lending and Risk Management Division, OTP Bank Romania Member of the Management Board, OTP Bank Romania

Ferenc Bakk (35) has been Deputy CEO of Lending and Risk Management Division at OTP Bank Romania, since January 2008 and Member of the Management Board at OTP Bank Romania since 2009.

Regarding his academic background, Ferenc Bakk graduated Babes-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. He recently attended a Master of Business Administration, specialized in Finance and General Management, at CEU Business School, Budapest.
In terms of professional experience, Ferenc Bakk started as employee of a stock broker company in 1997. Later on, he worked for ARDAF Insurance/Reinsurance Co., Cluj-Napoca, in the position of Product Manager.

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

Starting from 2004, for a period of three years, Ferenc Bakk was Senior Credit Advisor at the K & H Bank Rt., in Budapest, having as responsibilities the preparation of credit pieces of 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 Bakk joined OTP Romania in June 2007, occupying the position of Director of Credit Administration Directorate. Since January 2008 he has been nominated Deputy CEO of Lending and Risk Management Division.

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

Corporate Social Responsibility

otpbank

OTP Bank Romania, as a responsible and active player on the financial-banking market, has the conscience of a true citizen who understands and acts in full accordance with the human rights. The bank also commits to exercising a positive influence in the community it operates in, as well as on the environment.

That is why, ever since its entrance on the Romanian market, OTP Bank Romania set the basis for a responsible development, by integrating CSR strategies in its growing program.

From the trust and respect paid to its client, to special internal programs for employees, education, children and youth, culture and arts, environment, sports and human rights, at OTP Bank Romania each part plays an important role within a long term CSR program.

Social involvement is not only about supporting the community and the environment. Social involvement also gets translated into the respect paid to **clients**, by developing the most appropriate and innovative banking solutions meant to provide them a high level of protection and financial security.

Employees are, doubtless, the most important resource the bank has. Especially for them, OTP Bank Romania has set a wide range of internal personal and professional development programs. At the same time, through its initiatives, the bank managed to turn social responsibility into a general practice inside the organization. Thus, OTP Bank Romania employees recycle paper and other used materials and make responsible use of energy – through the means of intelligent systems of cutting the energy consumption.

Children are tomorrow's future. Ever since 2006, OTP Bank Romania collaborates with The International Rescue Children Association in improving the lives of under-privileged children, as well as with other children organizations.

"Mens sana in corpore sano" is an old Latin saying which we understand and promote every time we have the opportunity. Thus, OTP Bank Romania promotes **sports** and a healthy way of living, by helping different sport clubs.

Culture is a heritage we all are responsible for and must carry it further on. That is why OTP Bank Romania supported and continues to support **culture** and **arts**, giving financial help to museums and for several cultural events.

Education comes first at OTP Bank Romania. So, we do our best to draw a better future to pupils and students, by offering support to young students and to different faculties.

Protecting the environment comes as a responsibility for each of us and directly affects our lives and health. To protect the environment, OTP Bank Romania has taken a series of measures, starting right from our offices. Our working spaces are in accordance with international standards and make use of pieces of furniture made out of recycling materials, as well as natural plants.

We live in a society in which equal **human rights** are an imperative. In this sense, as a natural way of promoting equal chances in life and community, we also did our best in convincing our employees to take the advantage of using the 2% out of their income in a responsible and helpful manner. At the same time, OTP Bank Romania offered its support to several **communities**, in order for these to organize local events.

During 2009, OTP Bank Romania will publish **the first Annual Report** on its activities in Corporate Social Responsibility. The document will be available soon, summarizing the most important steps taken on a long CSR ladder, as well as the results achieved in this area.

Provisions

Provisions against Money Laundering

Nowadays, the fight against money laundering and terrorism financing is given widely a high consideration. These two phenomena are ranked as global level problems which need adequate measures and controls in order to mitigate the risks deriving.

OTP BANK ROMANIA S.A. has a double quality (i) of member of one of the largest leading financial banking group in Central and Eastern Europe and (ii) an active important player in the Romanian banking community. Consequently, it is permanently concerned to meet both legal framework provisions and parent-institution requirements in its entire activity.

2008 has brought forth serious modifications of the relevant legal framework applicable to know your customer/anti-money laundering and combat of terrorism financing. Consequently, the Bank internal regulations portfolio was updated in order (i) to cope with the new requirements having as starting point the risk-based approach and (ii) to maintain adequate methods, procedures and internal control system. This action with implications at all Bank activity levels was considered as top priority by the management and was given the appropriate importance as such. Special training and tests were delivered to staff with a view to raise awareness and:

- to fully apply customer identification procedure;
- to keep necessary evidences and archive them according to legal provisions;
- to record completely and correctly information and data made available to them;
- to maintain confidentiality and bank secret over the identity, transactions and products/services of the bank clients;
- to take pro-active measures.

Bank management at all levels is fully committed to manage efficiently and effectively the compliance risks and to preserve the credit institution reputation and values for the stakeholders.

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

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