



UniCredit Tiriac Bank S.A.

Consolidated Financial Statements 31 December 2014

Prepared in accordance with International
Financial Reporting Standards as endorsed
by European Union

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To the Shareholders of UniCredit Tiriac Bank S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the consolidated financial statements

1. We have audited the accompanying consolidated financial statements of UniCredit Tiriac Bank S.A. (the "Bank") and its subsidiaries: UniCredit Consumer Financing IFN S.A., UniCredit Leasing Romania SA, UniCredit Leasing Corporation IFN S.A, ALLIB Leasing SRL, Debo Leasing IFN SA and UniCredit Insurance Broker SRL (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Order of the National Bank of Romania Governor no. 27/2010, as amended ("Order 27/2010), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing adopted by Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Bank'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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and Order 27/2010.

Other Matters

7. This report is made solely to the Bank's shareholders as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Report on conformity of the administrators' report with the consolidated financial statements

In accordance with Order of the National Bank of Romania Governor no. 27/2010, article 40, point e) we have read the Administrators' Report attached to the consolidated financial statements. The Administrators' Report is not a part of the consolidated financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

Ahmed Hassan, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors in Romania under the certificate 1529/25.11.2003

On behalf of:

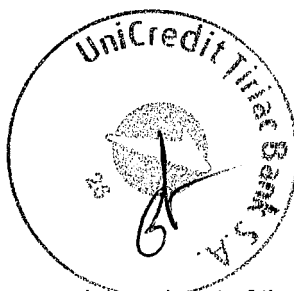
DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors in Romania under no. 25/25.06.2001

Bucharest, Romania
March 4, 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RON	2013 RON
Interest income		1,390,318,710	1,385,310,855
Interest expense		(524,280,021)	(604,140,099)
Interest related effect of swap transactions related to refinancing lines with UniCredit Group companies		12,167,903	39,815,610
Net interest income	7	878,206,592	820,986,366
Fee and commission income		365,420,240	353,241,319
Fee and commission expense		(72,184,483)	(64,075,702)
Net fee and commission income	8	293,235,757	289,165,617
Net income from trading and other financial instruments at fair value through profit or loss	9	253,915,961	286,300,036
Fair value adjustments in hedge accounting		3,261,295	(1,809,063)
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss	10	103,307,704	42,106,404
Dividends incomes	11	1,036,974	1,053,815
Other operating income		6,447,202	3,367,537
Operating income		1,539,411,485	1,441,170,712
Personnel expenses	12	(352,843,743)	(323,799,550)
Depreciation and impairment of tangible assets	13	(39,330,632)	(45,251,683)
Amortisation and impairment of tangible assets	13	(36,164,023)	(30,863,784)
Other administrative costs	14	(327,886,402)	(321,172,112)
Other operating costs	15	(23,553,768)	(18,086,114)
Operating expenses		(779,778,568)	(739,173,243)
Net operating income		759,632,917	701,997,469
Net impairment losses on financial assets	16	(601,531,740)	(676,680,639)
Net provision losses	17	(3,121,780)	(16,219,844)
Profit / (Loss) on associate investments at equity method		(351,447)	(3,595,476)
Net gains from other investment activities	18	23,796,317	-
Profit before taxation		178,424,267	5,501,510
Income tax	19	(34,654,678)	88,901,008
Net profit for the year		143,769,589	94,402,518
Attributable to:			
Equity holders of the parent		118,055,732	87,670,880
Non-controlling interests		25,713,857	6,731,638
Net profit for the year		143,769,589	94,402,518



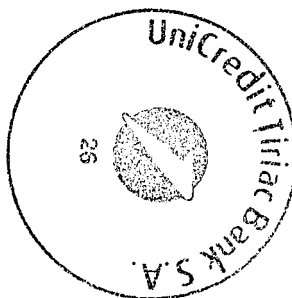
The accompanying notes form an integral part of these consolidated financial statements.
Convenience translation in English of the original Romanian version.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RON	2013 RON
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment (net of deferred tax)	29	(3,779,878)	(1,237,812)
Total items that will not be reclassified to profit or loss		(3,779,878)	(1,237,812)
Items that may be reclassified to profit or loss			
Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	26, 29	53,542,523	12,995,758
Net change in cash flow hedging reserve (net of deferred tax)	29	(31,228,460)	35,144,286
Total items that may be reclassified to profit or loss		22,314,063	48,140,044
Other comprehensive income for the year, net of tax		18,534,185	46,902,232
Total comprehensive income for the year		162,303,774	141,304,750
Attributable to:			
Equity holders of the parent		136,589,917	134,573,112
Non-controlling interests		25,713,857	6,731,638
Total comprehensive income for the year		162,303,774	141,304,750

The consolidated financial statements were approved by the Management Board on February 24, 2015 and were signed on its behalf by:


Mr. Catalin Rasvan Radu
Chief Executive Officer

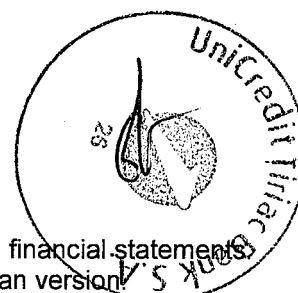



Mrs. Mihaela Alina Lupu
Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.
Convenience translation in English of the original Romanian version.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**
In RON

Assets	Note	31 December 2014	31 December 2013
Cash and cash equivalents	20	4,355,627,566	5,235,422,569
Financial assets at fair value through profit or loss	21	256,170,739	75,614,112
Derivatives assets designated as hedging instruments	31	12,433,477	13,606,582
Fair value changes of the hedged items in portfolio hedge		550,694	859,908
Loans and advances to banks	22	534,259,738	378,166,622
Loans and advances to customers	23	18,075,870,864	16,867,193,505
Net lease receivables	24	2,445,023,397	-
Investment securities, available for sale	25	5,948,499,011	5,405,375,971
Investments in associates		-	823,800
Property and equipment	27	223,946,409	224,043,931
Intangible assets	28	145,965,564	126,566,889
Current tax asset	19	21,330,327	32,100,976
Deferred tax asset	29	53,974,538	45,148,655
Other assets	30	289,808,438	95,997,318
Non-current assets and disposal groups classified as held for sale		923,771	-
Total assets		32,364,384,533	28,500,920,838
Liabilities			
Derivative liabilities at fair value through profit or loss	21	114,778,678	91,322,302
Derivatives liabilities designated as hedging instruments	31	95,420,025	62,878,808
Deposits from banks	32	3,596,087,426	3,670,345,104
Loans from banks and other financial institutions	33	8,101,282,753	5,261,207,277
Deposits from customers	34	15,888,033,085	15,120,823,928
Debt securities issued	35	550,317,133	549,912,266
Subordinated liabilities	36	386,494,077	503,874,631
Provisions	37	212,790,611	227,239,331
Current tax liabilities		3,635,321	-
Other liabilities	38	335,568,096	147,397,184
Total liabilities		29,284,407,205	25,635,000,831



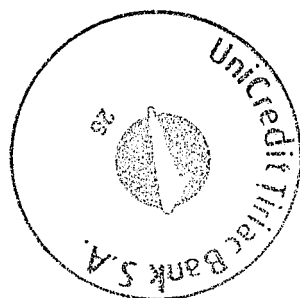
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014 (continued)**

	Note	<u>31 December 2014</u>	<u>31 December 2013</u>
Equity			
Share capital	39	1,101,604,066	1,101,604,066
Share premium		55	55
Reserve on available for sale financial assets		94,919,980	41,377,457
Cash flow hedging reserve		(62,830,271)	(31,601,811)
Revaluation reserve on property and equipment		10,751,615	14,966,066
Other reserves	40	240,534,612	240,534,612
Retained earnings		1,604,671,803	1,434,472,702
Total equity		2,989,651,860	2,801,353,147
Non-controlling interest		90,325,468	64,566,860
Total Group Equity		3,079,977,328	2,865,920,007
Total liabilities and equity		32,364,384,533	28,500,920,838

The consolidated financial statements were approved by the Management Board on February 24, 2015 and were signed on its behalf by:


Mr. Catalin Rasvan Radu
Chief Executive Officer




Mrs. Mihaela Alina Lupu
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

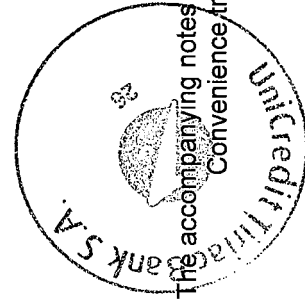
In RON

	Share capital	Reserve on available for sale financial assets	Cash flow hedging Reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2013	1,101,604,066	41,377,457	(31,601,811)	14,966,066	240,534,612	55	1,434,472,702	2,801,353,147	64,566,860	2,865,920,007
Adjustments related to subsidiaries acquisition	-	-	-	-	-	-	51,708,796	51,708,796	44,751	51,753,547
Total comprehensive income for the period	-	-	-	-	-	-	118,055,732	118,055,732	25,713,857	143,769,589
Net profit for the period	-	-	-	-	-	-	434,573	(3,779,878)	-	(3,779,878)
Other comprehensive income, net of tax	-	-	-	(434,573)	-	-	-	(3,779,878)	-	(3,779,878)
Revaluation surplus transfer to retained earnings	-	-	-	(3,779,878)	-	-	-	-	-	-
Revaluation surplus, net of tax	-	-	-	-	-	-	-	-	-	-
Net change in available for sale financial assets, net of tax	-	53,542,523	-	-	-	-	-	53,542,523	-	53,542,523
Net change in cash flow hedging reserve, net of tax	-	-	(31,228,460)	-	-	-	-	(31,228,460)	-	(31,228,460)
Total other comprehensive income	-	53,542,523	(31,228,460)	(4,214,451)	-	-	434,573	18,534,185	-	18,534,185
Total comprehensive income for the period	-	53,542,523	(31,228,460)	(4,214,451)	-	-	118,490,305	136,589,917	25,713,857	162,303,774
Balance at 31 December 2014	1,101,604,066	94,919,980	(62,830,271)	10,751,615	240,534,612	55	1,604,671,803	2,989,651,860	90,325,468	3,079,977,328

The consolidated financial statements were approved by the Management Board on February 24, 2015 and were signed on its behalf by:


Mr. Catalin Rasvan Radu
Chief Executive Officer


Mrs. Mihaela Alina Lupu
Chief Financial Officer

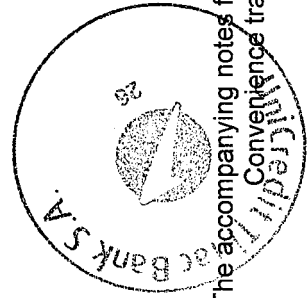


**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

<i>In RON</i>	Share capital	Reserve on available for sale financial assets	Cash flow hedging Reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2012	1,101,604,066	28,381,699	(66,746,097)	16,203,878	240,534,612	55	1,375,111,340	2,695,089,498	-	2,695,089,498
Total comprehensive income for the period										
Net profit for the period	-	-	-	-	-	-	87,670,880	87,670,880	6,731,638	94,402,518
Situatia altor elemente ale rezultatului global, neta de taxe										
Revaluation surplus, net of tax	-	-	-	(1,237,812)	-	-	-	(1,237,812)	-	(1,237,812)
Net change in available for sale financial assets, net of tax	-	12,995,758	-	-	-	-	-	12,995,758	-	12,995,758
Net change in cash flow hedging reserve, net of tax	-	-	35,144,286	-	-	-	-	35,144,286	-	35,144,286
Total other comprehensive income	-	12,995,758	35,144,286	-1,237,812	-	-	-	46,902,232	-	46,902,232
Total comprehensive income for the period	-	12,995,758	35,144,286	-1,237,812	-	-	87,670,880	134,573,112	6,731,638	141,304,750
Balance at 31 December 2013	1,101,604,066	41,377,457	(31,601,811)	14,966,066	240,534,612	55	1,434,472,757	2,801,353,147	64,566,860	2,865,920,007

The consolidated financial statements were approved by the Management Board on February 24, 2015 and were signed on its behalf by:

Mr. Catalin-Rasvan Radu
Chief Executive Officer



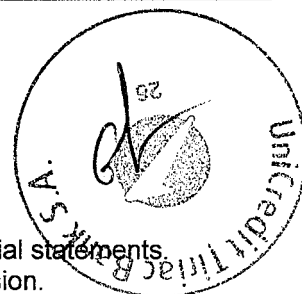
Mrs. Mihaela Alina Lupu
Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.
Convenience translation in English of the original Romanian version.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**
in RON

	Note	2014	2013
Operating activities			
Profit before taxation	19	178,424,267	5,501,510
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible and intangible assets	13	75,494,655	76,115,467
Net impairment losses on financial assets		601,531,740	676,680,639
Change in fair value of derivatives at fair value through profit or loss		(6,218,848)	31,110,349
Other items for which the cash effects are investing or financing		22,980,322	(1,203,145)
Other non-cash items		205,343,396	170,660,496
Operating profit before changes in operating assets and liabilities		1,077,555,532	958,865,316
Change in operating assets:			
Increase in investment securities held for trading		(150,873,019)	-
Increase in investment securities available for sale		(480,182,225)	(1,419,071,660)
Increase in loans and advances to banks		(159,807,187)	(321,630,420)
Increase in loans and advances to customers		(1,860,096,557)	(1,003,803,157)
Increase in net lease receivables		(146,146,665)	-
(Increase) / Decrease in other assets		58,694,846	7,190,556
Change in operating liabilities:			
(Decrease) / Increase in deposits from banks		(73,056,570)	1,058,598,676
Increase in deposits from customers		1,209,155,781	1,588,052,467
Decrease in other liabilities		(58,088,995)	(22,183,618)
Income tax paid		(33,870,136)	(53,040,276)
Cash flows from / (used in) operating activities		(616,715,177)	792,977,884
Investing activities			
Proceeds from sale of property and equipment		-	149,330
Acquisition of property and equipment and intangible assets		(61,735,302)	(52,675,813)
Acquisition of equity investments		-	(6,194,701)
Acquisition of subsidiaries and business lines		(85,815,557)	-
Cash resulted from business acquisitions		1,889,517	-
Dividends received	11	1,036,974	1,053,815
Cash flows used in investing activities		(144,624,368)	(57,667,369)

The accompanying notes form an integral part of these consolidated financial statements.
Convenience translation in English of the original Romanian version.

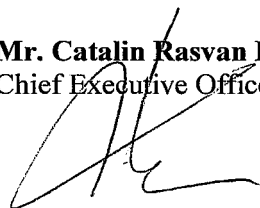
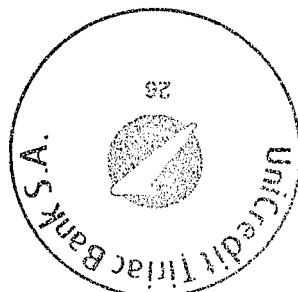


**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014	2013
Financing activities			
Proceeds from issue of debt securities		-	550,000,000
Repayments of loans from financial institutions	(1,108,173,524)		(1,244,333,706)
Drawdowns from loans from financial institutions	1,205,448,066		764,793,136
Repayments of subordinated liabilities	(215,730,000)		-
Repayment of subordinated liabilities	-		-
Cash flows from financing activities		(118,455,458)	70,459,430
Net increase in cash and cash equivalents		(879,795,003)	805,769,945
Cash and cash equivalents at 1 January	20	5,235,422,569	4,429,652,624
Cash and cash equivalents at 31 December	20	4,355,627,566	5,235,422,569
Cash flow from operating activities include:			
		2014	2013
Interest received		1,443,492,759	1,384,792,419
Interest paid		559,480,573	521,147,509

The consolidated financial statements were approved by the Management Board on February 24, 2015 and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mrs. Mihaela Alina Lupu
Chief Financial Officer



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****1. REPORTING ENTITY**

The UniCredit Tiriac Group (the “Group”) consists of UniCredit Tiriac Bank S.A. (the “Bank”), and its subsidiaries UniCredit Consumer Financing IFN S.A. (“UCFIN”), UniCredit Leasing Corporation IFN S.A., UniCredit Leasing Romania S.A., Allib Rom S.R.L., Debo Leasing IFN S.A. and UniCredit Insurance Broker S.R.L.

These consolidated financial statements comprise the Bank and its subsidiary and the Group interest in associates.

UniCredit Tiriac Bank S.A., having its current registered office at 1F, Expozitiei Boulevard, District 1, Bucharest, Romania, was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank) and is licensed by the National Bank of Romania to conduct banking activities. The Bank provides retail and commercial banking services in Romanian Lei (“RON”) and foreign currency. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, bank guarantees, letter of credits and documentary collections.

UniCredit Tiriac Bank S.A. is controlled by UniCredit Bank Austria AG and the ultimate parent is UniCredit SpA (Italy).

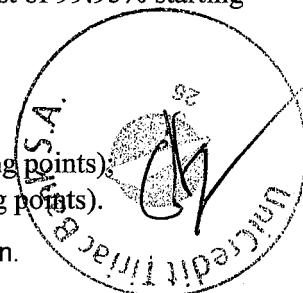
UniCredit Tiriac Bank Group is exercising direct and indirect control over the following subsidiaries:

- UniCredit Consumer Financing IFN S.A., having its current registered office at 23-25 Ghetarilor street, 1st and 3rd floor., District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.1% in its subsidiary UCFIN since January 2013.
- UniCredit Leasing Corporation IFN S.A. (“UCLC”), having its current registered office at 23-25 Ghetarilor street, 1st, 2nd and 4th floor., District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. UCLC, previously an associated entity, has become subsidiary since April 2014 when the Bank has taken over the control stake of 99.95% (31 December 2012: 20.0%).
- UniCredit Leasing Romania S.A. (“UCLRO”), having its current registered office at 23-25 Ghetarilor street, 2nd floor., District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. UCLRO has become subsidiary since April 2014 when the Bank has taken over the control stake of 99.99% in UCLRO.
- Allib Rom S.R.L., having its current registered office in 23-25 Ghetarilor Street, 1st floor, 1st district, Bucharest, Romania, is a real estate finance lease entity, in which the Bank has an indirect controlling interest of 99.94% starting with April 2014 through UCLC.
- Debo Leasing IFN S.A., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity, in which the Bank has an indirect controlling interest of 99.94% starting with April 2014 through UCLC.
- UniCredit Insurance Broker S.R.L., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, in which the Bank has an indirect controlling interest of 99.95% starting with June 2014 through UCLC.

As at 31 December 2014, the Group carried out its activity in Romania:

- through Bank having 183 outlets (in 2013: 188 outlets);
- through UCFIN subsidiary having 58 working points in 2014 (in 2013: 58 working points);
- through UCLC subsidiary having 12 working points in 2014 (in 2013: 12 working points).

Convenience translation in English of the original Romanian version.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
2. BASIS OF PREPARATION
a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union.

Additionally, the Bank prepares a set of separate financial statements in accordance with IAS 27 “*Separate Financial Statements*”.

b) Basis of measurement

The consolidated financial statements have been prepared, as follows:

Items	Measurement basis
Financial instruments at fair value through profit or loss	Fair value
Loans and advances	Amortized cost
Available for sale financial assets	Fair value
Lands and buildings	Fair value
Investment property	Fair value
Other fixed assets and intangible assets	Cost
Derivatives designated as hedging instruments	Fair value

c) Functional and presentation currency

The consolidated financial statements are presented in Romanian Lei (“RON”), which is the functional and presentation currency. Except as indicated, the financial information presented in RON has been rounded to the nearest unit.

d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments made by management in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described in notes 4 and 5.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

Where it has been considered necessary, the comparative amounts have been reclassified in order to ensure the compliance with the changes made in the corresponding notes to the financial statements.

a) Basis of consolidation
Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee if and only if the investor has all of the following elements:

- power over the investee, the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

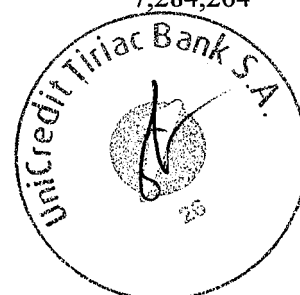
The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions of entities under common control

Following the implementation of the Leasing Reorganisation Project of the Holding at Romania level, the Bank has acquired in April 2014 a controlling interest of 99.90% in UCLC and respectively of 99.98% in UCLRO. At that moment, UCLC had a direct controlling interest of 99.98% in DEBO and of 99.98% in ALLIB. Starting with June 2014, UCLC obtained the direct controlling interest over UCIB of 100%. In 2013, the Group was made of the Bank and its subsidiary UniCredit Consumer Financing IFN SA ("UCFIN").

Financial information of these subsidiaries at acquisition date is presented in the table below:

Subsidiary				
<i>In RON</i>	Total Assets	Total Equity	Operating income	Net Profit /(Loss)
UCLC	2,838,268,731	3,846,506	14,826,679	(1,757,233)
UCLRO	127,894,892	79,626,031	1,125,185	650,859
ALLIB	8,374,137	1,521,837	137,019	76,900
DEBO	24,881,643	2,278,857	135,879	52,560
UCIB	87,833,740	81,094,904	9,992,067	7,284,264



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Basis of consolidation *(continued)*

These acquisitions have been accounted for prospectively using book value accounting as all these entities are under common control of UniCredit SpA as ultimate parent, from the date when obtained the control over these subsidiaries (UCLRO, UCLC, ALLIB, DEBO, UCIB).

The Group has applied the acquisition accounting prospectively, since the date of acquisition of control over these subsidiaries, and consequently the comparative figures are presented in the financial statements for the Group as they were presented in the consolidated financial statements for the year ended at 31 December 2013

The Group elected to measure non-controlling interest at its proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, have been eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investments in associates

The Group holds a 20% investment in UniCredit Leasing Corporation IFN S.A. a company providing leasing services to local and external customers that has been accounted for using equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures" until the date the Group has taken the control over it and UCLS has become subsidiary.

As of 31 December 2014, the Bank has no associated entities.

b) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

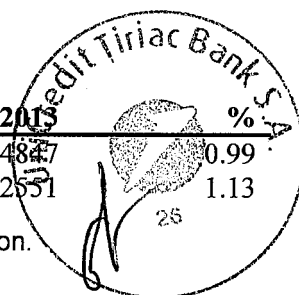
Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated to RON at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RON at foreign exchange rates ruling at the dates the fair value was determined.

The exchange rates of major foreign currencies were:

Currencies	31 December 2014	31 December 2013	%
Euro (EUR)	1: RON 4.4821	1: RON 4.4847	0.99
US Dollar (USD)	1: RON 3.6868	1: RON 3.2551	1.13

Convenience translation in English of the original Romanian version.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****c) Accounting for the effect of hyperinflation**

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy to be restated in terms of the measuring unit current at the end of reporting period (i.e. non-monetary items are restated using a general price index from the date of acquisition or contribution). As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1 January 2004, the Group no longer applies the provisions of IAS 29.

Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these consolidated financial statements

d) Interest

Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument.

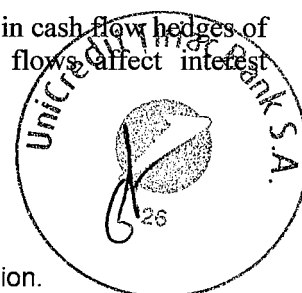
Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss on the net loan.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies - the Group's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Group's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in net income on foreign exchange and on derivatives held for risk management;
- interest on financial assets and financial liabilities measured at fair value, calculated on an effective interest basis (derivative financial instruments, securities available for sale);

effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income/expense.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****e) Fees and commission**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income arising on the financial services provided by the Group, including account servicing fees, investment management fees, advisory fees and syndication fees are recognized in the income statement on the accrual basis, i.e. when the corresponding service is provided.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

f) Dividends

Dividend income is recognised in the income statement on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues. Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders.

g) Net income from other financial instruments at fair value through profit and loss

This comprises gains less losses related to trading assets and liabilities and derivatives held for risk management, and includes all realised and unrealised fair value changes and foreign exchange differences.

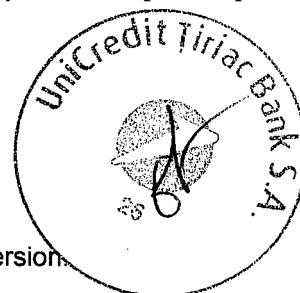
h) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i) Income tax

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in "Other comprehensive income", in which case it is recognised in "Other comprehensive income". Current tax and deferred tax are recognized in the income statement in the caption "Income tax", except for the tax related to items which are recognised within equity category, such as gains/losses from assets available for sale, changes in fair value of derivative hedging instruments used in cash flow hedge, of which changes are recognized, net of tax, directly in "Other comprehensive income".

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of reporting period, and any adjustment to tax payable in respect of prior periods.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

i) Income tax (*continued*)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The tax rate used to calculate the current and deferred tax position at 31 December 2014 is 16% (2013: 16%).

j) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition/issue. (for an item which is not at fair value through profit or loss).

(ii) Classification

Financial assets

At inception date, a financial asset was classified in one of the following categories:

- loans and receivables (see Note m);
- held to maturity (see Note n);
- available for sale (see Note o);
- at fair value through profit or loss (see Note k).

See accounting policies 3 (j), (k), (l), (m), (n) and (o).

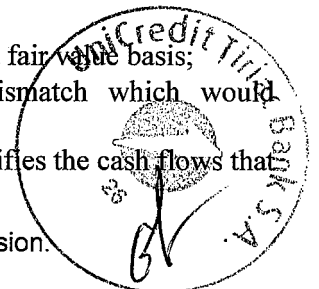
Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost or fair value through profit or loss. See accounting policies 3(k), (l), (u).

The Group designates financial assets and liabilities at fair value through profit and loss when either:

- The assets and liabilities are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Convenience translation in English of the original Romanian version.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Financial assets and financial liabilities (continued)****(iii) Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In addition, any cumulative gain or loss that had been recognised in other comprehensive income is also recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfer of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

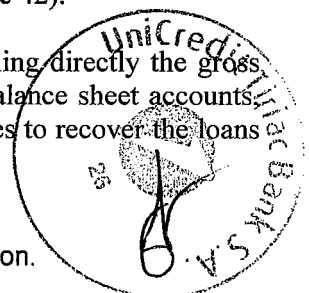
The Group entered into several transactions with UniCredit Bank Austria AG and other entities within UniCredit Group whereby:

- either UniCredit Bank Austria AG directly financed some corporate customers, while the Group undertook the role of agent or security agent and payment agent, or
- the Group transferred to UniCredit Bank Austria AG by means of novation agreements the outstanding amount of certain loans already granted to Romanian corporate customers and also undertook the role of security agent and payment agent.

For every contracts concluded with UniCredit Bank Austria AG, there is a risk participation agreement by which the Group is obliged to indemnify UniCredit Bank Austria AG against costs, loss or liability suffered by UniCredit Bank Austria AG in connection with the relevant contracts to the extent of an agreed percentage of the relevant amounts and up to a limit agreed on a case by case basis.

As the Group has transferred the right to receive cash flows from the loans financed by UniCredit Bank Austria AG, has neither retained nor transferred all risks and rewards of ownership, nor has retained control, such loans are not recognized in the Group's balance sheet (refer also to note 42).

The direct decrease of loans value (*write-off*) represents the operation of diminishing directly the gross loan value fully covered by impairment allowances and their transfer in the off-balance sheet accounts, where they are monitored until recovered. At the moment of exhausting all activities to recover the loans and receivables, those are derecognized from the off balance accounts.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Financial assets and financial liabilities (continued)****(iv) Offsetting**

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as the Group's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

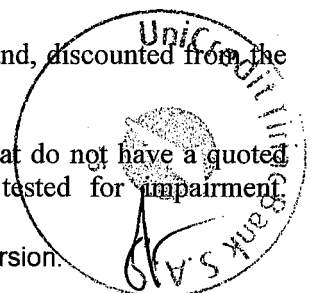
When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all available factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of fair value of financial instruments at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable data from the market.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Where a fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Financial assets and financial liabilities (continued)****(vii) Identification and measurement of impairment**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

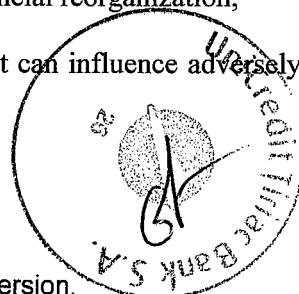
It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the interest rate for: fixed interest rate loans when loan is originated and floating interest rate loans when the loan was found impaired. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The amount of the reversal is recognized in profit or loss.

Loans and advances to customers

The Group uses based on its internal impairment assessment methodology amongst other factors the following main impairment indicators for loans to customers or groups of loans to customers:

- (a) significant financial difficulty of the borrower determined in accordance with the Group's internal rating system;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually or in the same group of borrowers);
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) observable data indicating that there are economic or social conditions that can influence adversely the industry in which the borrower operates and that affect these borrowers.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Financial assets and financial liabilities (continued)****(vii) Identification and measurement of impairment (continued)**

Loans and advances to customers (continued) The Group first assesses whether objective evidence of impairment exists individually for loans to customers that are individually significant or collectively for loans that are not individually significant. Loans to customers that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Individual assessment

Based on the Group's internal criteria an exposure may qualify as individually significant. The client whose risk profile is not, according to expert judgement, reflected by portfolio based parameters is individually significant. The individual impairment is determined on a case by case basis taking into account the estimated future cash flows.

The main criteria for determining whether a specific exposure is individually significant is a threshold estimated based on UniCredit Group experience or the specific risk profile (in terms of potential credit loss), but validated by the Group depending on local economic environment. The threshold for determining whether a specific exposure is significant or not, is locally established at the amount of EUR 0.25 million for retail loans and SMEs and respectively at the amount of EUR 1 million for corporate loans.

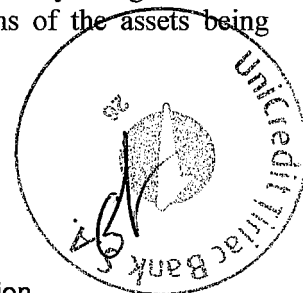
The above-mentioned exposures are individually assessed and the Group decides whether an objective evidence of impairment exists individually for these financial assets or not. If this is the case, these assets will be subject to provisions calculation based on individually determined future cash flows related to the transaction.

Collective assessment

For the purpose of a collective evaluation of impairment, loans to customers are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The criteria used to divide exposures into buckets are based on the Group's rating system, expert judgement and experience of the Group's employees (e.g. the UniCredit Group uses credit risk grading, past due status, product type).

Management considers that the characteristics chosen are the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Financial assets and financial liabilities (continued)****(vii) Identification and measurement of impairment (continued)****Collective assessment (continued)**

For each type of exposure loss parameters were determined based on the UniCredit Bank Austria AG's methodology and the Group's historical experience and the expert judgement of the Group's employees.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For the banks' exposures please see note 22.

Available for sale financial assets

For financial assets classified as available for sale, when a decline in the fair value of an available for sale financial asset has been recognized directly in "Other comprehensive income" and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from other comprehensive income and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed through profit or loss

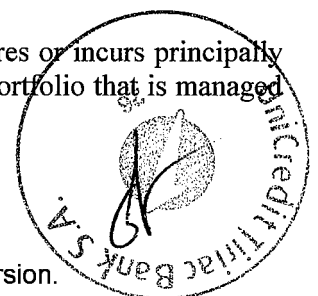
Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand, balances held with central banks, nostro accounts, placements with banks with less than 90 days original maturity and are carried at amortized cost in the statement of financial position.

Cash and cash equivalents are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

k) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing it in the near term, holds as part of a portfolio that is managed together for short term or position taking, or are derivatives.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Trading assets and liabilities *(continued)*

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets, other than those designated at fair value through profit or loss on initial recognition, may be reclassified out of the fair value through profit or loss if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- (i) if the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity;
- (ii) if the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

If the fair value of financial instrument becomes less than zero, which may occur in case of derivative instruments, then those instruments are presented in the caption "Financial liabilities at fair value through profit or loss."

The Group has trading instruments at 31 December 2014 held for trading financial instruments, derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back-to-back transactions within UniCredit Group.

l) Derivatives held for risk management purposes and hedge accounting

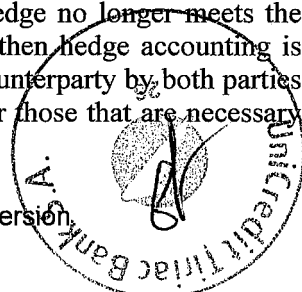
Derivative financial instruments include interest rate options and exchange rate options, interest rate swaps, currency swaps and forward transactions. The positive fair value of the derivatives is carried as asset and the negative fair value is carried as liability.

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

(i) Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in fair values attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the changes in the fair value of the derivative is recognized immediately in the profit or loss altogether with the changes in fair value of hedged item which are attributable to hedged risk, in the same line of the income statement and in "Other items of comprehensive income" as hedging items.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****l) Derivatives held for risk management purposes and hedge accounting (continued)****(i) Fair value hedges (continued)**

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Group started to apply fair value hedge accounting starting with 2013. The Group designated interest rate swap contracts as hedging instruments and certain loans to customers of the Group as hedged items.

(ii) Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(iii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss, and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification (i.e. at fair value through profit or loss), and are presented in the statement of financial position under Derivatives assets at fair value through profit or loss and Derivatives liabilities at fair value through profit or loss.

(iv) Cash flow hedges

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in "Other comprehensive income". Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****l) Derivatives held for risk management purposes and hedge accounting (continued)****(iv) Cash flow hedges (continued)**

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognized in "Other comprehensive income" from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in "Other comprehensive income" is reclassified immediately to profit or loss as a reclassification adjustment.

The Group designated certain interest rate swap and cross currency swap contracts as hedging instruments and certain loans and deposits from customers of the Bank as hedged items.

For hedge accounting purposes, only instruments that involve an external party to the Group (or intra-group transactions directly replicated with third parties outside the Group) are designated as hedging instruments. The foreign exchange gains or losses from these financial instruments are directly recognized in profit or loss account.

m) Loans and advances and net lease receivables

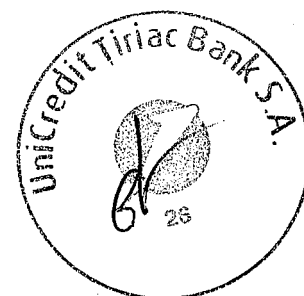
i) Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near future. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

ii) Finance lease contracts where the Group is lessor that substantially transfer all risks and benefits related to ownership over the leased asset to the lessee, are accounted for in accordance with IAS 17 Leasing.

Net investments in leases are measured initially at fair value plus direct costs and subsequently measured at amortised cost and are presented net after impairment allowance. This is booked based on the net investments in leases identified as impaired based on the continuous evaluation, to bring these assets at their recoverable amount.

A lease receivable is recognized over the leasing period at present values of minimum lease payments which are to be made by the lessee to the Group, using the implicit interest rate and including the guaranteed residual value.

The resulted entire income from lease is included in the caption "Interest income" in the statement of comprehensive income.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****n) Held-to-maturity**

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sell or significant reclassification of held to maturity investments before maturity, the entire category would be reclassified as available for sale and for a two year period the Group would not use the held to maturity classification.

o) Available for sale

Available for sale investments are non-derivative investments that are designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available for sale investments are carried at fair value. Fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

p) Property and equipment**(i) Initial recognition and measurement**

All items of property and equipment are initially recognized at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent measurement

Land and buildings are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

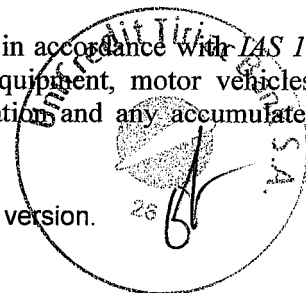
Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under "Other reserves".

However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under "Other reserves".

For the other items of property, plant and equipment the cost model is used, in accordance with IAS 16 *Property, plant and equipment*. After initial recognition, computers and equipment, motor vehicles, furniture and other assets are carried at cost less any accumulated depreciation and any accumulated impairment losses.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****p) Property and equipment (continued)****(iii) Subsequent costs**

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated rates of depreciation are as follows:

Buildings:

- property	2% - 2.91% per year
- improvements (rentals)	6.25% - 100% per year
Office equipment and furniture	3.33% - 50% per year
Computer equipment	10% - 50% per year

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

q) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property is initially measured at cost and subsequently, at fair value, with any change therein recognized in profit or loss within the "Other operating income" or "Other operating expenses" on a case by case basis.

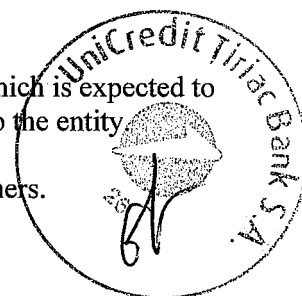
Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss within the "Other operating income" or "Other operating expenses".

When the use of a property changes such that it is reclassified as property, its fair value at the date of reclassification becomes its cost for subsequent accounting.

r) Intangible assets**(i) Recognition**

An intangible assets is an identifiable non-monetary asset without physical substance which is expected to be used for a period longer than one year and from which economic benefits will flow to the entity

Intangible assets are mainly goodwill, software, brands and intangibles as list of customers.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****r) Intangible assets (continued)****(i) Recognition (continued)**

Intangible assets, other than goodwill, are carried at acquisition cost, including any costs incurred to put the respective asset into function, less accumulated amortization and related impairment loss.

The acquisition costs and those for put into operation of IT systems acquired are capitalized including all costs incurred to bring the respective systems fully operational.

Costs associated with developing or maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

(ii) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

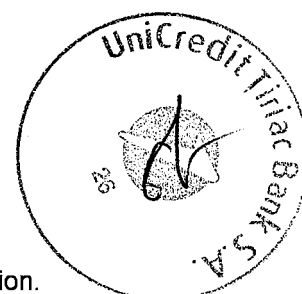
The estimate useful life is:

- for software: 3-5 years;
- for list of customers: 5 years.

s) Business combinations

In accordance with IFRS 3 Business combination, a business is defined as “an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors of other owners, members or participants”.

In 2014, the Bank has acquired a business line related to corporate portfolio of Bank of Scotland plc, Edinburgh, Romania Branch (“RBS Romania”), transaction which is within the provisions stipulated by *IFRS 3 Business combinations* (Please see also *Note 18*).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****t) Impairment of non – financial assets**

The carrying amount of the Group's assets, other than deferred tax assets, is reviewed at each reporting date to determine whether there is any objective indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

In case of intangible assets of "List of Customers", in case one of the customers, for which the intangible asset was recognised, closes the operations with the Bank, the net carrying amount if the "List of customers" related to that customer will be derecognized.

u) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities in issue and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as deposit, and the underlying asset continues to be recognized in the Group's consolidated financial statements.

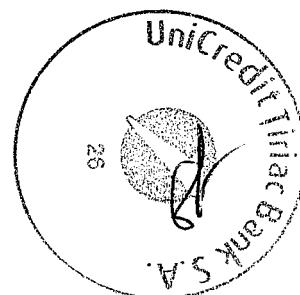
Deposits and borrowings such as loans from banks and other financial institutions are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings and other liabilities evidenced by paper are subsequently stated at amortized cost. Debt securities issued include bonds issued by the Group and not held for trading or designated at fair value through profit or loss. Debt securities issued are recognized when the Group becomes part of the contract.

On initial recognition debt securities are measured at fair value, including transaction costs.

Debt securities in issue are measured at amortized cost. Application of amortized costs determines that transaction cost capitalized in the initial recognition amount, premium and discount are recognized in the income statement along the life of the instrument.

v) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****w) Financial guarantees and loan commitments**

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are disclosed in the notes to the Consolidated Financial Statements.

The Group entered into the several transactions with UniCredit Bank Austria AG and other entities within UniCredit Group related to loans granted to non-banking customers financed by such entities within UniCredit Group (please refer to Note 3j(iii)). In accordance with risk participation agreements related to such loans, the Group is required to indemnify UniCredit Bank Austria AG and UniCredit Group as set out in the Note 3j (iii).

Such financial guarantees are carried at the end of reporting period at the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", using an internal methodology consistent with the impairment assessment of loans and advances to customers (please refer to Note 3j), which is stated under Provisions in the Consolidated Statement of financial position.

x) Employee benefits**(i) Short term service benefits**

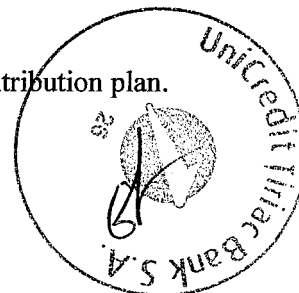
Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognised as expense when services are rendered. The Group includes in short-term benefits the accruals for the employees' current year profit sharing payable within following months after the end of the year.

(ii) Defined contribution plans

The Group, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan).

Obligations for contributions to defined benefit plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****x) Employee benefits (continued)****(iii) Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

On the basis of internal practice and policies, the Group has an obligation to pay to retiring employees a benefit equivalent of two salaries as at retirement date. The Group's net obligation in respect of the retirement benefit is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iv) Share - based payment transactions

The Group has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is supported by the Group and not by its Parent, and as a consequence it is recognised as an employee benefit expense.

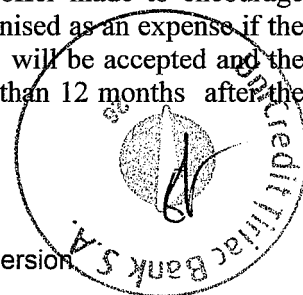
At Group level the expense is recognised against a liability which is measured at fair value.

The fair value of stock options is determined using the Hull and White Evaluation Model. Measurement inputs include share price on measurement date, exercise price, volatility (historical daily average volatility for a period equal to the duration of the vesting period), exit rate (annual percentage of Stock Options forfeited due to termination), dividend yield (last four years average dividend-yield, according to the duration of the vesting period).

The economic value (fair value) of Performance Shares, representing UniCredit SpA free ordinary shares to be granted on the achievement of performance targets set at Group and Division level in the Strategic Plan approved by the Board of UniCredit SpA, is measured considering the share market price at the grant date less the present value of the future dividends related to the period from the grant date to the share settlement date. Input parameters are market price (arithmetic mean of the official market price of UniCredit SpA ordinary shares during the month preceding the granting Board resolution) and economic value of vesting conditions (present value of the future dividends related to the period from the grant date to the share settlement date).

(v) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, than they are discounted to their present value.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****y) Segment reporting**

An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses,
- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) for which discrete financial information is available.

The main segment report format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank. The results on segments reported to the management include elements directly allocated to that segment and also other elements which can be allocated in a reasonable way.

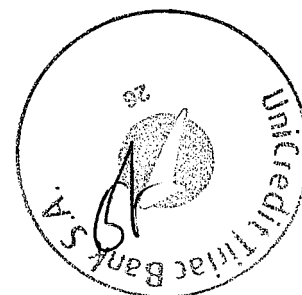
Unallocated items mainly comprise tangible and intangible assets and tax liabilities or assets. In order to manage, the Bank is organized into the following operating segments:

Retail segment ("Retail") – the Bank provides individuals (except Private Banking customers) and small and medium-sized enterprises a large range of financial products and services, including loans (mortgages, personal loans, overdrafts, credit card facility and funds transfer), savings, payment services and transactions with securities.

Corporate and Investment Banking ("CIB and PB") segment covers the product lines Global Transaction Banking (including payment transactions, trade finance, cash management), Finance and Advisory (classic and structured lending business, mergers and acquisitions and capital market advisory services), Financing (develop and offers financing products – Factoring, Real Estate, UE Funds – being also involved in initiation, structuring and promoting specialized financing transactions, syndications and other investment banking specialized transactions, managing overflow portfolio and financial analysis for complex transactions with high risk) and Markets (Treasury). The services are provided to medium corporate, corporate, international corporate, real estate, public sector and financial institutions.

Private Banking ("CIB and PB") - this segment is focusing on private customers and families with significant investments and VIP. The segment provides customized banking products and services, including personalized assets under Management/Custody product solutions.

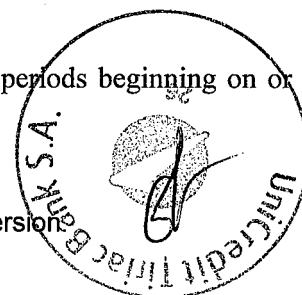
Other segment ("Other") comprises of all elements not assigned to above mentioned segments such as equity investments, taxes and Assets and Liabilities Management ("ALM") activities.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****z) Changes in accounting policies****(i) Standards and Interpretations effective in the current period**

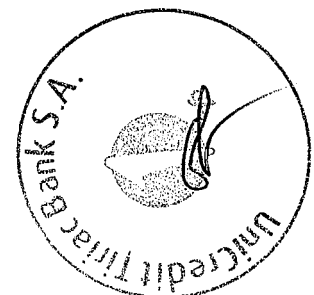
The Bank has adopted the following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting year:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance**, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities**, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014);
- **FRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for the periods beginning on or after 17 June 2014).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****z) Changes in accounting policies (continued)****(ii) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective**

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (*IFRS 5, IFRS 7, IAS 19 and IAS 34*) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).



4. RISK MANAGEMENT

a) Introduction and overview

The risks are managed through a continuous process of identification, measurement and monitoring, depending on the risk limits, segregation of duties and other controls.

The Bank has exposure to the following risks:

- Credit risk (includes the risk for lease receivables)
- Liquidity risk
- Market risks
- Operational risks

The Bank also gives a special attention to the conformity risk, fiscal risk, reputational risk, strategic risk, risk associated with excessive use of leverage, financial risk and real estate risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

b) Risk management framework

Objectives regarding the risks management are correlated with the overall strategic objectives of the Bank:

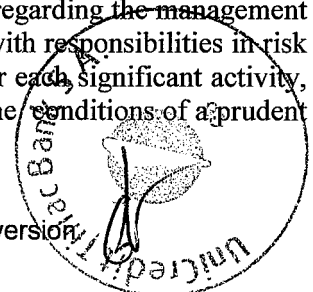
- Adequate and prudent management of risks and in particular, of significant risks;
- Increase of loan portfolio in a selective manner and achievement of a balanced structure of customers segments;
- Diversification of products;
- Maintaining of sustainable profitability level;
- Decrease – as much as possible – of the negative impact generated by the economic crisis;
- Identify optimum solutions adapted to the clients' needs which are confronting with the negative effects of economic-financial crisis;
- Training the Bank's employees such that to offer quality services to the clients;
- Integrating locally of the Group standards through internal regulations and procedures.

The risks management within the Bank implies:

- the culture regarding the risk management;
- the framework regarding risk management;
- the policy for the approval of launching new products.

The culture regarding the risks within the Bank is integrated and defined overall, being based on complete understanding of risks the Bank is confronting with and of the manner they are managed, having a tolerance/risk appetite of the Bank.

The Banks' strategic objectives include also the development of sound culture regarding the management of risks, extended both at the management level and also to the business lines with responsibilities in risk management area, by identifying through the set of activities performed and for each significant activity, of the ratio between risks and profits which Bank considers acceptable within the conditions of a prudent and healthy ongoing business performance.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****b) Risk management framework (continued)**

The framework for risks management is based on:

- definition and set up of basic principles, of policies, procedures, limits and related controls for managing the risks;
- an organized structure specialized in the management and control of risks;
- strategies and specific techniques for measurement, evaluation, monitoring, decrease and reporting the risks.

The framework for management of significant risks is transposed clearly and transparently in internal norms, procedures, including manuals and codes of conduct, making a distinction between the overall standards applicable to all employees and the rules applied specifically to certain categories of personnel.

The governing structures playing the role in risks management are:

The Supervisory Board has overall responsibility for the establishment and oversight of the Bank's risk management framework and to approve the Bank's risk profile.

The Management Board implements the risk management strategy and policies approved by Supervisory Board regarding the management for significant risks.

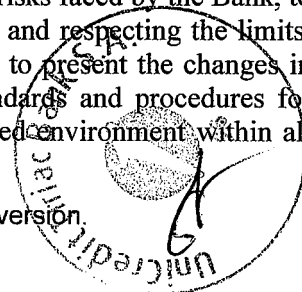
The Risk Management Committee set up by Supervisory Board plays advisory role for the governing bodies' decisions regarding the risk appetite and overall strategy regarding the management of actual and future risks of the Bank, and ensures the support for the Supervisory Board in the oversight of the implementation by the top management of the overall strategy regarding actual and future risks of the Bank.

Implementation of the strategy for significant risks management at the Group level for the development and monitoring the policies for risks management is achieved through the following committees having responsibilities regarding risk management.

- Asset and Liabilities Committee
- Risk Management Operative Committee
- Special Credit Committee
- Credit Committee
- Fraud Risk Management Committee

The Group's **Audit Committee** is responsible for monitoring compliance with Unicredit Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Bank's policies for risk management are set up to identify and analyze the risks faced by the Bank, to set up the adequate limits for risk and control, as well as to monitor the risks and respecting the limits. Policies and systems for risks management are periodically reviewed in order to present the changes in market conditions, products and services provided. The Group, through standards and procedures for management and training, is targeting to develop a constructive and disciplined environment within all employees to understand their roles and obligations.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****c) Credit risk****(i) Credit risk management**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities.

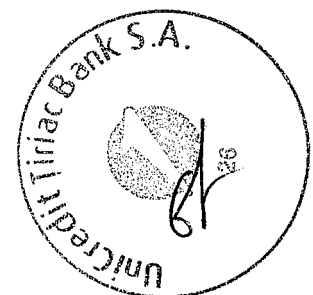
The Bank has set up processes for risk management and has tools for identification, measurement, monitoring and control the credit risk.

The Bank's policy for the risk management promotes a set of principles and coherent practices, oriented toward the following objectives:

- Set up a framework and adequate parameters for credit risk;
- Promoting and operating a healthy and sound process for granting loans;
- Promoting and maintaining an adequate process for management, measurement and monitoring of loans;
- Ensuring a permanent control over the quality of granted loans portfolios.

Credit risk management is performed taking into account both individual loans and also entire portfolio and includes the quantitative and qualitative aspects related to risks.

The Bank evaluates mainly the solvency of the entity/client which requests the loan facility. This evaluation is focused mainly on establishment of the manner in which the entity that is requesting the loan facility can respect its obligations by paying them autonomously, irrespective whether additional guarantees are provided or not (repayment capacity).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk

- **Loans and advances to clients**

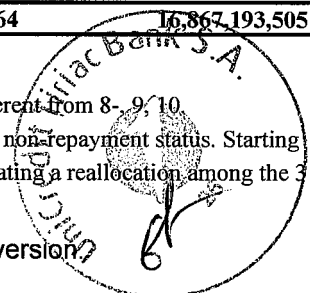
In RON

	31 December 2014	31 December 2013
Individually significant impaired loans		
Grade 8: Impaired***	2,418,015,500	-
Grade 9: Impaired	172,829,219	2,594,748,554
Grade 10: Impaired	763,048,122	725,926,279
Gross amount	3,353,892,841	3,320,674,833
Allowance for impairment	(1,572,975,654)	(1,393,777,865)
Carrying amount	1,780,917,187	1,926,896,968
Fair value of collateral	1,274,081,740	1,099,772,464
Property	1,137,318,319	921,695,726
Goods	89,037,819	96,697,684
Assignment of receivables	21,092,238	71,696,676
Other collateral*	26,633,364	9,682,378
Other impaired loans		
Grade 8: Impaired	370,248,191	449,690,596
Grade 9: Impaired	5,053,119	59,358,512
Grade 10 Impaired	235,699,630	255,190,005
Other impaired**	12,242,352	5,699,921
Gross amount	623,243,292	769,939,034
Allowance for impairment	(298,114,098)	(413,431,904)
Carrying amount	325,129,194	356,507,130
Fair value of collateral	339,045,391	336,910,472
Property	304,836,510	311,362,040
Goods	8,826,665	5,994,946
Assignment of receivables	5,717,942	1,501,276
Other collateral*	19,664,274	18,052,210
Past due but not impaired		
Grade 1 – 7	919,430,049	964,238,844
Less than 90 overdue days	916,105,407	957,403,066
More than 90 overdue days	3,324,642	6,835,778
Grade 8	339,546,914	398,135,225
Less than 90 overdue days	327,309,222	381,258,121
More than 90 overdue days	12,237,692	16,877,104
Gross amount	1,258,976,963	1,362,374,069
Allowance for impairment	(54,391,880)	(50,036,780)
Carrying amount	1,204,585,083	1,312,337,289
Neither past due nor impaired		
Grade 1 – 7: Impaired	14,587,250,683	12,942,203,251
Grade 8: Impaired	244,974,668	377,440,584
Gross amount	14,832,225,351	13,319,643,835
Allowance for impairment	(66,985,951)	(48,191,717)
Carrying amount	14,765,239,400	13,271,452,118
Total carrying amount	18,075,870,864	16,867,193,505

* Other collateral includes cash and financial risk insurance.

** Loans classified as Past Due, Restructured, Doubtful or Non-performing loans with rating different from 8- 9/10

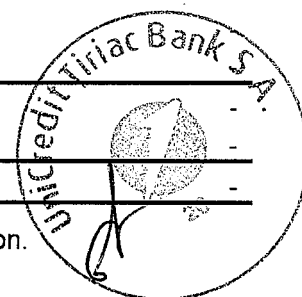
*** Until 31 December 2013, individually impaired loans were marked with 9, irrespective of the non-repayment status. Starting with 2014, Bank has proceeded to classify these depending upon the non-repayment event, generating a reallocation among the 3 impairment classes.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk (continued)
• Finance lease receivables
In RON

Finance leases individually impaired	31 December 2014	31 December 2013
Grade 8-: Impaired	84,035,985	-
Grade 9: Impaired	162,576,265	-
Grade 10: Impaired	95,601,698	-
Gross amount	342,213,948	-
Allowance for impairment	(125,002,995)	-
Carrying amount	217,210,953	-
Fair value of collateral	208,612,462	-
Property	199,494,697	-
Other collateral*	9,117,765	-
Other impaired finance leases		
Grade 8-: Impaired	13,139,525	-
Grade 9: Impaired	32,375,174	-
Grade 10: Impaired	151,174,377	-
Gross amount	196,689,076	-
Allowance for impairment	(162,244,144)	-
Carrying amount	34,444,932	-
Fair value of collateral	10,844,012	-
Property	10,624,867	-
Other collateral*	219,145	-
Finance lease Past due but not impaired		
Grade 1 -7:	269,260,411	-
Less than 90 overdue days	260,963,468	-
More than 90 overdue days	8,296,943	-
Grad 8. din care:	11,719	-
Less than 90 overdue days	11,719	-
More than 90 overdue days	-	-
Gross amount	269,272,130	-
Allowance for impairment	(2,124,309)	-
Carrying amount	267,147,821	-
Finance lease neither past due nor impaired		
Grade 1 - 7	1,935,225,015	-
Grade 8	546,607	-
Gross amount	1,935,771,622	-
Allowance for impairment	(9,551,931)	-
Carrying amount	1,926,219,691	-
Total carrying amount	2,445,023,397	-

Convenience translation in English of the original Romanian version.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4. RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) Exposure to credit risk (continued)

Loan portfolio is assessed for credit risk based on internal rating models. Customers are assigned with a certain rating notch which indicates the one-year probability of default. Rating notches are mapped to the UniCredit Group wide Master Scale. The Master Scale provides a standard rating scale for the entire UniCredit Group loan portfolio and also ensures comparability with rating scales from external rating agencies, based on the one-year probabilities of default assigned to each rating notch (calibration).

The Master Scale contains 10 rating classes, which are subdivided in 27 rating notches. Customers in the rating notches 1+ to 8 are expected to default only with a low probability and are defined as non-impaired customers. Rating notches 8-, 9 and 10 contains impaired customers in accordance with regulatory definitions for impaired clients.

The Group's overall risk exposure is disclosed according to the amount of identifiable impairment into four main categories: individually significant impaired, other impaired loans, past due but not impaired and neither past due nor individually impaired according to the internal rating of the Group and the past due status.

Impaired loans

Loans and receivables are impaired and impairment adjustment incur whether an objective impairment evidence exist as a result of:

- one or many triggers which appeared after initial recognition of the investment (default events);
- that default event has an impact on estimated future cash flow of the asset which can be reliable measured.

Individually significant impaired loans

Individually significant impaired loans comprises significant private individuals (more than EUR 250,000) which have at least one default event, as defined in the Bank's internal procedures, and significant corporate clients (more than EUR 1 million) with grade 8-, 9 or 10, as defined in the internal rating of the Bank; these two categories are individually assessed by the Group.

For all of them, the collaterals are divided between property, goods, assignment of receivables and other. Other collateral includes pledge on stocks, machinery, cash and financial risk insurance.

Neither past due nor individually impaired

It includes all exposures not classified in the above categories and considered to be all performing.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk (continued)
Other impaired loans

Other impaired loans includes all private individuals exposures which are more than 90 days overdue and corporate and business clients exposures with grade 8-, 9 and 10 which are not individually significant.

Past due but not impaired loans

Loans for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and / or the stage of collection of amounts owed to the Group.

Allowances for impairment

The Group establishes an allowance for impairment losses based on the internal methodology as described in note 3j (vii).

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of impaired assets by risk grade (includes those for finance lease receivables):

31 December 2014
In RON

	<u>Gross amounts</u>	<u>Net amounts</u>
Grade 8-: Impaired	2,885,439,200	1,873,892,286
Grade 9: Impaired	372,833,778	187,067,673
Grade 10: Impaired	1,245,523,827	285,429,527
Other impaired	12,242,352	11,312,780
Total	<u>4,516,039,157</u>	<u>2,357,702,266</u>

31 December 2013

	<u>Gross amounts</u>	<u>Net amounts</u>
Grade 8-: Impaired	449,690,596	259,634,941
Grade 9: Impaired	2,654,107,066	1,766,068,558
Grade 10: Impaired	981,116,284	252,123,179
Other impaired	5,699,921	5,577,421
Total	<u>4,090,613,867</u>	<u>2,283,404,098</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk (continued)

Restructured loans and lease receivables are as follows:

	31 December 2014	31 December 2013
Gross amount	1,378,916,256	1,243,919,259
Allowance for impairment	(453,607,346)	(382,934,019)
Carrying amount	925,308,911	860,985,240

Restructured exposures are loan contracts for which restructuring measures have been applied. The restructuring measures consist of concessions granted to a debtor who is facing or is about to face financial difficulties

A concession refers to one of the following actions:

- a change in previous terms and conditions of a contract under which it is considered that the debtor cannot meet due to the financial difficulties (“problem asset”), in order to allow a sufficient capacity to service the debt, which would have not been granted if the debtor had not been in financial difficulty;
- a total or partial refinancing of a contract related to a problem asset, which would have not been granted the debtor had not been in financial difficulty.

A concession may attract a loss for the lender.

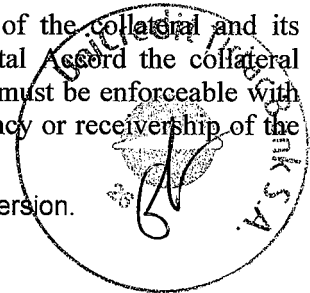
Once the loan is restructured, in case of impaired portfolio, it remains within impaired category independent of satisfactory performance after restructuring for at least 2 years. Restructured loans are monitored internally by a dedicated unit in the Bank

Collateral

To a large degree, the Bank’s exposure is in the form of traditional loans to non-financial companies and households. These loans may be secured by collateral (e.g., a mortgage on property or a charge over securities, movable property or receivables) or guarantees (usually provided by individuals or legal entities). Any form of collateral serves only as additional security for the secured loan and as such is taken into account at the time the creditworthiness of the entity requesting the credit facility is assessed. In order to protect against fluctuations in the market value of assets assigned to the Bank as collateral, the value of the collateral should generally provide an adequate margin in excess of the current value of such assets, and this margin is properly adjusted as a function of the intrinsic characteristics of these assets.

When assessing collateral, special emphasis is placed on the enforceability of the collateral and its appropriateness. With regard to the former, as required by the BIS III Capital Accord the collateral obtained must be valid, effective and binding for the collateral provider, and it must be enforceable with respect to third parties in all jurisdictions, including in the event of the insolvency or receivership of the borrower and/or the collateral provider.

Convenience translation in English of the original Romanian version.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk (continued)

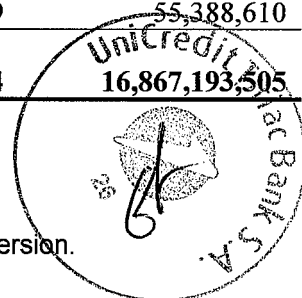
Due to the importance of this requirement, including for the purposes of mitigating the capital requirement for credit risk, the application procedure and related processes governing this area are particularly strict, to ensure that the documents obtained are completely in order from a formal and substantive standpoint.

With regard to appropriateness, security is said to be appropriate when it is qualitatively and quantitatively sufficient with respect to the amount and nature of the credit facility, provided there are no significant risk elements associated with the provider of security.

Concentration of credit risk related to loans and advances to clients

The Groups monitors concentrations of credit risk by sector of activity, client segment, products, ratings, geographical area on a quarterly basis. An analysis of concentrations of credit risk by industry at the reporting date is shown below:

<i>In RON</i>	31 December 2014	31 December 2013
Private entities (including individuals)	5,365,718,126	5,555,215,977
Manufacturing	3,738,369,364	3,106,852,238
Commerce – wholesale and retail	3,084,202,519	2,778,878,695
Real estate	1,531,192,115	1,440,104,086
Construction and civil engineering	855,414,653	800,849,646
Agriculture - forestry – fisheries	609,062,061	501,708,838
Transport and storage services	582,629,741	543,953,273
Public administration and defense; social security insurance	512,512,660	544,131,393
Production and supply of electricity, gas, steam and air conditioning	415,778,985	438,632,398
Professional, scientific and technical activities	399,563,249	231,817,585
Information and communication	377,268,536	268,783,114
Water supply	161,724,972	186,094,730
Financial and insurance institutions	134,085,183	162,827,293
Hotels and public commercial concern	122,324,596	124,883,175
Administrative and support service activities	58,976,325	61,818,416
Extractive industry	37,518,035	25,738,444
Education	18,619,143	13,102,309
Medical and social activities	16,541,730	18,947,189
Arts, entertainment and recreation	500,572	7,466,096
Other services	53,868,299	55,388,610
Total	18,075,870,864	16,867,193,505



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

4. RISK MANAGEMENT (continued)

c) Credit risk (continued)

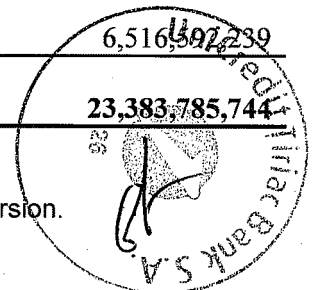
(ii) Exposure to credit risk (continued)

Concentration of credit risk related to lease receivables

<i>In RON</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Transport and storage services	517,007,064	-
Manufacturing	417,491,869	-
Commerce – wholesale and retail	374,178,268	-
Production and supply of electricity, gas, steam and air conditioning	251,673,652	-
Construction and civil engineering	222,333,365	-
Agriculture - forestry – fisheries	158,364,682	-
Real estate	100,068,791	-
Professional, scientific and technical activities	92,180,570	-
Administrative and support service activities	75,491,865	-
Medical and social activities	41,980,964	-
Hotels and public commercial concern	39,143,634	-
Extractive industry	37,701,474	-
Information and communication	35,790,030	-
Water supply	29,959,784	-
Public administration and defense; social security insurance	6,814,038	-
Financial and insurance institutions	6,244,656	-
Arts, entertainment and recreation	2,933,629	-
Education	1,707,368	-
Other services	33,957,696	-
Total	<u>2,445,023,397</u>	-

In RON

	<u>2014</u>	<u>2013</u>
Loans and advances to customers	18,075,870,864	16,867,193,505
Loan related commitments and contingencies (refer to Note 42)	6,340,452,876	6,516,592,239
	<u>24,416,323,740</u>	<u>23,383,785,744</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****c) Credit risk (continued)****(ii) Exposure to credit risk (continued)****Concentration of credit risk (continued)**

The amounts reflected in the table above represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts of credit risk shown, therefore, greatly exceed expected losses, which are included in the allowance for performing and non-performing loans.

Exposures to higher risk Eurozone countries

Disappointing evolution of global commerce in the context of decreasing demand in the emergent countries and amplification of tensions between Ukraine and Russia have negatively impacted the economic growth in euro zone in 2014. At the end of 2014, the monetary relaxation expectation within euro zone in order to fight against decreased inflation and to stimulate the economic growth have led to a decrease of the Germany government bonds yields and to a lesser degree the yields of countries at the euro zone periphery. The divergence between ECB monetary policy relaxation and FED intention to increase the base interest rate in the context of USA economy recovery have favoured the depreciation of EURO against USD. To the end of 2014, new political tensions in Greece have increased the aversion to risk.

At 31 December 2014, 97% (31 December 2013: 99%) of the loans to customers' portfolio was represented by Romanian residents. According to Fitch's rating, Romania is considered to have a low to moderate risk for investments.

At 31 December 2014, there are no significant transactions with local subsidiaries of companies incorporated in Eurozone countries that are experiencing financial difficulties materialised through the existence of financial aid programs or other higher risk indicators.

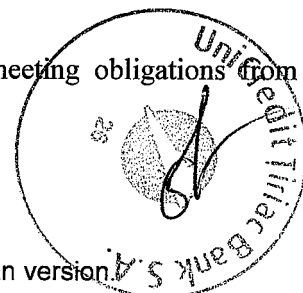
At 31 December 2014, all investments securities recognized in the portfolio as available for sale were represented by bonds issued by Ministry of Public Finance of Romania and local Romanian authorities.

Cash and cash equivalents, loans and advances to banks and investment securities were neither impaired nor past due. Please also refer to *Note 20*, *Note 22* and *Note 23*.

Loans to banks include money market deposits to domestic and foreign commercial banks. These exposures with grade from 1 to 7 (31 December 2013: 1 to 7) are assessed as performing according with Bank's internal rating as at 31 December 2014 and 31 December 2013

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations from its financial liabilities.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****d) Liquidity risk (continued)**

Liquidity risk has the following subtypes:

- Liquidity mismatch risk – depending on the maturity structure of the statement of financial position;
- Liquidity contingency risk – arising due to unpredictable customer behaviour;
- Market liquidity risk arising due to monetary market malfunctions generating the impossibility of selling liquid assets at market prices.

Management of liquidity risk

By its very nature, the liquidity risk is a systemic risk with a high contagion potential for the whole banking system. Therefore, in order to limit the potential damage caused by liquidity problems, the Group is permanently assessing the broad macroeconomic conditions, with a special focus on data concerning the banking system. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Assets and Liabilities Management is the department responsible for managing liquidity risk, reporting directly to Assets and Liabilities Committee (ALCO) and CFO.

The Group's liquidity management strategy aims at maintaining an optimal equilibrium between cash inflows and cash outflows in terms of timing and volume, that is vital for assuring the normal operational continuity of the Group's business, as well as adequate liquidity reserves, whilst ensuring the financial stability of the balance sheet and the optimization of the funding sources and related costs. Accordingly, the Group's approach to liquidity management is split into short term liquidity and medium and long term liquidity management (structural liquidity).

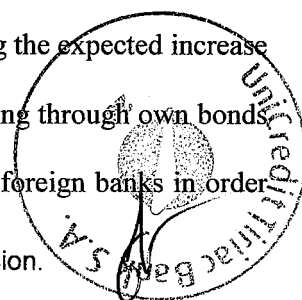
The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

Within the liquidity risk management framework, the Bank maintains permanently a sufficient liquidity reserve, consisting of government bonds free of any encumbrances which can be converted into cash immediately through specific transactions with Central Bank and financing facilities which can be used in emergency cases.

Regarding structural liquidity, the Group pursues the following goals:

- Encouraging long term customer deposits, by developing and promoting complex products with a higher value added;
- Close monitoring of loans-to-deposits ratio across all business lines, in order to maintain planned volumes of liquidity and an appropriate currency structure.
- Attracting long term funds from the UniCredit Bank Austria AG for supporting the expected increase of the asset side of the balance sheet
- Increasing the liquidity self-sufficiency by the development of strategic financing through own bonds issues, covered bonds issues, securitisation etc.;
- Development of relations with various international financial institutions and foreign banks in order to start / continue special financing programs.

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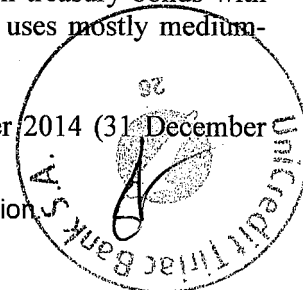
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****d) Liquidity risk (continued)****Management of liquidity risk (continued)****Exposure to liquidity risk**

Key measures used by the Bank for measuring liquidity risk are:

- the daily short-term liquidity report, in which, starting from maturities of inter-bank assets and liabilities, a daily liquidity profile is estimated for the coming 3 months. In addition to the interbank assets and liabilities, the bank considers also other potential short-term outflows coming from the commercial book (such as deposits, cash, and loan commitments). The limits checked in this report are set in UniCredit Tiriatic Bank Liquidity Management Strategy for indicators representing the arithmetical difference between inflows and outflows separately, separately by each major currency, and in total (for all currencies cumulated);
- the weekly indicator on immediate liquidity. Every week, based on the statement of financial position data (static), a ratio between immediate assets and drawn sources is calculated. Immediate assets include: cash, current account with National Bank of Romania, Nostro accounts, deposits with banks, T-bills not serving as collateral;
- daily projection of treasury cash-flows for the next 30 days – represents an estimation of cash flows generated by treasury transactions;
- liquidity indicators by time buckets as established by the National Bank of Romania and structural liquidity indicators set at UniCredit Bank Austria AG level. In accordance with UniCredit Group standards, the Bank follows compliance with liquidity limits and warning levels set for ratios determined as total cash outflow divided by the total inflows with minimum 1, 3 and 5 years maturity (for the total position). Regarding the liquidity position for the five major currencies (EUR, USD, GBP, CHF, JPY) the gap between assets and liabilities with maturities over one year is determined. This difference represents the value, at currency level, of assets over one year which are financed with funds less than one year (short term financing), for which limits are imposed for each currency;
- other key indicators for the management of liquidity and funding needs as Liquid assets/Total assets (%), Liquid assets/Deposits (%), Liquid assets /Deposits of top 30 deponents (%), Total funds raised from an economic group (clients)/Total on balance-sheet liabilities (%), Loans outstanding /Client deposits (%), Immediate liabilities (below 1M)/Total liabilities (%), target and alert levels are set for each indicator.
- Basel III indicators regarding the Bank's liquidity (LCR – Liquidity Coverage Ratio and NSFR – Net Stable Funds Ratio), which are monitored by the responsible departments and reported toward NBR in accordance with regulations in force.

Temporary excess liquidity of the banking book on each currency is generally invested on short-term through money market instruments, deposits and treasury-bills, or in medium term treasury bonds with higher liquidity in financial markets. For financing its asset expansion, the Bank uses mostly medium-term funding.

The ratio of net liquid assets to deposits to customers is 43% as at 31 December 2014 (31 December 2013: 43%).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

An analysis of assets and liabilities of the Group as at 31 December 2014 by residual contractual maturity at the reporting date is shown below:

- In RON

31 December 2014	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Cash and cash equivalents	4,355,627,566	-	-	-	-	4,355,627,566	4,355,627,566
Financial assets at fair value through profit and loss	256,170,739	-	-	-	-	256,170,739	256,170,739
Derivatives assets instruments designated as hedging instruments	12,433,477	-	-	-	-	12,433,477	12,433,477
Fair value changes of the hedged items in portfolio hedge	550,694	-	-	-	-	550,694	550,694
Loans and advances to banks	24,953,044	128,306,694	381,000,000	-	-	534,259,738	534,259,738
Loans and advances to customers	3,971,225,629	5,516,756,792	4,816,280,115	4,007,550,797	-	18,311,813,333	18,075,870,864
Net leasing receivables	421,886,211	785,290,419	927,637,591	310,209,176	-	2,445,023,397	2,445,023,397
Investment securities, available for sale	370,312,949	1,541,587,412	3,637,463,089	394,106,469	5,029,092	5,948,499,011	5,948,499,011
Total financial assets	9,413,160,309	7,971,941,317	9,762,380,795	4,711,866,442	5,029,092	31,864,377,955	31,628,435,486
Derivative liabilities at fair value through profit or loss	114,778,678	-	-	-	-	114,778,678	114,778,678
Derivatives liabilities designated as hedging instruments	95,420,025	-	-	-	-	95,420,025	95,420,025
Deposits from banks	1,713,605,426	-	1,456,682,500	425,799,500	-	3,596,087,426	3,596,087,426
Loans from banks and subordinated liabilities	544,062,321	1,953,997,488	4,761,667,433	1,230,317,934	-	8,490,045,176	8,487,776,830
Deposits from customers	14,299,609,303	771,288,392	768,741,904	49,844,772	-	15,889,484,371	15,888,033,085
Debt securities issued	-	1,626,644	550,000,000	-	-	551,626,644	550,317,133
Total financial liabilities	16,767,475,753	2,726,912,524	7,537,091,837	1,705,962,206	-	28,737,442,320	28,732,413,177
Liquidity surplus / (shortfall)	(7,354,315,444)	5,245,028,793	2,225,288,958	3,005,904,236	5,029,092	3,126,935,635	2,896,022,309
Adjustment for investment securities available for refinancing*	5,573,156,970	(1,541,587,412)	(3,637,463,089)	(394,106,469)	-	3,126,935,635	-
Liquidity surplus / (shortfall) adjusted	(1,781,158,474)	3,703,441,381	1,412,174,131	2,611,797,767	5,029,092	3,126,935,635	2,896,022,635

* As part of its liquidity management the Group holds treasury bills and bonds which can easily be converted into cash in case of increasing liquidity risk. Also, most of these securities are available for refinancing in order to ensure quick access to funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

– In RON

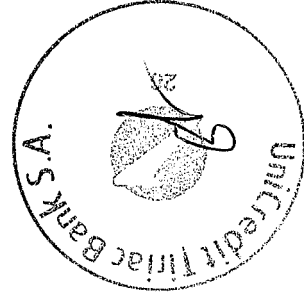
31 December 2014

Contingent assets and liabilities**)

	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Gross nominal inflow/(outflow)
Irrevocable commitments given outflow	(2,045,113,463)	-	-	-	-	(2,045,113,463)
Irrevocable commitments taken inflow	930,932,170	-	-	-	-	930,932,170
Issued financial guarantees outflow	-	(4,405,476,200)	-	-	-	(4,405,476,200)
Future lease obligations outflow	-	(73,908,361)	(207,846,893)	(70,816,905)	-	(352,572,159)
Future interest on long-term borrowings outflow	(32,035,254)	(97,179,425)	-	-	-	(129,214,679)
Future interest on deposits from banks and customers outflow	(43,505,568)	(125,555,995)	-	-	-	(169,061,563)
Future interest on debt securities issued	(8,800,000)	(26,888,889)	-	-	-	(35,688,889)
	(1,198,522,115)	(4,729,008,870)	(207,846,893)	(70,816,905)	-	(6,206,194,783)

Contingent assets and liabilities surplus/(shortfall)

***) The table disclosed above shows the undiscounted cash flows of the Group, including financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity, under a highly prudential approach. For issued financial guarantee contracts, the maximum amount of guarantee is allocated in the "3 Months to 1 Year" band.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

An analysis of assets and liabilities of the Bank as at 31 December 2013 by residual contractual maturity at the reporting date is shown below:

- In RON

31 December 2013	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Cash and cash equivalents	-	-	-	-	5,235,422,569	5,235,422,569
Financial assets at fair value through profit and loss	75,614,112	-	-	-	75,614,112	75,614,112
Derivatives assets instruments designated as hedging instruments	13,606,582	-	-	-	13,606,582	13,606,582
Fair value changes of the hedged items in portfolio hedge	859,908	-	-	-	859,908	859,908
Loans and advances to banks	81,910,806	95,490,838	-	-	378,166,622	378,166,622
Loans and advances to customers	3,725,467,198	4,342,136,447	4,208,577,192	-	17,057,927,594	16,867,193,505
Investments in associates	-	-	-	823,800	823,800	823,800
Investment securities, available for sale	709,283,779	2,911,076,759	510,855,457	2,683,310	5,405,375,971	5,405,375,971
Total financial assets	9,842,164,954	7,348,704,044	4,719,432,649	3,507,110	28,167,797,158	27,977,063,069
Financial liabilities at fair value through profit or loss	91,322,302	-	-	-	91,322,302	91,322,302
Derivatives liabilities designated as hedging instruments	62,878,808	-	-	-	62,878,808	62,878,808
Deposits from banks	2,033,429,604	1,636,915,500	-	-	3,670,345,104	3,670,345,104
Loans from banks and subordinated liabilities	-	-	-	-	-	-
Deposits from customers	10,725,937	3,989,090,246	1,201,320,946	-	5,767,791,596	5,765,081,908
Debt securities issued	13,490,428,607	235,554,571	25,045,985	-	15,122,328,452	15,120,823,928
Debt securities issued	-	550,000,000	-	-	551,530,959	549,912,266
Total financial liabilities	15,688,785,258	6,411,560,317	1,226,366,931	-	25,266,197,221	25,260,364,316
Liquidity surplus / (shortfall)	(5,846,620,304)	937,143,727	3,493,065,718	3,507,110	2,901,599,937	22,716,698,753
Adjustment for investment securities available for refinancing*	4,693,408,882	(2,911,076,759)	(510,855,457)	-	-	-
Liquidity surplus / (shortfall) adjusted	(1,153,211,422)	3,043,027,020	2,982,210,261	3,507,110	2,901,599,937	2,716,698,753

* As part of its liquidity management the Group holds treasury bills and bonds which can easily be converted into cash in case of increasing liquidity risk. Also, most of these securities are available for refinancing in order to ensure quick access to funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

- In RON

	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Gross nominal inflow/(outflow)
31 December 2013						
Contingent assets and liabilities**)						
Irrevocable commitments given outflow	(1,364,348,712)	-	-	-	-	(1,364,348,712)
Irrevocable commitments taken inflow	1,071,843,300	-	-	-	-	1,071,843,300
Issued financial guarantees outflow	-	(5,152,248,527)	-	-	-	(5,152,248,527)
Future lease obligations outflow	-	(74,004,497)	(234,394,708)	(91,724,081)	-	(400,123,286)
Future interest on long-term borrowings outflow	(31,985,489)	(100,064,444)	-	-	-	(132,049,933)
Future interest on deposits from banks and customers outflow	(78,590,483)	(245,522,840)	-	-	-	(324,113,323)
Future interest on debt securities issued	(8,800,000)	(26,888,889)	-	-	-	(35,688,889)
Contingent assets and liabilities surplus/ (shortfall)	(411,876,384)	(5,598,729,197)	(234,394,708)	(91,724,081)	-	(6,336,724,370)

***) The table disclosed above shows the undiscounted cash flows of the Group, including financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity, under a highly prudential approach. For issued financial guarantee contracts, the maximum amount of guarantee is allocated in the "3 Months to 1 Year" band.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014
4. RISK MANAGEMENT (continued)
d) Liquidity risk (continued)
Future cash flows of financial liabilities

Maturity profile of financial liabilities at December 31, 2014 and 2013 which is based on contractual undiscounted future liabilities of payment are listed below:

31 December 2014 – RON	Pana la 3 luni	Intre 3 luni si 1 an	Intre 1 an si 5 ani	Peste 5 ani	Total valoare contractuala
Financial liabilities at fair value through profit or loss	123,343,805	1,459,139	27,168,667	70,389,290	222,360,901
Derivatives financial instruments designated as hedging instruments	95,844,003	2,240,783	14,497,336	81,766,104	194,348,226
Deposits from banks	1,874,728,706	353,923,102	2,129,777,739	435,403,520	4,793,833,067
Loans from banks and subordinated liabilities	358,323,275	1,686,057,532	4,570,181,338	1,308,598,315	7,923,160,460
Deposits from customers	14,628,841,866	826,745,689	842,539,955	64,003,352	16,362,130,862
Debt securities issued	-	37,036,713	638,573,681	-	675,610,394
Total financial liabilities	17,081,081,655	2,907,462,958	8,222,738,716	1,960,160,581	30,171,433,910
31 December 2013 – RON	Pana la 3 luni	Intre 3 luni si 1 an	Intre 1 an si 5 ani	Peste 5 ani	Total valoare contractuala
Financial liabilities at fair value through profit or loss	4,611,876	10,005,152	56,654,263	119,380,506	190,651,797
Derivatives financial instruments designated as hedging instruments	1,685,004	-	29,665,979	95,687,696	127,038,679
Deposits from banks	2,113,934,290	325,679,064	2,390,924,126	21,409,755	4,851,947,235
Loans from banks and subordinated liabilities	53,579,208	359,395,157	3,607,216,397	1,299,911,784	5,819,102,546
Deposits from customers	13,601,896,799	1,435,886,820	244,734,844	32,954,856	15,315,473,319
Debt securities issued	-	36,844,015	673,983,750	-	710,827,765
Total financial liabilities	15,775,707,177	2,167,810,208	7,003,179,359	1,569,344,597	26,516,041,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

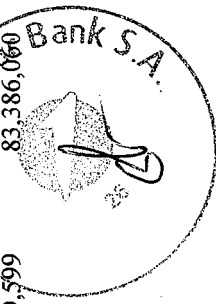
4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

An analysis of notional amounts of derivative financial assets/liabilities by residual contractual maturity at the reporting date is shown below:

In RON

31 December 2014	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 Months	3 months to 1 year	1-5 years	More than 5 years
Derivative assets	117,731,197	110,328,597	779,108	2,423,055	(1,729,446)	38,217,491	70,638,389
Outflow		98,072,415	9,952,448	211,829,288	91,067,370	(257,050,974)	41,684,397
Inflow		12,828,863	(9,173,340)	(209,406,233)	(92,796,816)	295,268,465	28,953,992
Derivative liabilities	(210,198,703)	(206,510,426)	(5,611,740)	(3,377,365)	(3,699,923)	(41,666,004)	(152,155,394)
Outflow		(2,252,249,572)	(1,417,292,051)	(336,834,962)	(271,038,891)	(46,363,047)	(180,720,621)
Inflow		2,045,739,146	1,411,680,311	333,457,597	267,338,968	4,697,043	28,565,227
31 December 2013	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 Months	3 months to 1 year	1-5 years	More than 5 years
Derivative assets	89,220,694	90,390,146	(1,460,095)	(692,407)	12,878,945	19,882,401	59,781,302
Outflow		(495,065,449)	141,591,827	(7,739,942)	(308,955,946)	(296,319,681)	(23,641,707)
Inflow		585,455,595	(143,051,922)	7,047,535	321,834,891	316,202,082	83,423,009
Derivative liabilities	(154,201,110)	(163,481,296)	(1,638,851)	468,052	(6,582,246)	(46,527,153)	(109,201,098)
Outflow		(2,208,541,527)	(1,003,327,586)	(259,558,535)	(232,491,496)	(520,576,752)	(192,587,458)
Inflow		2,045,060,231	1,001,688,735	260,026,587	225,909,250	474,049,599	83,386,060



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****e) Market Risk**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks**Organizational structure**

The Supervisory Board lays down strategic guidelines for taking on market risks by calculating, depending on the propensity to risk and objectives of value creation in proportion to risks assumed, capital allocation for all business segments, in compliance with UniCredit Group strategies.

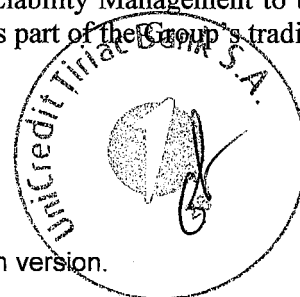
The Risk Management Committee provides advice and recommendations in respect of decisions taken by the Chief Executive Officer and in drawing up proposals made by the Chief Executive Officer to the Directorate or the Supervisory Board with regards to the following:

- guidance as to the methods to be used to realize models for the measurement and monitoring of Group risks;
- the Group's risk policies (identification of risk, analysis of the level of propensity to risk, definition of capital allocation objectives and the limits for each type of risk, assignment of related functional responsibilities to the relevant departments and divisions);
- corrective action aimed at rebalancing the Group's risk positions.

Overall authority for market risk is delegated in Assets and Liability Committee. The Market Risk unit ensures the measurement and monitoring of risks assumed in accordance with the guidelines set out by the UniCredit Bank Austria AG.

Asset and Liability Management unit, in coordination with Markets Trading manages strategic and operational Balance sheet management, with the objective of ensuring a balanced asset position and the operating and financial sustainability of the Group's growth policies on the loans market, optimizing the Group's exchange rate, interest rate and liquidity risk.

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolio is held by Markets Trading unit, and includes positions arising from market making and proprietary position taking, together with most financial assets that are managed on a fair value basis. Also all foreign exchange risk is transferred and sold down by Assets and Liability Management to the Markets Trading unit. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
e) Market Risk (continued)
Exposure to market risks – Value at Risk Tool

The principal tool used to measure and control market risk exposure is Value at Risk (VaR). VaR is the maximum estimated loss that will arise on the entire portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level).

The VaR model used by the Group is based upon a 99 percentage confidence level and assumes a 1 day holding period. Use of a 1-day time-horizon makes it possible to make an immediate comparison between profits/losses realized.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Group uses a VaR warning limit for total market risk and banking book and a limit for trading book; this limit is subject to review and approval by UniCredit Bank Austria AG and ALCO. VaR is measured daily by a common system throughout the UniCredit Group; data is automatically upload from the core banking system and other front office systems.

A summary of the VaR position of the Group is as follows:

<i>In EUR</i>	At 31 December 2014	Average 2014	Maximum 2014	Minimum 2014
Foreign currency risk	21,559	121,270	358,328	1,972
Interest rate risk	3,565,010	2,043,847	4,072,126	571,097
Credit Spread Risk	3,026,857	3,013,041	4,352,685	2,088,871
Overall	2,619,102	3,444,404	4,806,291	2,155,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4. RISK MANAGEMENT (continued)

e) Market Risk (continued)

A summary of the Group's interest rate gap position on interest earnings assets and liabilities based on earlier date between contractual maturity and repricing date is as at 31 December 2014:

RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total contractual amount	Total carrying amount
Cash and cash equivalents	4,355,627,566	-	-	-	4,355,627,566	4,355,627,566
Financial assets at fair value through profit and loss	153,881,404	7,585,547	26,338,426	68,365,362	256,170,739	256,170,739
Derivatives assets designated as hedging instruments	12,433,477	-	-	-	12,433,477	12,433,477
Fair value changes of the hedged items in portfolio hedge	550,694	-	-	-	550,694	550,694
Loans and advances to banks	474,030,571	60,229,167	-	-	534,259,738	534,259,738
Loans and advances to customers	15,720,326,981	1,457,363,048	749,284,399	384,838,905	18,311,813,333	18,075,870,864
Net lease receivables	1,940,232,923	119,699,798	270,853,212	114,237,464	2,445,023,397	2,445,023,397
Investment securities, available for sale *	370,312,949	1,541,587,412	3,637,463,089	394,106,469	5,943,469,919	5,943,469,919
Total	23,027,396,565	3,186,464,972	4,683,939,126	961,548,200	31,859,348,863	31,623,406,394
Derivative liabilities at fair value through profit and loss	9,827,140	10,341,776	25,890,366	68,719,396	114,778,678	114,778,678
Derivatives liabilities designated as hedging instruments	95,420,025	-	-	-	95,420,025	95,420,025
Deposits from banks	3,596,087,426	-	-	-	3,596,087,426	3,596,087,426
Loans deposits from banks and subordinated liabilities	6,313,120,134	729,077,211	893,016,434	554,831,397	8,490,045,176	8,487,776,830
Deposits from customers	14,256,589,623	814,248,562	768,801,078	49,845,108	15,889,484,371	15,888,033,085
Debt securities issued	-	1,626,644	550,000,000	-	551,626,644	550,317,133
Total	24,271,044,348	1,555,294,193	2,237,707,878	673,395,901	28,737,442,320	28,732,413,177
Interest sensitivity surplus/ (shortfall)	(1,243,647,783)	1,631,170,779	2,446,231,248	288,152,299	3,121,906,543	2,890,993,217

* The amount of RON 5,029,092 representing equity investments are not included as they are not bearing interest. (See details for "Investment securities, available for sale" in Note 35).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
e) Market Risk (continued)
Exposure to market risks – Value at Risk Tool (continued)

	At 31 December 2013	Average 2013	Maximum 2013	Minimum 2013
Foreign currency risk	58,818	115,425	497,379	36,729
Interest rate risk	964,989	624,967	1,250,354	178,638
Credit Spread Risk	4,083,254	5,251,053	7,441,891	3,548,376
Overall	4,252,489	5,612,384	7,771,842	770,518

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit analyses. The Group uses a range of stress tests to model the financial impact of a variety of exceptional market scenarios on the Group's positions.

Foreign exchange (FX) analysis

The FX net open position limits are assigned by the Group and are lower than the prudential limits imposed by the National Bank of Romania.

The limits are expressed in EUR equivalent and the exposure to the limits is monitored on a daily basis by Market Risk department.

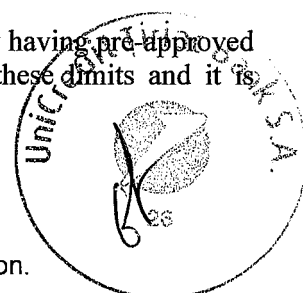
The table shows the average usage of the limits during 2014 and 2013, which correlate also with the stable FX VaR figure.

Foreign exchange (FX) Open Position of the Group is as follows:

Currency	Limits (EUR equiv) 2014	Average usage 2014	Limits (EUR equiv) 2013	Average usage 2013
EUR	40,000,000	21.17%	40,000,000	20.24%
RON	40,000,000	21.17%	40,000,000	20.16%
USD	5,000,000	3.26%	5,000,000	2.15%

Exposure to market risks – Interest Rate Gap tool

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and it is assisted by Market Risk in its day to day monitoring activities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

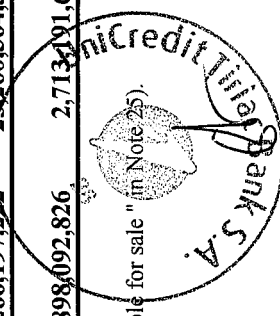
4. RISK MANAGEMENT (continued)

e) Market Risk (continued)

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities based on earlier date between contractual maturity and repricing date is as at 31 December 2013:

RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total contractual amount	Total carrying amount
Cash and cash equivalents	5,235,422,569	-	-	-	5,235,422,569	5,235,422,569
Derivative assets at fair value through profit and loss	40,253,393	1,421,378	29,807,762	-	75,614,112	75,614,112
Derivatives assets designated as hedging instruments	13,606,582	-	-	-	13,606,582	13,606,582
Fair value changes of the hedged items in portfolio hedge	859,908	-	-	-	859,908	859,908
Loans and advances to banks	285,318,352	92,848,270	-	-	378,166,622	378,166,622
Loans and advances to customers	10,781,022,743	5,152,312,665	702,151,896	422,440,290	17,057,927,594	16,867,193,505
Investment securities, available for sale	709,283,779	1,271,476,666	2,911,076,759	510,855,457	5,402,692,661	5,402,692,661
Total	17,065,767,326	6,520,769,180	3,614,650,033	963,103,509	28,164,290,048	27,973,555,959
Derivative liabilities at fair value through profit and loss	44,003,237	16,359,046	1,440,864	29,519,155	91,322,302	91,322,302
Derivatives liabilities designated as hedging instruments	62,878,808	-	-	-	62,038,808	62,878,808
Deposits from banks	3,670,345,104	-	-	-	3,670,345,104	3,670,345,104
Loans from banks and subordinated liabilities	4,775,458,230	836,791,284	155,542,083	-	5,767,791,597	5,765,081,908
Deposits from customers	13,490,419,921	1,371,307,975	235,554,571	25,045,985	15,122,328,452	15,120,823,928
Debt securities issued	-	1,530,959	550,000,000	-	551,530,959	549,912,266
Total	22,043,105,300	2,225,989,264	942,537,518	54,565,140	25,266,197,222	25,260,364,316
Interest sensitivity surplus/ (shortfall)	(4,977,337,974)	4,294,779,916	2,672,112,515	908,538,369	2,898,092,826	2,713,191,643

* The amount of RON 2,683,296 representing equity investments are not included as they are not bearing interest. (See details for "Investment securities, available for sale" in Note 25).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
e) Market Risk (continued)

The following table shows the yearly average interest rates obtained or offered by the Group during 2014:

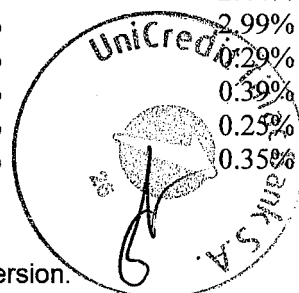
	RON Average	EUR Average	USD Average
Assets			
Current accounts with the National Bank of Romania	0.46%	0.35%	-
Placements with banks	2.52%	0.40%	0.81%
Investment securities	4.66%	3.85%	5.39%
Loans and advances to customers	6.35%	4.58%	4.16%
Net lease receivables	6.79%	5.46%	6.93%
Liabilities			
Deposits from banks	1.54%	0.44%	0.13%
Deposits from customers	3.17%	1.82%	1.56%
Loans from banks	3.34%	1.90%	1.08%
Subordinated loans	2.86%	4.28%	-

The following table shows the yearly average interest rates obtained or offered by the Bank during 2013:

	RON Average	EUR Average	USD Average
Assets			
Current accounts with the National Bank of Romania	0.87%	0.46%	-
Placements with banks	3.78%	0.75%	0.10%
Investment securities	5.74%	4.63%	6.35%
Loans and advances to customers	8.10%	4.66%	4.61%
Liabilities			
Deposits from banks	3.07%	0.40%	0.14%
Deposits from customers	3.15%	1.33%	1.08%
Loans from banks	5.54%	2.91%	-
Subordinated loans	4.70%	6.62%	-

The interest rates related to the local currency and the major foreign currencies as at 31 December 2014 and 31 December 2013 were as follows:

Currencies	Interest rate	31 December 2014	31 December 2013
RON	Robor 3 months	1.70%	2.44%
RON	Robor 6 months	2.01%	2.99%
EUR	Euribor 3 months	0.08%	0.29%
EUR	Euribor 6 months	0.17%	0.39%
USD	Libor 3 months	0.26%	0.25%
USD	Libor 6 months	0.36%	0.35%

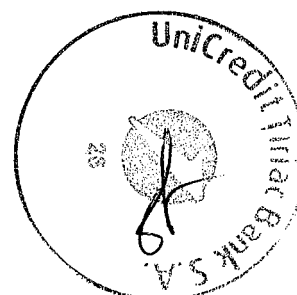


**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
e) Market Risk (continued)

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2014 can be analysed as follows:

In RON

	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	2,341,670,339	26,651,912	1,933,015,845	54,289,470	4,355,627,566
Financial assets at fair value through profit and loss	114,667,743	1,114	141,501,882	-	256,170,739
Derivatives assets designated as hedging instruments	10,233,183	1,808	2,198,486	-	12,433,477
Fair value changes of the hedged items in portfolio hedge	-	-	550,694	-	550,694
Loans and advances to banks	517,044,782	21,319	17,182,448	11,189	534,259,738
Loans and advances to customers	6,643,019,467	563,377,466	10,862,671,022	6,802,909	18,075,870,864
Net lease receivables	351,218,239	78,494,864	2,015,310,294	-	2,445,023,397
Investment securities, available for sale	3,627,278,346	-	2,321,220,665	-	5,948,499,011
Total financial assets	13,605,132,099	668,548,483	17,293,651,336	61,103,568	31,628,435,436
Financial liabilities					
Financial liabilities at fair value through profit and loss	78,488,762	4,270	36,285,218	428	114,778,678
Derivatives liabilities designated as hedging instruments	84,493,794	158,696	10,767,535	-	95,420,025
Deposits from banks	384,847,210	22,722,699	3,180,919,201	7,598,316	3,596,087,426
Loans from banks and subordinated liabilities	1,290,065,024	262,372,230	6,935,339,576	-	8,487,776,830
Deposits from customers	9,976,113,855	745,474,332	5,107,087,515	59,357,383	15,888,033,085
Debt securities issued	550,317,133	-	-	-	550,317,133
Total financial liabilities	12,364,325,778	1,030,732,227	15,270,399,045	66,956,127	28,732,413,177
Net financial assets/(liabilities)	1,240,806,321	(362,183,744)	2,023,252,291	(5,852,559)	2,896,022,309

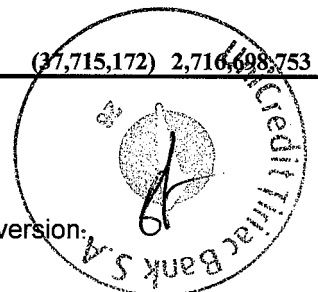


**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
e) Market Risk (continued)

	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	231,272,470	430,207,780	2,453,994,630	4,374,673	3,119,849,553
Cash Outflow	302,390,296	809,345,886	2,105,089,380	-1,302,960	3,215,522,602
Net effect of derivatives at fair value through profit or loss	(71,117,826)	(379,138,106)	348,905,250	5,677,633	(95,673,049)
Net foreign currency position	1,169,688,495	(741,321,850)	2,372,157,541	(174,926)	2,800,349,260

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2013 can be analysed as follows:

	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	3,081,243,293	116,167,913	2,023,168,656	14,842,707	5,235,422,569
Derivative assets at fair value through profit and loss	41,071,462	1,014	34,541,636	-	75,614,112
Derivatives assets designated as hedging instruments	11,348,685	1,604	2,256,293	-	13,606,582
Fair value changes of the hedged items in portfolio hedge	-	-	859,908	-	859,908
Loans and advances to banks	370,465,363	31,931	7,664,673	4,655	378,166,622
Loans and advances to customers	5,581,659,469	223,094,762	11,059,798,348	2,640,926	16,867,193,505
Investment securities, available for sale	4,207,586,167	7,999,975	1,189,789,829	-	5,405,375,971
Investments in associates	823,800	-	-	-	823,800
Total financial assets	13,294,198,239	347,297,199	14,318,079,343	17,488,288	27,977,063,069
Financial liabilities					
Derivative liabilities at fair value through profit and loss	55,037,922	2,363	36,280,287	1,730	91,322,302
Derivatives liabilities designated as hedging instruments	49,168,386	141,357	13,569,065	-	62,878,808
Loans and deposits from banks and subordinated liabilities	1,797,169,687	69,797,042	7,566,986,280	1,474,003	9,435,427,012
Deposits from customers	9,763,613,005	661,885,318	4,641,597,878	53,727,727	15,120,823,928
Debt securities issued	549,912,266	-	-	-	549,912,266
Total financial liabilities	12,214,901,266	731,826,080	12,258,433,510	55,203,460	25,260,364,316
Net financial assets/(liabilities)	1,079,296,973	(384,528,881)	2,059,645,833	(37,715,172)	2,716,698,753



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
e) Market Risk (continued)
In RON

	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	2,231,894,291	459,848,915	765,009,941	43,511,502	3,500,264,649
Cash Outflow	751,283,726	73,645,977	2,671,667,597	3,681,310	3,500,278,610
Net effect of derivatives at fair value through profit or loss	1,480,610,565	386,202,938	(1,906,657,656)	39,830,192	(13,961)
Net foreign currency position	2,559,907,538	1,674,057	152,988,177	2,115,020	2,716,684,792

f) Strategic risk

Strategic risk is part of the risks which are evaluated qualitatively within the evaluation process of risks initiated by UniCredit Group and by the Bank.

Strategic risk is analysed taking into account the following:

- Risk of changes in the business environment
- Risk of unsatisfactory implementation of decision
- Risk of lack of reaction

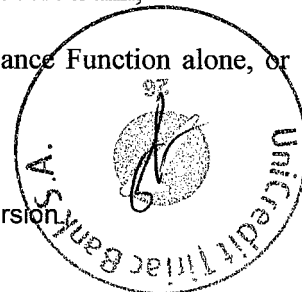
For the risks mentioned, there are three parameters analysed: probability, severity and exposure.

The Bank has implemented the internal regulations and mechanisms specific for management of strategic risk.

g) Compliance risk

In accordance with the legal provisions and UniCredit Group policies, the management of conformity risks is performed by Compliance Function within UniCredit Tiriatic Bank SA through:

- providing consulting regarding the application of legal framework and regulations related to the standards the Bank has to met;
- performing level 2 controls in the areas being under the Compliance Function competence, based on the specific control methodologies;
- evaluation, measurement and monitoring the compliance risk in the areas under the Compliance Function competence, as well as appropriate reporting to the governing body of the Bank;
- managing the relationship with the regulating authorities, either by Compliance Function alone, or together with other functions within the Bank.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****h) Taxation risk**

The Group is committed to ensure sustainable performance of tax risk management maintaining an efficient, effective and transparent tax function within the organization. The Group strictly complies with the legal norms regarding taxes and duties.

Differences between IFRS accounting treatment and fiscal requirements have been carefully identified and analysed, resulting in proper recognition of deferred tax effects in the financial statements.

The Group is focused permanently on monitoring the price transfer risks, including on proper documentation of intragroup transactions.

It is expected that international approaches (OECD, EU) in the fiscal areas, and also more restrictive budget requirements to generated changes of legal framework in the near future. Tax liabilities of the Bank are opened to a general tax inspection for a period of five years.

i) Operating environment

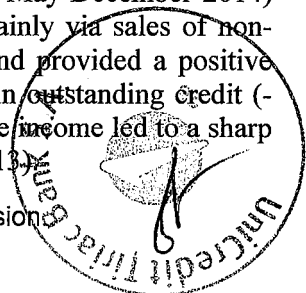
The Romanian economy has expanded by 2.9% in 2014, with consumption as the main growth driver, while investment dragged on economic growth.

The Presidential elections in November 2014 did not lead to fiscal slippages, while the inflows of EU funds and FDIs were more than enough to cover the capital outflows that occurred throughout the year, ensuring the stability of the EURRON, which remained in the 4.40-4.50 interval for most of 2014. Under the expectations of balanced capital flows, we expect the EURRON to remain in the above-mentioned interval during 2015. However, risks in the global markets persist due to the Greek debt issues, Russia-Ukraine conflict, the EUR-CHF flexibility and the rising contrast between the Fed and the ECB's monetary policies. Escalating external pressures might affect capital flows and lead to temporary depreciation pressures throughout 2015.

Annual inflation ended 2014 well below the targeted level (of 2.5%) at only 0.8%, adjusting significantly from 1.55% at the end of 2013. The drop in inflation was due to supply-side shocks, especially the significant drop of fuel prices globally and lower food prices following the Russian ban on European imports. This has enabled the NBR to reduce the monetary policy rate by a cumulated 1.25 percentage points throughout the year to 2.75%.

At the same time, the Central Bank cut the minimum reserve requirements to 10% for RON-denominated liabilities and to 14% for FCY-denominated liabilities (from 15% and 20%, respectively), releasing liquidity of around RON 10.7bn in the interbank market. Given the downward revision of inflationary expectations, the NBR will continue the easing cycle in 2015, already cutting the key rate by 0.5pp in the first two months. During the year, we expect one more cut to a level of 2% accompanied by further reductions of the minimum reserve requirements for both RON and FCY liabilities.

In 2014, banks started to clean up their loan portfolios through the transfer of fully provisioned non-performing loans into off-balance sheet accounts (RON 7.1bn transferred during May-December 2014) and portfolio sales. The process will likely continue at a lower pace in 2015 mainly via sales of non-performing credit portfolios. Although new lending already started to recover and provided a positive credit impulse to domestic demand, the write-off process has resulted in a drop in outstanding credit (-3.1%yoy), which coupled with increasing savings (+7.5%yoy) on higher disposable income led to a sharp correction of the loan-to-depo ratio to 0.91 at the end of 2014 (from 1.01 at end-2013).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT** *(continued)***i) Operating environment** *(continued)*

At the same time, the rebalancing away from FCY and towards RON for both loans and deposits continued in 2014 as well. During 2015, the demand for credit will be supported by the monetary easing process. The portfolio clean-up process was very costly for banks and resulted in additional provisioning, which has led to a loss of RON 4.35bn for the banking system in 2014. However, the banking system remains well capitalized, with a solvency ratio of 17.28% in September 2014.

j) Capital management

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by a sound capital position.

Starting with January 2014, Romanian banking system has applied the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and the provisions of Regulation no.5/2013 regarding prudential requirements for the credit institutions issued by National Bank of Romania.

By application of the above mentioned requirements, the structure of own funds is redefined, as well as the eligibility criteria for the equity instruments must met in order to be included in the Level 1 Own Funds – Base, Supplementary and Level 2 Own funds. New liquidity and capital indicators are defined which have to be monitored above the minimum capital requirements specified by the respective regulations.

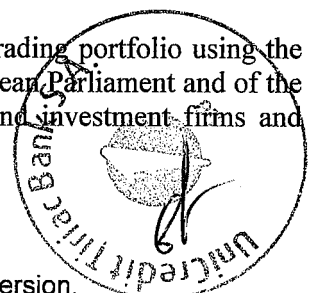
The application of capital buffer will be made gradually. There have not been applied capital buffers for 2014.

(i) Regulatory capital**Credit Risk**

In July 2012, National Bank of Romania ("NBR") authorized the Group to calculate the credit risk capital requirement under Foundation IRB Approach for the following categories of clients: corporate (except for real estate clients), multinationals, banks and securities industries. For the rest of the portfolios, the Group is still applying the Standardized Approach.

Market Risk

The Bank calculates the capital requirements for market risk for the held for trading portfolio using the standard method in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****j) Capital management (continued)****(i) Regulatory capital (continued)****Operational Risk**

UniCredit Group developed an internal model for measuring capital requirements for operational risk. The model uses internal and external loss data (consortium and public data), risk indicators and estimated losses through scenario analyses.

Capital at Risk is calculated for a confidence level of 99.90% based on global loss distribution according legal requirements.

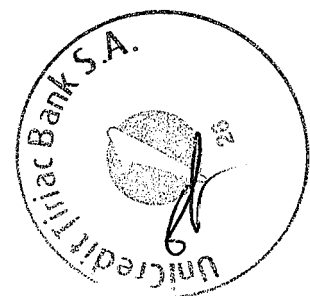
In 2013, UniCredit Group has updated, based on the Bank of Italy recommendations, the internal model for capital requirements for operational risk. The model enhancement has consisted in:

- the increase of model granularity for the calculus of operational risk;
- review of the allocation method of capital for operational risk among the UniCredit Group entities;
- emphasis on forward-looking component by high weight of operational risk scenarios within the internal calculation model for capital requirements;
- the extension from 5 to 10 years of the operational risk data base perimeter for UniCredit Tiriac Bank in respect of using the new internal model has been approved by National Bank of Romania in June 2014.

Own Funds

Level 1 own funds includes: equity instruments, share premiums, retained earnings, other items of comprehensive income, other reserves and a serie of deductions (losses of the financial period, intangible assets, deferred tax asset which is based on future profits, negative amounts which results from the calculus of expected values and other adjustments required by laws).

The Bank has not held level 1 supplementary items in 2014. Level 2 own funds includes subordinated loans.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
4. RISK MANAGEMENT (continued)
j) Capital management (continued)
Risk capital measurement (continued)
(i) Regulatory capital (continued)

The Bank's capital positions was:

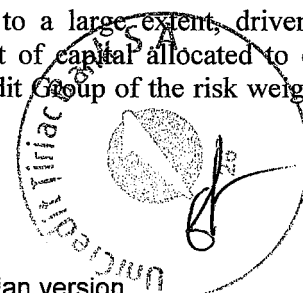
<i>In RON</i>	31 December 2014	31 December 2013**
Tier 1 capital*	2,669,830,141	2,679,007,045
Tier 2 capital	254,078,647	273,816,266
Total own funds	2,923,908,788	2,952,823,311
Risk exposure amounts for credit risk, counterparty risk and receivables value decrease risk and free deliveries	19,446,552,028	16,012,632,325
Total risk exposure amount for position, foreign exchange and commodities' risks	36,596,487	2,606,400
Total risk exposure amount for operational risk	2,358,908,189	2,519,063,163
Total risk exposure amount for credit value adjustment	2,313,438	-
Total requirements for own funds	21,844,370,141	18,534,301,888
Capital indicators		
Total capital ratio	13.39%	15.93%
Tier 1 capital ratio	12.22%	14.45%

* In accordance with local regulations, net profit for the year is not included in the own funds calculations until it is distributed in accordance with General Shareholders' Meeting decision.

** In 2013, BNR/ CNVM Regulation no.15/2006 regarding the credit risk for the credit institutions and investment firms corresponding to internal rating models, BNR/ CNVM Regulation no. 19/2006 regarding the techniques to decrease the credit risk used by credit institutions and investment firms, BNR/ CNVM Regulation no.22/2006 regarding capital minimum requirements for operational risk of credit institutions and investment firms. Starting with 2014, the Bank has applied Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and Regulation no.5/2013 regarding prudential requirements for credit institutions issued by National Bank of Romania. For comparability reasons, the value of exposures weighed at risk have been presented for 2013.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each business segment is determined as a percentage established by the UniCredit Group of the risk weighted assets (in compliance with Austrian Banking Act).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. RISK MANAGEMENT (continued)****k) Turnover**

The Bank has started to apply the requirements of NBR Regulation no.5/2013 regarding prudential requirements for credit institutions since January 2014.

The 2014 turnover is RON 2,202,599,850, which is computed and presented in accordance with provisions of art. 644 of the above mentioned Regulation no 5/2013.

5. USE OF ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Key sources of estimation uncertainty**Allowances for loan losses**

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

The loan impairment assessment considers the visible effects on current market conditions on the individual/ collective assessment of loans and advances to customers' impairment. The Group has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with UniCredit SpA policies and assessed that no further provision for mpairment losses is required except as already provided for in the reporting package. Because of the uncertainties on the local financial markets regarding assets valuation and operating environment of the borrowers, that Group's estimate could be revised after the date of the approval of the consolidated financial statements.

To the extent that the probability of default parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Group would be estimated RON 12,793 thousand higher (31 December 2013: RON 13,372 thousand) or RON 12,793 thousand lower (31 December 2012: RON 48,725 thousand).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
5. USE OF ESTIMATES AND JUDGEMENTS (continued)
a) Key sources of estimation uncertainty (continued)
Allowances for loan losses (continued)

To the extent that the degree of collateral recognition parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Group would be estimated RON 40,121 thousand higher (31 December 2013: RON 49,245 thousand) or RON 26,179 thousand lower (31 December 2012: RON 27,265 thousand).

Sensitivity analysis for available for sale

The fair value of available for sale financial assets is directly dependent on the market yield variable and its changes impact the financial position and the net assets of the Group.

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2014 on available for sale financial assets would vary as follows:

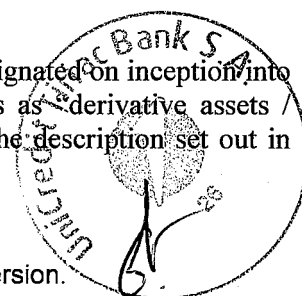
<i>In RON</i>	Market Yield - 10%	Market Yield + 10%
Available for sale denominated in RON	18,836,584	(18,458,826)
Available for sale denominated in EUR	7,592,777	(7,524,454)
Available for sale Total	26,429,361	(25,983,280)

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2013 on available for sale financial assets would vary as follows:

<i>In RON</i>	Market Yield - 10%	Market Yield + 10%
Available for sale denominated in RON	33,259,608	(32,368,334)
Available for sale denominated in EUR	7,535,060	(7,416,486)
Available for sale denominated in USD	275,610	(264,351)
Available for sale Total	41,070,279	(40,049,172)

b) Critical accounting judgments in applying the Group's accounting policies
Financial assets and liabilities classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories. When classifying financial assets or liabilities as "derivative assets / liabilities held for risk management", the Group has determined that it meets the description set out in accounting policy 3 m).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
5. USE OF ESTIMATES AND JUDGEMENTS (continued)
b) Critical accounting judgments in applying the Group's accounting policies (continued)
Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

Determining fair values

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities and certificates of deposit) is determined by using valuation techniques. The Group uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each statement of financial position date.

In case of available for sale the classification in quoted and unquoted financial instruments is presented below:

31 December 2014

<i>In RON</i>	Listed*	Unlisted	Total
Investment securities available for sale	3,094,830,538	2,848,639,381	5,943,469,919
Equity investments available for sale	-	5,029,092	5,029,092

31 December 2013

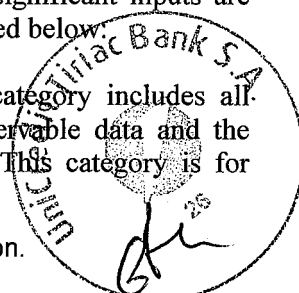
<i>In RON</i>	Listed*	Unlisted	Total
Investment securities available for sale	3,450,897,085	1,951,795,576	5,402,692,661
Equity investments available for sale	-	2,683,310	2,683,310

*) *Listed financial instruments are those quoted on organized and regulated capital market*

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

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument to which the Bank has access at the measurement date.
A quoted price on an active market provides the most reliable evidence (as for example the price) or indirect without other adjustments in determining the fair value anytime available.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. An illustration of it is presented below.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category is for instruments that are valued based on unobservable assumptions.

Convenience translation in English of the original Romanian version.

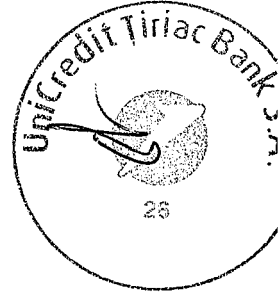


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
5. USE OF ESTIMATES AND JUDGEMENTS (continued)
Determining fair values (continued)

The table below presents the fair value of financial instruments measured at amortised cost, respectively at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2014:

In RON

	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Assets held for trading					
Financial assets at fair value through profit and loss	150,873,020	105,173,551	124,168	256,170,739	256,170,739
Derivatives financial instruments designated as hedging instruments ¹	-	-	12,433,477	12,433,477	12,433,477
Fair value changes of the hedged items in portfolio hedge	-	550,694	-	550,694	550,694
Total trading assets	150,873,020	105,724,245	12,557,645	269,154,910	269,154,910
Available for sale assets					
Investment securities, available for sale	2,480,872,447	3,462,597,472	5,029,268	5,948,499,011	5,948,499,011
Total available for sale assets	2,480,872,447	3,462,597,472	5,029,268	5,948,499,011	5,948,499,011
Trading liabilities					
Financial liabilities at fair value through profit and loss	-	113,007,983	1,770,695	114,778,678	114,778,678
Derivatives financial instruments designated as hedging instruments	-	93,276,201	2,143,824	95,420,025	95,420,025
Total trading liabilities	-	206,284,184	3,914,519	210,198,703	210,198,703

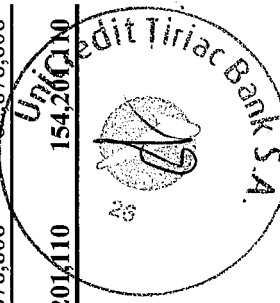


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
5. USE OF ESTIMATES AND JUDGEMENTS (continued)
Determining fair values (continued)

The table below presents the fair value of financial instruments measured at amortised cost, respectively at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised as of 31 December 2013:

In RON

	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Assets measured at fair value					
Trading assets					
Financial assets at fair value through profit and loss	-	75,208,710	405,402	75,614,112	75,614,112
Derivatives financial instruments designated as hedging instruments ¹	-	-	13,606,582	13,606,582	13,606,582
Fair value changes of the hedged items in portfolio hedge		859,908	-	859,908	859,908
Total trading assets	-	75,068,618	14,011,984	90,080,602	90,080,602
Available for sale assets					
Investment securities, available for sale	3,297,526,356	2,094,834,575	13,015,040	5,405,375,971	5,405,375,971
Total available for sale assets	3,297,526,356	2,094,834,575	13,015,040	5,405,375,971	5,405,375,971
Trading liabilities					
Financial liabilities at fair value through profit and loss	-	90,375,088	947,214	91,322,302	91,322,302
Derivatives financial instruments designated as hedging instruments	-	60,540,013	2,338,795	62,878,808	62,878,808
Total trading liabilities	-	150,915,101	3,286,009	154,201,110	154,201,110



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

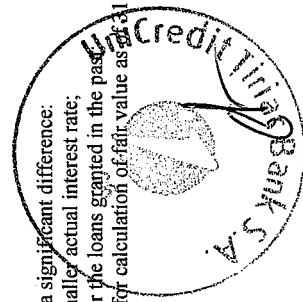
6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES

The table below sets out the Group's carrying amounts of each class of financial assets and liabilities, and their fair values.

	Note	Financial assets at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
31 December 2014							
<i>In RON</i>							
Cash and cash equivalents	20	-	4,355,613,257	-	14,309	4,355,627,566	4,355,627,566
Financial assets at fair value through profit or loss	21	256,170,739	-	-	-	256,170,739	256,170,739
Derivative assets designated as hedging instruments	32	-	-	-	12,433,477	12,433,477	12,433,477
Fair value hedge assets		550,694	-	-	-	550,694	550,694
Loans and advances to banks	22	-	534,259,738	-	-	534,259,738	538,410,473
Loans and advances to customers*	23	-	18,075,870,864	-	-	18,075,870,864	19,414,370,048
Investment securities, available for sale	25	-	2,345,796	5,946,153,215	-	5,948,499,011	5,948,499,011
Total financial assets		256,721,433	22,968,089,655	5,946,153,215	12,447,786	29,183,412,089	30,526,062,008
Financial liabilities at fair value through profit or loss	21	114,778,678	-	-	-	114,778,678	114,778,678
Derivatives liabilities designated as hedging instruments	32	-	-	-	95,420,025	95,420,025	95,420,025
Deposits from banks	33	-	-	-	3,596,087,426	3,596,087,426	3,548,722,436
Loans from banks and other financial institutions, including subordinated liabilities		-	2,583,421,028	-	5,904,355,802	8,487,776,830	8,400,933,964
Debt securities issued	36	-	-	-	550,317,133	550,317,133	594,892,821
Deposits from customers		-	-	-	15,888,033,085	15,888,033,085	15,928,237,455
Total financial liabilities		114,778,678	2,583,421,028	-	26,034,213,471	28,732,413,177	28,682,985,379

*) In respect of the comparison of fair value against carrying value of the loans and advances to clients as of 31 December 2014, we briefly present below the factors that have led to such a significant difference:

- for the fixed interest rate loans (for the entire loan period or for the first three years of the loan period), their fair value is significantly greater since it was calculated using a smaller actual interest rate;
- for the variable interest rate loans, their margins are much higher than those loans granted in present moment (31 December 2014), which has led to an increase of fair value for the loans granted in the past;
- due to the Romania country risk rating improvement, interest rates for financing/lending have decreased in the banking sector, which has resulted to use a smaller interest rate for calculation of fair value as at 31 December 2014.

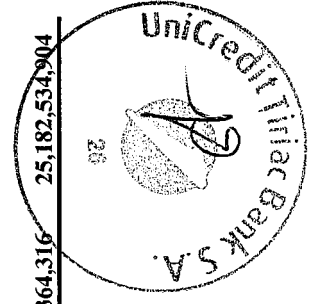


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6. ACCOUNTING CLASSIFICATION AND FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES (continued)

The table below sets out the Bank's carrying amounts of each class of financial assets and liabilities, and their fair values.

	Note	Financial assets at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
31 December 2013							
<i>In RON</i>							
Cash and cash equivalents	20	-	5,235,422,569	-	-	5,235,422,569	5,235,422,569
Financial assets at fair value through profit or loss	21	75,614,112	-	-	-	75,614,112	75,614,112
Derivative assets designated as hedging instruments	32	-	-	-	13,606,582	13,606,582	13,606,582
Fair value hedge assets		859,908	-	-	-	859,908	859,908
Loans and advances to banks	22	-	378,166,622	-	-	378,166,622	378,163,621
Loans and advances to customers	23	-	16,867,193,505	-	-	16,867,193,505	17,074,145,384
Investment securities, available for sale	25	-	-	5,405,375,971	-	5,405,375,971	5,405,375,971
Investments in associated entities		-	-	-	823,800	823,800	823,800
Total financial assets		76,474,020	22,480,782,696	5,405,375,971	14,430,382	27,977,063,069	28,184,011,947
Derivative liabilities at fair value through profit or loss	21	91,322,302	-	-	-	91,322,302	91,322,302
Derivatives liabilities designated as hedging instruments	32	-	-	-	62,878,808	62,878,808	62,878,808
Deposits from banks	33	-	-	-	3,670,345,104	3,670,345,104	3,583,696,498
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	5,765,081,908	5,765,081,908	5,650,835,244
Debt securities issued	36	-	-	-	549,912,266	549,912,266	562,175,310
Deposits from customers	35	-	-	-	15,120,823,928	15,120,823,928	15,231,626,742
Total financial liabilities		91,322,302	-	-	25,169,042,014	25,260,364,316	25,182,534,904

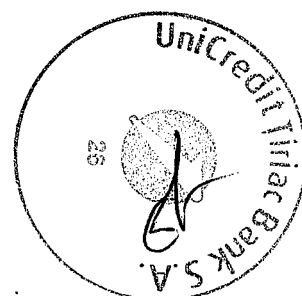


**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
7. NET INTEREST INCOME

In RON	<u>2014</u>	<u>2013</u>
Interest income		
Interest and similar income arising from:		
Loans and advances to customers*	1,049,528,942	1,143,308,448
Net lease receivables	123,717,473	-
Treasury bills and bonds	162,219,855	205,875,421
Current accounts and placements with banks	53,764,573	31,118,767
Hedging instruments	509,473	(2,623,962)
Others (including derivatives)	578,394	7,632,181
Total interest income	<u>1,390,318,710</u>	<u>1,385,310,855</u>
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers	192,519,836	299,016,050
Loans from banks and other financial institutions	234,161,537	210,607,380
Deposits from banks	44,473,327	52,266,453
Debt securities issued	706,080	6,140,597
Repurchase agreements	35,243,683	17,996,557
Others (including derivatives)	17,175,558	18,113,062
Total interest expense	<u>524,280,021</u>	<u>604,140,099</u>
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies**	12,167,903	39,815,610
Net interest income	<u>878,206,592</u>	<u>820,986,366</u>

*) Includes interest income on impaired loans of RON 73,020,683 (31 December 2013: RON 69,770,075). Interest income and expense for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

**) The Group's financing in RON from the Parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Group's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in Net income from trading and other financial instruments at fair value through profit and loss.



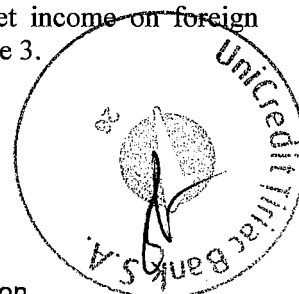
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
8. NET FEES AND COMMISSIONS INCOME

In RON	<u>2014</u>	<u>2013</u>
Fees and commissions income		
Payments transactions	223,093,866	202,573,598
Risk participation fee (refer to Note 42)	25,469,497	60,846,003
Guarantees and letters of credit	25,184,774	24,680,638
Loan administration	18,153,171	17,352,081
Other	73,518,932	47,788,999
Total fees and commission income	<u>365,420,240</u>	<u>353,241,319</u>
Fees and commissions expense		
Inter-banking fees	(41,372,934)	(36,711,137)
Payments transactions	(18,640,929)	(16,255,645)
Commitments and similar fees	(5,380,177)	(4,795,127)
Intermediary agents fees	(2,943,967)	(2,619,049)
Other	(3,846,476)	(3,694,744)
Total fees and commissions expense	<u>(72,184,483)</u>	<u>(64,075,702)</u>
Net fees and commissions income	<u>293,235,757</u>	<u>289,165,617</u>

9. NET INCOME FROM TRADING AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

In RON	<u>2014</u>	<u>2013</u>
Net gains from foreign exchange operations (including FX derivatives)	227,485,632	268,008,000
Net income from trading bonds	7,805,848	2,383,260
Net gains / (losses) from interest derivatives *	19,202,875	15,908,776
Net gains / (losses) from other derivatives	(578,394)	-
Net income from trading and other financial instruments at fair value through profit or loss	<u>253,915,961</u>	<u>286,300,036</u>

* In 2014, the adjustment of loan evaluation for hedging instruments as well as the gain/loss concerning the instrument for cash flow hedging are presented in the Separate statement of comprehensive income at the position "Adjustments concerning the fair value related to hedge accounting". The comparative figures for 2013 (RON 1,809,063) have been reclassified from the position "Net income on foreign exchange and on derivative at fair value through profit or loss", as mentioned in Note 3.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
10. NET INCOME ON DISPOSALS OF FINANCIAL ASSETS AND LIABILITIES WHICH ARE NOT AT FAIR VALUE THROUGH PROFIT OR LOSS

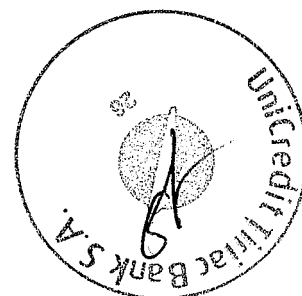
<i>In RON</i>	<u>2014</u>	<u>2013</u>
Net income from sale of assets available for sale	98,004,628	92,887,452
Net Profit/Loss from derecognition of assets measured at amorised cost	5,303,076	(50,781,048)
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss	<u>103,307,704</u>	<u>42,106,404</u>

In 2014 the net gain/loss on sale of loans is presented on the position "Net income on disposal of financial assets and liabilities which are not at fair value through profit or loss" from the Separate statement of comprehensive income. For comparison purpose, for year 2013, the loss from sale of loans has been reclassified from "Net loss from depreciation of financial assets".

11. DIVIDENDS INCOME

The Group received dividends from the following companies:

<i>In RON</i>	<u>2014</u>	<u>2013</u>
Transfond SA	850,703	939,073
Biroul de Credit SA	186,271	114,742
Total dividend income	<u>1,036,974</u>	<u>1,053,815</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
12. PERSONNEL EXPENSES
In RON

	<u>2014</u>	<u>2013</u>
Wages and salaries	280,426,883	250,299,815
Social security charges	71,261,444	67,897,062
Other (income) / costs	1,155,416	5,602,673
Total	<u>352,843,743</u>	<u>323,799,550</u>

The number of employees at 31 December 2014 was 3,369 (31 December 2013: 3,169). Remuneration of Board's members for 2014 was RON 15,906,322 (2013: RON 16,244,673). The Group has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is incurred by the Group and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 x (iv)).

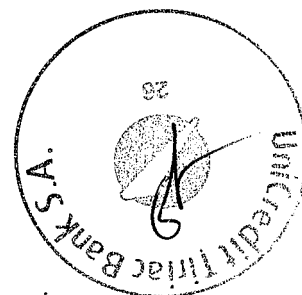
In 2014 the Bank paid in RON equivalent 777,290. No payment has been performed in 2013

13. DEPRECIATION AND AMORTISATION
In RON

	<u>2014</u>	<u>2013</u>
Depreciation on property and equipment*	38,476,135	40,309,327
De-recognition of property and equipment**	854,497	6,603,685
Amortisation on intangible assets	36,164,023	29,202,455
Total	<u>75,494,655</u>	<u>76,115,467</u>

*) In 2014 the cession/written off expenses are presented on the position "Depreciation" in the Separate statement of comprehensive income, so that in 2013 the comparative figures have been reclassified as mentioned in Note 3.

***) In 2014 the net expenses resulted from de-recognition of property and equipment are presented on the position "Depreciation and amortization" in the Consolidated statement of comprehensive income, so that in 2013 the comparative figures have been reclassified from "Other operational expenses".



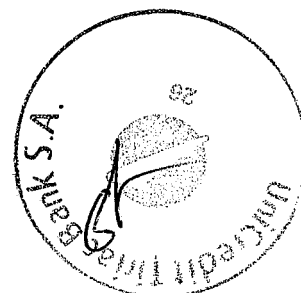
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
14. OTHER ADMINISTRATIVE COSTS
In RON

	<u>2014</u>	<u>2013</u>
Office space expenses (rental, maintenance, other)	109,321,112	105,659,699
IT services	75,658,817	85,265,039
Other taxes and duties	46,527,152	33,627,358
Communication expenses	23,595,359	22,141,771
Advertising and promotional expenses	20,395,084	21,195,865
Consultancy, legal and other professional services	11,746,594	11,538,140
Materials and consumables	10,394,178	9,290,301
Personnel training and recruiting	5,293,185	4,759,175
Insurance expenses	3,043,807	3,015,197
Other	21,911,114	24,679,567
Total	<u>327,886,402</u>	<u>321,172,112</u>

15. OTHER OPERATING COSTS
In RON

	<u>2014</u>	<u>2013</u>
Expenses related to revaluation of tangible assets*	3,414,076	10,397,949
Expenses on unauthorized overdraft	1,579,148	1,688,066
Losses from sundry debtors	9,712,648	462,088
Net gains / (losses) on impairment of inventories	(4,274,881)	419,946
Other operating expenses	13,122,777	5,118,065
Total	<u>23,553,768</u>	<u>18,086,114</u>

*) In 2014 the expenses related to revaluation adjustment for property and equipment (please refer to Note 27) are presented on the position "Other operational expenses" of Consolidated statement of comprehensive income, so these expenses have been reclassified from the position "Net loss from impairment of non-financial assets", resulting a comparative situation for 2013.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
16. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS
In RON

	<u>2014</u>	<u>2013</u>
Net provision (charges) for loans and advances to customers	(567,132,511)	(665,039,120)
Net provision (charges) for net lease receivables	(35,591,871)	-
Expenses related to credit derecognition	(53,246,226)	(19,264,512)
Recoveries related to credit derecognition	56,332,929	6,896,782
Net provisions (charges) for other financial assets	(1,894,061)	726,211
	<hr/>	
Net impairment losses on financial assets	(601,531,740)	(676,680,639)

17. NET PROVISIONS LOSSES
In RON

	<u>2014</u>	<u>2013</u>
Net provision release for off-balance loan commitments	1,798,897	68,270,859
Net provision (charges) for litigations	(722,855)	(1,466,964)
Other net charges of provisions	(4,197,822)	(83,023,739)
	<hr/>	
Net provisions losses	(3,121,780)	(16,219,844)

18. NET GAINS ON OTHER INVESTMENTS
In RON

	<u>2014</u>	<u>2013</u>
Gains from corporate loan portfolio acquisition of The Royal Bank of Scotland plc, Edinburgh, Romania Branch ("RBS Romania")	21,566,136	-
Gains on disposals groups held for sale assets	1,514,923	-
Gains on equity liquidation	715,258	-
	<hr/>	
Net gains on other investments	23,796,317	-



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
19. INCOME TAX

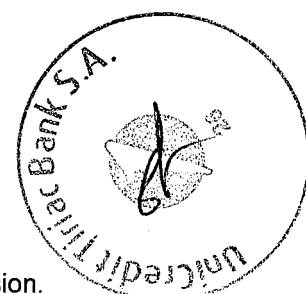
<i>In RON</i>	<u>2014</u>	<u>2013</u>
Direct taxes at 16% (2013: 16%) of taxable profits determined in accordance with Romanian law	(16,501,734)	-
Correction of current income tax arising from previous year	254,341	(1,741,299)
Deferred tax income / (expense)	(18,407,285)	90,642,307
Income tax	(34,654,678)	88,901,008

Reconciliation of profit before tax to income tax expense in the income statement:

<i>In RON</i>	<u>2014</u>	<u>2013</u>
Profit before tax	178,424,267	5,501,510
Taxation at statutory rate of 16% *	(28,547,883)	(880,242)
Non-deductible expenses	(51,443,689)	(31,648,447)
Non-taxable revenues	32,282,511	39,978,695
Origination and reversal of temporary differences **	(18,153,273)	92,284,911
Fiscal credit	4,509,920	-
Fiscal loss	26,697,736	(10,833,109)
Income tax in the income statement	(34,654,678)	88,901,008

* The Bank made payments in advance during 2014 with reference to the taxable profit of the related period. The Bank booked as at 31 December 2014 a current tax asset of RON 21,330,326 (31 December 2013: RON 32,100,976).

** In the IFRS Financial Statements of the financial periods prior 2012, the Bank presented deferred tax liabilities, representing differences between the provisions according to NBR Regulation no. 3/2009 regarding classification of loans and placements, as well as the setting up, the regularizations and use of credit risk provisions, with the subsequent modifications and completions and impairment adjustments according to International Financial Reporting Standards. So, as at 1st of January 2012, which was the IFRS conversion date, the deferred tax liability related to the creditor balance of the account "Retained earnings from specific provisions", booked as opening balance, was of RON 91 million.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
20. CASH AND CASH EQUIVALENTS

<i>In RON</i>	31 December 2014	31 December 2013
Balances with National Bank of Romania	3,444,348,687	4,199,744,807
Short term money market placements	267,343,907	459,543,818
Cash (including cash in ATMs)	591,773,208	429,733,732
Current balances with other banks	52,161,764	146,400,212
Total	4,355,627,566	5,235,422,569

The balance of current accounts with the National Bank of Romania represents the minimum reserve maintained in accordance with the National Bank of Romania requirements. As at 31 December 2014, the minimum reserve level was settled as 10% (31 December 2013: 15%) for liabilities to customers in RON and 14% (31 December 2013: 20%) for liabilities to customers in foreign currency both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity greater than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.

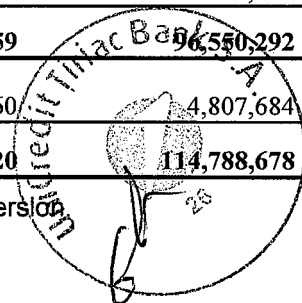
21. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
(i) Financial assets at fair value through profit or loss

<i>In RON</i>	31 decembrie 2014	31 decembrie 2013
Derivatives	105,297,720	75,614,112
Investment securities held for trading	150,873,019	-
Total	256,170,739	75,614,112

(ii) Derivative assets / liabilities

<i>In RON</i>	31 December 2014		
	Notional	Present value	
		Assets	Liabilities
Foreign currency derivatives			
Forward contracts	2,980,201,360	5,888,227	13,277,409
Purchased Options	83,373,366	126,374	-
Sold Options	72,458,517	-	143,293
Total foreign currency derivatives	3,136,033,243	6,014,601	13,420,702
Interest rates derivatives			
Interest Rate Swaps	2,050,558,267	60,225,425	62,777,828
<i>of which: derivatives for risk management</i>	445,799,500	-	1,674,282
Purchased Options	1,181,891,166	34,026,536	33,399,270
Sold Options	537,392,744	198	373,194
Total interest rate derivatives	3,769,842,177	94,252,159	96,550,292
Other derivatives	42,206,486	5,030,960	4,807,684
Total	6,948,081,906	105,297,720	114,788,678

Convenience translation in English of the original Romanian version



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
**21. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
(continued)**

<i>In RON</i>	31 December 2013		
	Notional	Present value	
		Assets	Liabilities
<i>Foreign currency derivatives</i>			
Forward contracts	2,411,599,971	5,043,130	5,016,099
Purchased Options	233,047,323	453,029	-
Sold Options	205,109,573	-	449,529
Total foreign currency derivatives	2,849,756,867	5,496,159	5,465,628
<i>Interest rates derivatives</i>			
Interest Rate Swaps	2,084,619,636	39,137,551	55,164,619
<i>of which: derivatives for risk management</i>	448,470,000	-	16,740,047
Purchased Options	1,229,552,455	30,980,402	-
Sold Options	1,229,552,455	-	30,692,055
Total interest rate derivatives	4,543,724,546	70,117,953	85,856,674
Total	7,393,481,413	75,614,112	91,322,302

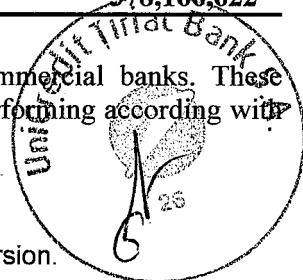
As at 31 December 2014, the Group has non-matured SPOT foreign currency transactions as follows:

- assets notional amount RON 1,061,281,542 (as at 31 December 2013: RON 1,091,290,175), asset present value RON 581,792 (as at 31 December 2013: RON 3,269,649) and liabilities notional amount RON 1,061,345,440 (as at 31 December 2013: RON 1,088,794,797), liability present value RON 645,690 (as at 31 December 2013: RON 774,272).
- These are presented under "Other assets" and "Other liabilities" in the statement of financial position.

22. LOANS AND ADVANCES TO BANKS

<i>In RON</i>	31 December 2014	31 December 2013
Loans to banks	511,293,568	300,134,070
Suspense accounts	22,966,170	78,032,552
Total	534,259,738	378,166,622

Loans to banks include money market deposits to domestic and foreign commercial banks. These exposures with grade from 1 to 7 (31 December 2013: 1 to 7) are assessed as performing according with Bank's internal rating as at 31 December 2014 and 31 December 2013.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
23. LOANS AND ADVANCES TO CUSTOMERS

The Group's commercial lending is concentrated on companies and individuals domiciled in Romania mainly. The breakdown of loan portfolio at reporting date by type of loan was as follows:

<i>In RON</i>	31 December 2014	31 December 2013
Mortgages	7,619,960,817	7,261,730,501
Corporate loans	4,047,055,289	3,188,743,383
Revolving credit lines	2,301,754,695	1,936,416,592
Credit cards and personal loans	1,580,921,078	1,721,639,287
Factoring	541,510,434	573,488,141
Impaired assets*	3,977,136,134	4,090,613,867
Loans and advances to customers before provisions	20,068,338,447	18,772,631,771
Less provision for impairment losses on loans	(1,992,467,583)	(1,905,438,266)
Net loans and advances to customers **	18,075,870,864	16,867,193,505

*Impaired assets are defined in the Note 4(c).

** "Loans and advances to customers" includes the loans related to Corporate clients portfolio acquired from RBS Romania, of which fair value was EUR 93,967,697 as of the acquisition date.

The movements in loan allowances for impairment are summarized as follows:

	2014	2013
Specific adjustments for impairment		
Balance at 1 January	1,807,209,769	1,275,592,748
Net impairment charge for the year	544,114,116	705,386,807
Foreign currency exchange effect	(4,556,638)	(19,595,471)
Release of allowance for impairment of loans written-off and loans sold	(555,202,548)	(225,814,436)
Unwinding effect on provisions	79,207,148	71,640,121
Balance at 31 December	1,870,771,847	1,807,209,769
Collective adjustments for impairment		
Balance at 1 January	98,228,497	138,544,989
Net impairment charge / (release) for the year	23,018,395	-40,022,368
Foreign Currency Exchange Effect	448,844	-294,124
Balance at 31 December	121,695,736	98,228,497
Balance at 1 January	1,905,438,266	1,414,137,737
Balance at 31 December	1,992,467,583	1,905,438,266



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
23. LOANS AND ADVANCES TO CUSTOMERS (continued)

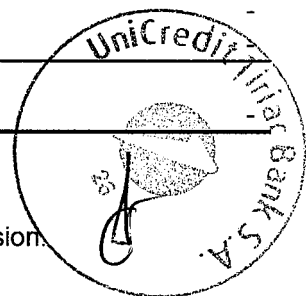
The movements in finance lease allowances for impairment are summarized as follows:

Specific adjustments for impairment	2014	2013
Balance at 1 January	316,640,718	-
Net impairment charge for the year	(30,088,745)	-
Foreign currency exchange effect	1,626,093	-
Unwinding effect on provisions	(930,927)	-
Balance at 31 December	287,247,139	-
		-
Collective adjustments for impairment	2014	2013
Balance at 1 January	10,108,374	-
Net impairment charge for the year	1,514,228	-
Foreign currency exchange effect	53,638	-
Balance at 31 December	11,676,240	-
Total sold initial	326,749,092	-
Total sold final	298,923,379	-

24. NET FINANCIAL LEASE RECEIVABLES

The Group acts as lessor for the finance lease granted mainly to finance purchases of cars and equipment. Lease contracts are mainly in EUR, USD and RON, and are offered for a period between 1 and 15 years, transferring the ownership on the leased assets at the end of lease contract. The interest is invoiced over the lease period using equal instalments. Lease receivables are guaranteed by the goods leased and other guarantees. The split of net lease receivable in time buckets is presented in the following table below:

<i>In RON</i>	31 December 2014	31 December 2013
Lease receivables up to one year, gross	1,433,078,594	-
Lease receivables from one to five years, gross	984,039,749	-
Lease receivables over five years, gross	326,828,433	-
Total lease receivables, gross	2,743,946,776	-
Total lease receivables, net of future interest	2,743,946,776	-
Impairment allowance for lease receivables	(298,923,379)	-
Total net lease receivables	2,445,023,397	-



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
25. FINANCIAL ASSETS AVAILABLE FOR SALE
a) Investment securities available for sale

As at 31 December 2014, the Group included in investment securities, available for sale bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON 5,943,469,919 (31 December 2013: RON 5,402,692,661).

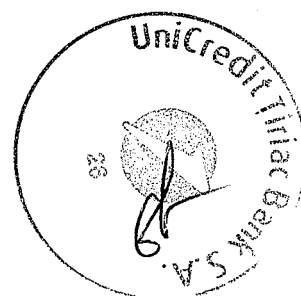
As at 31 December 2014, the investment securities available for sale are pledged in amount of RON 177.821.025 (31 December 2013: RON 161,598,375).

The Group transferred to profit or loss during 2014 an amount of 98,004,627 (2013: RON 92,887,452) representing net gain from disposal of available for sale investment securities. Net change in fair value booked in other comprehensive income was an increase of RON 63,791,099 before tax (31 December 2013: RON 15,471,140), respective RON 53,542,523 net of tax (31 December 2013: RON 12,995,758).

b) Equity investments available for sale

The Group held the following unlisted equity investments, available for sale as at 31 December 2014 and 31 December 2013:

31 December 2014	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit Leasing Fleet Management	Operational leasing Other financial	9.99	2,345,796	-	2,345,796
Transfond SA	services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA	Financial services	6.80	645,525	-	645,525
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Other financial services	2.57	194,560	155,496	39,064
Casa de Compensare Bucuresti SA	Financial services	0.91	46,980	39,483	7,497
VISA Europe Limited	Cards	0.01	37	-	37
Total			6,184,324	1,155,232	5,029,092

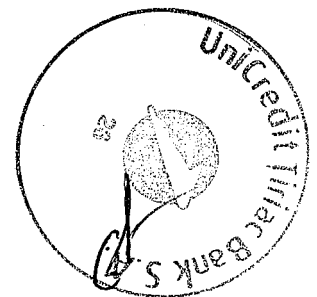


**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
25. FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

31 December 2013	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit CAIB Securities Romania SA*	Financial services	19.97	2,632,881	2,632,881	-
	Other financial services	8.04	1,164,862	-	1,164,862
Transfond SA	Financial services	6.80	645,525	-	645,525
Biroul de Credit SA					
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Other financial services	2.57	194,560	155,496	39,064
Casa de Compensare Bucuresti SA	Financial services	0.91	46,980	39,483	7,497
VISA Europe Limited	Cards	0.01	37	-	37
UniCredit Leasing Romania SA	Leasing	0.00002	14	-	14
Total			6,471,423	3,788,113	2,683,310

* Entity liquidated during 2014.

The above mentioned companies are incorporated in Romania, except VISA Europe Limited (U.K.)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

26. PROPERTY AND EQUIPMENT

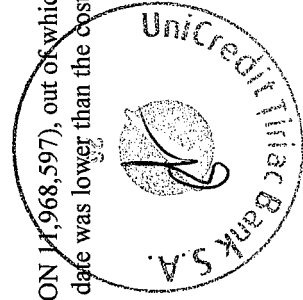
<i>In RON</i>	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Cost						
Balance at 1 January 2013	154,104,270	120,874,201	603,115	111,689,739	16,251,937	403,523,262
Additions	26,788,380	16,211,062	555,365	6,305,705	10,781,711	60,642,223
Revaluation*	(42,647,695)	-	(294,255)	(7,201)	-	(42,949,151)
Disposals	(1,789,170)	(733,388)	-	(557,360)	(6,044)	(3,085,962)
Reclassification to investment properties	(6,454,845)	-	-	-	-	(6,454,845)
Balance at 31 December 2014	130,000,940	136,351,875	864,225	117,430,883	27,027,604	411,675,527
Balance at 1 January 2013	(24,076,051)	(88,841,949)	(603,115)	(65,958,216)	-	(179,479,331)
Balance arising from acquisitions of subsidiaries	(2,485,181)	(2,721,219)	(256,959)	(993,089)	-	(6,456,448)
Charge for the year	(13,405,204)	(15,625,681)	(29,784)	(10,726,651)	-	(39,787,320)
Revaluation*	34,645,203	-	-	-	-	34,645,203
Disposals	1,789,169	686,440	225,274	564,374	-	3,265,257
Reclassification to investment properties	83,521	-	-	-	-	83,521
Balance at 31 December 2014	(3,448,543)	(106,502,409)	(664,584)	(77,113,582)	-	(187,729,118)
Carrying amounts						
At 1 January 2014	130,028,219	32,032,252	-	45,731,523	16,251,937	224,043,931
At 31 December 2014	126,552,397	29,849,466	199,641	40,317,301	27,027,604	223,946,409

* The last revaluation of land and buildings category has been performed by SC Colliers International S.R.L., as at 31 December 2014. According to International Evaluation Standards, for estimation of fair value, the evaluator had used two alternative methods, income approach and market approach, choosing the most appropriate one, depending on nature and destination of each element.

Following the revaluation as at 31 December 2014, the Bank booked a decrease of the net value of land and buildings of RON 8,002,492 (2013: RON 17,968,597), out of which:

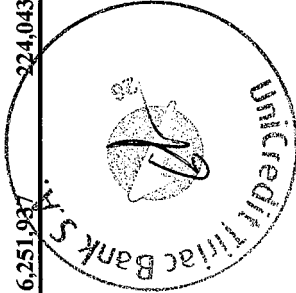
- depreciation adjustment in 2014 of RON 3,420,533 (2013: RON 10,397,949) for land and buildings for which the fair value at the revaluation date was lower than the cost
- a gross decrease in revaluation reserve of RON 4,581,959 (2013: RON 1,570,648), booked in the situation of comprehensive income.

The net carrying value of Land and Buildings before revaluation was in amount of Ron 114,783,888 (31 December 2013: RON 141,996,845)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
26. PROPERTY AND EQUIPMENT (continued)

<i>In RON</i>	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Cost						
Balance at 1 January 2013	168,678,975	117,016,090	603,115	112,887,294	13,094,004	412,279,478
Correction opening balance	417,657	-	-	-	-	417,657
Additions	3,807,785	8,189,732	-	3,686,293	18,221,883	33,905,693
Revaluation	(13,333,502)	-	-	-	-	(13,333,502)
Disposals	(4,987,074)	(4,331,621)	-	(4,883,848)	(15,063,950)	(29,266,493)
Reclassification to investment properties	(479,571)	-	-	-	-	(479,571)
Balance at 31 December 2013	154,104,270	120,874,201	603,115	111,689,739	16,251,937	403,523,262
Depreciation and impairment losses						
Balance at 1 January 2012	(14,550,956)	(77,437,499)	(603,115)	(56,968,451)	-	(149,560,021)
Charge for the year	(12,370,321)	(15,192,063)	-	(12,746,944)	-	(40,309,328)
Revaluation	1,364,905	-	-	-	-	1,364,905
Disposals	1,453,617	3,787,613	-	3,757,179	-	8,998,409
Reclassification to investment properties	26,704	-	-	-	-	26,704
Balance at 31 December 2013	(24,076,051)	(88,841,949)	(603,115)	(65,958,216)	-	(179,479,331)
Carrying amounts						
At 1 January 2013	154,128,019	39,578,591	-	55,918,843	13,094,004	262,719,457
At 31 December 2013	130,028,219	32,032,252	-	45,731,523	16,251,937	224,043,931



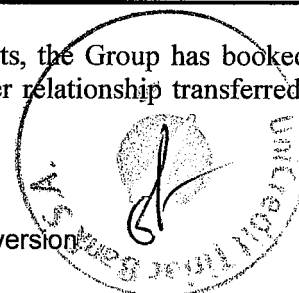
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
26. PROPERTY AND EQUIPMENT (continued)
Contingent operating lease (rentals)

<i>In RON</i>	31 December 2014	31 December 2013
Amounts payable under operational leases		
Up to twelve months	74,470,885	74,124,393
From one to five years	209,001,227	235,079,638
Over five years	70,816,905	91,724,081
Total future lease obligations	354,289,018	400,928,112

27. INTANGIBLE ASSETS

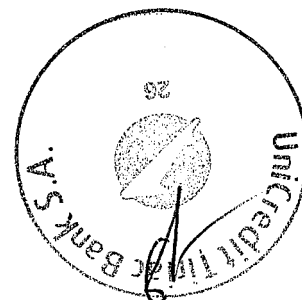
<i>In RON</i>	Intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2014	245,347,786	44,983,514	290,331,300
Additions*	78,563,031	32,709,508	111,272,539
Disposals	(120,365)	(45,687,161)	(45,807,526)
Balance at 31 December 2014	323,790,452	32,005,861	355,796,313
Amortisation and impairment losses			
Balance at 1 January 2014	(163,764,411)	-	(163,764,411)
Balance arising from acquisitions of subsidiaries	(10,022,680)	-	(10,022,680)
Amortisation for the year	(36,164,023)	-	(36,164,023)
Disposals	120,365	-	120,365
Balance at 31 December 2014	(209,830,749)	-	(209,830,749)
Carrying amounts			
At 1 January 2014	81,583,375	44,983,514	126,566,889
At 31 December 2014	113,959,703	32,005,861	145,965,564

*) In 2014, following the acquisition of the RBS portfolio of Corporate clients, the Group has booked intangible fixed assets of RON 15,647,916, representing the value of customer relationship transferred.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
27. INTANGIBLE ASSETS (continued)
In RON

	Intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2013	166,015,668	90,384,949	256,400,617
Additions	79,455,296	34,053,863	113,509,159
Disposals	(123,180)	(79,455,296)	(79,578,476)
Balance at 31 December 2013	245,347,784	44,983,516	290,331,300
Amortisation and impairment losses			
Balance at 1 January 2013	(133,023,805)	-	(133,023,805)
Amortisation for the year	(30,863,784)	-	(30,863,784)
Disposals	123,178	-	123,178
Balance at 31 December 2013	(163,764,411)	-	(163,764,411)
Carrying amounts			
At 1 January 2013	32,991,863	90,384,949	123,376,812
At 31 December 2013	81,583,373	44,983,516	126,566,889



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
28. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2014 are attributable to the items detailed in the table below:

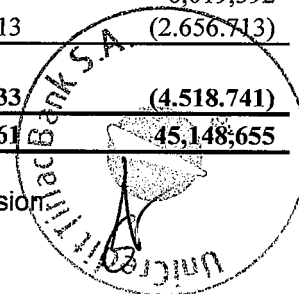
<i>In RON</i>	31 December 2014 Assets	31 December 2014 Liabilities	31 December 2014 Net
Balance resulted from acquisition of subsidiaries*	30,681,384	-	30,681,384
Loans and advances to customers	39,113,318	3,393	39,109,925
Property, equipment and intangible assets	193,597	-	193,597
Available for sale equity investments	-	24,518	(24,518)
Other assets	(175,646)	-	(175,646)
Provisions, other liabilities, accruals	(3,825,852)	4,017,395	(7,843,247)
Deferred tax asset / (liability) at 16% through profit and loss	65,986,801	4,045,306	61,941,495
Available for sale investment securities	-	18,079,996	(18,079,995)
Derivative financial instruments held for hedging	11,967,671	-	11,967,671
Fixed assets revaluation reserve	-	1,854,632	(1,854,632)
Deferred tax asset / (liability) at 16% through equity	11,967,671	19,934,628	(7,966,957)
Deferred tax at 16%	77,954,472	23,979,934	53,974,538

The balance resulting from the acquisition of subsidiaries represents the balance of deferred tax of the subsidiaries acquired during 2014, as shown in the accounting policies.

Also see Note 19

Deferred tax assets and deferred tax liabilities at 31 December 2013 are attributable to the items detailed in the table below:

	31 December 2013 Assets	31 December 2013 Liabilities	31 December 2013 Net
Loans and advances to customers	964,226	5,530,709	(4,566,483)
Property, equipment and intangible assets	1,372,393	-	1,372,393
Available for sale equity investments	-	65,131	(65,131)
Other assets	4,348,223	418,288	3,929,935
Fiscal loss	9,651,622	-	9,651,622
Provisions, other liabilities, accruals	39,345,060	-	39,345,060
Deferred tax asset / (liability) at 16%	55,681,524	6,014,128	49,667,396
Available for sale investment securities	-	7,881,420	(7,881,420)
Derivative financial instruments held for hedging	6,019,392	-	6,019,392
Fixed assets revaluation reserve	-	2,656,713	(2,656,713)
Deferred tax asset / (liability) at 16% through equity	6,019,392	10,538,133	(4,518,741)
Deferred tax at 16%	61,700,916	16,552,261	45,148,655



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
28. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Taxes recognised in other comprehensive income are presented in the table below:

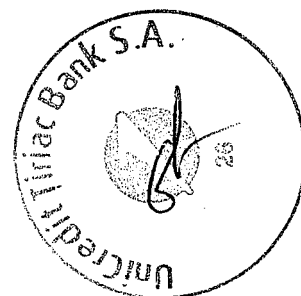
<i>In RON</i>	2014			2013		
	Beforetax	Deferred Tax	Net of tax	Beforetax	Deferred Tax	Net of tax
Available for sale financial assets	112,999,976	(18,079,996)	94,919,980	49,258,877	(7,881,420)	41,377,457
Cash flow hedging reserve	(74,797,942)	11,967,671	(62,830,271)	(37,621,203)	6,019,392	(31,601,811)
Revaluation of property, plant and equipment	12,606,247	(1,854,632)	10,751,615*	17,622,779	(2,656,713)	14,966,066

*The amount of RON 434,573 has been transferred from tangible fixed assets revaluation reserve in retained earnings, at the date of derecognition of those tangible fixed assets.

29. OTHER ASSETS

<i>In RON</i>	31 December 2014	31 December 2013
Sundry debtors (gross amounts)	52,453,678	45,975,473
Prepayments	25,279,159	24,070,413
Amounts receivable	38,248,986	15,910,024
Advances for fixed assets	133,876,445	3,484,202
Inventories	45,035,909	8,596,459
Amounts in transit	35,077	95,987
Other	901,081	3,966,637
Total gross amounts	295,830,335	102,099,195
Less impairment for sundry debtors	(6,021,897)	(6,101,877)
Total	289,808,438	95,997,318

The Group booked as prepayments, during 2014 and 2013: premises rents, local taxes, premises insurance and bankers blanket bond.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
30. DERIVATIVES ASSETS/LIABILITIES DESIGNATED AS HEDGING INSTRUMENTS

The Group uses interest rate and cross-currency swaps to hedge the foreign currency and interest rate risks arising from customers' deposits and loans.

The fair values of derivatives designated as cash flow hedges are:

<i>In RON</i> Instrument type:	31 December 2014			31 December 2013		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate swap	430,255,582	-	93,276,204	485,697,799	-	60,540,013
Cross currency swap	381,874,920	12,433,477	2,143,821	471,790,440	13,606,582	2,338,795
Total	812,130,502	12,433,477	95,420,025	957,488,239	13,606,582	62,878,808

The fair values of derivatives designated as fair value hedges are:

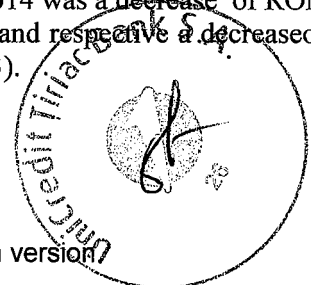
<i>In RON</i> Instrument type:	31 December 2014		31 December 2013	
	Notional amount	Liabilities	Notional amount	Liabilities
Interest rate swap	13,973,561	545,239	21,436,756	839,975
Total	13,973,561	545,239	21,436,756	839,975

The time periods in which the hedged cash flows are expected to occur and affect the statement of comprehensive income are as follows:

<i>In RON</i>	31 December 2014			31 December 2013		
	Within 1 year	1-5 years	Over 5 years	Within 1 year	1-5 years	Over 5 years
Cash inflow	87,428,866	460,942	22,029,107	230,788,901	287,488,917	29,779,174
Cash outflow	(90,638,867)	(14,975,484)	(103,795,210)	(239,287,326)	(310,646,933)	(49,114,654)

As 31 December 2014, all cash flow and fair value hedge relationships have been assessed as effective.

During 2014 the Group transferred from cash flow hedge reserve an amount of RON 3,261,295 (31 December 2013: RON (1,809,063)) to profit or loss representing credit value adjustment and foreign currency difference for the hedge items. The net change in fair value during 2014 was a decrease of RON 33,915,443 before tax (31 December 2013: an increase of RON 40,029,373), and respectively a decrease of RON 28,488,972 net of tax (31 December 2013: increase of RON 33,624,673).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
31. DEPOSITS FROM BANKS

<i>In RON</i>	31 December 2014	31 December 2013
Term deposits	3,125,064,217	3,210,812,937
Sight deposits	354,785,681	362,325,452
Amounts in transit	116,237,528	97,206,715
Total	3,596,087,426	3,670,345,104

32. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

<i>In RON</i>	31 December 2014	31 December 2013
Commercial Banks	7,587,279,933	4,874,195,562
Multilateral development banks	21,580,210	15,739,909
International financial institutions	492,422,610	371,271,806
Total	8,101,282,753	5,261,207,277

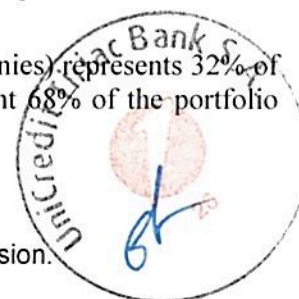
As at 31 December 2014, the final maturity of loans varies from July 2015 to December 2028.

33. DEPOSITS FROM CUSTOMERS

<i>In RON</i>	31 December 2014	31 December 2013
Term deposits	5,890,544,140	7,213,012,016
Payable on demand	9,074,425,181	7,084,813,695
Collateral deposits	861,449,688	766,247,115
Amounts in transit	61,521,523	56,718,530
Certificates of deposits	92,553	32,572
Total *	15,888,033,085	15,120,823,928

* "Deposits from clients" includes deposits and current accounts related to Corporate clients portfolio acquired from RBS Romania, of which fair value was EUR 159,214,120 as of the acquisition date.

As of 31 December 2014, retail clients (individuals and small and medium companies) represents 32% of the portfolio, while corporate clients (including Private Banking clients) represent 68% of the portfolio (31 December 2013: retail clients 39%, corporate clients 61%).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
34. DEBT SECURITIES ISSUED

<i>In RON</i>	31 December 2014	31 December 2013
Debt securities issued	550,317,133	549,912,266
Total	550,317,133	549,912,266

In June 2013, the Group issued 55,000 medium term bonds denominated in RON on Bucharest Stock Exchange having the following characteristics: symbol UCT18, ISIN ROUCTBDBC014, nominal value of RON 10,000 / bond, a fixed interest of 6.35% per annum, interest coupon half-yearly payable and redemption date on 15th of June 2018.

35. SUBORDINATED LIABILITIES

<i>In RON</i>	31 December 2014	31 December 2013
UniCredit Bank Austria AG (i)	319,142,442	436,478,335
UniCredit Bank Ireland PLC (ii)	67,351,635	67,396,296
Total	386,494,077	503,874,631

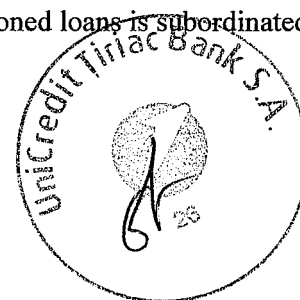
At 31 December 2014, the following agreements were outstanding:

- (i) Two subordinated loans from UniCredit Bank Austria AG in total amount of RON equivalent 217,381,850 principal, maturing on July 2022 and respectively RON 98,606,200 equivalent (31 December 2013: two facilities in total amount of RON equivalent 433,237,950 principal, maturing on June 2014 and July 2022 respectively).

The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

- (ii) UniCredit Ireland: subordinated loan in total amount of RON equivalent 67,231,500 (the same facility in 2013: subordinated loan facility in total amount of RON 67,270,500).

The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
36. PROVISIONS

<i>In RON</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Provision for financial guarantees (refer to Note 42)	200,836,352	207,130,272
Provision for legal disputes	4,861,270	4,386,373
Provision for off-balance commitments	1,846,007	14,673,526
Other provisions	5,246,982	1,049,160
Total	<u>212,790,611</u>	<u>227,239,331</u>

As of 31 December 2014, the Group calculated provisions for off balance sheet in amount of RON 1,846,007 (2013: RON 14,673,526) both for undrawn lines and for other off balance sheet credit related commitments items.

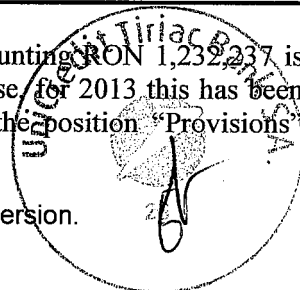
The movements in provisions during the year were as follows:

<i>In RON</i>	<u>2014</u>	<u>2013</u>
Balance at 1 January	<u>227,239,331</u>	<u>290,759,311</u>
Balance arising from acquisitions of subsidiaries	2,092,434	-
Provision set up during the year	89,598,743	171,005,945
Provision used during the year	(20,020,563)	(83,154,976)
Provision reversed during the year	(85,754,356)	(154,786,101)
FX effect related to off-balance exposure (financial guarantees and commitments)	(364,978)	3,415,152
Balance at 31 December	<u>212,790,611</u>	<u>227,239,331</u>

37. OTHER LIABILITIES

<i>In RON</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Accruals for third party services	58,977,255	43,823,701
Amounts payable to suppliers	178,610,692	25,672,990
Deferred income	29,168,285	24,708,312
Payable to state budget	36,417,263	20,399,862
Accrual of employee bonus	16,989,342	15,842,838
Provisions for benefits to employees at retirement*	1,232,237	559,825
Other	14,173,022	16,389,656
Total	<u>335,568,096</u>	<u>147,397,184</u>

*) In 2014 the provision for benefits granted to employees at retirement, amounting to RON 1,232,237 is presented on the position "Other due amounts", so that, for comparative purpose, for 2013 this has been reclassified as mentioned in Note 3 "Significant accounting policies" from the position "Provisions" within Consolidate situation of the financial position.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
38. ISSUED CAPITAL

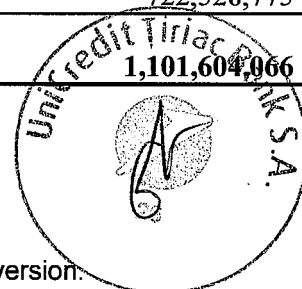
The statutory share capital of the Bank as at 31 December 2014 is represented by 40,760,784 ordinary shares (31 December 2013: 40,760,784 ordinary shares) having a face value of RON 9.30 each. The shareholders of the Bank are as follows:

	<u>31 December 2014</u>
	%
UniCredit Bank Austria AG	50.5588
Tiriac Holdings Limited	45.0597
Bank Austria – CEE BeteiligungsgmbH	0.0133
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.0133
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.0133
Bank Austria Creditanstalt Leasing GmbH	0.0133
UniCredit Leasing Romania SA	0.0001
Other shareholders	4.3282
Total	100.00

	<u>31 December 2013</u>
	%
UniCredit Bank Austria AG	50.5588
Redrum International Investments B.V.	24.8310
Vesanio Trading Ltd	20.2287
Bank Austria – CEE BeteiligungsgmbH	0.0133
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.0133
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.0133
Bank Austria Creditanstalt Leasing GmbH	0.0133
UniCredit Leasing Romania SA	0.0001
Other shareholders	4.3282
Total	100.00

The share capital comprises of the following:

<i>In RON</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
Share capital under IFRS	1,101,604,066	1,101,604,066



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

39. OTHER RESERVES

The breakdown of other reserves is presented below:

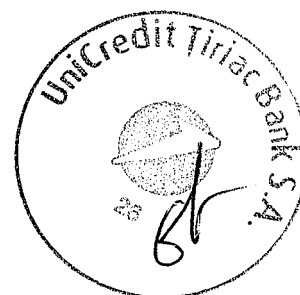
<i>In RON</i>	31 December 2014	31 December 2013
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,494	19,064,494
Other reserves*	26,961,090	26,961,090
Total	240,534,612	240,534,612

Reserves for general banking risks include amounts set aside for future losses and other unforeseen risks or contingencies. These reserves are not distributable.

Statutory reserves represent accumulated transfers from retained earnings in accordance with relevant local banking regulations. These reserves are not distributable.

Local legislation requires 5% of the net profit of the Group to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the statutory share capital of the group.

*) In 2014, “Other reserves” of RON 26,961,090 RON are presented on the position “Other reserves” in the Consolidate situation of financial position. In 2013, these reserves were reclassified from the position “Retained earnings” for comparative purpose.

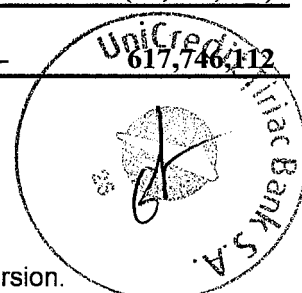


40. RELATED PARTY TRANSACTIONS

The Group entered into a number of banking transactions with UniCredit S.p.A (Italy) and with members of the UniCredit Group (UniCredit Bank Austria AG, HVB Bank, UniCredit Leasing S.A., Istraturist UMAG, Cassamarca SPA, Bulbank A.D., Banca de Sabadell SA, Bank Pekao, Kocbank, Yapi Kredi Bankas Asi) in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate. The following transactions were carried out with UniCredit Italiano S.p.A, UniCredit Bank Austria AG and its subsidiaries:

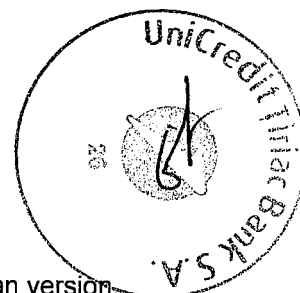
31 December 2014

<i>In RON</i>	Parent Company	Associates	Other related parties
Derivative assets at fair value through profit or loss	-	-	1,012,527
Derivatives assets designated as hedging instruments	3,640,139	-	8,793,338
Loans and advances to banks	524,788,559	-	15,455,854
Loans to customers	-	-	79,474,353
Other assets	11,335,191	-	24,017,341
Outstanding receivables	539,763,889	-	128,753,413
Derivative liabilities at fair value through profit or loss	10,302,938	-	92,494,040
Derivatives liabilities designated as hedging instruments	-	-	94,874,783
Current accounts	68,150,940	-	15,881,436
Deposit attracted	6,045,617,986	-	350,838,893
Loans received	4,030,830,213	-	-
Debts securities issued	20,619,628	-	-
Subordinated liabilities	319,142,442	-	67,351,635
Other liabilities	16,554,427	-	26,187,408
Outstanding payables	10,511,218,574	-	647,628,195
Interest income	20,891,091	-	1,053,019
Interest expense	(251,336,290)	-	(26,033,506)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies	12,167,903	-	-
Fee and commission income	27,798,654	-	5,267,338
Fee and commission expense	(1,132,049)	-	(103,923)
Operating expenses	8,120,823	-	(36,873,384)
Net revenue / (expense)	(183,499,030)	-	(56,690,456)
Commitments	1,392,883,483	-	617,746,112



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
40. RELATED PARTY TRANSACTIONS (continued)
31 December 2013
In RON

	Parent Company	Associates	Other related parties
Derivative assets at fair value through profit or loss	-	-	6,740,827
Derivatives assets designated as hedging instruments	3,404,031	-	10,202,551
Loans and advances to banks	577,440,615	-	14,856,297
Loans to customers	-	38,370,458	31,827,413
Other assets	7,702,847	-	14,317,037
Outstanding receivables	588,547,493	38,370,458	77,944,125
Derivative liabilities at fair value through profit or loss	2,571,509	-	82,732,297
Derivatives liabilities designated as hedging instruments	-	-	62,038,833
Current accounts	18,549,769	2,233,982	43,780,087
Deposit attracted	3,033,798,220	224,475,735	174,099,210
Loans received	4,518,858,978	-	355,295,106
Debts securities issued	20,608,025	-	-
Subordinated liabilities	436,478,335	-	67,396,296
Other liabilities	8,303,921	20,347	10,570,746
Outstanding payables	8,039,168,757	226,730,064	795,912,575
Interest income	7,670,616	1,231,027	18,967,332
Interest expense	(234,440,049)	(6,596,590)	(50,603,821)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies	39,815,610	-	-
Fee and commission income	36,062,056	308,179	1,673,162
Fee and commission expense	(1,413,155)	(1,116)	(69,361)
Other operating income	7,702,847	-	4,101,884
Operating expenses	(560,883)	(111,608)	(54,156,923)
Net revenue / (expense)	(145,162,958)	(5,170,108)	(80,087,727)
Commitments	2,126,156,901	53,562,389	265,871,412



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
40. RELATED PARTY TRANSACTIONS (continued)
Transactions with key management personnel

A number of banking transactions are entered into with key management personnel (executive management, administrators and managers of the Group) in the normal course of business. These mainly include loans, current accounts and deposits. The volumes of related-party transactions as of year ends are presented in the below tables:

In RON

	31 December 2014	31 December 2013
Loans	655,600	601,461
Current accounts and deposits	4,927,777	4,974,619
Interest and similar income	49,702	45,218
Interest expenses and similar charges	(156,032)	(157,332)

In RON

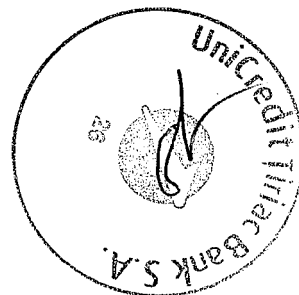
	2014	2013
Key management compensation	15,906,322	16,244,673
Total	15,906,322	16,244,673

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers and they participate in the UniCredit Group's share option programme (see Note 12).

41. COMMITMENTS AND CONTINGENCIES
i) Off-balance-sheet commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**
41. COMMITMENTS AND CONTINGENCIES (continued)
i) Off-balance-sheet commitments (continued)

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the end of reporting period if counterparties failed completely to perform as contracted.

<i>In RON</i>	31 December 2014	31 December 2013
Loan commitments	1,749,629,012	1,304,300,933
Letters of credit	185,347,664	60,042,779
Guarantees issued	4,405,476,200	5,152,248,527
Total	6,340,452,876	6,516,592,239

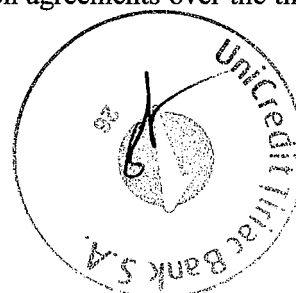
The Group acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Group is obliged to indemnify UniCredit Bank Austria AG or the other entities within UniCredit Group. The total amount of such risk participation agreements in force as at 31 December 2014 is EUR 296,369,073, CHF 2,655,118 (31 December 2013 is EUR 524,859,081 and CHF 3,540,157).

The Bank concluded with UniCredit Bank Austria AG a series of novation contracts through which loan contracts initially concluded by the Group with Romanian companies were transferred to UniCredit Bank Austria AG in exchange for full reimbursement of borrowers' due to the Group. According to these novation contracts the Group is still engaged as security agent and payment agent until the borrower will repay his debt. For each of these novation contracts there is a risk participation agreement by which the Group is obliged to indemnify UniCredit Bank Austria AG (refer to Note 3(j)(iii)).

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 46,000,000 (31 December 2013: EUR 40,077,826).

According to the contracts presented in the paragraphs above the Group pays any amount collected from the borrowers to UniCredit Bank Austria AG.

As compensation for the financial guarantees assumed by the risk participation agreements and for providing security and payment agent services to UniCredit Bank Austria AG, the Group receives the commissions paid by the borrowers plus a portion of the interest margin collected from the borrowers. The Group defers the commissions collected upfront from the risk participation agreements over the time period that remains until the maturity of the facilities.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****41. COMMITMENTS AND CONTINGENCIES** *(continued)**ii) Contingent assets*

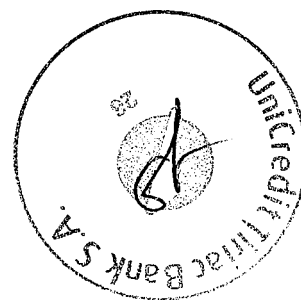
The Group's contingent assets at 31 December 2014 refer to a selling transaction of an exposure of EUR 18,448,861 (RON 81,826,233 equivalent), out of which EUR 12,377,902 (RON 55,478,993 equivalent) is less probable to be recovered, as the cashing of that amount is conditioned by many contractual clauses related to third parties which are out of the control of the Group. According to IAS 37, this contingent asset is not booked in the balance sheet of the Group.

iii) Contingent liabilities

As at 31 December 2014 the Group was involved in several litigations for which the probable total claims estimated by the Group's lawyers amounted to RON 17,415,982. The Group, based upon legal advice, has assessed that a provision amounting to RON 4,861,269 as at 31 December 2014 is necessary to be booked for these claims.

42. OPERATING SEGMENTS

The segment report format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank. (Please refer to Note 3y).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
42. OPERATING SEGMENTS (continued)

Segment reporting on income statements as of 31 December 2014:

In RON

	CIB & PB	Retail	Leasing	Other	Total
Net interest income	419,362,406	436,907,925	73,488,788	(51,552,527)	878,206,592
Net fee and commission income	147,178,967	127,124,486	20,586,697	(1,654,393)	293,235,757
Net income from trading and other financial instruments at fair value through profit and loss	208,102,037	45,157,509	6,808,730	(2,891,020)	257,177,256
Net gains on financial assets available for sale	98,141,087	-	-	5,166,617	103,307,704
Dividend income	-	-	-	1,036,974	1,036,974
Other operating income	4,504,324	1,227,532	2,302,198	(1,586,852)	6,447,202
Operating income	877,288,821	610,417,452	103,186,413	(51,481,201)	1,539,411,485
Operating expenses	(268,345,061)	(465,923,954)	(47,579,728)	2,070,175	(779,778,568)
Net operating income	608,943,760	144,493,498	55,606,685	(49,411,026)	759,632,917
Net impairment losses on financial assets	(396,886,648)	(169,477,201)	(35,591,871)	423,980	(601,531,740)
Net impairment losses	-	-	804,419	(3,926,199)	(3,121,780)
Profit / (loss) on associate investments	-	-	-	(351,447)	(351,447)
Net gains on other investments	-	-	-	23,796,317	23,796,317
Profit before taxation	212,057,112	(24,983,703)	20,819,233	(29,468,375)	178,424,267
Income tax	-	-	(6,858,094)	(27,796,881)	(34,654,678)
Net profit for the year	212,057,112	(24,983,703)	13,961,139	(57,264,959)	143,769,589

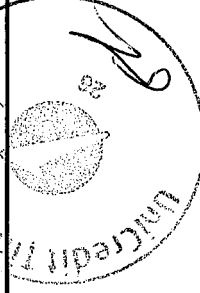
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

42. OPERATING SEGMENTS (continued)

Segment reporting on income statements as of 31 December 2013:

In RON

	CIB & PB	Retail	Other	Total
Net interest income	460,325,087	434,773,759	(74,112,480)	820,986,366
Net fee and commission income	170,052,216	120,867,890	(1,754,489)	289,165,617
Net income from trading and other financial instruments at fair value through profit and loss	239,661,231	40,122,710	4,707,032	284,490,973
Net gains on financial assets available for sale	41,064,625	1,041,779	-	42,106,404
Dividend income	-	-	1,053,815	1,053,815
Other operating income	-	(548,668)	3,916,205	3,367,537
Operating income	911,103,159	596,257,471	(66,189,917)	1,441,170,712
Operating expenses	(241,639,116)	(510,731,944)	13,197,817	739,173,243
Net operating income	669,464,042	85,525,527	(52,992,100)	701,997,469
Net impairment losses on financial assets	(499,489,422)	(176,568,717)	(622,500)	(676,680,639)
Net impairment losses	(16,411,914)	2,996,737	(2,804,667)	(16,219,844)
Profit / (loss) on associate investments	-	-	(3,595,476)	(3,595,476)
Net gains on other investments	-	-	-	-
Profit before taxation	153,562,706	(88,046,453)	(60,014,743)	5,501,510
Income tax	-	-	88,901,008	88,901,008
Net profit for the year	153,562,706	(88,046,453)	28,886,265	94,402,518



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

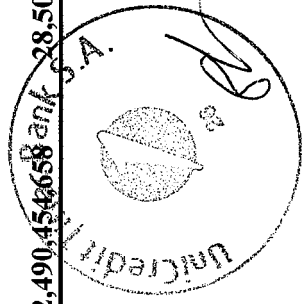
42. OPERATING SEGMENTS (continued)

Segment reporting on consolidated statement of financial position as of 31 December 2014:

<i>In RON</i>	CIB & PB	Retail	Leasing	Other	Total
Total assets	15,418,756,942	6,659,640,963	3,021,683,239	7,264,303,389	32,364,384,533
Total liabilities	12,286,010,309	4,961,359,931	2,839,306,496	9,197,730,469	29,284,407,205
Total equity	-	-	-	3,079,977,328	3,079,977,328
Total liabilities and equity	12,286,010,309	4,961,359,931	2,839,306,496	12,277,707,797	32,364,384,533

Segment reporting on individual statement of financial position as of 31 December 2013:

<i>In RON</i>	CIB & PB	Retail	Other	Total
Total assets	13,545,859,802	6,871,356,850	8,083,704,186	28,500,920,838
Total liabilities	9,073,569,667	6,936,896,513	9,624,534,651	25,635,000,831
Total equity	-	-	2,865,920,007	2,865,920,007
Total liabilities and equity	9,073,569,667	6,936,896,513	12,490,456,658	28,500,920,838

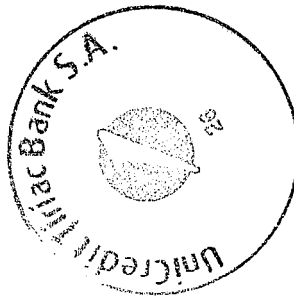
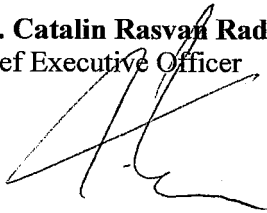


**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

43. SUBSEQUENT EVENTS

There is no significant subsequent event after the end of reporting period.

Mr. Catalin Rasvan Radu
Chief Executive Officer



Mrs. Mihaela Alina Lupu
Chief Financial Officer

