

## Treasury Sales Team

**Alina Elena Vrabioiu**

+4021 307 58 17

alina.vrabioiu@otpbank.ro

**Irina Ananiese**

+4021 307 58 17

irina.ananiese@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

# Weekly Report

## Romania

11 January 2013



## Romanian assets enjoyed more gains this week

### Macroeconomics: Retail trade and constructions were up on a monthly basis, but industry declined in November; inflation rose to 5% YoY in December from 4.6% in November (Page 3-5)

Retail trade rose by 1.9% MoM (seasonally adjusted data) and by 3.1% YoY in November, in line with lower unemployment (6.7% compared to 6.9% during the previous month) and improved consumer confidence. Industrial production declined by 1% YoY and by 0.8% MoM (seasonally adjusted). In December, according to the survey published by NBR, we expect an improvement of industrial production on a seasonally adjusted basis. In November only, exports continued to rise (+0.9% YoY, based on figures in EUR) while imports marked an abrupt decline: -9.5% YoY despite the fact that the leu was stronger against the euro. In December, inflation rose to 5% YoY (+0.6% MoM) from 4.6% YoY due to the hike in foods' prices of 6.2% YoY. The inflation target was therefore missed by 1%. In November, constructions advanced by 1.4% YoY and 5.1% MoM (seasonally adjusted data). On a seasonally adjusted basis, October and November have been two very good months.

### FX markets: The leu appreciates as foreigners' interest in Romanian government securities continues (Page 6)

The leu gained 1.1% this week and 1.7% YTD as foreigners' interest in Romanian government securities remained strong. The Treasury continued to sell another 4 bn RON this year and announced an indicative amount of up to 20 bn RON in Q1 2013. This means that in the short run there is still room for the leu's appreciation in Q1 2013, given the amount that there is still to be sold and the manifested high interest.

### Government securities: The Treasury continues to pay lower yields (Page 7-8)

This week, yields have fallen 11 to 20 bp, especially at the short end of the curve. However, if liquidity will start decreasing it is likely to see yields at the short end of the curve rising again. There were three auctions this week and the Treasury sold 4 bn RON at lower yields (between 11-33 bp). The highest demand was for 3Y bonds (5.3 bn RON) and the highest yield decline was at the 2Y bond auction (33 bp). Next week, it announced an auction for 150 mn EUR for 3Y bonds.

### MM: The base rate was kept at 5.25%; CB still sees risks to inflation but expects it to enter the targeted interval in 2013 (Page 9-10)

This week was the 12<sup>th</sup> consecutive week when liquidity was capped. At the monetary policy meeting this week, the base rate was kept at 5.25%, as it was broadly expected. The Central Bank states that risks to inflation still exist and they stem from the internal environment, from the volatile capital, administrative prices and volatile prices. We believe that the CB is likely to inject more money into the banking system only after core2 adjusted inflation shows a stable decline from current levels and we bear in mind that the CB forecasts inflation to be at its annual peak in Q2 2013.

#### 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  
epichgyo@otpbank.hu

**Szilárd Kondora**  
+36 1 374 7275  
kondoras@otpbank.hu

**Bálint Szaniszló**  
+36 1 374 7271  
szaniszl@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

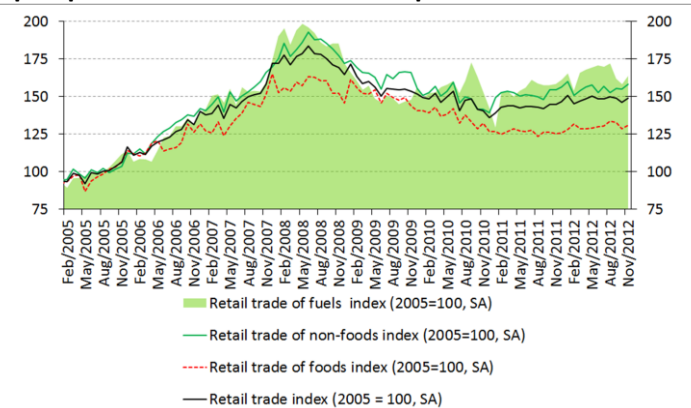
**András Salamon**  
+36 1 374 7225  
salamona@otpbank.hu

**Macroeconomics: Retail trade and constructions were up on a monthly basis, but industry declined in November; inflation rose to 5% YoY in December from 4.6% in November**

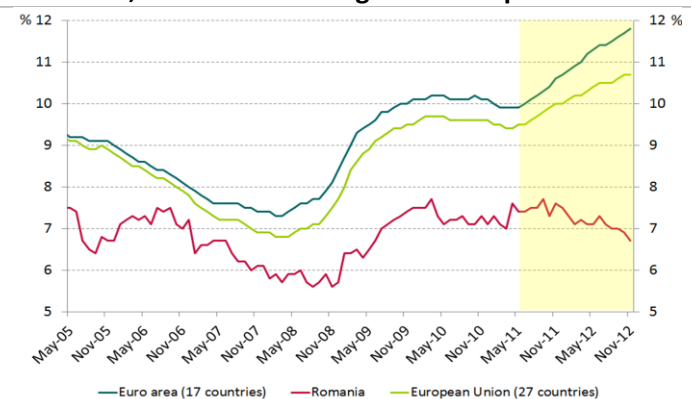
PERIOD		INDICATOR	FACT	CONSENSUS	PRIOR
04 Jan	Nov	Producer Price Index (YoY, %)	5,4		6,8
07 Jan	Jan	Base rate decision (%)	5,25	5,25	5,25
08 Jan	Nov	Retail trade turnover index (y-o-y, %)	3,1		2,1
08 Jan	Nov	ILO unemployment (%)	6,7		6,9
09 Jan	Nov	Exports (y-o-y, %)	-0,9		1,4
09 Jan	Nov	Imports (y-o-y,%)	-9,5		7,9
09 Jan	Nov	Industrial trade turnover index (y-o-y, %)	4,6		9,6
09 Jan	Nov	Index value of new orders in manufacturing (y-o-y, %)	-10,4		16,8
09 Jan	Q3 2012	GDP growth rate ( y-o-y, %, gross, revision)	-0,5		-0,6
10 Jan	Nov	Industrial Production Index (y-o-y, %)	-1,0		4,0
11 Jan	Nov	Construction works index (y-o-y, %)	1,4		-2,2
11 Jan	Nov	Net wage growth rate ( y-o-y, %)	5,6		6,5
11 Jan	Dec	Consumer price index (y-o-y,%)	5,0	4,6	4,6
18 Jan	Nov	CA balance (EUR mn, YTD)			-4342

**Retail trade rose by 1.9% MoM (seasonally adjusted data) and by 3.1% YoY in November.** The monthly hike is supported by the increase of 1.9% MoM each of foods and non-foods trade. Meanwhile, **fuels jumped the most, by 3.5% MoM** after they had been declining for two consecutive months as fuel prices rose (in September). We notice that in November, ILO unemployment had fallen marginally. Also, the consumers' confidence was stronger, helped as well by the expected promised hike in public employees' wages of 7.4% in December. **Looking at retail trade indicator's prospects for December, the survey published by the European Commission points to a further improvement which means that retail trade had a positive influence on GDP growth in Q4 2012.** The impact of the state employees' wage hike should be felt more in Q1 2013, compared to the previous quarter.

**Unemployment rate fell to 6.7% in November compared to 6.9% recorded during the previous month.** The number of the unemployed has been continuously decreasing (based on seasonally adjusted data) since June 2012. At the same time, **total employment increased in Q2 and Q3 2012** (ILO definition). In September, total employment stood at 9.5 mn people out of which the number of employees was 6.3 mn. Meanwhile, official statistics recorded 4.3 mn employees in September. According to official statistics most of the added jobs during the first 9M where in industry and constructions (36-39 thousand), followed by hotels& restaurants and agriculture. Jobs were lost in financial services, insurance and in the public sector.

**Retail trade rose by 2% MoM in November and prospects for December are also positive**


Source: NIS, OTP Research

**Unemployment rate fell to 6.7% in November; Since mid-2011, it started to diverge from EU pattern**


Source: Eurostat, European Commission, OTP Research

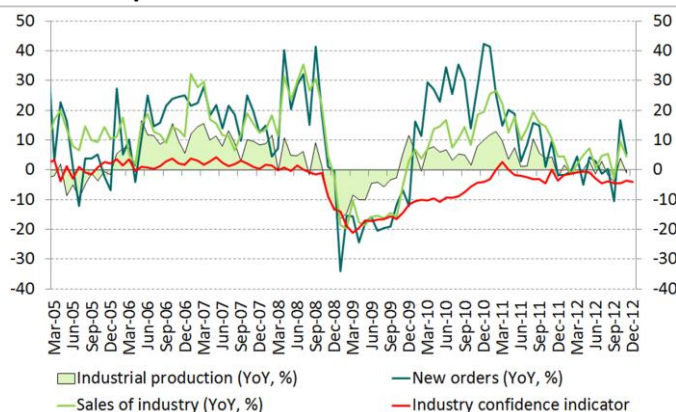
**Industrial production declined by 1% YoY and by 0.8% MoM (seasonally adjusted).** Main impact on the annual evolution came from production of electricity, gas, steam and air conditioning industries which declined by 3.6% YoY followed by the decline in manufacturing: -0.9% YoY. Looking at some industries that are represented in exports, we see that on a seasonally adjusted basis, manufacturing of transport equipment saw a monthly advance, same as manufacturing of wood, textiles, wearing apparel and leather. On the other hand foods and beverage production declined; also down was manufacturing of chemical products, rubber & plastic products; same pattern was followed by manufacturing of computer, electronic and optical products and manufacture of fabricated metal products (except machinery and equipment). **In December, according to the survey published by NBR, we expect an improvement of industrial production on a seasonally adjusted basis.** Up to now, in Q4 production has fallen in two consecutive months: October (-0.4% MoM) and November (-0.8% MoM).

**During the first 11M, the trade gap stood at 8.7bn EUR, higher by 69 mn EUR compared to the previous year.** During the first 11M we noticed an increased share of machines and transportation equipment in total exports, compared to the first 10M, to the detriment of other manufactured products. **In November only, exports continued to rise (+0.9% YoY, based on figures in EUR) while imports marked an abrupt decline: -9.5% YoY despite the fact that the leu was stronger against the euro.**

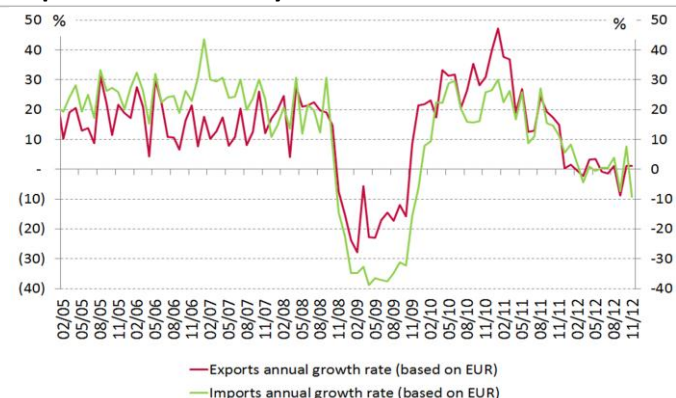
**In December, inflation rose to 5% YoY (+0.6% MoM) from 4.6% YoY due to the hike in foods' prices of 6.2% YoY. The inflation target was therefore missed by 1%. Core2 adjusted inflation remained unchanged for the third month in a row at 3.3% YoY.** During the month, some volatile items and administered prices posted hikes: vegetables' prices were up 5.4% MoM, eggs 4.85% MoM and electric energy by 7.25% MoM.

**In November, constructions advanced by 1.4% YoY and 5.1% MoM (seasonally adjusted data). On a seasonally adjusted basis, October and November have been two very good months.** In November, civil engineering works climbed 11.6% MoM (seasonally adjusted) after two months of consecutive declines. Given the observed budget deficit in the first 10M (1.2%, cash basis), there was fiscal space for public investment. Non-residential buildings' constructions had an uptake of 8.7% MoM (s.a) posting the third consecutive monthly hike. Only residential buildings construction slid down in the month (-1.2% MoM, s.a).

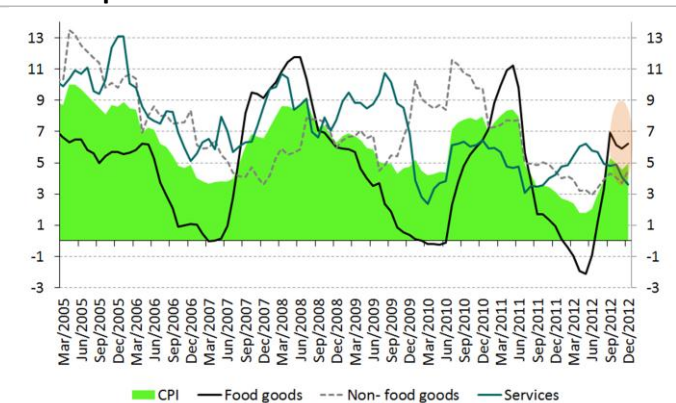
**Net average wages rose by 5.6% YoY in November, compared to 6.5% YoY in October.**

**Industrial production declined 1% YoY in November**


Source: NIS, European Commission, OTP Research

**Imports were down by 9.5% YoY in November**


Source: NIS, European Commission, OTP Research

**Inflation rose to 5% YoY in December due to increase in food prices**


Source: NIS, 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%	0,0%	1,5%
Households consumption expenditure	12,9%	12,0%	9,0%	-10,4%	-0,4%	1,4%	0,8%	2,0%
Government consumption	-11,5%	2,5%	6,2%	9,5%	-10,0%	-3,4%	-1,4%	1,5%
Gross fixed capital formation	19,9%	30,3%	15,6%	-28,1%	-2,1%	6,3%	11,0%	5,2%
Exports	10,4%	7,8%	8,3%	-6,4%	14,0%	9,9%	-3,0%	-0,4%
Imports	22,6%	27,3%	7,9%	-20,5%	11,9%	10,5%	-0,2%	1,6%
Consumer prices (avg.)	6,6%	4,8%	7,8%	5,6%	6,1%	5,8%	3,0%	4,1%
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%	35,0%	36,6%
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	-6,1	-6,6
Unemployment	7,3%	6,4%	5,8%	6,9%	7,3%	7,4%	7,1%	6,9%
Nominal wage growth	18,4%	21,8%	26,1%	4,8%	3,1%	4,1%	4,5%	4,4%
Real wage growth	9,0%	14,7%	16,5%	-1,5%	-3,7%	-1,9%	1,5%	0,3%
Key interest rate (avg.)	8,6%	7,5%	9,7%	9,1%	6,5%	6,2%	5,33%	5,25%
Key interest rate (e.o.p.)	8,8%	7,5%	10,3%	8,0%	6,3%	6,0%	5,25%	5,25%
EUR/RON (avg.)	3,52	3,34	3,68	4,24	4,21	4,24	4,45	4,47
EUR/RON (e.o.p.)	3,38	3,61	3,99	4,23	4,28	4,32	4,50	4,43

Source: Eurostat, OTP Research

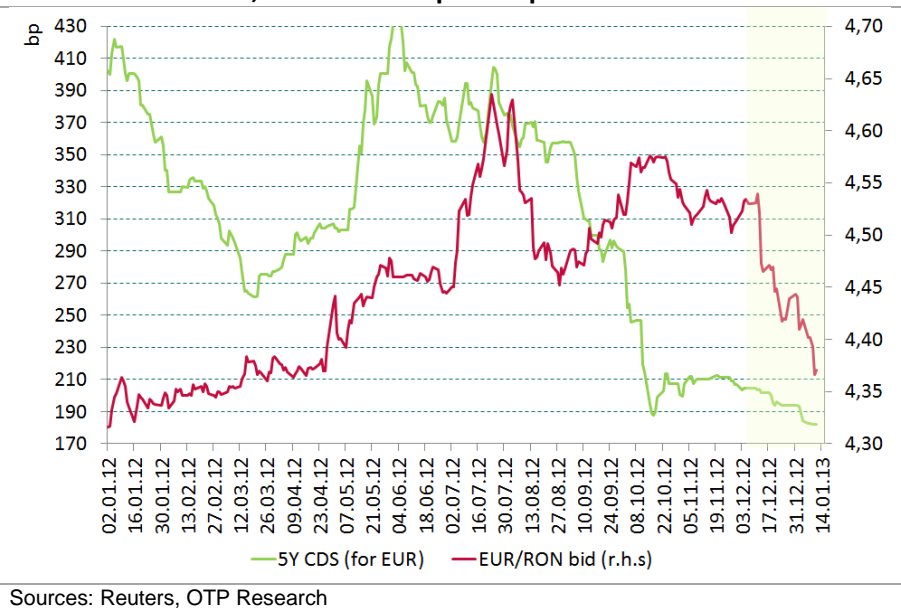
**FX markets: The leu appreciates as interest in Romanian government securities continues**

The leu gained 1.1% this week and 1.7% YTD as foreigners' interest in Romanian government securities remained strong. Post elections, the more clear picture prompted foreigners to look for the relatively high yields of government securities. The perspective of a new agreement with the IMF is reassuring in what concerns the risk of default of these securities. After having sold 8.1 bn RON in December and ensured even the 4M liquidity buffer (looking at RON debt), **the Treasury continued to sell another 4 bn RON this year and announced an indicative amount of up to 20 bn RON in Q1 2013. This means that in the short run there is still room for the leu's appreciation in Q1 2013, given the amount that there is still to be sold and the manifested high interest.**

The Central Bank (CB) is likely to allow further appreciation, given that the peak of inflation is estimated to be in Q2 2013: the CB forecasts 5.1% YoY in March and 5.6% YoY in June. However, the CB may not favor an extreme appreciation given that the capital entering the country is volatile, therefore the gains recorded by the leu can be easily reversed (as in Q1 2011 when there were high volatile inflows from non residents' buying of government debt). Therefore, in order to anchor inflation expectations, a smoother path of the leu may be preferred.

On Thursday, the Government presented the 2013 budget. Local newspaper Ziarul Financiar made public some of the figures. Main assumptions are a GDP growth rate of 1.8% YoY, revenues of 207 bn RON (+5% YoY) and expenditures of 220 bn RON (+3.7% YoY). Expenditures with pensions increase by 4% YoY. Expenditures with wages for the public employees are up by 12% YoY. **The planned deficit is 2.1%, higher than what it was agreed with the IMF for 2013, 1.8% respectively.** For the moment, this upward change is neutral for the leu and more positive impact comes from the prospect of another agreement with the IMF. An IMF mission will be in Bucharest between 15<sup>th</sup> – 29<sup>th</sup> January for the 7-8<sup>th</sup> evaluation of the stand-by agreement.

**The leu appreciates as non-residents' interest in Romanian government securities continues; the 5Y CDS improved post elections**

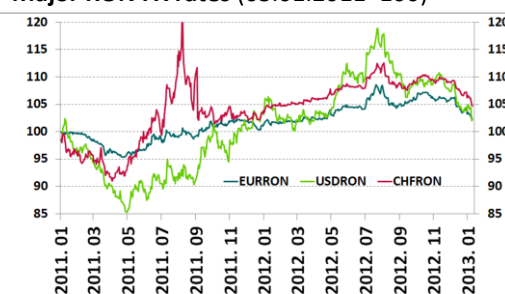


Last data: 10.01.2013

FX BID				
	Value		Weekly chg. (%)	YTD chg. (%)
EURRON	4,37	↓	-1,09	↓ -1,73
USDRON	3,29	↓	-2,77	↓ -2,32
CHFRON	3,60	↓	-1,41	↓ -2,18
RONJPY	3,72	↓	-4,08	↓ -4,19
RONPLN	1,07	↓	-0,91	↑ 16,71
100HUFRON	1,49	↓	-2,58	↓ -2,46
RONCZK	0,17	↓	-2,46	↓ -3,79
RONRUB	0,11	↓	-2,47	↓ -1,10
RONRSD	0,04	↓	-1,01	↓ -1,41
RONBGN	2,23	↓	-1,08	↓ -1,74

Source: Reuters

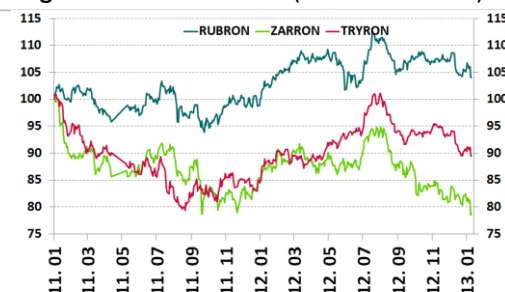
Major RON FX rates (03.01.2011=100)



Regional RON FX rates I. (03.01.2011=100)



Regional RON FX rates II. (03.01.2011=100)



## Government securities: The Treasury continues to pay lower yields

This week, yields have fallen 11 to 20 bp, especially at the short end of the curve. This is in line with lower yields seen on the primary market and with better liquidity conditions compared to the previous week. Also, investors' perception towards Romania improved post elections. The 5Y CDS (euro contracts) declined by 22 bp. The spread to German bunds also declined 12 bp (5Y). **However, if liquidity will start decreasing** (given that significant amounts of RON has already been swallowed by the Treasury and that companies have to pay quarterly taxes this month) **it is likely to see yields at the short end of the curve rising again.**

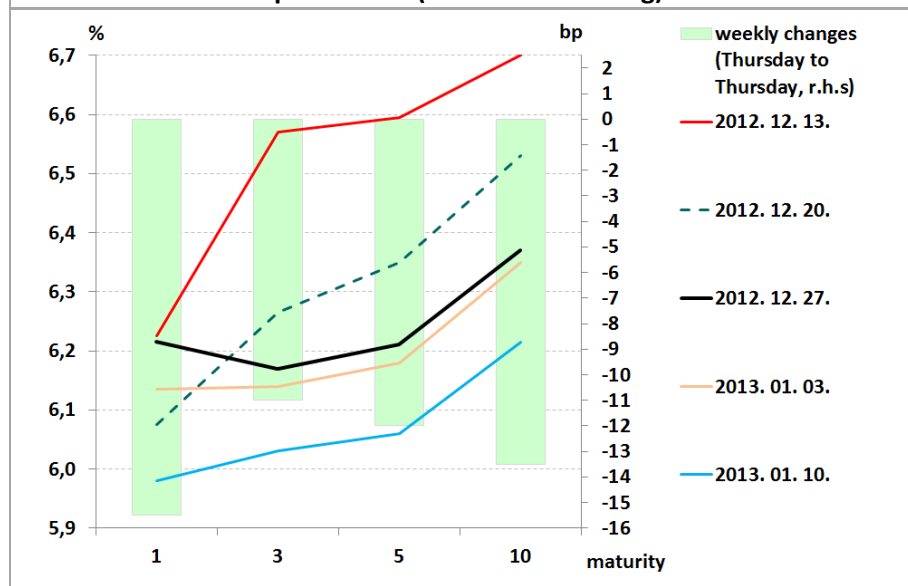
Last data: 10.01.2013

RON GOVERNMENT SECURITIES				
	Value (%)	Weekly chg. (bp)	YTD chg. (bp)	
6M	5,94	↓ -20	↓ -20	
12M	5,98	↓ -15	↓ -15	
3Y	6,03	↓ -11	↓ -11	
5Y	6,06	↓ -12	↓ -12	
10Y	6,22	↓ -14	↓ -14	

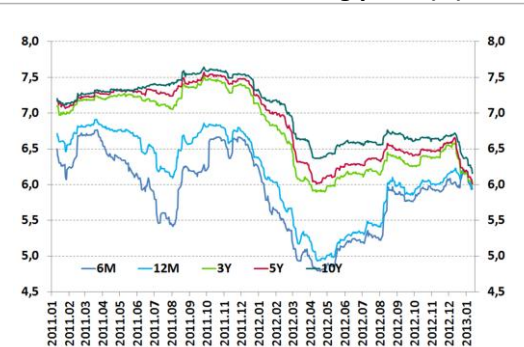
SPREADS				
	Value (bp)	Weekly chg. (bp)	YTD chg. (bp)	
GERROM 3Y	592	↓ -11	↓ -14	
GERROM 5Y	562	↓ -12	↓ -16	
GERROM 10Y	475	↓ -14	↓ -16	
3Y-5Y	3	↓ -1	↓ -1	
5Y-10Y	15	↓ -2	↓ -2	
3Y-10Y	19	↓ -2	↓ -2	
FLY 3-5-10	12	↓ -1	↓ -1	

CDS MID SPREADS				
	Value (bp)	Weekly chg. (bp)	YTD chg. (bp)	
3Y EURO	124	↓ -6	↓ -12	
5Y EURO	182	↓ -7	↓ -12	

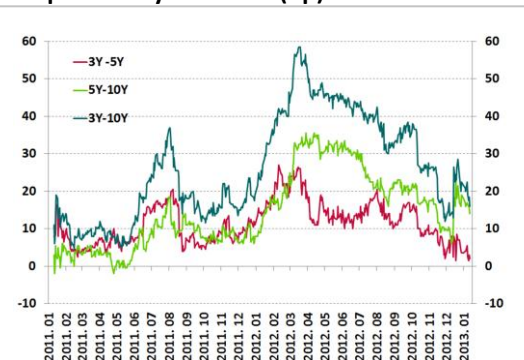
Source: Reuters

**Yield curve over the past weeks (Central Bank fixing)**


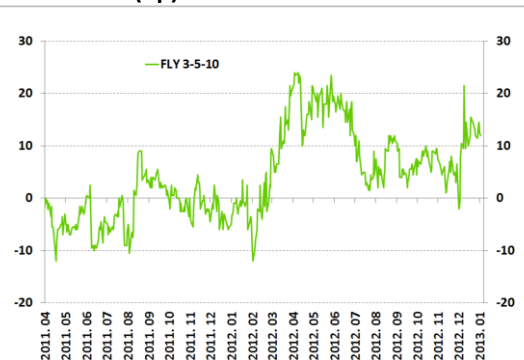
Source: NBR, OTP Research

**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

## Auctions

There were three auctions this week and the Treasury sold 4 bn RON at lower yields (between 11-33 bp). The highest demand was for 3Y bonds (5.3 bn RON) and the highest yield decline was at the 2Y bond auction (33 bp). On Monday, there were two auctions for 12M T-bills and 2Y bonds. The Treasury sold 1.1 bn RON in 12M T-bills at an average accepted yield of 6.06% compared to 6.24% in Mid December. The demand was 3.4 times higher than the offered amount. The 2Y bond average accepted yield was 6.11% compared to 6.44% in Mid December. On Thursday, there was an **exceptional demand for bonds with a residual maturity of 36 months: total bid amount stood at 5.3 bn RON, which is 8.77 times higher than the planned amount.** The average accepted yield stood at 6.03%, 11 bp lower than the one at the similar tender in Mid-December.

Romania plans to sell 18-20 bn RON in debt in Q1 2013. For **next week, it announced an auction for 150 mn EUR for 3Y bonds.** For the entire year, it plans to sell 2.5 bn EUR. This year, Romania has to repay 1.8 bn EUR in euro denominated bonds coming to maturity this year (500 mn EUR in August and 1.3 bn EUR in November). Also, payments to the IMF (principal and interest) amount to 5 bn EUR.

### This week's auction results (RON denominated)

	RO1214DBN068	RO1314CTN011	RO1216DBN030
Offered amount (RON mn)	800	500	600
total bids (RON mn)	1526	1696	5263
accepted amount (RON mn)	1061	1090	1826
average accepted yield (%)	6,11	6,06	6,03
coupon	5,80	-	5,75

Source: NBR, OTP Research

### T-Bills auction in January (in RON)

ISIN	Auction date	Settlement date	Maturity	Months	Indicative target amount (RON)
RO1314CTN011	07.01.2013	09.01.2013	08.01.2014	12	500.000.000
RO1314CTN029	14.01.2013	16.01.2013	15.01.2014	12	500.000.000
RO1313CTN039	21.01.2013	23.01.2013	24.07.2013	6	300.000.000

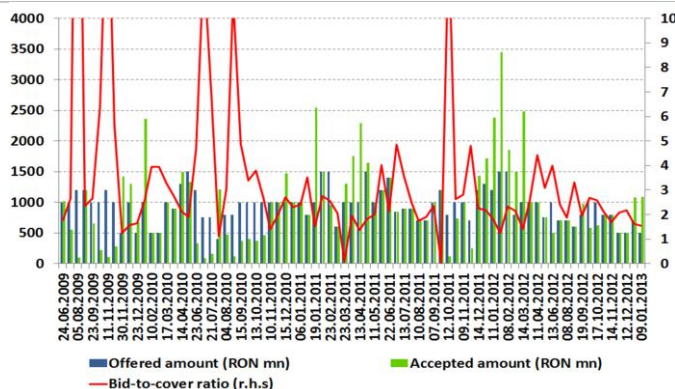
Source: Ministry of Finance, OTP Research

### Bonds auctions in January (in RON)

ISIN	Auction	Settlement	Maturity	Years	Coupon %	Indicative target amount (RON)
RO1214DBN068	07.01.2013	09.01.2013	28.07.2014	2	5,85	800.000.000
RO1216DBN030	10.01.2013	14.01.2013	27.01.2016	4	5,75	600.000.000
RO1215DBN073	14.01.2013	16.01.2013	26.10.2015	3	5,80	600.000.000
RO1217DBN046	17.01.2013	21.01.2013	26.07.2017	5	5,90	500.000.000
RO1323DBN018	24.01.2013	28.01.2013	26.04.2023	10	5,85	600.000.000

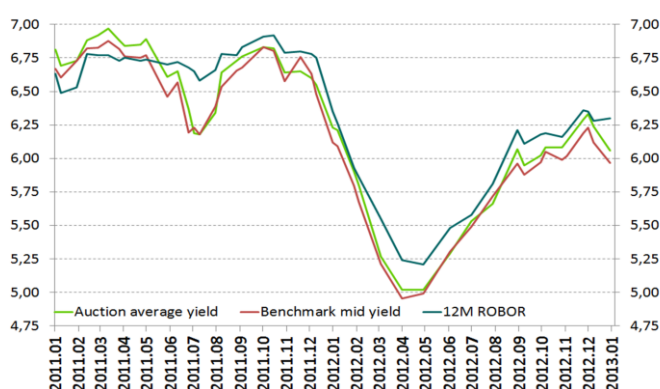
Sources: Ministry of Finance, OTP Research

### 12M Auctions data



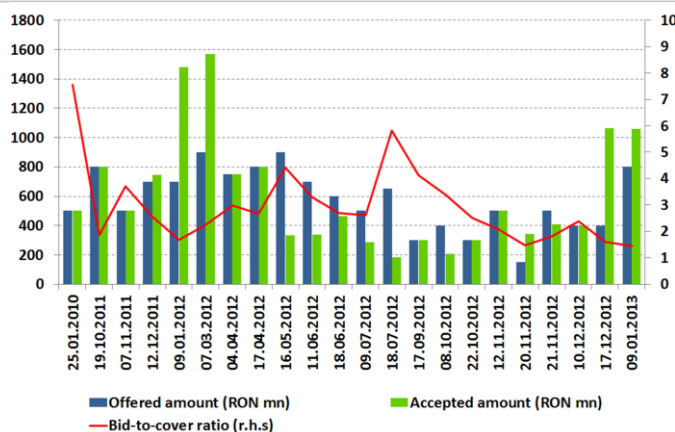
Sources: NBR, OTP Research

### 12M Interest rates



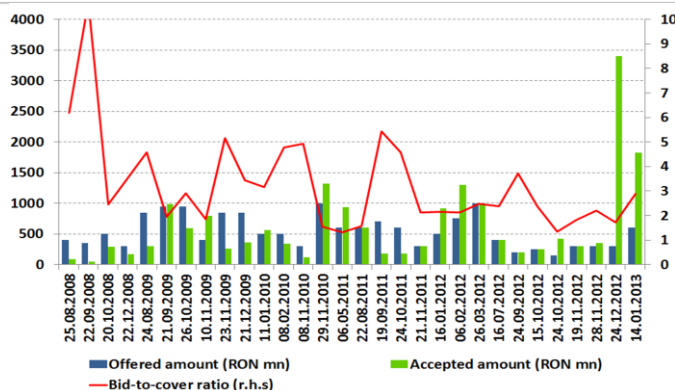
Sources: NBR, OTP Research

### 2Y Auctions data



Sources: NBR, OTP Research

### 3Y Auctions data



Source: NBR, OTP Research



**MM: The base rate was kept at 5.25%; CB still sees risks to inflation but expects it to enter the targeted interval in 2013**

This week was the 12<sup>th</sup> consecutive week when liquidity was capped. Allocation rate was among the lowest this time, at 16% and the total allotted amount remained again at 4 bn RON. At the monetary policy meeting this week, **the base rate was kept at 5.25%, as it was broadly expected.** The Central Bank observed that Core2 adjusted inflation rate (CPI excluding administered prices, volatile prices, tobacco and alcohol) stagnated in November as opposed to the hikes witnessed in the previous months. Also, lending has slowed down all over in Europe (not only in Romania) so in our view the CB acknowledges that some support from the monetary policy would be in order. However, **the Central Bank states that risks to inflation still exist and they stem from the internal environment, from the volatile capital, administrative prices and volatile prices.** Also, the CB sees inflation entering the targeted interval (1.5% YoY - 3.5% YoY) by the end of the year. **We believe that the CB is likely to inject more money into the banking system only after core2 adjusted inflation shows a stable decline from current levels.** Even if the leu has strengthened now, the capital that has entered the market is volatile and therefore the opposite could happen to the leu. Also, in CB's view, the peak of inflation will be in the Q2 2013 so we believe there are few chances of monetary policy relaxation before.

Last data: 10.01.2013

MID INTEREST RATES			
	Value (%)	Weekly chg. (bp)	YTD chg. (bp)
repo rate	5,25	↔ 0	↔ 0
ROBOR ON	5,80	↓ -33	↓ -58
ROBOR 3M	5,96	↓ -7	↓ -7
ROBOR 6M	6,20	↓ -8	↓ -8
ROBOR 9M	6,22	↓ -6	↓ -6
ROBOR 1Y	6,25	↓ -4	↓ -6

REPO			
	Value (mn RON)	Wly chg. (mn RON)	YTD chg. (mn RON)
repo amount	3.993,1	-2,2	-

INTERBANK DEPOSITS			
	Value (mn RON)	Wly chg. (mn RON)	YTD chg. (mn RON)
outstanding	3.928,1	1093,5	1026,7

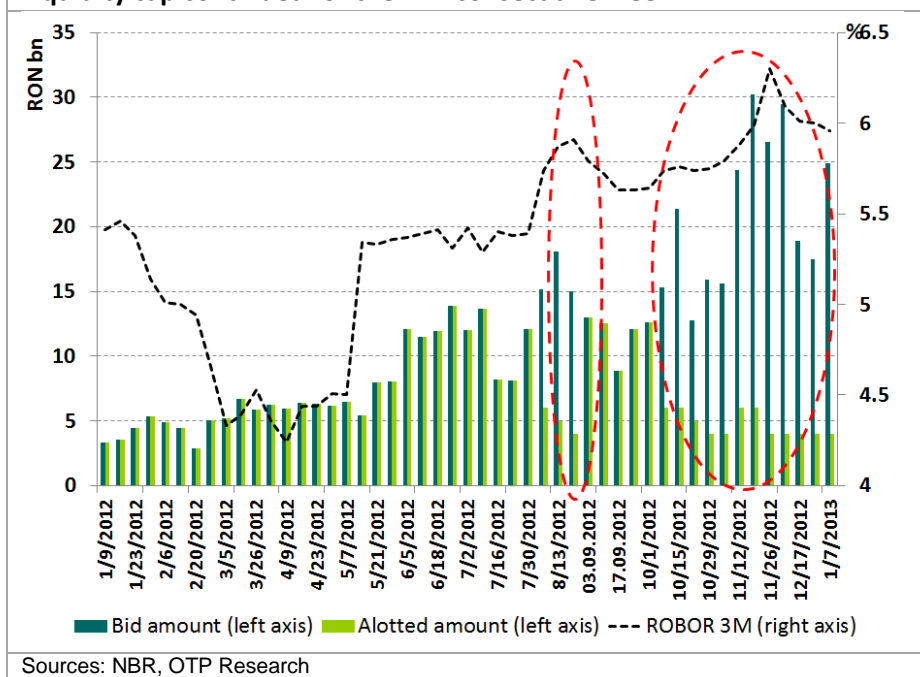
MID SWAP POINTS			
	Value (bp)	Weekly chg. (bp)	YTD chg. (bp)
USDRON 1W	45	↑ 7	↑ 20
USDRON 1M	157	↑ 16	↑ 8
USDRON 3M	383	↓ -7	↑ 137
EURRON 1W	35	↓ -5	↓ -6
EURRON 1M	151	↓ -6	↑ 6
EURRON 3M	612	↓ -27	↑ 101

MID EUR BASIS SWAPS			
	Value (bp)	Weekly chg. (bp)	YTD chg. (bp)
EURRON 1Y	-70	↔ 0	↑ 85
EURRON 3Y	-70	↔ 0	↑ 85
EURRON 5Y	-70	↔ 0	↑ 80

Source: Reuters

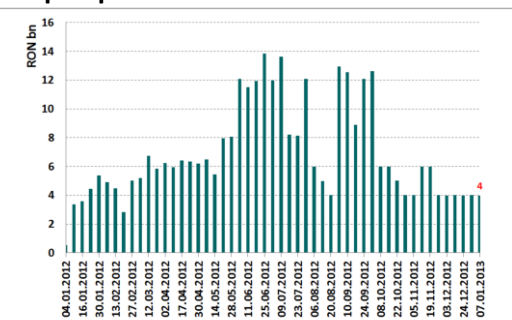
**Liquidity cap continued for the 12<sup>th</sup> consecutive week**



Sources: NBR, OTP Research

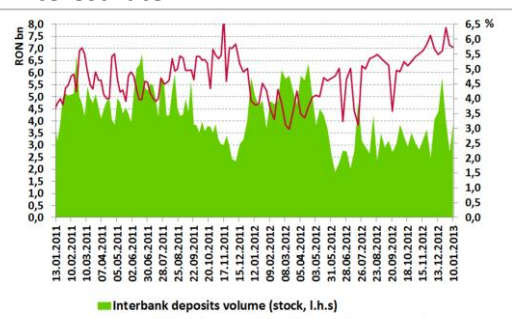
We continue to believe that liquidity is going to shrink in January compared to the previous month as it seems that the Treasury continues to absorb high amounts. In January, it already sold 4 bn RON and buyers' appetite does not seem to vanish. **The liquidity cap and the big amounts that went into the Treasury (including the 8 bn RON in December) have managed to basically help eliminate the asymmetry of the liquidity in the banking system:** ON deposits placed with NBR through the permanent standing facility have dropped to merely 820 mn RON in December. Even

**Repo operations since 2012**



Sources: NBR, OTP Research

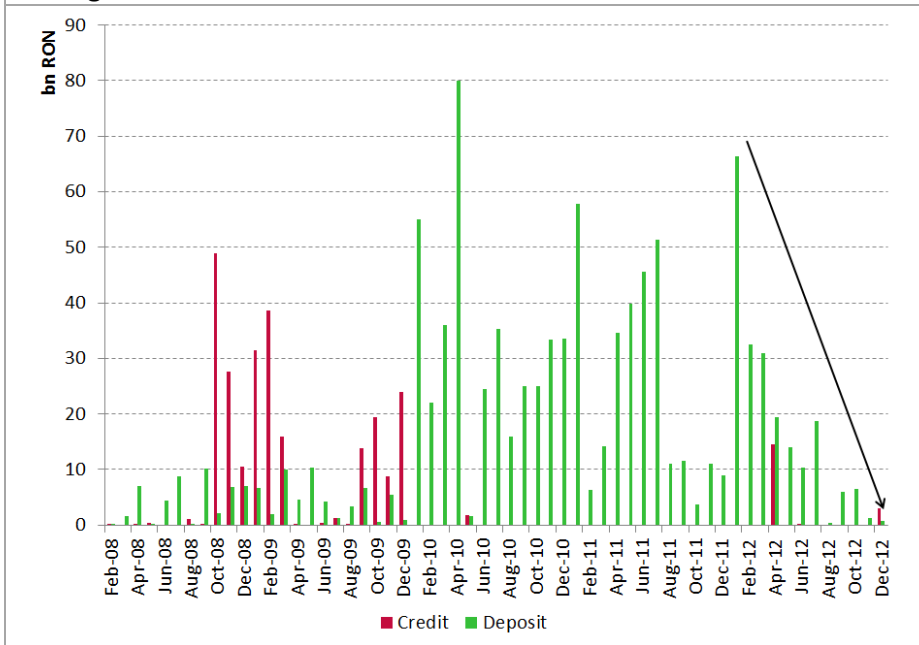
**Interbank deposits stock and average interest rate**



Sources: NBR, OTP Research

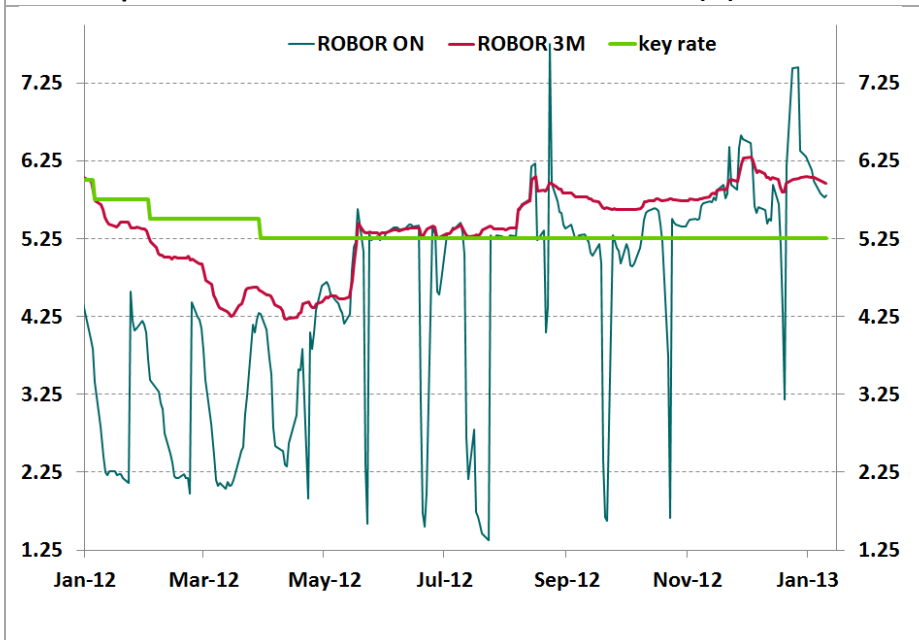
more, banks used the Lombard loans: 3 bn RON in December (Please see the graph below).

**Deposits placed ON at NBR continuously dropped in 2012; Lombard loans were granted in December 2012**



Sources: NBR, OTP Research

**Most important MM instruments' evolution since 2012 (%)**



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 NSC Regulations no. 32/2006 and 15/2006.

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 written 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 centred 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.

Investments in financial instruments carry a certain degree of risk (fluctuation of share prices, uncertainty of dividend, yields and / or profits, exchange rate fluctuations, etc.). The capital invested is not guaranteed, investment gains, usually assumed proportionate to risk, and past performance of financial instruments is not a guarantee for future performance.

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 wilful or accidental interception, corruption or virus infection.

All rights reserved – OTP Bank Romania S.A. (registered seat: Street Buzesti, no. 66-68, 1st district Bucharest, Romania; company registration number: 01-10-041585; NBR registration no RB-PJR-40-028/1999, registered in the NSC Register under no. PJR01INCR/400017 according to registration certificate 188/28.09.2009; for further information please refer to: <https://www.otpbank.ro/en>).

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](mailto:mihaela.neagu@otpbank.ro) or a written mail addressed to OTP Bank Romania S.A , Buzesti Street, no. 66-68, 1st district, Bucharest, Romania. Please refer to your name and e-mail address in both cases.