Weekly Report

Romania

24 May 2012

Treasury Sales Team

Alina Elena Vrabioiu
+4021 307 58 17
alina.vrabioiu@otpbank.ro

Irina Ananiesei
+4021 307 58 17
irina.ananiesei@otpbank.ro

Tania Fantana
+4021 307 58 17
tania.fantana@otpbank.ro

Capital Markets Sales Team

Alexandru Ilisie
+4021 307 58 27
alexandru.ilisie@otpbank.ro

Teodor Alexandru Tibuleac
+4021 307 58 27
alexandru.tibuleac@otpbank.ro

G8 meeting and EU summit brought no new info, except for talks of "growth" and "job creation"

Little time is left until 17 June when we will see the Greek elections. EU leaders state that they want Greece in the Eurozone but not at any cost and an exit is seen as a failure for the EU. Most likely, no positive growth scenario envisaged Greek exit this year.

Macroeconomics: CA deficit was 44% YoY smaller in Q1 2012; FDI stood at 400 mn EUR (Page 3-5)

In Q1, the CA deficit stood at 544 mn EUR and it was 43.7% YoY smaller than in 2011. During boom years (2006-2008), when the economy was going above potential, the CA deficit was between 10% and 13%, as external financing was easy to find. Now, the 12M rolling CA deficit stands at 4.2% as funds are scarce and net FDI inflows dried significantly: in 2011, they were only 20% of the 2008 amount (9.3 bn EUR). In 2010, 19% of the FDI stock was in the financial intermediation sector. Unlike the case of other economic branches, banks are forced to recapitalize and we may see inflows. However, the capital is needed for solvency reasons and it will not feed into the economy to help growth. On the positive side, "other transfers" (including mostly workers' remittances) were up 6.7% YoY in Q1 and the highest jump in relative terms was noticed in current transfers to general government (mainly EU funds), although they lag behind the target.

FX markets: RON remained almost stable last week, ahead of weekend's G8 meeting but it is down now (Page 6 -7)

The RON stood almost stable last week, depreciating by 0.1% against the euro. At the same time, the CDS level jumped close to 400 bp, the level seen last December when the second Greek bailout package was highly debated. The weekend's G8 meeting has not brought a conclusive path but the speech turned to a direction that included words such as "growth" and "job creation". Yesterday's EU summit brought no new info either. Different scenarios are put forth for the euro, such as ECB bond buying, common area Eurobonds, more LTRO. Whichever the option may be, Greek exit seems hard to avoid. This in turn will put the whole euro zone area on a new growth path, unfavourably for Romania and for the RON.

Government securities: RON-denominated securities' yields jumped 11 bp to 26 bp; 5Y CDS rose but recovered partly this week (Page 8-10)

RON-denominated government securities' yields jumped from 11 bp to 26 bp last week. For the moment, the country avoided a downgrade due to the new government's commitment to stick to the fiscal targets. However, the Greek exit would probably trigger a downgrade for the eurozone and for emerging market countries as well. In turn, this will push up the country risk premium and consequently the yields. At the auctions held last week, yields were reluctant to jump and volatility much lower than the secondary market. The Treasury announced it would tap international markets again in Q3.

MM: Rates jumped up from 20 bp to 150 bp last week; higher repo amount pushed them lower this week (Page 11)

Last week, rates went up from 20 bp to 150 bp. Liquidity dried as the repo amount was 1.1 bn RON lower than during the previous week. This week the repo amount hit the highest level YTD at 7.9 bn RON (2.5 bn RON more than last week) and the rates fell back to lower levels. Even if we saw decreases for the moment, after the mandatory period of reserves building ends (this week), we will probably see them jump back.

Chief Economist

Gergely Tardos
+36 1 374 7273
tardosg@otpbank.hu

FX/FI Strategist

Levente Pápa
+36 1 354 7490
papal@otpbank.hu

Macro Analysts

Gábor Dunai
+36 1 374 7272
dunaig@otpbank.hu

Győző Eppich
+36 1 374 7274
eppichgyo@otpbank.hu

Szilárd Kondora
+36 1 374 7275
kondorasz@otpbank.hu

Bálint Szaniszló
+36 1 374 7271
szaniszlob@otpbank.hu

Mihaela Neagu
+4021 307 58 64
mihaela.neagu@otpbank.ro

Rodion Lomivorotov
+7 495 783-5400 (2761)
r.lomivorotov@otpbank.ru

Sector Analyst

Piroska Szabó
+36 1 374 7276
szabopb@otpbank.hu

Dávid Rácz
+36 1 374 7270
raczd@otpbank.hu

Technical Analyst

András Salamon
+36 1 374 7225
salamona@otpbank.hu

Macroeconomics: CA deficit was 44% YoY smaller in Q1 2012; FDI stood at 400 mn EUR

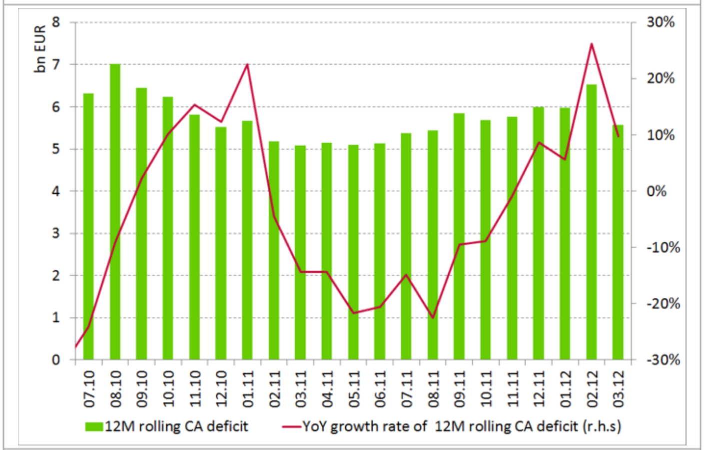
	PERIOD	INDICATOR	FACT	CONSENSUS	PRIOR
15 May	Q1 2012	Flash GDP growth rate (q-o-q, %, seasonally adjusted)	-0,1	0,0	-0,2
16 May	MAR	CA balance (EUR, mn)	241,6		-663,4
16 May	MAR	net FDI (EUR, mn)	39,9		113,0
16 May	MAR	External debt (bn EUR)	76,4		75,5
25 Feb	APR	M3 aggregate (y-o-y, %)			10,1
25 Feb	APR	Non -governmental loans (y-o-y, %)			10,0
25 Feb	APR	Non -governmental deposits (y-o-y, %)			10,7

In Q1, the CA deficit stood at 544 mn EUR and it was 43.7% YoY smaller than in 2011. It decomposed to -1.1 bn EUR in trade balance, -530 mn EUR for the income balance and 1.1 bn EUR in current transfers. The trade gap has marginally deteriorated by +13% YoY, the income balance gap shrank by 24% YoY and current transfers saw a jump of 52.4% YoY. **During boom years (2006-2008), when the economy was going above potential, the CA deficit was between 10%-13%, as external financing was easy to find. Now, the 12M rolling CA deficit stands at 4.2%** as funds are scarce and net FDI inflows dried significantly: in 2011 they were only 20% of the 2008 amount (9.3 bn EUR). Consequently, **internal consumption started to be reliant on domestic income and lost the external push.**

A separate analysis of the CA shows that the increase in trade gap is due to the faster pace of imports (1.1% YoY in Q1 compared to -0.4% YoY in the case of exports). This a consequence of the moderate increase in domestic demand which followed after the better-than-expected economic results in 2011, cumulated with a concomitant decline of external demand which put pressure on demand for exports.

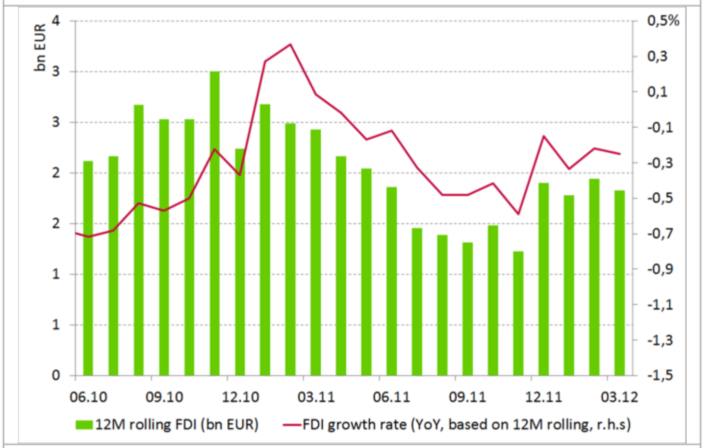
The income balance shrank too, as compensation of employees and investment income receipts slumped, mirroring the slowdown in the European economy. One component of the current account that evolved for the better was the current transfers. They refer to transfers to the general government (mainly EU funds) and other transfers (including workers' remittances). **While we noticed an advance of other transfers (and implicitly workers' remittances) of +6.7% YoY (+608 mn EUR in Q1), the highest jump in relative terms was recorded in the EU funds' absorption, although they lag behind the target. The total target for EU funds' absorbtion stands at 6 bn EUR in 2012**, **with emphasis on the structural and cohesion funds**. The target for agriculture is at 2.5 bn EUR. **Of total current transfers (1.1 bn EUR in Q1), only 200 mn EUR are structural and cohesion EU funds.**

CA evolution



Source: NBR, OTP Research

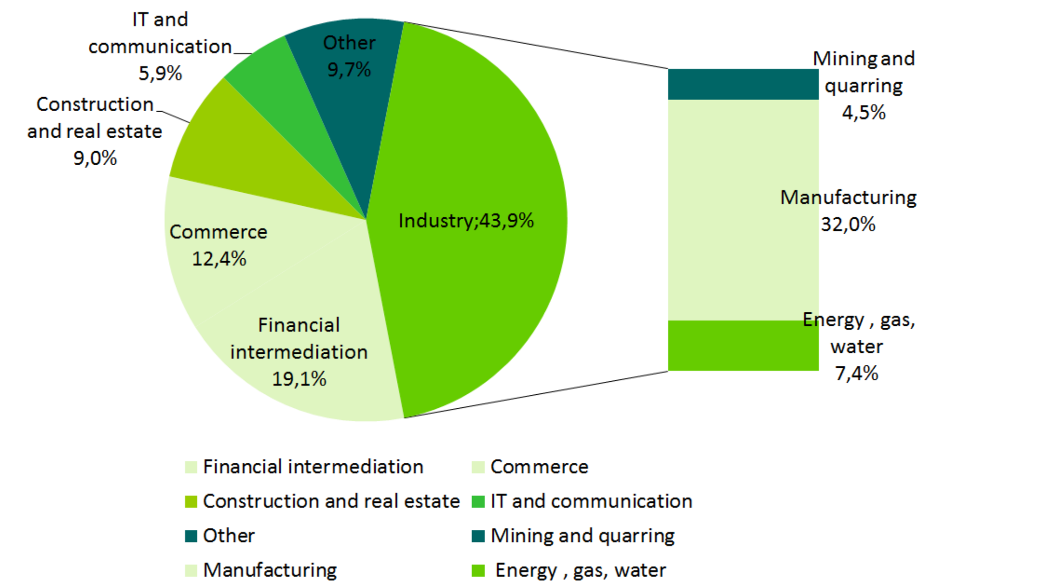
FDI evolution



Source: NBR, OTP Research

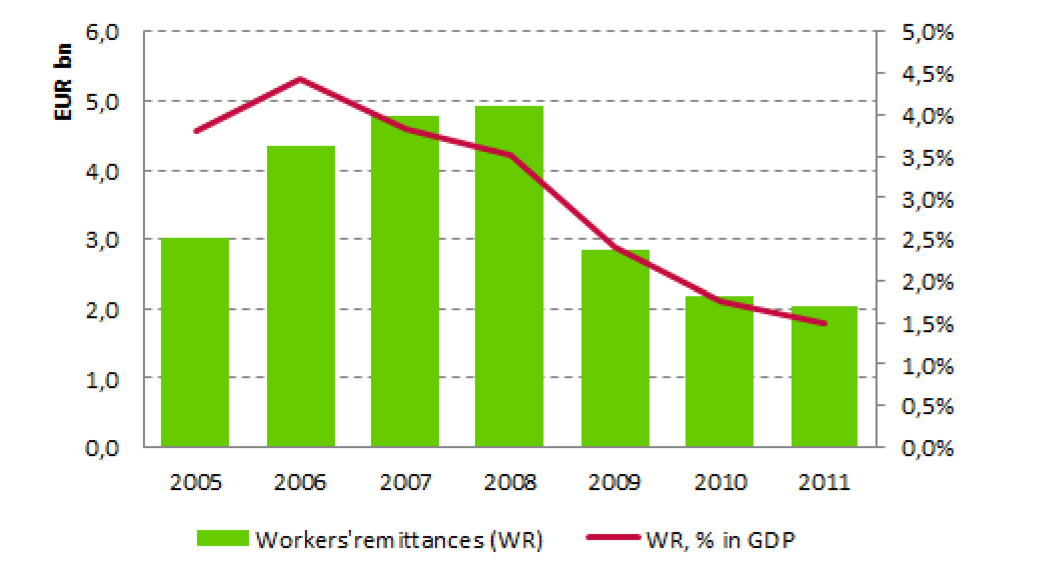
Moving on to the financing side of the CA deficit, we look at the financial and capital account. The financial account includes FDI (equity capital, reinvested earnings, intercompany transfers), portfolio investment (equity and debt securities), financial derivatives, other capital investments (trade credit, loans, currency and deposits) and NBR reserve assets. **FDI stood at 400 mn EUR in Q1, still on a descending trend (-16% YoY). Portfolio investment stood at 1.8 bn (four times higher than last year in Q1) due to the international bonds' issue on the US market this year. According to NBR's statistics at 2010, 19% of the FDI stock was in the financial intermediation sector. Unlike the case of other economic branches, banks are forced to recapitalize due to tighter capital requirements and we may see inflows. However, as banks are forced to maintain the capital for solvency reasons, it will not feed into the economy to help growth; moreover, stockholders will have to ask higher returns for their invested capital, which translates into relatively higher loan rates; the impact on lending is therefore negative.** The alternative scenario, which means failure to recapitalize, would be even more hurtful for lending and economic growth, if the NBR withdraws the banking licence.

19% of the FDI stock is in the financial sector (2010)



Sources: NBR, OTP Research

In 2011, workers' remittances stood at less than half of the 2008 level



Sources: Eurostat, OTP Research

Medium-term macroeconomic forecast

Main macroeconomic indicators	Fact						Forecast	
	2006	2007	2008	2009	2010	2011	2012	2013
Real GDP	7,9%	6,3%	7,3%	-6,6%	-1,6%	2,5%	**1,4%**	**2,8%**
Final consumption of households	12,9%	12,0%	9,0%	-10,4%	-0,4%	1,4%	**2,3%**	**2,9%**
Households consumption expenditure	12,7%	11,9%	9,0%	-10,1%	-0,4%	1,3%		
Government consumption	-11,5%	2,5%	6,2%	9,5%	-10,0%	-3,4%	**-0,7%**	**1,7%**
Gross fixed capital formation	19,9%	30,3%	15,6%	-28,1%	-2,1%	6,3%	**5,2%**	**6,2%**
Exports	10,4%	7,8%	8,3%	-6,4%	14,0%	9,9%	**3,3%**	**8,4%**
Imports	22,6%	27,3%	7,9%	-20,5%	11,9%	10,5%	**4,2%**	**8,8%**
Consumer prices (avg.)	6,6%	4,8%	7,8%	5,6%	6,1%	5,8%	**3,5%**	**3,0%**
Budget Balance (GDP%, ESA 95)	-2,2%	-2,9%	-5,7%	-9,0%	-6,8%	-5,2%	**-3,6%**	**-3,3%**
Public debt (GDP %)	12,4%	12,8%	13,4%	23,6%	31,0%	33,3%	**35,3%**	**36,7%**
CA balance (% GDP)	-10,5%	-13,4%	-11,6%	-4,2%	-4,4%	-4,2%	**-4,4%**	**-4,6%**
CA balance (bn EUR)	-10,2	-16,8	-16,2	-4,9	-5,5	-5,7	**-6,2**	**-6,9**
Unemployment	7,3%	6,4%	5,8%	6,9%	7,3%	7,4%	**6,8%**	**6,6%**
Nominal wage growth	18,4%	21,8%	26,1%	4,8%	3,1%	6%*	**4,5%**	**4,4%**
Real wage growth	9,0%	14,7%	16,5%	-1,5%	-3,7%	0,2%*	**1,0%**	**1,4%**
Key interest rate (avg.)	8,6%	7,5%	9,7%	9,1%	6,5%	6,2%	**5,1%**	**4,6%**
Key interest rate (e.o.p.)	8,8%	7,5%	10,3%	8,0%	6,3%	6,0%	**5,0%**	**4,5%**
EUR/RON (avg.)	3,52	3,34	3,68	4,24	4,21	4,24	**4,34****	**4,27****
EUR/RON (e.o.p.)	3,38	3,61	3,99	4,23	4,28	4,32	**4,30****	**4,25****

Source: Eurostat, OTP Research
Note: * forecast, ** under revision

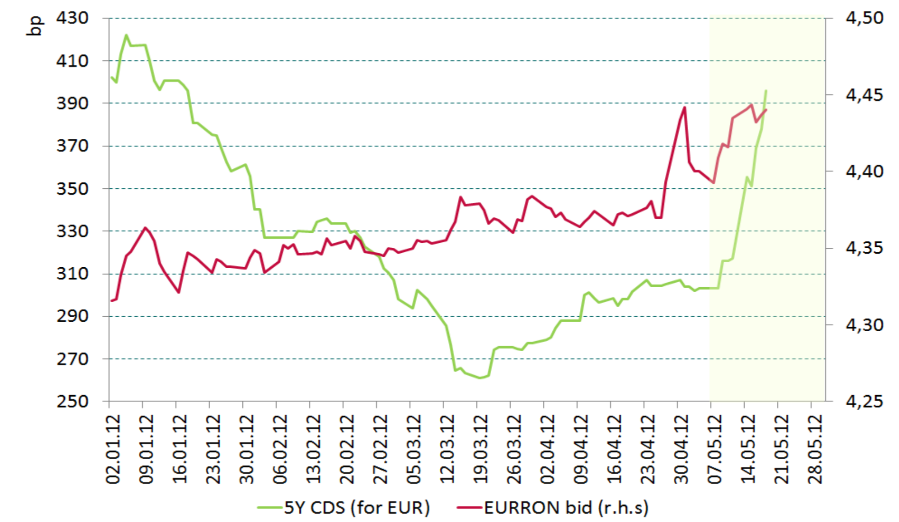
FX markets: RON remained almost stable last week, ahead of weekend's G8 meeting but it is down now

The RON stood almost stable last week, depreciating by 0.1% against the euro. Meanwhile, the euro lost 1% to the dollar and the RON's peer currencies were much more volatile: the Polish Zloty was down 2% and the Hungarian forint lost 3.2%. This kind of volatility was seen in the RON's case for the entire year: to date, the RON lost 2.7% to the euro. At the same time, **the CDS level jumped close to 400 bp level, the level seen last December when the second Greek bailout package was highly debated.**

The weekend's G8 meeting has not brought a conclusive path but the speech turned to a direction that included words such as "growth" and "job creation". Different scenarios are put forth for the euro, such as ECB bond buying, common area Eurobonds, more LTRO. Whichever the option may be, Greece's exit seems hard to avoid. **This in turn will put the whole euro zone area on a new growth path, unfavourably for Romania and for the RON.**

It can translate into lower exports, lower FDI, and deleveraging. **For this year, growth prospects were considering a higher absorption of EU funds and higher exports. We believe these are the factors that could have marginally pushed the RON higher, compared to the previous year.** For the moment, these perspectives seem unlikely to realize, which means that the **probability of RON's appreciation this year is fading.**

Talks of Greek exit skyrocketed the 5Y CDS which reached levels seen in Dec 2011, when talks of Greek bailout were intense; +100 bp in May



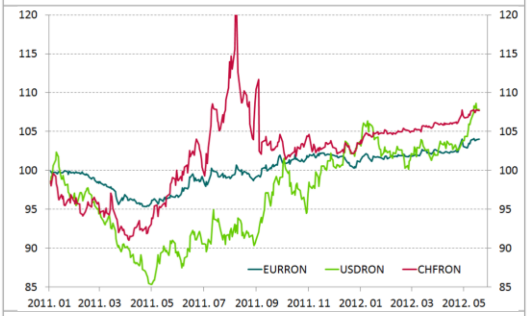
Sources: Reuters, OTP Research

FX BID

	Value		Weekly chg. (%)		YTD chg. (%)
EURRON	4,44	↑	0,12	↑	2,69
USDRON	3,47	↑	1,25	↑	5,08
CHFRON	3,70	↑	0,18	↑	4,06
JPYRON	4,40	↑	2,48	↑	1,92
PLNRON	1,02	↓	-2,07	↓	-1,17
HUFRON	1,49	↓	-2,71	↑	8,95
CZKRON	0,18	↑	0,34	↑	3,50
RUBRON	0,11	↓	-2,09	↑	8,89
RSDRON	0,04	↓	0,00	↑	0,00
BGNRON	2,27	↑	0,22	↑	2,84

Source: Reuters

Major RON FX rates (03.01.2011=100)

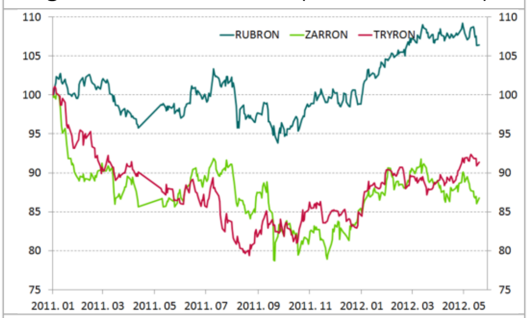


Sources: Reuters, OTP Research

Regional RON FX rates I. (03.01.2011=100)

Sources: Reuters, OTP Research

Regional RON FX rates II. (03.01.2011=100)



Sources: Reuters, OTP Research

Technical analysis – the daily chart of EUR/RON

Short-term trend	⇧	up
Long-term trend	⇧	up
Secondary resistance		4.60
Primary resistance		4.50
Primary support		4.35
Secondary support		4,22

The cross hit new all-time highs this week again. In case no responsive sellers step in (this would be indicated by an upper shadowed weekly candle, a bull trap), the weakening of the RON could speed up and the 4.50 round number resistance level could be reached.

Also note the bullish breakout from the prior range formed between 4.10 and 4.35; the upper boundary of this range (the breakout level) serves as support. This level is further strengthened by the advancing 20-week moving average. Any correction finding support at or above this level should be treated as a natural retest of the breakout.

Technical analysis: daily chart of EUR/RON

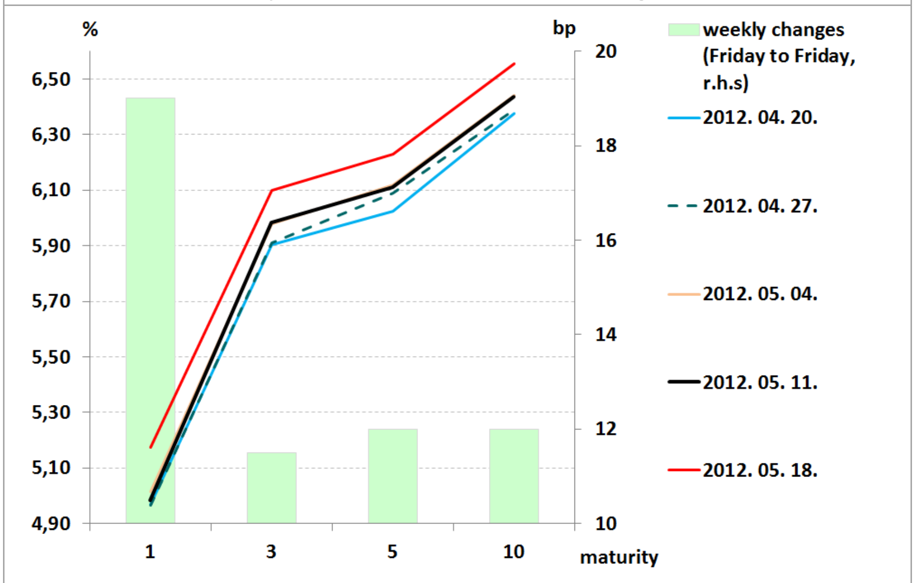
Sources: Reuters, OTP Research

Government securities: RON-denominated securities' yields jumped 11 bp to 26 bp; 5Y CDS rose but recovered partly this week

RON-denominated government securities' yields jumped from 11 bp to 26 bp last week. The advance in the 3Y and 5Y CDS level was much higher, of around 80 bp, reflecting a higher perceived country risk premium. The yield curve flattened as the short-end maturities saw the highest increases. The average daily volumes traded on the secondary market (and recorded by SaFIR) decreased to this year's low: 1.1 bn RON compared to the 2.5 bn RON traded the previous week. This could be explained by the fact that liquidity in the market was drying last week, as we could see from the jump in the ROBOR ON rate, therefore we may have seen a dropping demand, despite the lower prices**. If funding costs remain relatively high compared to previous months due to higher risk premiums, we see no reason for yields to drop in short term; to the contrary, they may be heading higher.** Year to date, they dropped by up to 121 bp (the case of 12M T-bills), following the lower funding cost induced by the cut in base rate operated by the Central Bank this year (-75 bp).

Last week, the spread to German bunds increased by 12 bp, to 592 bp (3Y maturity), in line with the deteriorated risk perception, but the maturity premium suffered no significant modification, as pointed by the 3Y-5Y spread. **For the moment, the country avoided a downgrade due to the new government's commitment to stick to the fiscal targets. However, the Greek exit would probably trigger a downgrade for the eurozone and for emerging market countries as well. In turn, this will push up the country risk premium and consequently the yields.** Last year (and this year too), Romania benefited from the increase in the sovereign rating by Fitch to the lowest investment grade rating, and from the base rate cuts as well.

Yield curve over the past weeks (Central Bank fixing)

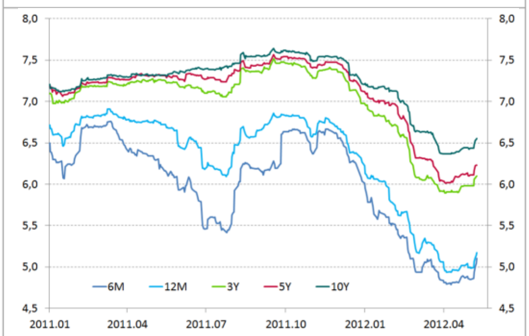


Sources: NBR, OTP Research

RON GOVERNMENT SECURITIES	Value	Weekly chg. (bp)	YTD chg. (bp)
6M	5,11	↑ 26	↓ -115
12M	5,18	↑ 19	↓ -121
3Y	6,10	↑ 11	↓ -104
5Y	6,23	↑ 12	↓ -102
10Y	6,56	↑ 12	↓ -78
EUR GOVERNMENT SECURITIES	**Value**	**Weekly chg. (bp)**	**YTD chg. (bp)**
6MRO0912DBE034	3,15	↑ 24	↓ -97
2YRO1013DBE014	4,28	↑ 10	↓ -105
SPREADS	**Value (bp)**	**Weekly chg. (bp)**	**YTD chg. (bp)**
GERROM 3Y	592	↑ 12	↓ -95
GERROM 5Y	569	↑ 12	↓ -81
GERROM 10Y	504	↑ 12	↓ -47
3Y -5Y	13	↑ 1	↑ 2
5Y -10Y	32	↓ 0	↑ 24
3Y-10Y	46	↑ 0	↑ 27
FLY 3-5-10	19	↓ -1	↑ 22
CDS MID SPREADS	**Value (bp)**	**Weekly chg. (bp)**	**YTD chg. (bp)**
3Y EURO	360	↑ 81	↓ -12
5Y EURO	396	↑ 79	↓ -6

Source: Reuters

Central bank benchmark fixing yields (%)

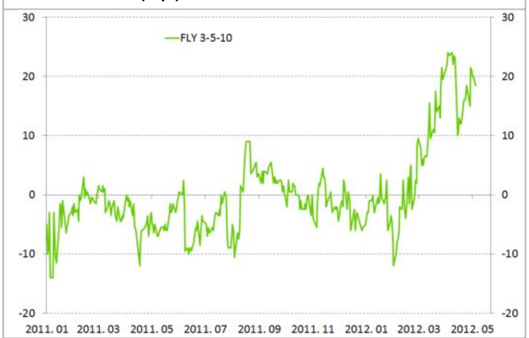


Sources: NBR, OTP Research

Slope of the yield curve (bp)

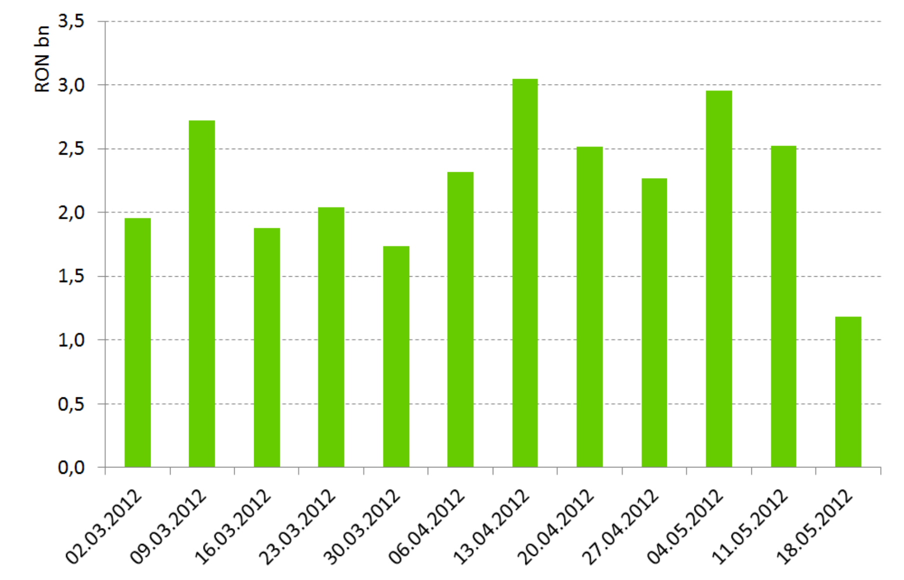
Sources: NBR, OTP Research

FLY 3-5-10 (bp)



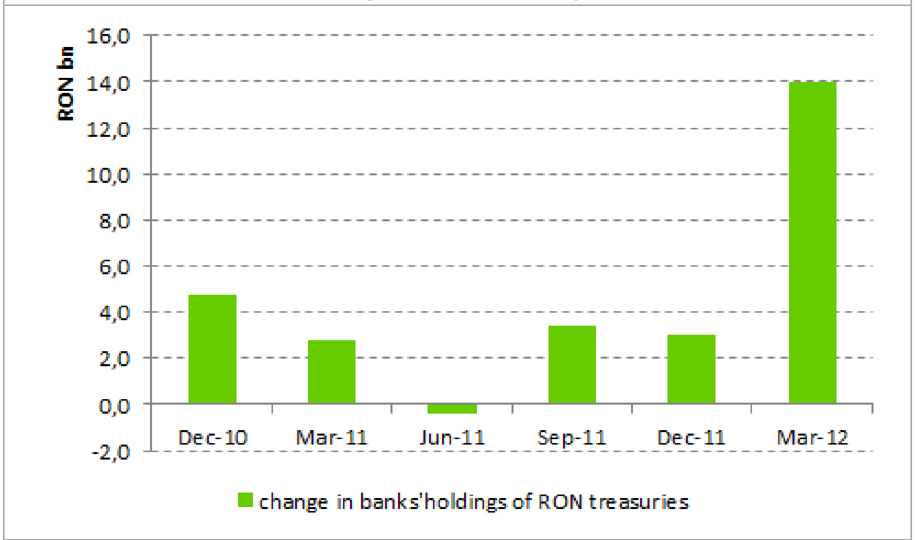
Sources: NBR, OTP Research

Average daily amount of RON denominated securities on the secondary market, in the past weeks



Sources: NBR, OTP Research

Banks increased their holdings of treasuries by 14 bn RON in Q1 2012



Sources: The Finance Ministry, OTP Research

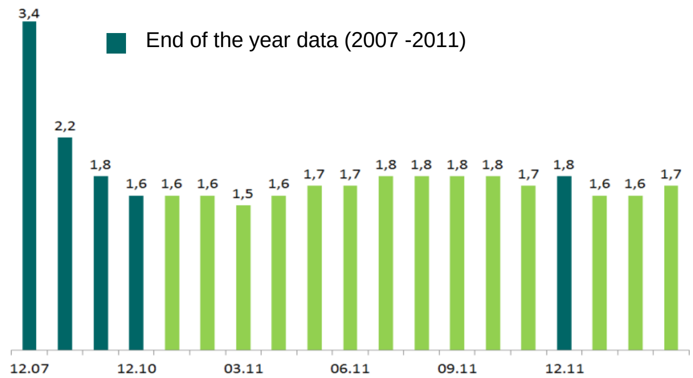
Auction results

The Treasury held two auctions last week, for 2Y and 5Y bonds. The offered amounts were 900 mn RON for the 2Y bonds and 650 mn RON for the 5Y ones. Demand was relatively high and the bid-to-cover ratio was 4.4 (2Y) and 1.99 (5Y). The average accepted yield for the 2Y bonds was 5.53%, only 3 bp higher than the previous auction in mid-April. However, the final sold amount stood at one third of the planned amount, as the Treasury struggles to keep the lending costs low. At Thursday's auction for the 5Y bonds, the Treasury sold more than the planned amount, and the average yield was almost unchanged from the previous similar auction: 6.15% compared to 6.14% at the end of April.

The message sent by the Treasury was apparently understood since the yield was almost unchanged. Banks probably prefer to invest in Treasuries, given that lending is weak and what is even more hurtful is that the perspectives for new lending flows are changing for the worse. Also, for the repo operations held by the Central Bank, banks need to bring collateral, another reason for demand from banks. They increased their holdings of Treasuries by 14 bn RON in Q1 2012 – an exceptional amount, thinking of historical data.

The Treasury announced that it intended to tap international markets again in the third quarter, where it can get cheaper financing. We look forward to the auctions announcement for June and see if the Treasury will continue to increase the bond weights in the planned amounts, given the pressure on the yields.

Remaining maturity of government securities



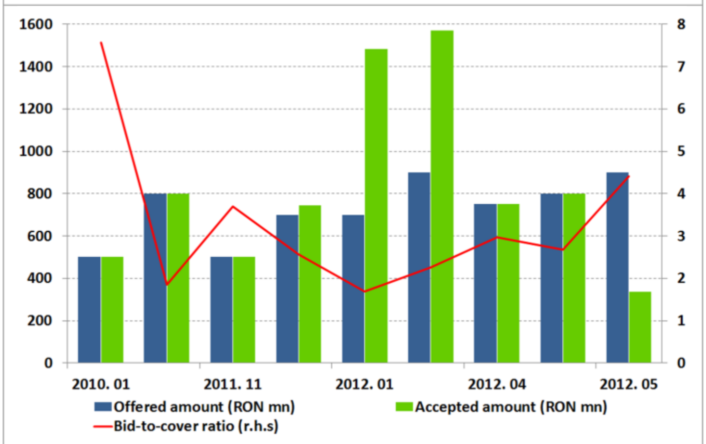
Source: Ministry of Finance, OTP Research
Note: the Eurobonds were not included

Summary of last week's auctions

	RO1214DBN027	RO1217DBN046
Offered amount (RON mn)	900	650
total bids (RON mn)	1477	1397
accepted amount (RON mn)	335	699
average accepted yield (%)	5,53	6,15
coupon	5,95	5,90

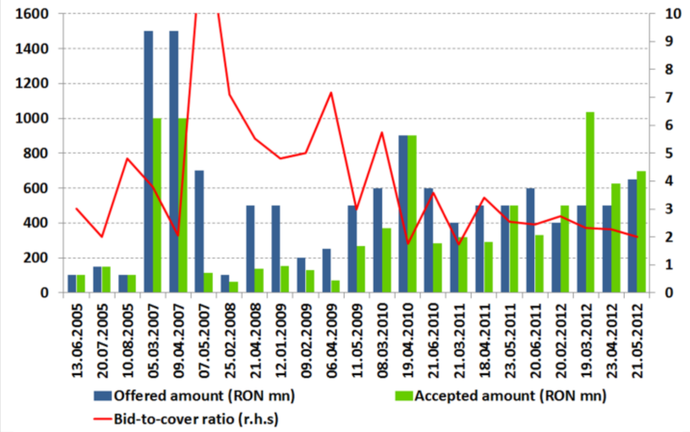
Source: Ministry of Finance, OTP Research

2Y auctions data



Sources: NBR, OTP Research

5Y auctions data



Sources: NBR, OTP Research

T–bills auction in May

ISIN	Auction date	Settlement date	Maturity	Months	Indicative target amount (RON)
RO1213CTN0B5	07.05.2012	09.05.2012	08.05.2013	12	750.000.000

Source: Ministry of Finance, OTP Research

Bonds auctions in May

ISIN	Auction	Settlement	Maturity	Years	Cupon %	Indicative target amount (RON)
RO1216DBN030	10.05.2012	14.05.2012	27.01.2016	4	5,75	1.000.000.000
RO1214DBN027	14.05.2012	16.05.2012	23.04.2014	2	5,95	900.000.000
RO1217DBN046	17.05.2012	21.05.2012	26.07.2017	5	5,9	650.000.000
RO1220DBN057	24.05.2012	28.05.2012	27.01.2020	7	5,85	500.000.000

Source: Ministry of Finance, OTP Research

T-Bills in RON, monthly maturity schedule (mn RON)

Q1 2012		Q2 2012		Q3 2012		Q4 2012	
Jan-12	4.341	Apr-12	4.391	Jul-12	3.716	Oct-12	4.475
Feb-12	2.459	May-12	4.030	Aug-12	1.902	Nov-12	2.676
Mar-12	4.012	Jun-12	3.275	Sep-12	3.053	Dec-12	1.713

Sources: Ministry of Finance, OTP Research

MM: Rates jumped up from 20 bp to 150 bp last week; higher repo amount pushed them lower this week

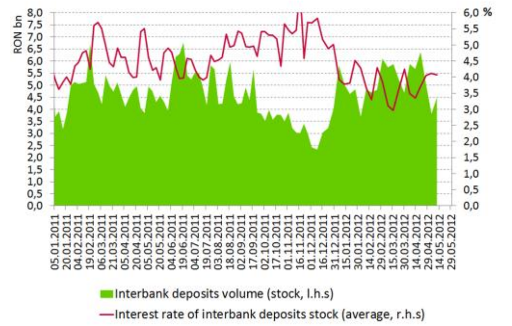
Last week, we saw significant increases in the money market rates. Rates went up from 20 bp to 150 bp. The increased tension due to drying liquidity was noticed in the level of the ON rate, which hit 5.63% last Friday, a level last witnessed in December 2012. Since then, the Central Bank had operated three base rate cuts cumulating 75 bp**. Liquidity dried as the repo amount injected at the Monday's repo was 1.1 bn RON lower than during the previous week.** We also looked at the interbanking deposits stocks which were down as well, by some 250 mn RON. These changes were enough to make the rates jump, cumulated with the increased risk perception.

However, this week the repo amount hit the highest level this year at 7.9 bn RON (2.5 bn RON more than last week) and the rates fell back to lower levels. Banks needed the extra liquidity also because the mandatory period of reserves building ends this week. However, **even if we saw decreases for the moment, after the mandatory period ends, we will probably see them jump.** As the Central Bank governor stated that the weekly repo came to substitute a decline in mandatory reserves ratio (for the RON liabilities with residual maturity lower than two years) from 15% to 10%, it automatically means that even if we were to see such a decision being taken by the NBR at the next Board Meeting on policy issues, it is not certain that we will also witness a significant decline in the MM rates: expectations are that the banks which mostly need the liquidity would swap the amounts and money would go to parent banks, therefore leaving them with a relatively higher need for liquidity than the rest of banks in the banking system. Besides the uncertain impact on the MM rates, we would additionally see pressure on the RON.

MID INTEREST RATES	Value (%)	Weekly chg. (bp)	YTD chg. (bp)
repo rate	5,25	→ 0	↓ -75
ROBOR ON	5,63	↑ 147	↑ 110
ROBOR 3M	5,45	↑ 97	↓ -60
ROBOR 6M	5,38	↑ 34	↓ -115
ROBOR 9M	5,39	↑ 26	↓ -122
ROBOR 1Y	5,43	↑ 22	↓ -123
REPO	**Value (mn RON)**	**Wly chg. (mn RON)**	**YTD chg. (mn RON)**
repo amount	5.438,8	-1053,4	-1272,2
INTERBANK DEPOSITS	**Value (mn RON)**	**Wly chg. (mn RON)**	**YTD chg. (mn RON)**
outstanding	4.246,1	-248,9	467,5
MID SWAP POINTS	**Value (bp)**	**Weekly chg. (bp)**	**YTD chg. (bp)**
USDRON 1W	38	↑ 14	↑ 14
USDRON 1M	141	↑ 50	↓ -9
USDRON 3M	352	↑ 91	↑ 105
EURRON 1W	47	↑ 36	↑ 6
EURRON 1M	190	↑ 85	↑ 45
EURRON 3M	538	↑ 107	↑ 28
MID EUR BASIS SWAPS	**Value (bp)**	**Weekly chg. (bp)**	**YTD chg. (bp)**
EURRON 1Y	-130	→ 0	→ 0
EURRON 3Y	-130	→ 0	↑ 25
EURRON 5Y	-130	→ 0	↓ -10

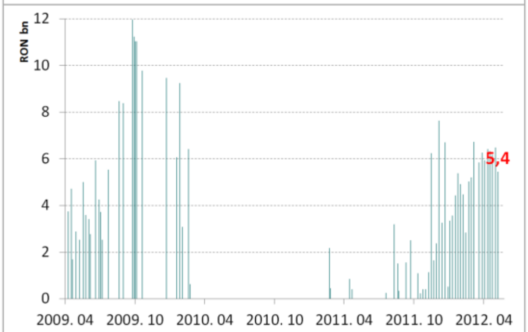
Source: Reuters

Interbank deposits (stock) and average interest rate



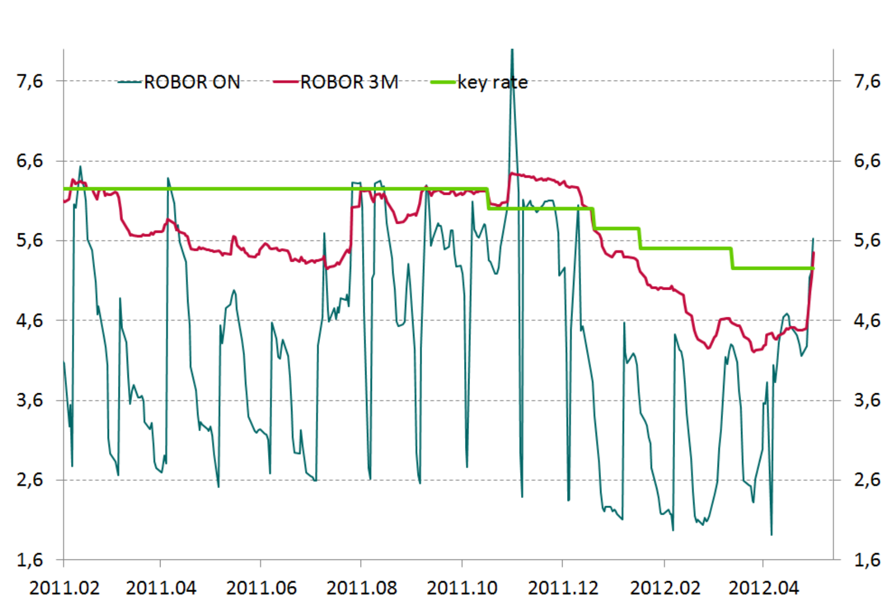
Sources: NBR, OTP Research

Repo operations during 2009 -2012



Sources: NBR, OTP Research

Most important MM instruments from 2011 (%)



Sources: NBR, OTP Research

Disclaimer

OTP Bank Romania S.A. does not intend to present this document as an objective or independent explanation of the matters contained therein. This document a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This communication does not contain a comprehensive analysis of the described issues. This report is issued for information purposes only and should not be interpreted as a suggestion, an invitation or an offer to enter into any transaction, as an investment advice, and it does not constitute legal, tax or accounting advice. Also it is not and should not be considered a recommendation for investment in financial instruments according to C.N.V.M. Regulations no. 15/2006 and 32/2006.

Information herein reflects current market practices. Additional information may be available on request. This document is intended only for the direct and sole use of the selected customers of OTP Bank Romania S.A. Any form of reproduction or redistribution to any other person that the intended recipients, including publication in whole or in part for any purpose, must not be made without the express agreement of OTP Bank Romania S.A.

Although the information in this document has been prepared in good faith from sources which OTP Bank Romania S.A. believes to be reliable, we do not represent or warrant its accuracy and such information may be incomplete or condensed. The issuer of this report does not claim that the information presented herein is perfectly accurate or complete. However it is based on sources available to the public and widely believed to be reliable. Also the opinions and estimates presented herein reflect a professional subjective judgment at the original date of publication and are therefore subject to change thereafter without notice. Furthermore there can be no guarantees that any market developments will unfold as forecasted. Opinions and estimates constitute our judgment and are subject to change without notice.

OTP Bank Romania S.A. may have issued reports that are different or inconsistent with the information expressed within this report and is under no obligation to update or keep current the information contained herein.

OTP Bank Romania S.A. may hold a position or act as market maker in the financial instrument of any issuer discussed herein or act as advisor or lender to such issuer. This document is not intended to provide the basis for any evaluation of the financial instruments discussed herein. In particular, information in this document regarding any issue of new financial instruments should be regarded as indicative, preliminary and for illustrative purposes only, and evaluation of any such financial instruments should be made solely on the basis of information contained in the relevant offering circular and pricing supplement when available. OTP Bank Romania S.A. does not act as a fiduciary for or an advisor to any prospective purchaser of the financial instruments discussed herein and is not responsible for determining the legality or suitability of an investment in the financial instruments by any prospective purchaser.

This report is not intended to influence in any way or to be considered a substitute to research and advice centered on the specific investment objectives and constraints of the recipient (including tax concerns) therefore investors should obtain individual financial advice. Before purchasing or selling financial instruments or engaging investment services, please examine the prospectuses, regulations, terms, agreements, notices, fee letters, and any other relevant documents regarding financial instruments or investment services described herein in order to be capable of making a well-advised investment decision. Please refer to your competent adviser for advice on the risks, fees, taxes, potential losses and any other relevant conditions before you make your investment decision regarding financial instruments or investment services described herein. OTP Bank Romania S.A. in compliance with the applicable law, assumes no responsibility, obligation, warranty or guarantee whatsoever for any direct or indirect damage (including losses arising from investments), or for the costs or expenses, detrimental legal consequences or other sanctions (including punitive and consequential damage) sustained by any natural or legal person as a result of the purchase or sale of financial instruments or engaging investment services described herein, even if OTP Bank Romania S.A. was warned of the possibility of such occurrences.

Figures described herein refer to the past and past performance is not a reliable indicator of future results.

Please note that the Internet is not a secure environment and OTP Bank Romania S.A. does not accept any liability for any loss caused by the result of using this report in a form altered or delayed by the willful or accidental interception, corruption or virus infection.

This document has been provided to the recipients upon their prior request. Your abovementioned permission may be withdrawn by an e-mail addressed to mihaela.neagu@otpbank.ro or a written mail addressed to OTP Bank Romania S.A , Buzesti Street, no. 66-68, 1st sector Bucuresti, Romania. Please refer to your name and e-mail address in both cases.