



UniCredit Tiriac Bank S.A.

Financial Statements
31 December 2008

Prepared in accordance with
International Financial Reporting Standards

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Independent Auditors' Report

The Shareholders'
UniCredit Tiriac Bank S.A.

Report on the financial statements

- 1 We have audited the accompanying financial statements of UniCredit Tiriac Bank S.A., which comprises the balance sheet as at 31 December 2008 and the income statement, the statement of changes in equity and the cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

- 3 Our responsibility is to express an opinion on the financial statements of the Bank based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

- 6 In our opinion, the accompanying financial statements of UniCredit Tiriac Bank S.A. present fairly, in all material respects, the financial position of the Bank as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

- 7 Without qualifying our opinion, we draw attention that the Bank has estimated the impairment loss provision for loans and advances to customers at RON 289,852,213 based on the internal methodologies developed and applied as at 31 December 2008. Because of the inherent limitations mentioned in Note 3j related to the historical experience in obtaining cash flow information, in methodologies applied and to the significant uncertainties on the international and local financial markets regarding assets valuation mentioned in Note 4h, that Bank's estimate could be revised after the date of the approval of the financial statements.

Other Matters

- 8 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 opinions we have formed.

KPMG

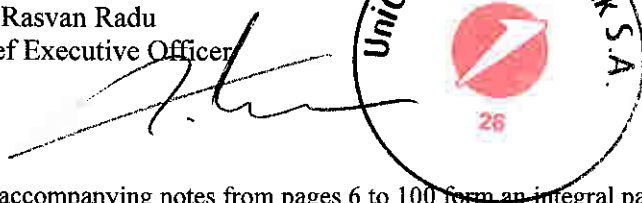
KPMG Romania SRL
Bucharest, Romania
27 February 2009


Income statement
for the year ended 31 December

	Note	2008 RON	2007 RON
Interest income		1,175,065,305	783,629,866
Interest expense		(924,928,627)	(425,579,096)
Net interest income	7	250,136,678	358,050,770
Fee and commission income		257,001,843	232,203,917
Fee and commission expense		(28,349,603)	(21,956,598)
Net fee and commission income	8	228,652,240	210,247,319
Dividends income	9	4,411,229	2,062,239
Net income on foreign exchange and on derivatives held for risk management	10	630,357,824	261,556,851
Net gains on financial assets available for sale	24,30	26,169,737	973,972
Other operating income	11	23,399,042	4,054,011
Operating income		1,163,126,750	836,945,162
Personnel expenses	12	(267,805,532)	(203,910,669)
Depreciation and amortisation	13	(44,359,863)	(40,257,015)
Other administrative costs	14	(241,137,854)	(183,205,616)
Other operating costs		(7,436,954)	(2,622,271)
Operating expenses		(560,740,203)	(429,995,571)
Net impairment loss on financial assets	15	(124,602,129)	(33,815,237)
Impairment on tangible and intangible assets		(4,291,684)	-
Net provision charges	16	(40,114,854)	(34,311,224)
Integration costs	17	-	(18,378,129)
Loss on associate investments	23	(1,857,356)	(674,616)
Profit before taxation		431,520,524	319,770,385
Income tax expense	18	(73,218,236)	(57,296,187)
Net profit for the year		358,302,288	262,474,198

The financial statements were approved by the Directorate on 27 February 2009 and were signed on its behalf by:

Mr. Rasvan Radu
Chief Executive Officer



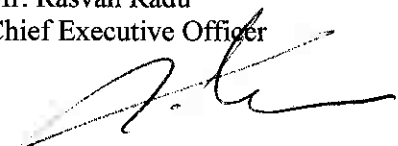
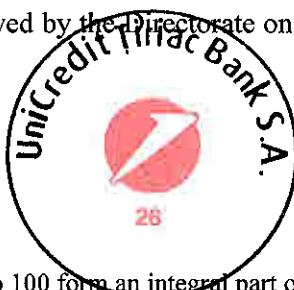
Mr. Stanislav Georgiev
Chief Financial Officer

Balance sheet
at 31 December

	Note	31 December 2008 RON	31 December 2007 RON
Assets			
Cash and cash equivalents	19	3,541,401,764	3,196,422,334
Derivative assets held for risk management	20	66,810,021	19,054,763
Loans and advances to banks	21	809,230,963	556,515,452
Loans and advances to customers	22	12,009,051,483	7,879,789,226
Investment in associate	23	5,600,951	478,257
Investment securities, available-for-sale	24	618,116,484	798,436,450
Equity investments, available for sale	25	2,785,794	9,936,986
Investments securities, held to maturity	26	8,323,355	45,664,280
Property and equipment	27	259,333,354	205,898,044
Intangible assets	28	42,275,843	26,285,367
Deferred tax assets	29	32,124,455	27,744,308
Non current assets classified as held for sale	30	1,003,578	870,785
Other assets	31	54,899,849	61,219,304
Total assets		17,450,957,894	12,828,315,556
Liabilities			
Derivative liabilities held for risk management	20	191,620,248	146,618,463
Deposits from banks	32	1,399,474,832	236,531,536
Loans from banks and other financial institutions	33	4,685,369,866	3,697,023,206
Deposits from customers	34	8,649,217,208	6,595,096,819
Subordinated liabilities	35	394,855,960	384,083,298
Provisions	36	130,024,235	101,909,381
Current tax liabilities		7,390,300	45,275,964
Deferred tax liabilities	29	27,813,039	2,745,089
Other liabilities	37	149,209,261	107,150,697
Total liabilities		15,634,974,949	11,316,434,453
Equity			
Share capital	38	1,101,604,066	1,101,702,737
Retained earnings		563,668,527	205,688,711
Reserve on available for sale financial assets		(62,863,171)	(9,083,868)
Other reserves	39	213,573,523	213,573,523
Total equity		1,815,982,945	1,511,881,103
Total liabilities and equity		17,450,957,894	12,828,315,556

The financial statements were approved by the Directorate on 27 February 2009 and were signed on its behalf by:

Mr. Rasvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer




Statement of changes in equity
at 31 December

<i>In RON</i>	Share capital	Reserve on available for sale financial assets	Other reserves	Treasury shares reserves	Retained earnings*	Total
Balance at 31 December 2006	1,292,197,837	(2,180,682)	201,521,448	-	(235,034,078)	1,256,504,525
Cancellation of UniCredit Romania S.A. share capital at merger	(229,637,200)	-	-	-	-	(229,637,200)
Share capital increase of HVB Tiriac Bank S.A. at merger	39,142,100	-	-	-	-	39,142,100
Transfer of retained earnings at merger	-	-	-	-	190,300,666	190,300,666
Distribution to reserves	-	-	12,052,075	-	(12,052,075)	-
Net change in available-for-sale financial assets, net of tax	-	(6,903,186)	-	-	-	(6,903,186)
Net profit for the year	-	-	-	-	262,474,198	262,474,198
Balance at 31 December 2007	1,101,702,737	(9,083,868)	213,573,523	-	205,688,711	1,511,881,103
Redemption of treasury shares	-	-	-	(421,143)	-	(421,143)
Cancellation of treasury shares	(98,671)	-	-	421,143	(322,472)	-
Net change in available-for-sale financial assets, net of tax	-	(53,779,303)	-	-	-	(53,779,303)
Net profit for the year	-	-	-	-	358,302,288	358,302,288
Balance at 31 December 2008	1,101,604,066	(62,863,171)	213,573,523	-	563,668,527	1,815,982,945

*) Retained earnings include merger premium based on statutory figures of RON 199,022,359 as at 31 December 2006 and RON 386,550,633 as at 31 December 2007 and as at 31 December 2008. Please refer to note 3a.



Cash flow statement

for the year ended 31 December

<i>In RON</i>	Note	2008	2007
Operating activities			
Profit before taxation	18	431,520,524	319,770,385
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible assets	13	48,651,547	40,257,015
Net charge of provision for impairment on financial assets	15	134,231,322	46,886,856
Share of loss from associates	23	1,857,356	674,616
Other items for which the cash effects are investing or financing		(23,113,608)	(3,193,447)
Other non-cash items		164,336,952	191,152,505
Operating profit before changes in operating assets and liabilities		757,484,093	595,547,930
Change in operating assets:			
(Increase)/decrease in investment securities available-for-sale		103,926,206	(689,147,045)
(Increase) in investment securities held-to-maturity		36,705,202	-
(Increase)/Decrease in loans and advances to banks		(157,493,288)	7,537,472
(Increase) in loans and advances to customers		(4,166,678,187)	(1,282,232,294)
(Increase)/Decrease in other assets		(19,576,375)	10,248,764
Change in operating liabilities:			
(Decrease)/increase in deposits from banks		1,155,332,235	(119,787,894)
Increase in deposits from customers		1,994,032,702	732,669,030
Increase/(decrease) in other liabilities		22,549,896	31,399,200
Income tax paid		(77,141,740)	(17,652,144)
Cash flows generated used in operating activities		(350,859,256)	(731,416,981)
Investing activities			
Proceeds from sale of property and equipment		3,446,936	2,327,687
Acquisition of property and equipment		(123,482,108)	(27,603,538)
Increase in equity investments		(47,494,781)	(917,940)
Proceeds from sale of equity investments		14,447,462	973,973
Dividends received	9	4,411,229	2,062,239
Cash flows used in investing activities		(148,671,262)	(23,157,579)


Cash flow statement (continued)
for the year ended 31 December

	Note	2008	2007
Financing activities			
Redemption of own shares		(421,143)	-
Payment of finance lease liability		(523,149)	(1,356,549)
Dividends paid		-	-
Repayments of loans from financial institutions		(253,635,458)	(1,084,963,213)
Drawdowns from loans from financial institutions		1,189,701,000	1,246,837,000
Cash flows from financing activities		935,121,250	160,517,238
Net increase/(decrease) in cash and cash equivalents		435,590,732	(594,057,322)
Cash and cash equivalents at 1 January		3,741,112,510	4,335,169,832
Cash and cash equivalents at 31 December		4,176,703,242	3,741,112,510

Cash flow from operating activities include:	Note	2008	2007
Interest received		1,188,842,042	789,079,448
Interest paid		881,634,903	485,925,659

Analysis of cash and cash equivalents

<i>In RON</i>	Note	31 December 2008	31 December 2007
Cash and cash equivalents comprise:			
Cash on hand	19	248,153,020	348,517,499
Current accounts held with banks	21	31,993,737	29,667,453
Current accounts held with the National Bank of Romania	19	3,293,248,744	2,847,904,835
Placements with NBR and other banks – less than 3 months	21	603,307,741	515,022,723
Cash and cash equivalents in the cash flow statement		4,176,703,242	3,741,112,510



Notes to the financial statements

1. Reporting entity

UniCredit Tiriac Bank S.A. (the “Bank”) 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.

Banca Comerciala HVB Tiriac S.A. was formed on 31 August 2006 upon the merger by acquisition of the former HVB Bank Romania S.A. (the absorbed bank) by Banca Comerciala “Ion Tiriac” S.A. (the absorbing bank).

Following each merger, the absorbing bank undertook all the rights and obligations of the absorbed bank and the latter was dissolved without liquidation by transmitting all its assets and liabilities to the former. Also, after each merger the absorbing bank’s name was changed into Banca Comerciala HVB-Tiriac S.A. and UniCredit Tiriac Bank S.A., respectively.

At the date of mergers all three entities were controlled by UniCredit Bank Austria AG (former Bank Austria Creditanstalt AG incorporated in Austria) and the ultimate parent, UniCredit SpA (Italy).

On 31 May 2007 the legal merger between former Banca Comerciala HVB Tiriac S.A. and UniCredit Romania S.A. was completed, including an organizational re-design and the migration to a Group Standard core IT-system. After the merger a long-term strategic growth programme has been developed aiming at a fast organic growth, strengthening of sales activities and sustainable value creation by the new entity created UniCredit Tiriac Bank S.A.

The financial statements comprise the Bank and its associated companies UniCredit Leasing Corporation IFN S.A. and UniCredit Consumer Finance IFN S.A..

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.

The associate company UniCredit Leasing Corporation IFN S.A. provides financial leasing services to corporate and individual clients while UniCredit Consumer Finance IFN S.A. provides consumer finance loans to individual clients.

The Bank operates through the Head Office located in Bucharest and through its network of 242 branches and agencies (31 December 2007: 142) located in Bucharest and the country. The Bank employed at 31 December 2008 a number of 3,297 people (31 December 2007: 2,970).

The Bank’s current registered office is 23-25 Ghetarilor Street, District 1, Bucharest, Romania.



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Notes to the financial statements

2. Basis of preparation

a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”). In estimating impairment losses for loans and receivables, the Bank has applied the internal methodology described in Note 3j to assess impairment for loans and advances to customers.

The calculation of financial instruments’ amortised cost is performed using the linear method as presented hereinafter, which represents management’s best estimate for the value of the corresponding amortisation and the financial effect generated is not significantly different from that provided by using the effective interest rate method.

Differences between IFRS and statutory accounts

These accounts have been restated to reflect the differences between the statutory accounts and the IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements in line, in all material respects, with IFRS.

The major changes from the statutory financial statements prepared under domestic law are:

- grouping of numerous detailed items into broader captions;
- restatement adjustments required in accordance with IAS 29, *Financial Reporting in Hyperinflationary Economies*;
- fair value and impairment adjustments required in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*;
- adjustments to the income statement to place certain revenues and expenses on an accruals basis; and
- the necessary disclosure requirements, including IFRS 7 requirements.

b) Basis of measurement

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.





Notes to the financial statements

2. Basis of preparation (*continued*)

c) Functional and presentation currency

The 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 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 recognised 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 judgements made by management in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 5.

3. Significant accounting policies

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

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

As at 31 December 2008, the Bank has no subsidiary as it had not exercised control to any of its equity investments.



Notes to the financial statements

3. Significant accounting policies (*continued*)

a) Basis of consolidation (*continued*)

Associates

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The financial statements include the Bank's share of the income and expenses of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

The Bank holds a 20% investment in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to local and external customers, respectively a 35% investment in UniCredit Consumer Finance IFN S.A. The Bank has included the financial statements information of these associates in accordance with IAS 28, *Investments in associates*.

b) Foreign currency

Foreign currency transactions

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 balance sheet date 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 2008	31 December 2007	%
Euro (EUR)	1: RON 3.9852	1: RON 3.6102	10.39%
US Dollar (USD)	1: RON 2.8342	1: RON 2.4564	15.38%



Notes to the financial statements

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 be stated in terms of the measuring unit current at the balance sheet date (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 Bank no longer applied 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 financial statements

d) Interest

Interest income and expenses for financial instruments is recognised in the income statement at amortised cost using the linear method for loans to customers and the effective interest rate method for the other financial instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The linear method is a method of calculating the amortised cost of loans to customers whereby up-front fees received between parties to the contract and related transaction costs that should be integral part of the effective interest rate, are amortised linearly and recognized as interest income over the relevant period. The linear amortisation method used to determine the amortised cost for loans to customers represents the management’s best estimate for the value of the corresponding amortisation and the financial effect generated is not significantly different from that provided by using effective interest method.

Starting 2007, UniCredit Bank Austria AG (former Bank Austria Creditanstalt AG), as the Bank’s major shareholders, has designed a plan for implementing an effective interest rate application within the countries from Central and Eastern Europe.



Notes to the financial statements

3. Significant accounting policies (*continued*)

d) Interest (*continued*)

The Bank was considered a pilot bank from the implementation of the effective interest method. The project has started in Romania in 2008 with a completion date in 2009 and will consider implementing the necessary applications to meet the relevant and material requirements of the effective interest rate calculation.

Interest income and expense on all trading assets and liabilities are included in net interest income.

e) Fee and commission

Fee and commission directly attributable to the financial asset or liability origination (both income and expense) is recognised in the income statement as an adjustment to the effective interest rate calculation, other than those fees and commissions generated from the origination of the loans and advances to customers, which are deferred and recognized using the linear amortization method.

Other fee and commission income arising on the financial services provided by the Bank, including account servicing fees, investment management fees, advisory 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) Dividend income

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. The only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these financial statements, prepared in accordance with IFRS, due to the differences between the applicable Romanian Accounting Regulations and IFRS.



Notes to the financial statements

3. Significant accounting policies (*continued*)

g) Net income on foreign exchange and on derivatives held for risk management

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) Lease payments made

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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

i) Taxation

Income tax 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 equity, in which case it is recognised in equity.

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

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 balance sheet date.

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 2008 is 16% (2007: 16%).



Notes to the financial statements

3. Significant accounting policies (*continued*)

j) Financial assets and liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits, borrowings 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 Bank becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the 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 Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and 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 Bank entered into the several transactions with UniCredit Bank Austria AG and other entities within UniCredit Group whereby:

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

For each of the contracts concluded with UniCredit Bank Austria AG, there is a risk participation agreement by which the Bank is obliged to pay to UniCredit Bank Austria AG any instalment the customer failed to pay.

As the Bank 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 Bank's balance sheet. (refer also to note 41).



Notes to the financial statements

3. Significant accounting policies (*continued*)

j) Financial assets and liabilities (*continued*)

(iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 Bank's trading activity.

(iv) 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 linear method for loans and advances to customers and the effective interest rate method for other financial instruments of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The linear amortised method used by the Bank to determine the amortised cost of loans to customers represents the management's best estimate for the value of the corresponding amortization and the financial effect generated is not significantly different from that provided by using effective interest method.

(v) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank 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 Bank, 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.

Where a fair value cannot be reliably be 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 financial statements

3. Significant accounting policies (*continued*)

j) Financial assets and liabilities (*continued*)

(vi) Identification and measurement of impairment

The Bank assesses at each balance sheet date 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 at the initial moment of the contract. 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 Bank, based on its internal impairment assessment methodology, has included observable data on the following loss events that comes to its attention as objective evidence that loans to customers or groups of loans to customers are impaired:

- (a) significant financial difficulty of the borrower determined in accordance with the Bank's internal rating system;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually and 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) 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 financial statements

3. Significant accounting policies (*continued*)

j) Financial assets and liabilities (*continued*)

(vi) Identification and measurement of impairment (*continued*)

The Bank 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. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. 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 Bank'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 and the time value of money.

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).

The above-mentioned exposures are individually assessed and the Bank 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.

Where the provision estimated individually is null, the asset is included into a group of financial assets with similar credit risk characteristics and assessed collectively for impairment.

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 expert judgement and experience of the Bank's employees (e.g. the Bank uses credit risk grading, customer's industry, past due status, product type).



Notes to the financial statements

3. Significant accounting policies (*continued*)

j) Financial assets and liabilities (*continued*)

(vi) Identification and measurement of impairment (*continued*)

Collective assessment (*continued*)

Management considers that these 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.

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

The practical use of the Bank's internal methodology was limited by the lack of information regarding the original effective interest rate and by the lack of historical experience on obtaining reliable information about the timing and amounts of the expected future cash flows from the borrowers. Because of the inherent limitations related to the historical experience in obtaining information for individual impaired loans, incurred loss information, complexity of methodology applied and to the significant uncertainties on the international and local markets regarding asset valuation mentioned in note 4h that estimate could be revised after the date of the approval of the financial statements.

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 equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity 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 equity 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.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.



Notes to the financial statements

3. Significant accounting policies (*continued*)

j) Financial assets and liabilities (*continued*)

(vi) Identification and measurement of impairment (*continued*)

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.

(vii) Designation at fair value through profit and loss

The Bank 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.

The Bank did not designate any financial asset or liability in this category as at 31 December 2008 and 31 December 2007.

k) Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand, balances held with central banks, and are carried at amortised cost in the balance sheet.

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

For the purposes of the statement of cash flows, cash and cash equivalents comprise: cash balances on hand, cash deposited with central banks, nostro accounts with banks, placements with banks with less than 90 days maturity and discount certificates issued by the National Bank of Romania with original maturity less than 90 days.

l) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank 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.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet 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.

The Bank does not have any trading instruments at 31 December 2008.

Notes to the financial statements

3. Significant accounting policies (*continued*)

m) Derivatives held for risk management purposes

Derivative financial instruments include currency 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. The changes in the fair value of derivatives are included in the income statement.

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 balance sheet. The treatment of changes in their fair value depends on their classification into the following categories:

(i) *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.

(ii) *Embedded derivatives*

Derivatives may be embedded in another contractual arrangement (a “host contract”). The Bank 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, and are presented in the balance sheet together with the host contract.

n) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the linear method. The linear amortisation method represents the management’s best estimate for the value of the corresponding amortisation and the financial effect generated is not significantly different from that provided by using effective interest method.

o) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available for sale.



Notes to the financial statements

3. Significant accounting policies (*continued*)

o) Investment securities (*continued*)

(i) *Held-to-maturity investments*

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank'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. If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity, the entire category would be reclassified as available for sale and for a two year period the Bank would not utilize the held to maturity classification. Held-to-maturity investments comprise debt securities.

(ii) *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) *Recognition and measurement*

Items of property and equipment are stated at their restated cost less accumulated depreciation value (see below) and impairment losses.

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 costs*

The Bank 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 Bank and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.



Notes to the financial statements

3. Significant accounting policies (*continued*)

p) Property and equipment (*continued*)

(iii) 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 useful lives are as follows:

Buildings

- property 40-50 years
- improvements (rentals) contract period

Office equipment and furniture 2-30 years

Motor vehicles 4 years

Computer equipment 3-4 years

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

(iv) Leased assets-lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

q) Intangible assets

(i) Recognition

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

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.



Notes to the financial statements

3. Significant accounting policies (*continued*)

q) Intangible assets (*continued*)

(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) Depreciation

Depreciation 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 of software is 1 to 3 years.

r) Impairment of non – financial assets

The carrying amount of the Bank's assets, other than deferred tax assets, is reviewed at each balance sheet 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.

The Bank reviews the carrying amount of land and buildings at each balance sheet date. For the items of land and buildings where there is any objective evidence of impairment, the Bank considered the greater of the net selling price and value in use as the recoverable amount.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

s) Deposits, borrowings from banks and subordinated liabilities

Deposits, borrowings from banks and subordinated liabilities are the Bank's sources of debt funding.

When the Bank 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 Bank's 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.



Notes to the financial statements

3. Significant accounting policies (*continued*)

t) Provisions

A provision is recognised in the balance sheet when the Bank 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.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

u) Financial guarantees

Financial guarantees are contracts that require the Bank 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 included within off balance sheet.

The Bank 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(ii)). In accordance with risk participation agreements related to such loans, the Bank is required to make specified payments to reimburse UniCredit Bank Austria AG and UniCredit Group, if the non-banking customer fails to make payment when due in accordance with the terms of a loan contract. Such financial guarantees are carried at balance sheet date 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)

v) 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 Bank 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 Bank, 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.



Notes to the financial statements

3. Significant accounting policies *(continued)*

v) Employee benefits *(continued)*

All employees of the Bank 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). All relevant contributions to the Romanian State pension plan are recognised as an expense in the income statement as incurred. The Bank does not have any further obligations.

The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other defined benefit plan or post retirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

(iii) Share based payment transactions

The Bank 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 Bank and not by its Parent, and as a consequence it is recognised as an employee benefit expense.

At Bank level the expense is recognised against 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).

Notes to the financial statements

3. Significant accounting policies (*continued*)

w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

1. *IFRIC 13 Customer Loyalty Programmes*. It addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Bank's 2009 financial statements and will be applicable retrospectively. The Bank is currently in the process of evaluating the potential effect of this interpretation.
2. *Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations*. It clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Bank's 2009 financial statements, with retrospective application. The Bank is currently in the process of evaluating the potential effect of this amendment.
3. *Revised IFRS 3 Business Combinations (2008)*. It incorporates the following changes that are likely to be relevant to the Bank's operations when it shall have subsidiaries:
 - The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
 - Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
 - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
 - Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
 - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory starting with 2010, will be applied prospectively and therefore there will be no impact on prior periods in the Bank's 2010 financial statements.

4. *IFRS 8 Operating Segments*. It introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Bank's 2009 financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Bank presents segment information in respect of its business and geographical segments (see note 6). This standard will have no effect on the Bank's reported total profit or loss or equity. The Bank is currently in the process of determining the potential effect of this standard on the Bank's segment reporting.



Notes to the financial statements

3. Significant accounting policies (*continued*)

w) New standards and interpretations not yet adopted (*continued*)

5. *Revised IAS 1 Presentation of Financial Statements (2007)*. It introduces the term “total comprehensive income,” which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Bank’s 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements as the Bank plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.
6. *Revised IAS 23 Borrowing Costs*. It removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. Revised IAS 23 will become mandatory for the Bank’s 2009 financial statements and will constitute a change in accounting policy for the Bank. In accordance with the transitional requirements, the Bank will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Banks’s 2009 financial statements. Currently this is not applicable to the Bank as there are no qualifying assets.
7. *Amended IAS 27 Consolidated and Separate Financial Statements (2008)*. It requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Bank’s 2010 financial statements, are not expected to have a significant impact on the financial statements. Currently the Bank has no subsidiaries.
8. *Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*. They require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Bank’s 2009 financial statements with retrospective application required, are not expected to have any significant impact on the financial statements.





Notes to the financial statements

3. Significant accounting policies (*continued*)

w) New standards and interpretations not yet adopted (*continued*)

9. *Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items.* They clarify the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Bank's 2010 financial statements, with retrospective application required. The Bank is currently in the process of evaluating the potential effect of this amendment although the amendments to IAS 39 are not relevant to the Bank's operations as the Bank does not apply hedge accounting.

10. *IFRIC 16 Hedges of a Net Investment in a Foreign Operation* clarifies that:

- net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation;
- the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged;
- on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. IFRIC 16, which becomes mandatory for the Bank's 2009 financial statements, will be applied prospectively to the Bank's hedge relationships and net investments if it is the case. The interpretation is not relevant to the Bank's operations as the Bank does not have investments in foreign operations as at 31 December 2008.



Notes to the financial statements

4. Financial risk management

a) Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

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

The Supervisory Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Directorate implements the risk management strategy and policies. The Directorate has established the Assets and Liability Committee, the Risk Management Committee and the Credit Committee, which are responsible for developing and monitoring risk management policies in their specified areas. All these Committees report regularly to the Directorate on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank'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 Group. 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.

c) Credit risk

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.



Notes to the financial statements

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

(i) Management of credit risk

The Directorate has delegated responsibility for the management of credit risk to its Credit Committee and Risk Committee. The Chief Risk Officer is the chairman of the Credit/Risk Committee. The Chief Risk Officer is the responsible for oversight of Credit Risk.

The functions of the Risk Committee:

- Defining the guidelines of local credit policies, classes of risks, sector of activity and geographic area, with the aim of minimizing the cost of credit risk and absorbed capital, within the given risk/return target;
- Ensuring risk analysis and monitoring, through the use of control instruments developed in accordance with the Bank Credit Policy and by applying the proper corrective actions;
- Applying granting and monitoring methods, processes and instruments (scoring and trend monitoring) defined by the Bank with the participation of the Bank;
- Supporting the commercial functions in the definition of credit products/services offered to clients, as well as control over the performance and efficiency of the credit process;
- Revising continuously the credit procedures in compliance with the approved Credit Policy and the applicable regulations issued by the National Bank of Romania, as well as issuing the procedures for the new credit products.
- Assisting central and/or operational units on legal and regulatory aspects of credit granting, in cooperation with Legal Department for the matters of its competence;

The functions of the Credit Committee:

- Evaluating the creditworthiness of the clients, in compliance with the criteria and methods defined;
- Monitoring of the Bank's risk positions, in accordance with the methods defined in agreement with the Bank, verifying the results of actions undertaken on deteriorating positions and defining the necessary corrective actions;
- Defining watch list and non-performing loans, in compliance with the criteria defined by the Parent, suggesting necessary provisions and appropriate credit recovery activities;
- Managing the credit activity according to Credit Policy and ensuring the maintaining of sound standards of lending, monitoring and control the risk credit, the appropriate evaluation of new business opportunities and early identification and administering the bad loans;

Notes to the financial statements



4. Financial risk management (*continued*)

c) Credit risk (*continued*)

(i) Management of credit risk (*continued*)

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business units Credit Officers. Larger facilities require approval by Credit Risk Management (CRM), Head of CRM, Chief Risk Officer, Credit Committee, Directorate or the Supervisory Board as appropriate.
- Assuring integration with UniCredit Group credit policies;
- Defining limits by significant clusters like sector, area, concentration risk and product, given the Group risk appetite which has been defined, and cooperating with the CFO in strategic and operational planning and capital management/allocation processes in terms of credit risk;
- Defining operating policies and procedures on credit activities and related products.
- Regular audits of the Bank's credit processes are undertaken by Internal Audit.



Notes to the financial statements

4. Financial risk management (continued)

c) Credit risk (continued)

(ii) Exposure to credit risk

Loans and advances to customers	31 December 2008	31 December 2007
Individually impaired/Non performing loans		
Grade 8: Impaired	3,680,215	122,995
Grade 9: Impaired	17,317,687	11,666,912
Grade 10: Impaired	22,891,757	7,926,907
Gross amount	43,889,659	19,716,814
Allowance for impairment	(28,952,397)	(14,078,883)
Carrying amount	14,937,262	5,637,931
Fair value of collateral	13,034,520	6,866,733
Property	5,711,975	3,812,656
Goods	3,775,892	1,959,281
Assignment of receivables	3,272,943	210,114
Other*	273,710	884,682
Past due but not individually impaired		
Grade 7 - 8: Watch loans	41,547,094	3,855,939
Other impaired loans**	129,668,928	67,778,334
Gross amount	171,216,022	71,634,273
Allowance for impairment	(100,229,370)	(57,853,094)
Carrying amount	70,986,652	13,781,179
Neither past due nor individually impaired		
Grade 1 - 6: Performing	7,167,272,007	4,880,149,303
Private loans with less than 30 days overdue/Performing	3,935,872,555	2,855,974,088
Grade 7 - 8: Watch loans	797,783,400	186,217,243
Private loans with 30 to 90 days overdue/watch loans	182,870,053	36,731,889
Gross amount	12,083,798,015	7,959,072,523
Allowance for impairment	(160,670,446)	(98,702,407)
Carrying amount	11,923,127,569	7,860,370,116
Total carrying amount	12,009,051,483	7,879,789,226

* Other collateral includes cash and financial risk insurance.

** Exposure on private clients with overdue by more than 90 days.



Notes to the financial statements

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

(ii) Exposure to credit risk (*continued*)

The loans and advances to advances to banks and investment securities were neither impaired nor past due.

The Bank's overall risk exposure is disclosed according to the amount of identifiable impairment into 3 main categories: Individually impaired, Past due and not individually impaired and Neither past due nor individually impaired according to the internal rating of the Bank and the past due status.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Individually impaired exposures (non-performing loans) comprises all private individuals exposures more than 90 days overdue and Grade 8, 9,10 according to the internal rating of the Bank.

For all of them, the collaterals are divided between property, debt securities, equities and other. Pledge on stocks (raw materials, merchandise), machinery, assignment of receivables are all included in other assets category.

Past due but not individually impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that individual 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 Bank.

Past due and not individually impaired includes all exposures which are more than 90 days overdue but have not received a rating downgrade yet (except private individuals which are included above); they can be either performing or watch loans.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Neither past due nor individually impaired

It includes all exposures not classified in the above categories. The loans in this category can be performing or watch. All private individuals between 30 and 90 days overdue and all clients with 6 and 7 grade are classified as Watch Loans. All private individuals with less than 30 days overdue and all clients with 1-5 rating are classified as Performing loans.



Notes to the financial statements

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

(ii) Exposure to credit risk (*continued*)

Allowances for impairment

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

Write-off policy

The Bank writes off a loan (and any related allowances for impairment losses) when Bank Credit Department / Committee determines that the loans / securities are uncollectible. This determination is reached after the Bank after considering relevant information and the appropriate documentation.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade:

31 December 2008	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8: Impaired	3,680,215	-
Grade 9: Impaired	17,317,687	6,840,036
Grade 10: Impaired	22,891,757	8,097,226
Total	43,889,659	14,937,262
31 December 2007	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8: Impaired	122,995	-
Grade 9: Impaired	11,666,912	3,425,023
Grade 10: Impaired	7,926,907	2,212,908
Total	19,716,814	5,637,931



Notes to the financial statements

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

(ii) Exposure to credit risk (*continued*)

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).

In general, guarantees are issued by entrepreneurs or shareholders (or their relatives) who own or have a stake in the companies receiving the secured lines of credit. Less frequent is the case of loans made to companies secured by guarantees issued by another company (which may or may not be a holding company) in the same business group, or by other credit institutions or insurance companies.

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 other words, this assessment mainly concentrates on determining whether the entity requesting the credit facility is able to meet its obligations autonomously regardless of whether additional collateral is provided (ability to repay).

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 II 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.

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.



Notes to the financial statements

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

(ii) Exposure to credit risk (*continued*)

Concentration of credit risk

The Banks 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:

	31-Dec 2008	31-Dec 2007
<i>In RON</i>		
Private entities (including individuals)	3,881,881,496	2,789,393,442
Commercial, recovery and repair services	2,097,325,520	1,203,072,404
Real estate	1,412,570,005	755,726,485
Construction and civil engineering	552,184,212	469,809,658
Other saleable services	515,158,999	328,004,982
Energy products	498,215,293	204,194,009
Foodstuffs, beverages and tobacco-based products	414,629,921	286,198,491
Inland transport services	396,316,739	344,279,593
Rubber and plastic products	308,778,448	182,397,965
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	297,708,619	137,386,637
Metal products except cars and means of transport	218,368,496	88,343,109
Other public entities	197,500,601	138,026,096
Office machines, data processing machines, precision	137,671,372	75,654,193
Other industrial products	136,420,299	178,909,739
Financial companies	132,378,869	103,691,609
Agriculture - forestry - fisheries	132,124,316	127,599,442
Communications services	118,171,941	12,425,445
Transport-related services	84,827,293	42,732,818
Textiles, leather and footwear and clothing products	74,551,775	90,201,518
Ores and non-metal ore products	72,296,000	70,751,320
Paper, paper products, printing and publishing	68,402,496	66,257,122
Farming and industrial machinery	67,717,513	28,897,045
Hotel and public commercial concern services	66,565,580	57,238,035
Chemicals	56,543,448	40,678,047
Sea and air transport services	38,201,959	26,515,536
Means of transport	32,540,273	31,404,486
Total	12,009,051,483	7,879,789,226



Notes to the financial statements

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

(ii) Exposure to credit risk (*continued*)

<i>In RON</i>	31 December 2008	31 December 2007
Loans and advances to customers	12,009,051,483	7,868,443,338
Loan related commitments and contingencies	8,208,001,862	6,129,269,334
	20,217,053,345	13,997,712,672

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 doubtful loans.

d) Liquidity risk

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

Liquidity risk has the following subtypes:

- Liquidity mismatch risk – depending on the maturity structure of the balance sheet;
- 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 Bank is permanently assessing the broad macroeconomic conditions, with a special focus on data concerning the banking system.

The Bank'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 Bank's reputation. Assets and Liabilities Management is the department responsible for managing liquidity risk, reporting directly to Assets and Liabilities Committee (ALCO).

Notes to the financial statements

4. Financial risk management (*continued*)

d) Liquidity risk (*continued*)

Management of liquidity risk (*continued*)

Management of liquidity risk is an optimization problem with two variables positively correlated (risk and return), as the liquid instruments have a lower return. For this reason, the Bank's approach is divided between 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. A summary report of the daily positions, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Regarding structural liquidity, the Bank pursues the following goals:

- Encouraging the attracting of long term customer deposits, by developing and promoting complex products with a higher value added;
- Attracting long term funds from the UniCredit Bank Austria AG for financing a greater share of the assets;
- Development of relations with other companies within the UniCredit Bank Austria AG, in order to attain mutual benefits from each company's specialization profile in sales activities (conveying to a diversification of funds), asset & liability management activities etc.
- Development of collaboration with international financial institutions and foreign banks with the purpose of obtaining long term finance.

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. The limits checked in this report are the ones imposed by UniCredit Bank Austria AG, through the Bank short term liquidity strategy, and represent the arithmetical difference between inflows and outflows generated by inter-bank operations, in all currencies;
- the daily indicator on immediate liquidity. Every day, based on the balance sheet 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;



Notes to the financial statements

4. Financial risk management (*continued*)

d) Liquidity risk (*continued*)

Exposure to liquidity risk

- liquidity indicators by time buckets (similar computation to the indicator described above), as established by the Bank's lead regulator (National Bank of Romania) plus indicators set at UniCredit Bank Austria AG level (for example, we have to comply with structural liquidity limits at 15M and 6Y required by the Group policy).

Temporary excess liquidity of the banking book on each currency is generally invested short-term. For financing its asset expansion, the Bank uses mostly medium-term funding.

The ratio of net liquid assets to deposits to customers is 52.24% as at 31 December 2008 (31 December 2007: 60.15%).



Notes to the financial statements

4. Financial risk management (continued)

d) Liquidity risk (continued)

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

2008 - RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Total
Financial assets						
Cash and cash equivalents	3,541,401,764	-	-	-	-	3,541,401,764
Derivative assets held for risk management	20,460,675	6,421,616	12,711,743	27,215,987	-	66,810,021
Loans and advances to banks	779,069,921	23,494,375	6,666,667	-	-	809,230,963
Loans and advances to customers	4,840,217,690	1,474,309,655	3,065,353,570	2,629,170,568	-	12,009,051,483
Investments in associate	-	-	-	-	5,600,951	5,600,951
Investment securities, available for sale	198,089,873	141,572,398	157,260,171	121,194,042	-	618,116,484
Equity investments, available for sale	-	-	-	-	2,785,794	2,785,794
Investment securities, held-to-maturity	-	-	8,323,355	-	-	8,323,355
Total financial assets	9,379,239,923	1,645,798,044	3,250,315,506	2,777,580,597	8,386,745	17,061,320,815
Financial liabilities						
Derivative liabilities held for risk management	103,496,489	35,988,883	25,002,481	27,132,395	-	191,620,248
Loans & deposits from banks and subordinated liabilities	1,006,065,815	1,455,146,056	3,473,566,565	544,922,222	-	6,479,700,658
Deposits from customers	8,442,904,550	204,370,148	1,814,414	128,096	-	8,649,217,208
Total financial liabilities	9,552,466,854	1,695,505,087	3,500,383,460	572,182,713	-	15,320,538,114
Maturity surplus/ (shortfall)	(173,226,931)	(49,707,043)	(250,067,954)	2,205,397,884	8,386,745	1,740,782,701



Notes to the financial statements

4. Financial risk management (continued)

d) Liquidity risk (continued)

2007 - RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Total
Financial assets						
Cash and cash equivalents	3,196,422,334	-	-	-	-	3,196,422,334
Derivative assets held for risk management	-	279,828	3,066,081	15,708,854	-	19,054,763
Loans and advances to banks	544,680,176	-	11,835,276	-	-	556,515,452
Loans and advances to customers	2,576,835,477	1,334,693,965	2,517,876,077	1,450,383,707	-	7,879,789,226
Investments in associate	-	-	-	-	478,257	478,257
Investment securities, available for sale	225,777,942	391,302,422	160,756,030	20,600,056	-	798,436,450
Equity investments, available for sale	-	-	-	-	9,936,986	9,936,986
Investment securities, held- to-maturity	-	38,129,516	7,534,764	-	-	45,664,280
Total financial assets	6,543,715,929	1,764,405,731	2,701,068,228	1,486,692,617	10,415,243	12,506,297,748
Financial liabilities						
Derivative liabilities held for risk management	127,105,150	6,290,264	4,089,873	9,133,176	-	146,618,463
Loans & deposits from banks and subordinated liabilities	251,870,690	198,561,000	3,437,393,298	429,813,052	-	4,317,638,040
Deposits from customers	6,292,254,792	196,559,999	31,409,187	74,872,841	-	6,595,096,819
Total financial liabilities	6,671,230,632	401,411,263	3,472,892,358	513,819,069	-	11,059,353,322
Maturity surplus/ (shortfall)	(127,514,703)	1,362,994,468	(771,824,130)	972,873,548	10,415,243	1,446,944,426



Notes to the financial statements

4. Financial 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:

RON	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
31 December 2008							
Derivative assets	66,810,021	54,659,015	35,125,509	1,539,253	(1,604,052)	17,398,105	2,200,200
Outflow		(1,640,511,408)	(1,286,365,654)	(182,535,437)	(143,904,377)	(20,261,814)	(7,444,126)
Inflow		1,695,170,423	1,321,491,163	184,074,690	142,300,325	37,659,919	9,644,326
Derivative liabilities	(191,620,248)	(179,469,237)	(104,524,914)	(15,172,138)	(34,344,402)	(23,153,669)	(2,274,114)
Outflow		(6,043,656,126)	(5,077,779,135)	(418,128,582)	(474,358,902)	(59,710,927)	(13,678,580)
Inflow		5,864,186,889	4,973,254,221	402,956,444	440,014,500	36,557,258	11,404,466
31 December 2007							
Derivative assets	18,383,717	18,383,717	5,743,357	-	19,622	(3,506)	12,624,244
Outflow		(511,573,901)	(307,458,850)	-	(491,280)	(8,316,514)	(195,307,258)
Inflow		529,957,618	313,202,207	-	510,902	8,313,007	207,931,502
Derivative liabilities	(145,947,418)	(145,947,418)	(31,900,162)	(88,061,721)	(9,002,045)	(7,454,975)	(9,528,515)
Outflow		5,146,316,370	1,142,642,370	3,885,473,407	174,033,549	146,882,500	(202,715,456)
Inflow		(5,292,263,787)	(1,174,542,532)	(3,973,535,127)	(183,035,594)	(154,337,475)	193,186,941

Notes to the financial statements

4. Financial 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 Bank'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 Bank risks;
- the Bank'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 Bank'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 International Markets (INM) Trading manages strategic and operational ALM, with the objective of ensuring a balanced asset position and the operating and financial sustainability of the Bank's growth policies on the loans market, optimizing the Bank's exchange rate, interest rate and liquidity risk.

The Bank separates its exposure to market risk between trading and non trading portfolios. Trading portfolio is held by INM 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 INM Trading unit. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.



Notes to the financial statements

4. Financial 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 Bank 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 Bank'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 Bank uses a VaR limit for total market risk; this limit is subject to review and approval by Bank ALCO. VaR is measured daily by a common system throughout the Bank; data is automatically upload from the core banking system and other front office systems.



Notes to the financial statements

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

A summary of the VaR position of the Bank at 31 December and during the period is as follows:

In RON	At 31 December	Average	Maximum	Minimum
2008				
Foreign currency risk	1,463,971	289,429	3,125,692	9,361
Interest rate risk	14,275,102	5,870,136	38,378,273	1,113,979
Covariance	(1,367,593)	(272,432)		
Overall	14,371,480	5,887,133	38,356,036	1,139,743
2007				
Foreign currency risk	154,397	233,976	844,429	10,088
Interest rate risk	1,166,109	1,601,944	5,204,369	621,027
Covariance	(182,474)	(227,373)	-	-
Overall	1,138,032	1,608,547	5,206,852	639,887

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

Foreign exchange (FX) Sensitivity analysis

The FX net open position limits are assigned by the Bank 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 2007 and 2008, which correlate also with the stable FX VaR figure.



Notes to the financial statements

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

Foreign exchange (FX) Sensitivity analysis (*continued*)

Foreign exchange (FX) Open Position

Currency	Limits (EUR equivalent)	Average usage	
		2007	2008
AUD	1,000,000	1.75%	0.91%
CAD	1,000,000	6.16%	3.03%
CHF	1,000,000	10.32%	4.05%
DKK	1,000,000	3.19%	1.09%
EUR	17,500,000	43.75%	16.60%
GBP	1,000,000	7.93%	6.01%
HUF	250,000	13.35%	16.09%
JPY	1,000,000	1.95%	4.95%
NOK	1,000,000	0.33%	2.36%
PLN	100,000	25.12%	25.38%
RON	17,500,000	45.84%	17.95%
RUB	500,000	94.66%	74.03%
SEK	1,000,000	3.24%	1.89%
USD	5,000,000	7.27%	2.74%

Basis Point Value (BPV) Report

The Bank is currently monitoring daily the using sensitivity analysis based on the BPV (Basis Point Value) Report. Market Risk Department prepares, analyses this report and submits daily the usage limits and excesses to the Management of the Bank and to Unicredit Bank Austria AG.

BPV (Basis Point Value) represents how much the present value of the current positions will move when interest rate moves up with 1 b.p. and it is aimed at a better economic interpretation of the evolution for different variables and their effects. For example, if the yield curve increases by 1 basis point = 0.01% (a parallel shift), the question to be answered is how much money does the bank gain or loose out of the respective positions.



Notes to the financial statements

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

Basis Point Value (BPV) Report (*continued*)

The present value is calculated in order to bring all the positions with different maturities to the same moment in time (today). Accordingly to the formula used, the sign of the BPV is opposite from the sign of the "cash flow". Thus, an increase in the interest rate will generate positive BPV (gain) for short positions and negative BPV (loss) for long positions.

The figures shown in the BPV report aggregate all the positions, irrespective to their "sign" (long or short). The Limits and the actual exposure to these limits are presented in EUR equivalent for the main currencies and time buckets as well as for the Total.

The Interest Rate (IR) BPV Shift report as at 31 December 2008 is as follows:

Ccy	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years to 10 Years	Over 10 Years	SUM
CHF	4	(15)	0	0	0	(11)
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	0.11%	0.17%	0.00%	0.00%	0.00%	0.05%
EUR	1,648	7,081	(111)	1,237	0	9,855
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	10.99%	20.23%	0.44%	3.53%	0.00%	11.59%
GBP	5	5	0	0	0	10
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	0.13%	0.06%	0.00%	0.00%	0.00%	0.05%
RON	(2,100)	(5,474)	(8,327)	(18,618)	(291)	(34,810)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	14.00%	15.64%	33.31%	53.19%	2.91%	40.95%
USD	147	723	(599)	(2,321)	0	(2,050)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	0.98%	2.07%	2.40%	6.63%	0.00%	2.41%
TOTAL	3,904	13,298	9,037	22,176	291	46,736
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	26.03%	37.99%	36.15%	63.36%	2.91%	54.98%



4. Financial risk management (*continued*)

e) Market Risk (*continued*)

Basis Point Value (BPV) Report (*continued*)

The Interest Rate (IR) BPV Shift report as at 31 December 2007 is as follows:

Ccy	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years to 10 Years	Over 10 Years	SUM
CHF	349	(7)	0	0	0	342
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	9.31%	0.08%	0.00%	0.00%	0.00%	1.61%
EUR	(3,246)	(2,838)	(2,255)	1,703	(4,274)	(10,910)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	21.64%	8.11%	9.02%	4.87%	42.74%	12.84%
GBP	6	7	0	0	0	13
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	0.16%	0.08%	0.00%	0.00%	0.00%	0.06%
RON	959	(7,235)	(5,844)	(10,645)	(809)	(23,574)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	6.39%	20.67%	23.38%	30.41%	8.09%	27.73%
USD	232	1,113	(620)	(2,372)	1	(1,646)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	1.55%	3.18%	2.48%	6.78%	0.01%	1.94%
TOTAL	4,792	11,200	8,719	14,720	5,084	36,485
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	31.95%	32.00%	34.88%	42.06%	50.84%	42.92%

For 31 December 2007, the net EUR positions for the time bucket "Up to 3 months" will generate a loss of EUR 3,246 if the yield curve increases by 1 basis points = 0.01% parallel shift, limit is 15,000 while limit usage is 21.64% (in absolute terms).

Compare to 2007, for 31 December 2008, the same net EUR positions for the time bucket "Up to 3 months" will generate a profit of EUR 1,246 if the yield curve increases by 1 basis point = 0.01% parallel shift, limit is 15,000 while limit usage is 10.99% (in absolute terms).

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 re pricing 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 financial statements

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities is as follows:

2008 - RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Cash and cash equivalents	3,541,401,764	-	-	-	-	3,541,401,764
Derivative assets held for risk management	(19,102,561)	2,889,269	24,238,864	11,572,732	-	19,598,304
Placements with banks	780,126,376	29,104,587	-	-	-	809,230,963
Loans and advances to customers	11,425,939,002	523,577,313	59,535,168	-	-	12,009,051,483
Investment securities, available for sale	198,089,873	141,572,398	157,260,171	121,194,042	-	618,116,484
Investment securities, held-to- maturity	-	-	8,323,355	-	-	8,323,355
Total	15,926,454,454	697,143,567	249,357,558	132,766,774	-	17,005,722,353
Derivative liabilities held for risk management	(25,941,221)	(1,508,328)	25,547,866	13,661,643	-	11,759,960
Loans and deposits from banks	5,962,364,913	517,335,745	-	-	-	6,479,700,658
Deposits from customers	8,441,475,127	205,799,571	1,942,510	-	-	8,649,217,208
Total	14,377,898,819	721,626,988	27,490,376	13,661,643	-	15,140,677,826
Interest sensitivity surplus/ (shortfall)	1,548,555,635	(24,483,421)	221,867,182	119,105,131	-	1,865,044,527



Notes to the financial statements

4. Financial risk management (continued)

e) Market Risk (continued)

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities is as follows:

2007 - RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Cash and cash equivalents	3,196,422,334	-	-	-	-	3,196,422,334
Derivative assets held for risk management	14,185,702	(253,303)	2,006,816	(11,326,873)	-	4,612,342
Placements with banks	544,680,176	10,175,100	1,660,176	-	-	556,515,452
Loans and advances to customers	5,949,002,521	843,421,449	287,284,131	800,081,125	-	7,879,789,226
Investment securities, available for sale	234,560,893	408,030,787	151,495,127	4,349,643	-	798,436,450
Investment securities, held-to- maturity	-	38,129,516	7,534,764	-	-	45,664,280
Total	9,938,851,626	1,299,503,549	449,981,014	793,103,895	-	12,481,440,084
Derivative liabilities held for risk management	16,334,959	-	(7,434,940)	(7,381,262)	-	1,518,757
Loans and deposits from banks	4,217,169,506	100,468,534	-	-	-	4,317,638,040
Deposits from customers	6,292,254,792	199,218,434	94,303,531	9,320,062	-	6,595,096,819
Total	10,525,759,257	299,686,968	86,868,591	1,938,800	-	10,914,253,616
Interest sensitivity surplus/ (shortfall)	(586,907,631)	999,816,581	363,112,423	791,165,095	-	1,567,186,468



Notes to the financial statements

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2008 for its interest-bearing assets and liabilities:

Assets	RON Range		EUR Range		USD Range	
	Min	Max	Min	Max	Min	Max
Current accounts with the National Bank of Romania	2.50	5.60	1.25	2.80	n/a	n/a
Placements with banks*	2.00	150.00	1.75	7.50	1.50	6.10
Investment securities	6.00	18.00	4.13	10.63	n/a	n/a
Loans and advances to customers	0.10	55.00	0.67	28.50	2.11	24.00
Liabilities						
Deposits from banks	2.10	75.00	2.75	6.56	0.75	20.00
Deposits from customers	0.10	37.50	0.10	9.00	0.10	6.00
Loans from banks	8.04	48.06	3.07	6.44	3.88	5.63

* The Bank lent and borrowed local currency (RON) deposits on short term at very high rates in October 2008 due to the turbulence recorded on the Romanian interbank market.

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2007 for its interest-bearing assets and liabilities:

Assets	RON Range		EUR Range		USD Range	
	Min	Max	Min	Max	Min	Max
Current accounts with the National Bank of Romania	1.90	2.50	0.80	1.35	1.00	1.20
Placements with banks	1.50	75.00	3.09	6.50	4.10	7.00
Investment securities	5.38	10.04	4.12	10.62	8.90	9.14
Loans and advances to customers	0.45	55.00	0.20	19.75	4.46	17.90
Liabilities						
Deposits from banks	0.50	50.00	3.10	5.50	4.25	6.75
Deposits from customers	0.10	6.00	0.10	2.50	0.10	3.20
Loans from banks	6.68	12.53	3.95	5.78	5.63	6.15



Notes to the financial statements

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

The interest rates related to the local currency and the major foreign currencies as at 31 December 2008 and 2007 were as follows:

Currencies	Interest rate	31 December 2008	31 December 2007
RON	Robor 3 months	15.46%	8.4%
EUR	Euribor 3 months	2.892%	4.7%
EUR	Euribor 6 months	2.971%	4.7%
USD	Libor 6 months	1.75%	4.6%





Notes to the financial statements

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2008 can be analysed as follows:

	RON	USD	EUR	Other	Total
<i>In RON</i>					
Financial assets					
Cash and cash equivalents	1,506,785,006	7,731,535	2,023,337,353	3,547,870	3,541,401,764
Derivative assets held for risk management	12,875,537	-	53,934,484	-	66,810,021
Loans and advances to banks	663,689,250	46,357,437	89,637,507	9,546,769	809,230,963
Loans and advances to customers	2,554,217,016	440,611,377	8,984,415,089	29,807,999	12,009,051,481
Investments in associate	5,600,951	-	-	-	5,600,951
Investment securities, available-for-sale	604,128,198	-	13,988,286	-	618,116,484
Equity investments, available for sale	2,785,794	-	-	-	2,785,794
Investment securities, held-to-maturity	-	-	8,323,355	-	8,323,355
Total financial assets	5,350,081,752	494,700,349	11,173,636,074	42,902,638	17,061,320,813
Financial liabilities					
Derivative liabilities held for risk management	152,301,284	-	39,318,964	-	191,620,248
Loans & deposits from banks and subordinated liabilities	5,200,438,547	122,020,651	1,135,864,530	21,376,930	6,479,700,658
Deposits from customers	4,503,188,378	385,093,295	3,741,604,025	19,331,510	8,649,217,208
Total financial liabilities	9,855,928,209	507,113,946	4,916,787,519	40,708,440	15,320,538,114
Net financial assets/(liabilities)	(4,505,846,457)	(12,413,597)	6,256,848,555	2,194,198	1,740,782,699



Notes to the financial statements

4. Financial risk management (continued)

e) Market Risk (continued)

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2007 can be analysed as follows:

	RON	USD	EUR	Other	Total
In RON					
Financial assets					
Cash and cash equivalents	1,713,953,189	12,326,116	1,465,479,118	4,663,911	3,196,422,334
Derivative assets held for risk management	19,054,763	-	-	-	19,054,763
Placements with banks	290,000,414	131,874,522	130,458,944	4,181,572	556,515,452
Loans and advances to customers	1,798,707,979	359,233,566	5,688,219,389	33,628,292	7,879,789,226
Investments in associate	478,257	-	-	-	478,257
Investment securities, available-for-sale	779,637,154	-	18,799,296	-	798,436,450
Equity investments, available for sale	9,936,986	-	-	-	9,936,986
Investment securities, held-to-maturity	-	-	45,664,280	-	45,664,280
Total financial assets	4,611,768,742	503,434,204	7,348,621,027	42,473,775	12,506,297,748
Financial liabilities					
Derivative liabilities held for risk management	146,618,463	-	-	-	146,618,463
Loans & deposits from banks and subordinated liabilities	3,762,739,541	50,809,195	504,085,207	4,097	4,317,638,040
Deposits from customers	3,373,941,877	493,052,817	2,704,948,163	23,153,962	6,595,096,819
Total financial liabilities	7,283,299,881	543,862,012	3,209,033,370	23,158,059	11,059,353,322
Net financial assets/(liabilities)	(2,671,531,139)	(40,427,808)	4,139,587,657	19,315,716	1,446,944,426



Notes to the financial statements

4. Financial risk management (*continued*)

f) Operational risk

Definition of operational risk

Operational risk is defined as the risk of loss resulting from error, violation, interruption, inadequate or failed internal processes, people and systems or from external events. This definition includes also legal and compliance risk, but excludes reputation risk.

Operational events are the events resulting from inadequate or failed internal processes, people and systems or from systemic and other external events: internal or external fraud, employment practices and workplace safety, clients' claims, product distribution, fines and penalties due to breaches of regulations, damage to the Group's physical assets, business disruption and system failures or process management.

Operational Risk Framework

The Bank's operational risk management framework is a set of policies and procedures for controlling, measuring and mitigating the operational risk.

The Risk Management Committee monitors the operational risk exposure, defines the risk appetite and mitigating actions and approves measurement and control methods.

The methodology for data classification and completeness, scenario analysis, risk indicators, reporting and measurement of capital at risk is laid down by the Parent's operational risk management function and applies to all Holding entities. A pivotal element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and measurement of capital at risk.

Management and mitigation of operational risk

Operational risk management entails process re-engineering to reduce risk exposure, including outsourcing considerations, and insurance cover management involving the setting of appropriate deductibles and policy limits.

Regularly tested business continuity plans will also ensure operational risk management in the event of interruption of the main business services.

The Risk Management Committee reviews risks tracked by the operational risk functions of the Group, with the support of Operational Risk department, involved in daily operational risk control, and monitors risk mitigation initiatives.



Notes to the financial statements

4. Financial risk management (*continued*)

f) Operational risk (*continued*)

This responsibility is supported by the development of standards for the management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

g) Taxation risk

The tax framework in Romania is subject of frequent changes, (some of them resulting from the Romania's liabilities as an EU member state, others from the domestic fiscal policy) and often subject of contradictory interpretations, which might be applied retroactively. For this reason government agencies empowered to carry out tax inspections seem to be exposed to arbitrary decisions and different interpretation of the law, to which Romanian companies are less protected than is usual in other countries.

These changes have been implemented, however they are exposed to a fiscal audit for a period up to five years when the authorities might adopt an aggressive approach and assess additional liabilities and related late-payment penalties.

Moreover, the merged banks have not been audited for the entire period of operation until the date of dissolution, and their duties may be subject to future inspections, any results of these being borne by the bank as a legal successor.



Notes to the financial statements

4. Financial risk management (*continued*)

e) Operating environment

The process of risk repricing during 2007 and 2008 in the international financial markets severely affected the performance of those markets, including the Romanian financial and banking market, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, lower level and difficult access to the capital market funding, lower liquidity levels across the Romanian banking sector, and higher interbank lending rates. The significant losses experienced in the global financial market could affect the ability of the Bank to obtain new borrowings and refinance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The determination of compliance with debt agreement and other contract covenants, and the evaluation of significant uncertainties, bring their own challenges.

The borrowers of the Bank may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Such ongoing concerns that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping minimising the effects of the financial crisis and finally restoring normal market functioning.

Management is unable to predict all developments which could have an impact on the Romanian banking sector and consequently what effect, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Bank's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances by:

- preparing liquidity crisis strategy and establishing specific measures, together with the Parent Bank, to address potential liquidity crisis
- daily monitoring its liquidity position and over-dependence on specific funds
- forecasting on short-term basis its net liquidity position
- obtaining formal commitment from the major shareholder regarding the latter's continuous support of the Bank's operations in Romania
- monitoring incoming and outgoing cash flows on daily basis and assessing the effects on its borrowers of the limited access to funding and the sustainability of growing businesses in Romania



Notes to the financial statements

4. Financial risk management (*continued*)

e) Operating environment (*continued*)

- examining terms and conditions of financing agreements and considering the implications of obligations imposed and risks identified such as approaching maturity dates or the implications of any terms or covenants that may have been breached or which may be breached in the foreseeable future.

i) Capital management

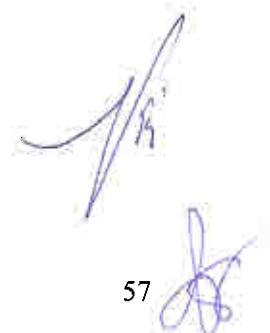
Regulatory capital

The Bank's regulator, NBR (National Bank of Romania), sets and monitors capital requirements. In implementing current capital requirements NBR requires the Bank to maintain a prescribed ratio of total capital to total risk – weighted assets (8%).

The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, legal, statutory and other reserves, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capital, which includes qualifying subordinated liabilities, other long term debt, fair value reserves for fixed assets and other regulatory adjustments.

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; qualifying term subordinated loan and preference shares capital may not exceed 50 percent of tier 1 capital.





Notes to the financial statements

4. Financial risk management (*continued*)

i) Capital management (*continued*)

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.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

The Bank's regulatory capital position* at 31 December was as follows:

<i>In RON</i>	31 December 2008 – Basel II	31 December 2007 – Basel I
<i>Tier 1 capital</i>		
Ordinary share capital	379,075,291	379,109,246
Share premium	386,550,688	386,550,688
Retained earnings	675,267,321	464,187,215
Less intangible assets	(45,411,169)	(22,661,015)
Other regulatory adjustments (equity investments)	(3,593,816)	(1,567,872)
Total	1,391,888,315	1,205,618,262
<i>Tier 2 capital</i>		
Revaluation reserve (fixed assets)	68,648,632	74,371,390
Qualifying subordinated liabilities	336,481,398	383,334,558
Other regulatory adjustments (equity investments)	(3,593,816)	(1,567,872)
Total	401,536,214	456,138,076
Total regulatory capital	1,793,424,529	1,661,756,338
Risk-weighted assets	n/a	12,423,123,538
Capital requirements for credit risk	1,285,482,502	n/a
Capital requirements for market risk	3,773,033	n/a
Capital requirements for operational risk	115,629,119	n/a
<i>Capital ratios</i>		
Total regulatory capital expressed as a percentage of total risk-weighted assets / capital requirements	10.21%	13.38%
Total tier 1 capital expressed as a percentage of risk-weighted assets / capital requirements	7.93%	9.70%

*⁾ This calculation is based on statutory figures. Please refer to note 42 and 43 reconciliation profit and of equity reported under statutory accounts/IFRSs



Notes to the financial statements

4. Financial risk management (*continued*)

i) Capital management (*continued*)

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 Group of the risk weighted assets (in compliance with Banking Act Austria).

5. Use of estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually 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 Bank 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 Bank 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. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The loan impairment assessment considers the visible effects on current market conditions on the individual / collective assessment of loans and advances to customers' impairment. Because of the significant uncertainties on the international and local financial markets such estimates could be revised in the near future. Hence, the Bank has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with Group policies and assessed that no further provision for impairment losses is required except as already provided for in the reporting package. Because of the inherent limitations related to the historical experience in obtaining cash flow information, in methodologies applied and to the uncertainties on the international and local financial markets regarding assets valuation, that Bank's estimate could be revised after the date of the approval of the financial information included in the financial statements.






Notes to the financial statements

5. Use of estimates and judgements

a) Key sources of estimation uncertainty (*continued*)

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 Bank would be estimated RON 25,982 thousand higher (31 December 2007: RON 9,874 thousand) or RON 25,982 thousand lower (31 December 2007: RON 9,874 thousand).

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 Bank would be estimated RON 21,309 thousand higher or RON 21,009 thousand lower, at 31 December 2008.

To the extent that the degree of collateral recognition parameter for the individual assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 65 thousand higher (31 December 2007: RON 192 thousand) or RON 55 thousand lower (31 December 2007: RON 126 thousand).

Sensitivity analysis for available-for-sale

The fair value of available-for-sale financial assets is direct dependant on the market yield variable and its changes impact significantly the financial position and the net assets of the Bank.

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2008 on available for sale financial assets would vary as follows:

<i>In RON</i>	Market Yield – 10%	Initial	Market Yield + 10%
Available-for-sale denominated in RON	53,118,723	67,495,955	80,837,966
Available-for-sale denominated in EUR	5,912,788	6,773,205	7,573,474
Available-for-sale Total	59,031,511	74,269,160	88,411,440



Notes to the financial statements

5. Use of estimates and judgements (*continued*)

b) Critical accounting judgments in applying the Bank's accounting policies

Financial assets and liability classification

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 Bank uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date.

In case of available for sale and respectively held-to-maturity financial assets, their classification in quoted and unquoted financial instruments is presented below:

Financial assets

31 December 2008	Listed	Unlisted	Total
<i>In RON</i>			
Investment securities, available-for-sale	1,385,085	616,731,399	618,116,484
Equity investments, available for sale	-	2,785,794	2,785,794
Investment securities, held to maturity	-	8,323,355	8,323,355
31 December 2007	Listed	Unlisted	Total
<i>In RON</i>			
Investment securities, available-for-sale	2,117,061	796,319,389	798,436,450
Equity investments, available for sale	922,013	9,014,973	9,936,986
Investment securities, held to maturity	-	45,664,280	45,664,280

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "derivative assets / liabilities held for risk management", the Bank has determined that it meets the description set out in accounting policy 3(m).
- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(o)(i).






Notes to the financial statements

5. Use of estimates and judgements (*continued*)

b) Critical accounting judgments in applying the Bank's accounting policies (*continued*)

Financial assets and liability classification (*continued*)

Determining fair values (*continued*)

The Bank measures fair values using the following hierarchy of methods:

- Quoted market price in an active market for an identical instrument.
- Valuation techniques based on observable inputs. The Bank's valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models incorporated in the risk software tools used. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other estimates used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. Such valuation techniques are applied to derivatives held for risk management. An illustration of it is presented below:
 - FX Outright Forward and FX Swaps – the forward legs are revalued daily by Core 02 system at forward rates, which are computed as the sum of the NBR spot rate + swap points for the respective maturity bucket. For establishing the Swap points the CCM (Conticap) page is used.
 - FX Options - are revalued daily by the Front-office application software "Wall street" – consistent with the Group revaluation. The revaluation performed by Wall street System is input as of each end of month into Core02.
 - IR Options and IRS - are revalued daily by the F/O System OPUS – consistent with the Group revaluation. The revaluation performed by OPUS is input as of each end of month into Core02.
 - Available for sale financial instruments – the fair value is calculated using discounted cash flow techniques based on market observable inputs (i.e. bid quotations from banks, official published quotations).
- Fair value was approximated by cost. This method was applied for variable interest rate debt instruments and participations (which were also tested for impairment at the balance sheet dates).






Notes to the financial statements

5. Use of estimates and judgements (*continued*)

b) Critical accounting judgments in applying the Bank's accounting policies (*continued*)

Financial assets and liability classification (*continued*)

Determining fair values (*continued*)

The table below analyses financial instruments carried at fair value, by valuation method:

<i>at 31 December 2008</i>				
<i>In RON</i>	Valuation market prices in active inputs	Valuation techniques -observable inputs	Fair value was approximated by cost *)	Total
Assets				
Derivative assets held for risk management	-	66,810,021	-	66,810,021
Investment securities, available-for-sale	1,385,085	610,421,027	6,310,372	618,116,484
Equity investments, available for sale	-	-	2,785,794	2,785,794
	1,385,085	677,231,048	9,096,166	687,712,299
Liabilities				
Derivative liabilities held for risk management	-	191,620,248	-	191,620,248
	-	191,620,248	-	191,620,248
<i>at 31 December 2007</i>				
<i>In RON</i>	Valuation market prices in active inputs	Valuation techniques -observable inputs	Fair value was approximated by cost *)	Total
Assets				
Derivative assets held for risk management	-	19,054,763	-	19,054,763
Investment securities, available-for-sale	2,117,061	787,455,147	8,864,242	798,436,450
Equity investments, available for sale	-	-	9,936,986	9,936,986
	2,117,061	806,509,910	18,801,228	827,428,199
Liabilities				
Derivative liabilities held for risk management	-	146,918,463	-	146,918,463
	-	146,918,463	-	146,918,463

*) This category contains variable interest rate debt instruments and participations (which were also tested for impairment at the balance sheet dates).

The Bank does not have complex financial instruments valued by techniques using unobservable data.

Notes to the financial statements

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.

31 December 2008	Financial assets at fair value through profit	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
<i>In RON</i>	<i>Note</i>						
Cash and cash equivalents	19	-	3,541,401,764	-	-	3,541,401,764	3,541,401,764
Derivative assets held for risk management	20	66,810,021	-	-	-	66,810,021	66,810,021
Loans and advances to banks	21	-	809,230,963	-	-	809,230,963	809,230,963
Loans and advances to customers	22	-	12,009,051,483	-	-	12,009,051,483	11,994,949,397
Investment in associate	23	-	-	-	5,600,951	5,600,951	5,600,951
Investment securities, available-for-sale	24	-	-	618,116,484	-	618,116,484	618,116,484
Equity investments, available for sale	25	-	-	-	2,785,794	2,785,794	2,785,794
Investment securities, held to maturity	26	-	-	-	-	8,323,355	7,591,552
		66,810,021	16,359,684,210	618,116,484	8,386,745	17,061,320,815	17,046,486,926
Derivative liabilities held for risk management	20	191,620,248	-	-	-	191,620,248	191,620,248
Deposits from banks	32	-	-	-	1,399,474,832	1,399,474,832	1,399,474,832
Loans from banks and other financial institutions, including subordinated liabilities	33	-	-	-	5,080,225,826	5,080,225,826	4,877,700,165
Deposits from customers	34	-	-	-	8,649,217,208	8,649,217,208	8,648,629,918
		191,620,248	-	-	15,128,917,866	15,320,538,114	15,117,425,163

Notes to the financial statements

6. Accounting classification and fair value of financial assets/liabilities (continued)

31 December 2007	Financial assets at fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
<i>In RON</i>	<i>Note</i>						
Cash and cash equivalents	19	-	3,196,422,334	-	-	3,196,422,334	3,196,422,334
Derivative assets held for risk management	20	-	-	-	-	19,054,763	19,054,763
Loans and advances to banks	21	-	556,515,452	-	-	556,515,452	556,515,452
Loans and advances to customers	22	-	7,879,789,226	-	-	7,879,789,226	7,868,901,439
Investment in associate	23	-	-	-	478,257	478,257	478,257
Investment securities, available-for-sale	24	-	-	798,436,450	-	798,436,450	798,436,450
Equity investments, available for sale	25	-	-	-	9,936,986	9,936,986	9,936,986
Investment securities, held to maturity	26	-	45,664,280	-	-	45,664,280	45,179,487
			11,632,727,012	798,436,450	10,415,243	12,506,297,748	12,494,925,168
Derivative liabilities held for risk management	20	-	-	-	-	146,618,463	146,618,463
Deposits from banks	32	-	-	-	236,531,536	236,531,536	236,589,077
Loans from banks and other financial institutions, including subordinated liabilities	33	-	-	-	-	4,081,106,504	3,745,081,294
Deposits from customers	34	-	-	-	-	6,595,096,819	6,500,920,818
			-	-	-	11,059,353,322	10,629,209,652





Notes to the financial statements

7. Net interest income

	2008	2007
<i>In RON</i>		
Interest income		
Interest and similar income arising from:		
Current accounts and placements with banks	137,732,025	110,704,620
Treasury bills and bonds	39,737,368	63,153,250
Loans and advances to customers	977,649,544	609,491,662
Others (including derivatives)	19,946,368	280,334
	1,175,065,305	783,629,866
Interest expense		
Interest expense and similar charges arising from:		
Deposits from banks	62,236,527	35,570,537
Loans from banks and other financial institutions	588,786,349	273,998,100
Treasury bills and bonds	17,085,938	6,063,409
Deposits from customers	237,923,270	109,801,271
Others (including derivatives)	18,896,543	145,779
	924,928,627	425,579,096
	250,136,678	358,050,770

The Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The effect of these swap transactions on the Bank's income statement is recognized in net income on foreign exchange and on derivatives held for risk management. These swap transactions have a significant interest component, their interest related effect based on the Bank's management information system (refer to Note 10) can be summarised as follows:

	2008
<i>In RON</i>	
Net interest income	250,136,678
Interest related effect of Swapping RON from the UniCredit Bank Austria AG	355,479,353
Net interest income including Swap effect	605,616,031

Notes to the financial statements

8. Net fees and commissions income

	2008	2007
<i>In RON</i>		
Fees and commissions income		
Payments transactions	152,101,030	113,679,203
Loan administration	19,513,065	35,059,363
Guarantees and letters of credit	17,104,992	17,245,025
Risk participation fee (refer to Note 41)	49,848,647	32,656,260
Other	18,434,109	33,564,066
	<hr/>	<hr/>
Total fees and commission income	257,001,843	232,203,917
	<hr/>	<hr/>
Fees and commissions expense		
Payments transactions	6,776,763	5,025,772
Other	21,572,840	16,930,826
	<hr/>	<hr/>
Total fees and commissions expense	28,349,603	21,956,598
	<hr/>	<hr/>
Net fees and commissions income	228,652,240	210,247,319
	<hr/> <hr/>	<hr/> <hr/>

9. Dividend income

The Bank received dividends income from the following companies:

	2008	2007
<i>In RON</i>		
Visa	2,596,547	-
Transfond SA	1,496,413	1,879,045
Romcard SA	158,367	90,659
Biroul de credit SA	145,983	92,535
Other	13,919	-
	<hr/>	<hr/>
Total dividend income	4,411,229	2,062,239
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

10. Net income on foreign exchange and on derivatives held for risk management

<i>In RON</i>	2008	2007
Net foreign exchange loss from revaluation of foreign currency denominated assets and liabilities	658,723,136	277,348,212
Net foreign exchange gain from foreign exchange transactions	147,827,690	129,518,803
Net fair value gain from interest derivatives held for risk management	171,201	1,918,855
Net fair value loss from FX derivatives held for risk management	(190,037,135)	(147,121,509)
Other items	13,672,932	(107,510)
Net income on foreign exchange and on derivative held for risk management	630,357,824	261,556,851

The interest related effect of swapping RON financing from the Parent Bank into EURO, is presented below (see also details given in Note 7):

<i>In RON</i>	2008
Net income on foreign exchange and on derivative held for risk management	630,357,824
<i>Less:</i>	
Interest related effect of Swapping RON from the UniCredit Bank Austria AG (refer Note 7)	(355,479,353)
Net income on foreign exchange and on derivative held for risk management, excluding Swap effect	274,878,471

11. Other operating income

<i>In RON</i>	2008	2007
Gains on disposals of investments	12,906,887	-
Revenues from sales of property and equipment and intangible assets	3,446,936	2,348,183
Sundry operational revenues	7,045,219	1,705,828
Total	23,399,042	4,054,011



Notes to the financial statements

12. Personnel expenses

<i>In RON</i>	2008	2007
Wages and salaries	204,223,467	156,803,910
Social security charges	54,222,061	40,656,883
Equity settled share-based payments	635,848	353,398
Other costs	8,724,156	6,096,478
Total	267,805,532	203,910,669

The number of employees at 31 December 2008 was 3,297 (31 December 2007: 2,711). Remuneration of Supervisory Board's and Directorate's members for 2008 amounted to RON 8,742,376 (2007: RON 5,893,661). The Bank 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 Bank and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 v (iii)).

13. Depreciation and amortisation

<i>In RON</i>	2008	2007
Depreciation on property and equipment	31,813,727	25,868,307
Amortisation on intangible assets	12,546,136	14,388,708
Total	44,359,863	40,257,015

14. Other administrative costs

<i>In RON</i>	2008	2007
Office space expenses (rental, maintenance, other)	98,580,592	64,817,278
Advertising and promotional expenses	19,661,232	16,627,035
Materials and consumables	16,276,112	9,147,014
Communication expenses	13,845,207	13,121,527
Other taxes and duties	7,618,018	8,530,244
Insurance expenses	3,245,575	3,055,186
IT services	24,593,155	24,674,448
Consultancy, legal and other professional services	21,205,459	22,274,167
Personnel training & recruiting	8,558,043	3,263,744
Other	27,554,461	17,694,973
Total	241,137,854	183,205,616



Notes to the financial statements

15. Net impairment loss on financial assets

<i>In RON</i>	2008	2007
Net charge of provision for loans and advances to customers	119,217,828	35,537,061
Loans written-off	260,400	8,649,795
Net charge of provisions for equity investments	6,399,498	2,700,000
Recoveries from loans previously written-off	(9,628,733)	(13,071,619)
Charge of provision for debit balances of dormant current accounts	8,353,136	-
Net impairment losses on financial assets	124,602,129	33,815,237

16. Net provisions charges

<i>In RON</i>	2008	2007
Net provision charge for off-balance loan commitments and contingencies	30,070,459	23,588,248
Net provision charge for litigations	4,865,569	5,230,977
Provision for cards operations	4,232,301	2,464,314
Other provisions	946,525	3,027,685
Net provisions for risk and charges	40,114,854	34,311,224

17. Integration costs

For the respective two mergers processes undertaken during 2006 and 2007 (refer to Note 1) the Bank incurred the following integration costs. The provision was fully utilised by 31 December 2008:

<i>In RON</i>	2008	2007
One-off costs (severance costs, assets write offs)	-	221,074
Legal and consultancy fees	-	1,643,170
Audit	-	-
Information technology expenses	-	14,847,600
Marketing and rebranding expenses	-	5,366,285
Restructuring provision	-	(3,700,000)
Total	-	18,378,129




Notes to the financial statements


18. Taxation

<i>In RON</i>	2008	2007
Direct taxes at 16% (2006: 16%) of taxable profits determined in accordance with Romanian law	49,702,507	51,687,981
Correction of current income tax arising from previous year	(9,887,610)	8,454,736
Deferred tax (income)/ expense	33,403,339	(2,846,530)
Total tax expense	73,218,236	57,296,187

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

<i>In RON</i>	2008	2007
Profit before tax	431,520,524	319,770,385
Taxation at statutory rate of 16% (2006: 16%)	69,043,284	51,163,262
Non-deductible expenses	27,472,032	24,633,963
Non-taxable revenues	(16,317,166)	(10,469,279)
Tax effect of other non-temporary differences	(3,581,678)	(5,185,229)
Origination and reversal of temporary differences	(3,398,236)	(2,846,530)
Taxation in the income statement	73,218,236	57,296,187







Notes to the financial statements

19. Cash and cash equivalents

	31 December 2008	31 December 2007
<i>In RON</i>		
Cash	181,694,090	288,047,915
Cash in ATMs	66,458,930	60,469,584
Balances with National Bank of Romania	3,293,248,744	2,847,904,835
Total	3,541,401,764	3,196,422,334

The cash held with the central bank (i.e. Balances with the National Bank of Romania) ensures compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. As at 31 December 2008, the reserve was set up at 18% for RON (2007: 20%) and 40% (2007: 40%) for USD and EUR denominated funds.



Notes to the financial statements

20. Derivative assets/liabilities held for risk management

<i>(RON)</i>	2008	2008	
	Notional	Present value Assets	Liabilities
<i>Foreign currency derivatives</i>			
Forward contracts	6,673,673,202	8,830,517	144,681,740
Spot contracts	1,187,461,895	3,202,647	-
Purchased Options	341,440,645	7,629,086	842,374
Sold Options	491,223,888	842,374	7,629,086
Total foreign currency derivatives	8,693,799,630	20,504,624	153,153,200
<i>Interest rates derivatives</i>			
Interest Rate Swap	657,853,973	19,598,304	11,759,955
Purchased Options	807,436,750	26,707,093	-
Sold Options	807,436,750	-	26,707,093
Total interest rate derivatives	2,272,727,473	46,305,397	38,467,048
Total	10,966,527,103	66,810,021	191,620,248
	2007	2007	
<i>(RON)</i>	Notional	Present value Assets	Liabilities
<i>Foreign currency derivatives</i>			
Forward contracts	5,972,653,440	5,743,357	136,399,280
Purchased Options	992,697	19,622	-
Sold Options	992,697	-	19,622
Total foreign currency derivatives	5,974,638,834	5,762,979	136,418,902
<i>Interest rates derivatives</i>			
Interest Rate Swap	338,462,409	4,610,979	1,518,756
Purchased Options	353,138,864	8,680,805	-
Sold Options	353,138,864	-	8,680,805
Total interest rate derivatives	1,044,740,137	13,291,784	10,199,561
Total	7,019,378,971	19,054,763	146,618,463

The Bank classified as financial assets/liabilities at fair through profit and loss only derivative contracts. These are held for management risk purposes.



Notes to the financial statements

21. Loans and advances to banks

<i>In RON</i>	31 December 2008	31 December 2007
Current accounts with other banks	31,993,737	29,667,453
Sight deposits with other banks	69,267,902	128,387,766
Term deposits with other banks	679,365,373	378,382,535
Loans to banks	23,574,645	18,697,964
Other advances to banks	5,029,306	1,379,734
	<hr/>	<hr/>
Total	809,230,963	556,515,452
	<hr/> <hr/>	<hr/> <hr/>

Current accounts, sight and term deposits with banks are at immediate disposal of the Bank and no assets were pledged as at 31 December 2008 and 31 December 2007.

22. Loans and advances to customers

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

<i>In RON</i>	31 December 2008	31 December 2007
Revolving credit lines	3,118,194,981	1,997,090,562
Mortgages	933,530,515	1,123,809,115
Credit cards and personal loans	1,387,554,262	1,494,993,008
Factoring	79,292,991	3,744,275
Corporate loans	5,515,040,355	3,017,616,960
Impaired assets *	1,265,290,592	413,169,690
	<hr/>	<hr/>
Loans and advances to customers before provisions	12,298,903,696	8,050,423,610
Less provision for impairment losses on loans	(289,852,213)	(170,634,384)
	<hr/>	<hr/>
Net loans and advances to customers	12,009,051,483	7,879,789,226
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* Impaired assets are defined in the Note 4(c).



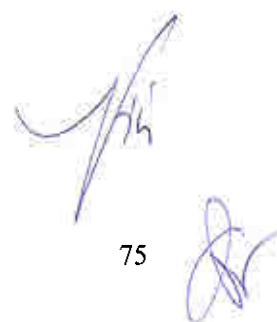
Notes to the financial statements

22. Loans and advances to customers (*continued*)

The movements in loan allowances for impairment could be summarized as follows:

<i>Specific allowances for impairment</i>	31 December 2008	31 December 2007
Balance at 1 January	14,078,883	12,338,778
Impairment loss for the year		
Net charge for the year *)	14,873,514	1,740,105
Balance at 31 December	28,952,397	14,078,883
<i>Collective allowances for impairment</i>	31 December 2008	31 December 2007
Balance at 1 January	156,555,501	117,358,231
Net impairment charge / (release) for the year	104,344,315	39,197,270
Balance at 31 December	260,899,816	156,555,501
Total opening balance	170,634,384	129,697,009
Total closing balance	289,852,213	170,634,384

*) For the year ended 31 December 2007 this caption also includes foreign exchange rate variances effect.





Notes to the financial statements

23. Investment in associates

<i>In RON</i>	Nature of business	Country of incorporation	31 December 2008 % interest held	31 December 2008 Carrying amount	31 December 2007 % interest held	31 December 2007 Carrying amount
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	20%	987,869	20%	478,257
UniCredit Consumer Finance IFN S.A.	Consumer finance	Romania	35%	4,613,082	-	-
Total				5,600,951		478,257

The following information is relevant and is related to the figures already reported based on IFRS by the associated companies:

<i>In RON</i> 2008	Ownership	Total assets	Total liabilities	Revenues	Profit(Loss)
UniCredit Leasing Corporation IFN S.A.	20%	3,187,032,051	3,182,092,706	31,060,545	48,304
UniCredit Consumer Finance IFN S.A.	35%	16,772,322	3,592,086	836,634	(6,762,764)

<i>In RON</i> 2007	Ownership	Total assets	Total liabilities	Revenues	Profit(Loss)
UniCredit Leasing Corporation IFN S.A.	20%	1,773,121,404	1,770,730,120	22,285,739	(3,373,079)



Notes to the financial statements

24. Investment securities, available-for-sale


As at 31 December 2008, the Bank included in investment securities, available for sale bonds, government T-bills, Oradea bonds, Eurobonds, certificates of deposits issued by National Bank of Romania and bonds issued by Ministry of Economy and Finance in amount of RON 618,116,484 (31 December 2007: RON 798,436,450).

The movement in available for sale investment securities may be summarised as follows:

	2008	2007
<i>In RON</i>		
At 1 of January	798,436,450	219,672,959
Additions	3,532,514,886	4,701,589,118
Disposals (redemption)	(3,712,834,852)	(4,122,825,627)
	<hr/>	<hr/>
At 31 December	618,116,484	798,436,450
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2008, the investment securities available for sale are pledged in amount of RON 28,127,237 (31 December 2007: RON 27,720,000).

From the disposal of these investment securities, the Bank realized in 2008 a gain in amount of RON 15,001,608.







Notes to the financial statements

25. Equity investments, available-for-sale

The Bank held the following unlisted equity investments, available-for-sale as at 31 December 2008 and 31 December 2007:

31 December 2008	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
Romcard SA	card processing	20.0000	208,962	-	208,962
Biroul de Credit SA	financial activities	4.2398	187,635	-	187,635
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	other credit activities	3.1035	1,786,564	795,540	991,024
Casa de Compensare (SNCDD SA)	other financial services	0.1192	46,975	26,498	20,477
Transfond SA	other financial services	8.0357	1,164,862	-	1,164,862
Cibela Group SRL	food industry	19.627	2,116,665	2,116,665	-
Pioneer Asset Managent (CAIB Asset Management S.A.I.)	financial activities	3.967	139,450	-	139,450
UniCredit CAIB Securities Romania SA	financial activities	19.9763	73,330	-	73,330
UniCredit Leasing Romania SA	leasing services	0.00002	14	-	14
Pirelli Re Romania	real estate	20.0000	168,000	168,000	-
VISA INCORPORATED	cards	0.0438	3	-	3
VISA EUROPE LIMITED	cards	0.01	37	-	37
Total			5,892,497	3,106,703	2,785,794

The above mentioned companies are incorporated in Romania, except VISA Incorporated (incorporated in the United States of America) and VISA Europe Limited (incorporated in the United Kingdom).



Notes to the financial statements

25. Equity investments, available-for-sale (continued)

<i>In RON</i>	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
31 December 2007					
HVB Banca pentru Locuinte SA	Building society	9.9992	5,499,560	2,700,000	2,799,560
Apulum SA	Ceramics	10.0001	3,192,325	-	3,192,325
Cibela Group SRL	Food industry	19.6270	2,116,665	2,116,665	-
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii Privati IFN SA					
Transfond SA	Other credit activities	3.1035	1,786,564	795,540	991,024
Argus SA	Other financial services	8.0357	1,164,862	-	1,164,862
Auto Mondo Company SA	Oil manufacturing	1.1607	1,122,107	200,094	922,013
Biroul de Credit SA	Car spare and accessories	20.0000	382,959	368,751	14,208
Romcard SA	Financial activities	7.0497	304,302	-	304,302
Pirelli Re Romania	Card processing	20.0000	208,962	-	208,962
CAIB Asset Management S.A.I.	Real estate	20.0000	168,000	-	168,000
Bursa Romana de Marfuri SA	Financial activities	3.9670	94,250	-	94,250
SNCDD SA	Capital market management	1.0540	56,989	-	56,989
UniCredit Leasing Romania SA	Other financial services	0.1192	46,975	26,498	20,477
	Leasing services	0.0001	14	-	14
Total			16,144,534	6,207,548	9,936,986

The above mentioned companies are incorporated in Romania, except VISA Incorporated (incorporated in the United States of America) and VISA Europe Limited (incorporated in the United Kingdom).

Notes to the financial statements

25. Equity investments, available-for-sale (*continued*)

The movement in available-for-sale equity investments may be summarised as follows:

<i>In RON</i>	2008	2007
<i>Gross Carrying amount</i>		
At 1 of January	16,144,534	22,724,287
Additions	368,550	917,940
Disposals (sale, repurchase)	(116,667)	(6,626,908)
Transfer to non current asset held for sale *)	(10,503,920)	(870,785)
At 31 December	5,892,497	16,144,534

<i>In RON</i>	2008	2007
<i>Impairment</i>		
At 1 of January	6,207,548	9,947,242
Charge for the year	168,000	2,700,000
Release during the year *)	-	(6,439,694)
Transfer to non current asset held for sale *	(3,268,845)	-
At 31 December	3,106,703	6,207,548

*) Refer to note 30 - As of 31 December 2007, the Bank classified the equity investments considered to be non-core business from the Bank and UniCredit Group perspective as held for sale, according to IFRS 5 – *Non-current assets held for sale and discontinued operations*.



Notes to the financial statements

26. Investment securities, held-to-maturity

At 31 December 2008, the Bank included in investment securities, held-to-maturity bonds issued by Ministry of Economy and Finance in amount of RON 8,323,355 (31 December 2007: RON 45,664,280, bonds issued by Ministry of Economy and Finance).

The movement in held-to-maturity investment securities may be summarised as follows:

	2008	2007
<i>In RON</i>		
At 1 of January	45,664,280	57,857,467
Additions	-	150,000,000
Disposals (redemption)	(38,090,925)	(164,961,030)
Other non-cash changes*	750,000	2,767,843
At 31 December	8,323,355	45,664,280

* Other non-cash charges include the effect of the foreign exchange rate and unwinding of premiums and discounts.

The investments securities held to maturity were not pledged as at 31 December 2008 and 31 December 2007.



Notes to the financial statements

27. Property and equipment

	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
<i>In RON</i>						
Cost						
Balance at 1 January 2008	198,292,303	69,941,052	13,659,734	55,948,797	7,681,772	345,523,658
Additions	32,867,445	10,267,735	313,908	14,602,935	97,966,531	156,018,554
Disposals	(4,966,049)	(7,876,508)	(13,375,853)	(1,931,899)	(61,819,256)	(89,969,565)
Balance at 31 December 2008	226,193,699	72,332,279	597,789	68,619,833	43,829,047	411,572,647
Depreciation and impairment losses						
Balance at 1 January 2008	(59,670,787)	(48,102,580)	(10,460,386)	(21,391,861)	-	(139,625,614)
Charge for the year	(11,511,979)	(14,949,859)	(100,708)	(5,251,181)	-	(31,813,727)
Other increases *	-	(198,474)	(11,008)	(254,807)	-	(464,289)
Impairment	(4,291,684)	-	-	-	-	(4,291,684)
Disposals	2,204,223	8,762,973	10,179,492	1,598,846	1,210,487	23,956,021
Balance at 31 December 2008	(73,270,227)	(54,487,940)	(392,610)	(25,299,003)	1,210,487	(152,239,293)
Carrying amounts						
At 1 January 2008	138,621,516	21,838,472	3,199,348	34,556,936	7,681,772	205,898,044
At 31 December 2008	152,923,472	17,844,339	205,179	43,320,830	45,039,534	259,333,354

*) - Additions related to Banca di Roma transaction.



Notes to the financial statements

27. Property and equipment (*continued*)

	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
<i>In RON</i>						
Cost						
Balance at 1 January 2007	191,427,157	76,342,749	13,513,595	53,439,728	11,571,915	346,295,144
Additions	6,865,146	3,897,623	300,308	5,409,792	2,987,320	19,460,189
Disposals	-	(10,299,320)	(154,169)	(2,900,723)	(6,877,463)	(20,231,675)
Balance at 31 December 2007	198,292,303	69,941,052	13,659,734	55,948,797	7,681,772	345,523,658
Depreciation and impairment losses						
Balance at 1 January 2007	(50,200,324)	(49,692,471)	(8,548,276)	(18,322,361)	-	(126,763,432)
Charge for the year	(9,470,463)	(8,705,660)	(2,066,279)	(5,625,905)	-	(25,868,307)
Disposals	-	10,295,551	154,169	2,556,405	-	13,006,125
Balance at 31 December 2007	(59,670,787)	(48,102,580)	(10,460,386)	(21,391,861)	-	(139,625,614)
Carrying amounts						
At 1 January 2007	141,226,833	26,650,278	4,965,319	35,117,367	11,571,915	219,531,712
At 31 December 2007	138,621,516	21,838,472	3,199,348	34,556,936	7,681,772	205,898,044



Notes to the financial statements

27. Property and equipment (*continued*)

Contingent operating lease (rentals)

In RON

	31 December 2008	31 December 2007
Amounts payable under operational leases		
Up to twelve months	68,500,964	36,640,349
From one to five years	192,876,342	158,673,245
Over five years	131,122,199	74,339,843
	<hr/>	<hr/>
Total future lease obligations	392,499,505	269,653,437
	<hr/> <hr/>	<hr/> <hr/>

28. Intangible assets

In RON

	Intangible assets	Intangible assets in course	Total
Cost			
Balance at 1 January	86,078,508	9,828,577	95,907,085
Additions	15,533,346	26,147,884	41,681,230
Disposals	(15,286)	(13,025,117)	(13,040,403)
	<hr/>	<hr/>	<hr/>
Balance at 31 December	101,596,568	22,951,344	124,547,912
	<hr/>	<hr/>	<hr/>
Amortisation and impairment losses			
Balance at 1 January	(69,621,718)	-	(69,621,718)
Amortisation for the year	(12,546,136)	-	(12,546,136)
Other increases *	(119,501)	-	(119,501)
Disposals	15,286	-	15,286
	<hr/>	<hr/>	<hr/>
Balance at 31 December	(82,272,069)	-	(82,272,069)
	<hr/>	<hr/>	<hr/>
Carrying amounts			
At 1 January	16,456,790	9,828,577	26,285,367
	<hr/>	<hr/>	<hr/>
At 31 December	19,324,499	22,951,344	42,275,843
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*) - Additions related to Banca di Roma

Notes to the financial statements

28. Intangible assets (*continued*)

<i>RON</i>	Intangible assets	Intangible assets in course	Total
Cost			
Balance at 1 January	80,368,190	9,828,576	90,196,766
Additions	8,143,349	-	8,143,349
Disposals	(2,433,030)	-	(2,433,030)
Balance at 31 December	86,078,509	9,828,576	95,907,085
Amortisation and impairment losses			
Balance at 1 January	(57,640,579)	-	(57,640,579)
Amortisation for the year	(14,388,708)	-	(14,388,708)
Disposals	2,407,569	-	2,407,569
Balance at 31 December	(69,621,718)	-	(69,621,718)
Carrying amounts			
At 1 January	22,727,611	9,828,576	32,556,187
At 31 December	16,456,791	9,828,576	26,285,367



Notes to the financial statements

29. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2008 are attributable to the items detailed in the table below:

	31 December 2008 Assets	31 December 2008 Liabilities
<i>In RON</i>		
Loans and advances to customers	-	25,723,465
Property, equipment and intangible assets	1,172,628	-
Available-for-sale equity investments	11,884,053	-
Available for sale investment securities	-	374,097
HTM investment securities	-	-
Other assets	1,320,445	-
Provisions	15,561,711	-
Other liabilities/accruals	2,185,618	1,715,477
	<hr/>	<hr/>
Deferred tax liability at 16%	32,124,455	27,813,039
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax assets and deferred tax liabilities at 31 December 2007 are attributable to the items detailed in the table below:

	31 December 2007 Assets	31 December 2007 Liabilities
<i>In RON</i>		
Loans and advances to customers	9,452,255	-
Property, equipment and intangible assets	913,123	-
Available-for-sale equity investments	-	439,878
Available for sale investment securities	1,730,261	-
HTM investment securities	-	1,466,330
Other assets	826,414	-
Provisions	10,499,134	838,881
Other liabilities/accruals	4,323,121	-
	<hr/>	<hr/>
Deferred tax liability at 16%	27,744,308	2,745,089
	<hr/> <hr/>	<hr/> <hr/>





Notes to the financial statements

30. Non current assets classified as held for sale

<i>In RON</i>	31 December 2008	31 December 2007
UniCredit CAIB Securities Romania S.A. (refer to Note 25)	-	174,516
UniCredit Securities S.A. (refer to Note 25)	-	696,269
Argus S.A.	748,098	-
HVB Banca pentru Locuinte SA (refer to Note 25)	255,480	-
Total	1,003,578	870,785

The gain from disposal of UniCredit Securities S.A. in 2008 amounts to RON 7,866,919.

At 31 December 2008 the following companies were reclassified as non current assets classified as held for sale from Equity investments - Available-for-sale:

<i>In RON</i>	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
Apulum SA	Ceramics	10.0001	3,192,325	3,192,325	-
Auto Mondo Company SA	Car spare and accessories	20	382,959	382,959	-
Bursa Romana de Marfuri SA	Commodity exchange	1.054	56,989	56,989	-
HVB Banca pentru Locuinte SA	Building society	9.9992	5,749,540	5,494,060	255,480
Argus SA	Oil manufacturing	1.1607	1,122,107	374,009	748,098
Total			10,503,920	9,500,342	1,003,578



Notes to the financial statements

31. Other assets

<i>In RON</i>	31 December 2008	31 December 2007
Prepayments	6,381,139	7,460,784
Inventories	1,441,631	1,028,726
Sundry debtors (gross amounts)	29,042,292	10,340,906
Amounts in transit	10,518,296	10,448,736
Other	19,494,742	35,565,265
Total gross amounts	66,878,102	64,844,417
Less impairment for sundry debtors	(11,978,249)	(3,625,113)
Total	54,899,851	61,219,304

The Bank booked as prepayments, during 2008 and 2007: premises rents, local taxes, guarantee fund, premises insurance, bankers blanket bond, subscriptions for several publications.

32. Deposits from banks

<i>In RON</i>	31 December 2008	31 December 2007
Sight deposits	426,204,186	213,762,092
Term deposits	973,270,646	22,769,444
Total	1,399,474,832	236,531,536

33. Loans from banks and other financial institutions

The caption Loans from banks comprises the following:

a) *UniCredit Bank Austria AG* : loans facilities in amount of EUR 2,439,194 , USD 16,024,920, RON 4,451,945,286 in total amount of RON 4,507,083,787 maturing on 19 July 2013 (31 December 2007: RON 3,489,980,447).

b) *Kreditanstalt fur Wiederaufbau Germany*: loan facilities in amount of EUR 25,223,820 in total amount of RON 100,521,974 , maturing on 16 June 2014 (31 December 2007: RON 111,214,872).



Notes to the financial statements

33. Loans from banks and other financial institutions (*continued*)

c) *B.E.R.D.*: loan facilities in amount of EUR 8,555,454 in total amount of RON 34,095,197, maturing on 19 May 2017 (31 December 2007: RON 34,533,928).

d) *BAN EUROPE D'INV LUXN* : loan facilities in amount of EUR 10,957,771 in total amount of RON 43,668,908, maturing on 15 June 2016 (31 December 2007: RON 61,293,959).

Loans from banks and other financial institutions in balance as at 31 December 2008 were bearing interest rates which ranged between 3.07% and 15.96% p.a. and the final maturities ranged between March 2009 and May 2017, the maximal percentage originated with the loan received from UniCredit Bank Austria AG in RON (31 December 2007: the interest rates ranged between 4.57% and 8.24% p.a. and the final maturities ranged between September 2008 and May 2017).

34. Deposits from customers

	2008	2007
<i>In RON</i>		
Payable on demand	4,369,105,954	4,515,031,538
Term deposits	3,851,538,488	1,771,269,650
Certificates of deposits	47,419	13,288,816
Collateral deposits	342,339,288	200,652,830
Amounts in transit	86,186,059	94,853,985
Total	8,649,217,208	6,595,096,819

35. Subordinated loans

	31 December 2008 Currency nominal amount	31 December 2008 RON	31 December 2007 RON
UniCredit Bank Austria AG	EUR 3,407,155	13,635,100	12,371,021
UniCredit Bank Austria AG	EUR 5,000,000	20,010,686	18,146,552
UniCredit Bank Austria AG	EUR 3,517,824	14,022,006	12,701,921
UniCredit Bank Austria AG	RON 215,730,000	216,650,567	216,003,785
UniCredit Bank Austria AG	RON 70,400,000	70,493,632	70,428,406
UNICREDIT IRELAND	EUR 15,000,000	60,043,969	54,431,613
Total		394,855,960	384,083,298



Notes to the financial statements

35. Subordinated loans (*continued*)

At 31 December 2008, the following agreements were in place:

a) Subordinated loans from UniCredit Banca Austria AG are as follows: five facilities in amount of EUR 5,000,000, EUR 3,517,824, EUR 3,407,155, RON 215,730,000 and respectively RON 70,400,000 in total amount of RON 333,653,425 principal, maturing on September 2012, September 2012, August 2012, July 2013 and August 2012 respectively. (31 December 2007: EUR 11,924,978 and RON 286,130,000 in total amount of RON 329,181,558 principal, maturing on 2012 and 2013 respectively). The interest rate for the above-mentioned loans during 2008 and 2007 years ranged between ROBOR + 0.5% and ROBOR +0.53% p.a. and respectively EURIBOR + 0.5% p.a. . The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

b) Unicredit Ireland: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON 59,778,000, maturing on 30 November 2015 (31 December 2007: EUR 15,000,000 i.e. RON 54,153,000 maturing on 2015). The interest rate for the above-mentioned loan ranged at EURIBOR 3M + 0.81 %. The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

36. Provisions

	31 December 2008	31 December 2007
<i>In RON</i>		
Provision for off-balance commitments and contingencies	13,916,629	28,926,674
Provision for financial guarantees* (refer to Note 41)	92,596,740	47,516,237
Restructuring provision	-	12,000,000
Provision for legal disputes	12,619,215	7,753,646
Provisions for cards operations	6,696,616	2,464,314
Other provisions	4,195,035	3,248,510
Total	130,024,235	101,909,381

As of 31 December 2008, the Bank calculated for off balance sheet commitments and contingencies in amount of RON 13,916,629 (2007: RON 28,926,674) both for undrawn lines and for other off balance sheet credit related commitments items.





Notes to the financial statements

36. Provisions (*continued*)

The movements in provisions during the year could be summarised as follows:

<i>In RON</i>	2008	2007
Balance at 1 January	101,909,381	73,679,547
Provision charge	40,114,854	34,311,224
Release *	(12,000,000)	(6,081,390)
Balance at 31 December	130,024,235	101,909,381

* The Bank included in "Release" for the year ended 2007 the reversal of restructuring provision presented under – "Integration costs", in amount of RON 3,700,000, and reversal of other provisions, presented under "Administration costs: general and administrative expenses – other", in amount of RON 2,381,390. The remaining amount of the above mentioned provision was fully used in 2008

The restructuring provision in amount of RON 12,000,000 as at 31 December 2007 was utilised in 2008 as follows:

<i>in RON</i>	2008
Expenses related to contract for Car Fleet Management	2,399,050
Severance payments and other benefits related to the merger process	5,641,340
Alignment of procedures and set up an unified IT system	571,610
Write-off of old equipment, furniture and other assets	316,000
Expenses with refurbishment related to the branches not included in the project P300	244,000
Optimisation and reallocation of the branches – post merger	355,000
Life insurance costs as a result of technical corrections during the migration process	608,000
Expenses related to the financial risk insurance for non-payment of the contracts in force before the merger	1,865,000
Total	<u>12,000,000</u>



Notes to the financial statements
37. Other liabilities

	31 December 2008	31 December 2007
<i>In RON</i>		
Accrual of employee bonus	38,227,160	32,252,729
Payable to state budget	16,211,971	12,809,303
Accruals for third party services	23,294,069	8,890,823
Amounts payable to suppliers	26,425,188	21,091,975
Lease liabilities (i)	170,652	693,801
Other	44,880,221	31,412,066
Total	149,209,261	107,150,697

(i) Lease liability

As at 31 December 2008, the Bank had leasing liabilities in amount of RON 170,652 (31 December 2007: RON 693,801), agreements concluded with UniCredit Leasing Corporation IFN S.A. and Raiffeisen Leasing IFN S.A. representing financial leasing for tangible assets acquisition.

	31 December 2008	31 December 2007
Amounts payable under finance leases		
Up to twelve months	53,068	528,890
From one to five years	137,069	187,670
Over five years	-	-
Less: future interest payments	19,485	22,759
Present value of lease obligations	170,652	693,801





Notes to the financial statements

38. Issued capital

The statutory share capital of the Bank as at 31 December 2008 is represented by 40,760,784 ordinary shares (31 December 2007: 40,764,435 ordinary shares) having a face value of RON 9.30 each. After the merger which took place on 31st of May 2007, the shareholders of the Bank are as follows:

	31 December 2008	31 December 2007
UniCredit Bank Austria AG	50.55884	55.20620
Redrum International Investments B.V	24.83104	20.17692
Vesanio Trading Ltd	20.22869	20.22688
Bank Austria – CEE BeteiligungsgmbH	0.01329	0.01329
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders	4.32826	4.33684
Total	100.00	100.00

The reconciliation of share capital under IFRS and Romanian Accounting Standards is presented below:

	31 December 2008	31 December 2007
<i>In RON</i>		
Statutory share capital	379,075,291	379,109,245
Effect of hyperinflation – IAS 29	722,528,775	722,593,492
Restated share capital	1,101,604,066	1,101,702,737





Notes to the financial statements

39. Reserves

The breakdown of reserves is presented below:

<i>In RON</i>	31 December 2008	31 December 2007
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,495	19,064,495
Total	213,573,523	213,573,523

Reserves for general banking risks include amounts set aside for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. 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 Bank's net profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital.

40. Related party transactions

The Bank entered into a number of banking transactions with UniCredit S.p.A and with members of the UniCredit Group (UniCredit Bank Austria AG, HVB Bank, UniCredit Leasing S.A., Istraturist UMAG, Unicredit Produzioni Accentrate, Bulbank A.D., UniCredito Italiano Ireland, Bank Pekao, Kocbank, Yapi Kredi) in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.



Notes to the financial statements

40. Related party transactions (*continued*)

The following transactions were carried out with UniCredit S.p.A, UniCredit Bank Austria AG and its subsidiaries:

<i>In RON</i>	31 December 2008	31 December 2007
Derivative assets held for risk management	4,621,344	9,384,655
Current accounts and deposits to banks	44,916,870	167,693,826
Loans to customers	29,689,807	7,750,421
Other assets	27,808,960	14,271,959
Outstanding receivables	107,036,981	199,100,861
Derivative liabilities held for risk management	127,792,830	119,326,979
Current accounts	47,370,916	30,073,606
Deposits attracted	1,393,292,316	214,365,641
Loans received	4,507,083,788	3,492,185,171
Subordinated liabilities	394,799,392	384,026,728
Other liabilities	1,908,187	98,639,568
Outstanding payables	6,472,247,429	4,338,617,693
	2008	2007
Interest income	11,924,871	18,883,566
Interest income and similar revenues on derivative instruments	12,623,277	2,570,480
Interest expense	(608,738,226)	(275,669,947)
Interest expense and similar charges on derivative instruments	(7,922,602)	(323,248)
Commission income	44,790,968	1,382,195
Fee and commission expense	(1,413,495)	(1,172,865)
Management fees	(6,628,606)	(1,740,635)
Other operating income	17,193,658	320,378
Net expense	(538.170.155)	(255,750,076)

Net gain from derivatives held for risk management concluded with Unicredit Group entities amounts to RON 387,629,460 as at 31 December 2008.





Notes to the financial statements

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 Bank) 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:

<i>In RON</i>	2008	2007
Loans	3,187,251	943,013
Balance at 31 December	3,187,251	943,013
Current accounts and deposits	4,973,676	5,210,854
Balance at 31 December	4,973,676	5,210,854

No provisions have been recognised in respect of loans given to related parties (2007: nil)

<i>In RON</i>	2008	2007
Key management compensation		
Gross salaries	8,742,376	5,893,661
Total	8,742,376	5,893,661

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





Notes to the financial statements

41. Commitments and contingencies

At any time the Bank 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 Bank 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.

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 balance sheet date if counterparties failed completely to perform as contracted.

	31 December 2008	31 December 2007
<i>In RON</i>		
Loan commitments	1,086,644,056	1,957,029,246
Letters of credit	101,057,513	66,013,212
Guarantees issued*	7,162,255,762	4,362,838,119
Total	8,349,957,331	6,385,880,577

The Bank 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 Bank takes the obligation to pay to UniCredit Bank Austria AG any instalment that the borrowers failed to pay. The total amount of such risk participation agreements in force as at 31 December 2008 is EUR 1,200,167,474, USD 107,500,000 and CHF 8,378,175 (2007: EUR 856,575,258 and USD 53,000,000).

The Bank concluded with UniCredit Bank Austria AG a series of novation contracts through which loan contracts initially concluded by the Bank with Romanian companies were transferred to UniCredit Bank Austria AG in exchange for full reimbursement of borrowers' due to the Bank. According to these novation contracts the Bank 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 Bank takes the obligation to pay to UniCredit Bank Austria AG any installment that the borrowers failed to pay (refer to Note 3(j)(ii)).



Notes to the financial statements

41. Commitments and contingencies (continued)

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 139,060,000 (31 December 2007: EUR 139,060,000).

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

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 Bank receives the commissions paid by the borrowers plus a portion of the interest margin collected from the borrowers. The Bank defers the commissions collected upfront from the risk participation agreements over the time period that remains until the maturity of the facilities and the interest margins are recorded monthly as collected.

As at 31 December 2008 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 12,619,215 (31 December 2007: RON 28,204,332). The Bank, based upon legal advice, assessed that a provision amounting to RON 7,753,646 as at 31 December 2008 (2007: RON 7,753,646) is necessary to be booked for these claims.



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Notes to the financial statements

42. Reconciliation of profit under IFRS and Romanian Accounting Standards as stipulated in Order 5/2005

The financial statements of the Bank prepared in accordance with NBR Order 5/2005 have been approved today together with IFRS financial statements.

	31 December 2008	31 December 2007
<i>In RON</i>		
Net profit under Romanian Accounting Standards	213,605,739	208,434,779
Release of statutory loan provision	-	61,685,406
Cancellation of statutory impairment on AFS investment securities	69,578,916	20,271,524
UCR statutory net profit before the merger dated 1 st of June 2007	-	7,483,156
IFRS impairment losses on loans	136,461,323	(20,976,913)
IFRS provisions for off-balance sheet contingent items	(30,070,459)	(25,305,986)
HTM foreign currency revaluation	1,298,427	2,081,403
Cancellation of statutory additional depreciation charges for property, plant and equipment	-	1,140,955
Correction of depreciation charge due to timing difference	-	1,873,555
Deferred tax impact during the period	(33,403,339)	2,846,530
Loss on associate investment – IAS 28, <i>Investments in Associates</i>	(1,857,355)	674,616
Amortised costs on loans	-	221,617
Impairment on buildings	(4,291,684)	-
Difference of impairment on equity investments (IAS 29)	(1,709,056)	-
Other adjustments	8,689,776	2,043,556
Net profit after tax under IFRS	358,302,288	262,474,198

43. Reconciliation of equity under IFRS and Romanian Accounting Standards

	31 December 2008	31 December 2007
<i>In RON</i>		
Equity under Romanian Accounting Standards	1,753,667,249	1,540,482,652
Effect of hyperinflation on share capital – IAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	722,593,493	722,593,493
Effect of hyperinflation on reserves – IAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	19,064,495	19,064,495
Fair value adjustments of available-for-sale on reserve	(74,837,108)	(10,814,129)
Deferred tax effect recognised in equity	11,973,937	1,730,261
Accounting for investment in associates impact on retained earnings – IAS 28, <i>Investments in Associates</i>	363,161	1,037,777
All IFRS adjustments impact on retained earnings, including IAS 29, <i>Financial Reporting in Hyperinflationary Economies</i> hyperinflation	(761,538,831)	(816,252,865)
IFRS adjustments impact on net profit for the year	144,696,549	54,039,419
Equity under IFRS	1,815,982,945	1,511,881,103



Notes to the financial statements

44. Subsequent events

The Bank signed a revolving liquidity stand-by agreement with UniCredit Tiriac Bank S.A on 28 January 2009. The object of this borrowing agreement is the financing on a medium term in the case that, in actual conditions of the financial markets, liquidity problems would appear. This financing operation was communicated to the National Bank of Romania and recorder in the Foreign Private Debt Register on 2 February 2009. The liquidity commitment in favor of UniCredit Tiriac Bank SA represents an additional guarantee in respect of the support provided by UniCredit Group to its Romanian subsidiary, especially in the context of financial crisis present in the international markets starting with the end of 2008.

