



UniCredit Tiriatic Bank S.A.

Condensed Interim
Financial Statements
30 June 2012

Prepared in accordance with
IAS 34 "Interim Financial Reporting"

CONTENTS

Independent Auditor's Report on Review of Condensed Interim Financial Statements

Condensed interim statement of comprehensive income	Page 1-2
Condensed interim statement of financial position	Page 3
Condensed interim statement of changes in shareholders' equity	Page 4-5
Condensed interim statement of cash flows	Page 6-7
Notes to the condensed interim financial statements	Page 8 – 29



KPMG Romania SRL
Victoria Business Park
DN1, Soseaua Bucuresti-Ploiesti nr. 69-71
Sector 1

Tel: +40 (21) 201 22 22
+40 (372) 377 800
Fax: +40 (21) 201 22 11
+40 (372) 377 700
www.kpmg.ro

P.O. Box 18-191
Bucharest 013685
Romania

Independent Auditor's Report on Review of Interim Condensed Financial Statements

The Shareholders'
Unicredit Tiriac Bank S.A.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Unicredit Tiriac Bank S.A. (the "Bank") as at 30 June 2012 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows for the six month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information (the condensed interim financial statements). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, „Interim Financial Reporting“. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2012 are not prepared, in all material respects, in accordance with IAS 34, „Interim Financial Reporting“.

Other Matters

This report is made solely for the Bank's shareholders, as a body. Our review work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in a review 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 review work, for this report, or for the conclusion we have formed.

KPMG Romania S.R.L.
27 July 2012
Bucharest, Romania

Condensed interim statement of comprehensive income
for the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 RON	Six months ended 30 June 2011 RON
Interest income	6	610,228,411	586,182,863
Interest expense	6	(303,192,268)	(252,407,849)
Interest related effect of swap transactions related to refinancing lines with Group companies	6	41,997,615	46,960,672
Net interest income		349,033,758	380,735,686
Fee and commission income		144,806,046	138,901,815
Fee and commission expense		(27,598,148)	(21,849,576)
Net fee and commission income		117,207,898	117,052,239
Dividends income		636,562	848,522
Net income on foreign exchange and on derivatives held at fair value through profit and loss	7	103,740,200	96,967,800
Net gains on financial assets available for sale		8,301,642	3,902,100
Other net operating income		10,839,081	413,945
Operating income		589,759,141	599,920,292
Personnel expenses	8	(144,581,655)	(140,383,595)
Depreciation and amortization		(34,201,760)	(30,935,257)
Other administrative costs	9	(132,676,764)	(128,233,372)
Operating expenses		(311,460,179)	(299,552,224)
Net impairment loss on financial assets	10	(131,447,213)	(171,017,268)
Impairment of tangible and intangible assets		(1,564,878)	-
Net provision charges	18	(57,922,934)	(19,742,629)
Gain/(Loss) on investments in associates		1,628,840	(1,055,074)
Profit before taxation		88,992,777	108,553,097
Income tax expense	11	(13,988,055)	(15,901,837)
Net profit for the period	21	75,004,722	92,651,260



The accompanying notes from pages 8 to 29 form an integral part of these condensed interim financial statements.

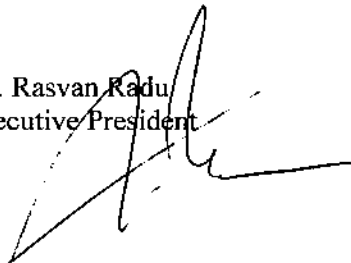
Condensed interim statement of comprehensive income

for the six months ended 30 June 2012 (continued)

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
		RON	RON
Other comprehensive income			
Net change in reevaluation reserve for available-for-sale financial assets (net of tax)		35,141,316	(7,639,243)
Net change in cash flow hedging reserve (net of deferred tax)		(21,326,468)	(827,471)
Share of other comprehensive income of associates		189,653	-
Other comprehensive income for the period, net of income tax		14,004,501	(8,466,714)
Total comprehensive income for the period		89,009,223	84,184,546

The condensed interim financial statements were approved by the Supervisory Board on 27 July 2012 and were signed on its behalf by:

Mr. Rasvan Radu
Executive President




Mr. Stanislav Goranov Georgiev
Chief Financial Officer





The accompanying notes from pages 8 to 29 form an integral part of these condensed interim financial statements.

Condensed interim statement of financial position

	Note	30 June 2012 RON	31 December 2011 RON
Assets			
Cash and cash equivalents		2,829,536,244	2,956,144,324
Derivative assets at fair value through profit and loss	12	110,835,791	123,958,371
Loans and advances to banks		284,024,108	1,350,998,634
Loans and advances to customers	13	15,737,448,244	14,499,380,530
Investment in associates		55,566,371	42,278,937
Investment securities, available-for-sale	14	3,138,902,192	3,369,112,393
Equity investments, available for sale		3,523,009	3,523,009
Investments securities, held to maturity		-	9,109,414
Property and equipment		264,160,040	268,703,598
Intangible assets		104,429,353	110,464,175
Current tax asset		8,556,692	-
Deferred tax assets		60,687,444	50,981,681
Other assets		110,696,983	77,842,355
Total assets		22,708,366,471	22,862,497,421
Liabilities			
Derivative liabilities at fair value through profit and loss	12	148,398,434	111,886,347
Derivative financial instruments designated as hedging instruments	12	77,134,640	58,812,857
Deposits from banks	15	2,460,174,414	3,661,066,808
Loans from banks and other financial institutions	16	4,802,410,262	4,123,606,300
Deposits from customers	17	11,724,906,545	11,542,323,596
Subordinated liabilities		406,350,893	403,091,492
Provisions	18	262,602,982	244,068,534
Current tax liabilities		-	9,872,694
Deferred tax liabilities		122,572,676	94,058,666
Other liabilities		124,507,607	123,411,332
Total liabilities		20,129,058,453	20,372,198,626
Equity			
Share capital		1,101,604,066	1,101,604,066
Retained earnings		1,298,001,820	1,222,997,098
Reserve on available for sale financial assets		9,582,308	(25,559,008)
Cash hedge reserve		(59,896,323)	(38,569,855)
Other reserves		230,016,147	229,826,494
Total equity	22	2,579,308,018	2,490,298,795
Total liabilities and equity		22,708,366,471	22,862,497,421



The condensed interim financial statements were approved by the Supervisory Board on 27 July 2012 and were signed on its behalf by:

Mr. Rasvan Radu
Executive President

Mr. Stanislav Goranov Georgiev
Chief Financial Officer

The accompanying notes from pages 8 to 29 form an integral part of these condensed interim financial statements.

Condensed interim statement of changes in shareholders' equity

For the six months ended 30 June 2012

In RON

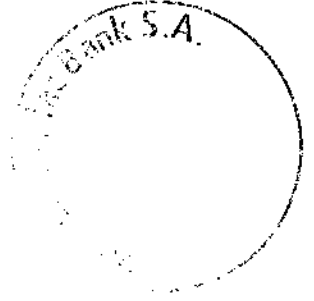
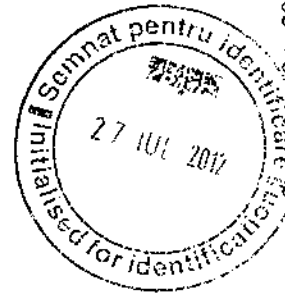
	Share capital	Reserve on available for sale financial assets	Cash flow hedging Reserve	Revaluation of property, plant and equipment	Other reserves	Retained earnings	Total
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,703,284	1,222,997,098	2,490,298,795
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	75,004,722	75,004,722
Other comprehensive income, net of income tax							
Net change in available-for-sale financial assets, net of tax	-	35,141,316	-	-	-	-	35,141,316
Net change in cash flow hedging reserve, net of tax	-	-	(21,326,468)	-	-	-	(21,326,468)
Share of other comprehensive income of associates	-	-	-	-	189,653	-	189,653
Total other comprehensive income							
	-	35,141,316	(21,326,468)	-	189,653	-	14,004,501
Total comprehensive income for the period							
	-	35,141,316	(21,326,468)	-	189,654	75,004,722	89,009,223
Balance at 30 June 2012	1,101,604,066	9,582,308	(59,896,323)	16,123,210	213,892,937	1,298,001,820	2,579,308,018



Condensed interim statement of changes in shareholders' equity

For the six months ended 30 June 2011


In RON	Share capital	Reserve on available for sale financial assets	Cash flow hedging Reserve	Revaluation of property, plant and equipment	Other reserves	Retained earnings	Total
Balance at 31 December 2010	1,101,604,066	(536,978)	-	-	213,573,523	1,063,567,161	2,378,207,772
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	92,651,260	92,651,260
Other comprehensive income, net of income tax							
Net change in available-for-sale financial assets, net of tax	-	(7,639,243)	-	-	-	-	(7,639,243)
Net change in cash flow hedging reserve, net of tax	-	-	(827,471)	-	-	-	(827,471)
Share of other comprehensive income of associates	-	-	-	-	-	-	-
Total other comprehensive income							
	-	(7,639,243)	(827,471)	-	-	-	(8,466,714)
Total comprehensive income for the period							
	-	(7,639,243)	(827,471)	-	-	92,651,260	84,184,546
Balance at 30 June 2011	1,101,604,066	(8,176,221)	(827,471)	-	213,573,523	1,156,218,421	2,462,392,318



Condensed interim statement of cash flows

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>			
Operating activities			
Profit before taxation		88,992,777	108,553,097
Adjustments for non-cash items:			
Depreciation and amortization		35,766,638	30,935,257
Net charge of provision for impairment on financial assets	10	131,843,987	166,638,713
(Gain)/Loss from investments in associates		(1,628,840)	1,055,074
Change in fair value of derivatives held for risk management		67,956,450	52,156,150
Other items for which the cash effects are investing or financing		(1,472,390)	(1,093,522)
Other non-cash items		14,774,491	23,898,770
Operating profit before changes in operating assets and liabilities		336,233,113	382,143,539
Change in operating assets:			
Decrease in investment securities available-for-sale		280,103,152	95,076,828
Decrease in loans and advances to banks		21,585,031	32,337,472
Increase in loans and advances to customers		(1,324,469,598)	(852,066,751)
Increase in other assets		(32,462,827)	(29,093,500)
Change in operating liabilities:			
Increase/(decrease) in deposits from banks		(1,199,206,417)	963,803,577
Increase/(decrease) in deposits from customers		173,377,719	(1,951,540,034)
Decrease in other liabilities		(3,090,841)	(2,235,226)
Income tax paid		(8,215,000)	-
Cash flows from/ (used in) operating activities		(1,756,145,668)	(1,361,574,095)
Investing activities			
Acquisition of property and equipment		(25,152,135)	(25,577,718)
Increase in equity investments		(11,468,940)	(10,517,589)
Decrease in investment securities held to maturity		9,109,414	-
Proceeds from sale of equity investments		1,095,443	1,071,471
Dividends received		636,562	83,425
Cash flows used in investing activities		(25,779,656)	(34,940,411)

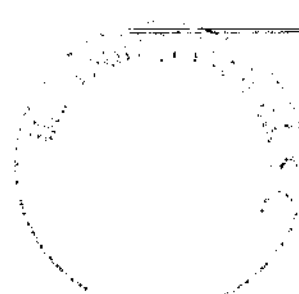
Condensed interim statement of cash flows *(continued)*

For the six months ended 30 June 2012

<i>In RON</i>	Six months ended 30 June 2012	Six months ended 30 June 2011
Financing activities		
Payment of finance lease liability	(45,444)	(22,704)
Repayments of loans from financial institutions	(800,409,706)	(22,022,196)
Drawdowns from loans from financial institutions	1,410,382,900	544,255,956
Cash flows generated from/(used in) financing activities	609,927,750	522,211,056
Net decrease in cash and cash equivalents	(1,171,997,574)	(874,303,450)
Cash and cash equivalents at 1 January	4,281,427,161	3,667,955,177
Cash and cash equivalents at 30 June	3,109,429,587	2,793,651,727
Cash flow from operating activities include:	30 June 2012	30 June 2011
Interest received	629,019,569	577,439,172
Interest paid	298,858,460	244,241,218

Analysis of cash and cash equivalents

<i>In RON</i>	30 June 2012	30 June 2011
Cash and cash equivalents comprise:		
Cash on hand	207,652,437	205,722,900
Current accounts held with banks	49,705,219	51,521,699
Current accounts held with the National Bank of Romania	2,621,883,804	2,179,142,306
Placements with NBR and other banks – less than 3 months	230,188,127	357,264,822
Cash and cash equivalents in the cash flow statement	3,109,429,587	2,793,651,727



The accompanying notes from pages 8 to 29 form an integral part of these condensed interim financial statements.

Notes to the condensed interim 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.

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

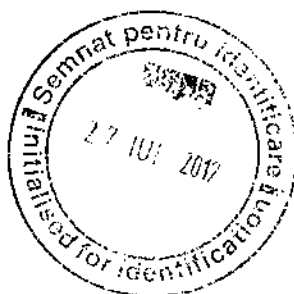
The financial statements comprise the Bank and its associated companies UniCredit Leasing Corporation IFN S.A. and UniCredit Consumer Finance IFN S.A..

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 the associate UniCredit Consumer Finance IFN S.A. provides consumer finance loans to individual clients.

The Bank operates at 30 June 2012 through the Head Office located in Bucharest and through its network of 208 branches and agencies (31 December 2011: 245) located in Bucharest and the country. The Bank employed at 30 June 2012 a number of 2,852 people (31 December 2011: 2,983).

The Bank’s current registered office is 1F Expozitiei Bvd, District 1, Bucharest, Romania.



Notes to the condensed interim financial statements

2. Basis of preparation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), IAS 34 – *Interim Financial Reporting*.

These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2011.

b) Functional and presentation currency

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

The exchange rates of major foreign currencies were:

Currencies	30 June 2012	31 December 2011	change
Euro (EUR)	1: RON 4.4494	1: RON 4.3197	3.00%
US Dollar (USD)	1: RON 3.5360	1: RON 3.3393	5.89%

3. Significant accounting policies

The accounting policies applied by the Bank in these condensed financial statements are the same as those applied by the Bank in its annual financial statements as at and for the year ended 31 December 2011.



Notes to the condensed interim financial statements

4. Financial risk management

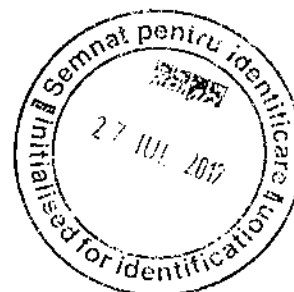
The Bank's liquidity indicator Loans/Deposits ratio is as follows:

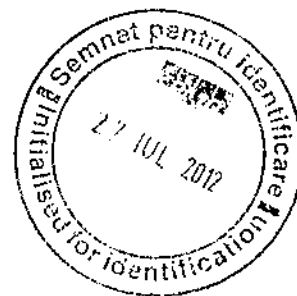
Ratio	30 June 2012	31 December 2011
Loans / Deposits ratio	145%	138%

There were no significant changes to financial risk management policies of the Bank as compared with those presented in the annual IFRS financial statements for the year ended 31 December 2011.

5. Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing the condensed interim financial statements the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at for the year ended 31 December 2011.

A handwritten signature in black ink, appearing to be "B. C.", written over a faint circular outline.



Notes to the condensed interim financial statements

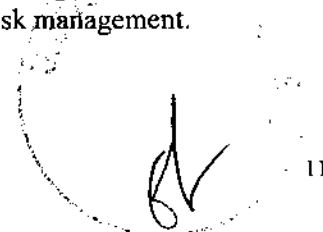
6. Net interest income

	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>		
Interest and similar income		
Interest and similar income arising from:		
Loans and advances to customers*	497,031,897	444,678,533
Treasury bills and bonds	92,627,939	109,060,319
Current accounts and placements with banks	19,752,859	24,150,521
Others (including derivatives)	815,716	8,293,490
	<hr/>	<hr/>
Total interest and similar income	610,228,411	586,182,863
 Interest expense and similar charges		
Interest expense and similar charges arising from:		
Deposits from customers**	(164,035,140)	(106,832,951)
Loans from banks and other financial institutions	(101,723,132)	(82,822,452)
Deposits from banks	(35,097,097)	(50,719,805)
Others (including derivatives)	(1,451,910)	(7,115,645)
Repurchase agreements	(884,989)	(4,916,996)
	<hr/>	<hr/>
Total interest expense and similar charges	(303,192,268)	(252,407,849)
 Interest related effect of swap transactions related to refinancing lines with Group Companies***	 41,997,615	 46,960,672
	<hr/>	<hr/>
Net interest income	349,033,758	380,735,686
	<hr/> <hr/>	<hr/> <hr/>

*Included in interest income for a total amount of RON 32,834,833 (30 June 2011: 25,158,102) related to interest income on impaired loans. Interest income and expenses for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

**During the six month ended 30 June 2012 gains of RON 4,026,061 and losses of RON 8,366,145 relating to cash flow hedges were recognized in interest income/expense.

*The Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Bank's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in net income on foreign exchange and on derivatives held for risk management.



Notes to the condensed interim financial statements

7. Net income on foreign exchange and on derivatives held at fair value through profit and loss

	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>		
Net foreign exchange gain/(loss) from revaluation of foreign currency denominated assets and liabilities and from FX derivatives at fair value through profit and loss	73,867,036	29,937,179
Net foreign exchange gain from foreign exchange transactions	37,958,221	60,553,053
Other foreign exchange items	2,964,096	94,720
Net (loss)/income from interest rate derivatives	(11,049,153)	6,382,848
	<hr/>	<hr/>
Net income on foreign exchange and on derivatives at fair value through profit and loss	103,740,200	96,967,800
	<hr/>	<hr/>

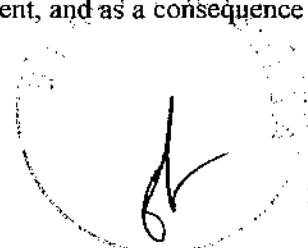
8. Personnel expenses



	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>		
Wages and salaries (including delegates within the Group)	111,568,848	108,908,061
Social security charges	29,668,440	30,783,141
Equity settled share-based payments (income)/costs	364,915	2,242,031
Other (income)/costs	2,979,452	(1,549,638)
	<hr/>	<hr/>
Total	144,581,655	140,383,595
	<hr/>	<hr/>

The number of employees at 30 June 2012 was 2,852 (31 December 2011: 2,983).

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 recognized as an employee benefit expense.



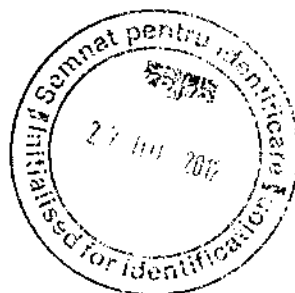
Notes to the condensed interim financial statements

9. Other administrative costs

	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>		
Office space expenses (rental, maintenance, other)	49,835,783	47,014,544
IT services	30,531,381	24,396,620
Other taxes and duties	13,722,657	12,461,041
Communication expenses	11,307,931	10,300,479
Advertising and promotional expenses	8,554,280	9,641,670
Consultancy, legal and other professional services	4,216,801	8,002,514
Materials and consumables	3,426,964	3,471,302
Personnel training & recruiting	1,409,734	2,191,073
Insurance expenses	1,376,198	1,213,216
Other	8,295,035	9,540,913
Total	132,676,764	128,233,372

10. Net impairment loss on financial assets

	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>		
Net charge of provisions for loans and advances to customers	128,933,840	173,306,044
Net loss on loans written-off	2,910,147	6,667,331
Recoveries from loans previously written-off	(396,787)	(8,610,886)
Losses on disposals on loans and receivables	13	205,738
Net charge of provisions for equity investments	-	(550,959)
Total	131,447,213	171,017,268



Notes to the condensed interim financial statements

11. Taxation

	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>		
Direct taxes at 16% (2011: 16%) of taxable profits determined in accordance with Romanian law	-	19,365,366
Correction of current income tax arising from previous years	(901,741)	(932,331)
Deferred tax (income)/ expense	14,889,796	(2,531,198)
Total tax expense	13,988,055	15,901,837

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
<i>In RON</i>		
Profit before tax	88,992,777	108,553,097
Tax using the domestic corporation tax rate of 16% (2010: 16%)	14,238,844	17,368,496
Effect of non-deductible expenses	24,204,366	3,285,679
Effect of non-taxable revenues	(20,603,857)	(6,088,715)
Effect of other temporary differences including differences related to previous fiscal losses	(3,851,298)	1,336,377
Total tax expense	13,988,055	15,901,837



Notes to the condensed interim financial statements

12. Derivative assets and liabilities held at fair value through profit and loss and derivative assets and liabilities used for hedging

The derivative assets and liabilities held at fair value through profit and loss at 30 June 2012 may be summarized as follows:

<i>In RON</i>	30 June 2012	30 June 2012	
	Notional	Assets	Liabilities
Foreign currency derivatives			
Forward contracts	6,101,615,873	19,443,158	22,829,643
Purchased Options	125,705,522	359,763	-
Sold Options	125,208,098	-	372,363
Total foreign currency derivatives	6,352,529,493	19,802,921	23,202,006
Interest rates derivatives			
Interest Rate Swap	2,130,945,985	52,500,425	86,754,155
Purchased Options	1,260,907,045	38,532,445	-
Sold Options	1,260,981,345	-	38,442,273
Total interest rate derivatives	4,652,834,375	91,032,870	125,196,428
Total	11,005,363,868	110,835,791	148,398,434

The derivative assets and liabilities held at fair value through profit and loss at 31 December 2011 may be summarized as follows:

<i>In RON</i>	31 December 2011	31 December 2011	
	Notional	Assets	Liabilities
Foreign currency derivatives			
Forward contracts	6,505,269,277	47,607,215	13,515,881
Purchased Options	126,796,040	875,614	-
Sold Options	125,717,655	-	874,684
Total foreign currency derivatives	6,757,782,972	48,482,829	14,390,565
Interest rates derivatives			
Interest Rate Swap	1,828,270,105	40,059,928	62,165,979
Purchased Options	1,261,684,546	35,415,614	85,081
Sold Options	1,261,684,675	-	35,244,722
Total interest rate derivatives	4,351,639,326	75,475,542	97,495,782
Total	11,109,422,298	123,958,371	111,886,347



Notes to the condensed interim financial statements

12. Derivative assets and liabilities held at fair value through profit and loss and derivative assets and liabilities designated as hedging instruments *(continued)*

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

<i>In RON</i>	Notional amount June 2012	Liabilities June 2012	Notional amount December 2011	Liabilities December 2011
Instrument type:				
Interest rate	529,834,318	68,742,535	514,282,448	57,760,921
Cross currency swap	222,470,000	8,392,105	43,197,000	1,051,936
Total	752,304,318	77,134,640	557,479,448	58,812,857

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

Currencies	Within 1 year	1-5 years	Over 5 years
Cash inflows	221,818	223,951,970	77,263,917
Cash outflows	(858,568)	(254,602,446)	(123,111,331)




Notes to the condensed interim financial statements

13. 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's date by type of loan was as follows:

<i>In RON</i>	30 June 2012	31 December 2011
Corporate loans	5,404,481,486	4,204,752,281
Revolving credit lines*	2,932,098,338	3,351,936,056
Credit cards and personal loans	591,708,835	532,178,741
Mortgages	3,856,928,064	4,543,381,623
Factoring	797,758,803	755,305,370
Impaired assets**	3,498,003,646	2,539,000,088
	<hr/>	<hr/>
Loans and advances to customers before provisions	17,080,979,172	15,926,554,159
Less provision for impairment losses on loans	(1,343,530,928)	(1,427,173,629)
	<hr/>	<hr/>
Net loans and advances to customers	15,737,448,244	14,499,380,530
	<hr/> <hr/>	<hr/> <hr/>

* This category comprises credit lines for corporate customers and current account overdrafts for individuals.

** In accordance with UniCredit Group instructions and internal risk management policies, impaired assets comprise beside clients (including private individuals) who are defaulted according to Basel II and rated 8-, 9 and 10, also non-defaulted clients classified as Restructured or Doubtful as per Bank of Italy risk classes. The reporting approach according to Bank of Italy's risk classes has been implemented starting with first quarter 2011.




Notes to the condensed interim financial statements

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

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:

<i>In RON</i>	30 June 2012	31 December 2011
Private entities (including individuals)	3,982,182,414	4,008,482,658
Commercial, recovery and repair services	2,883,518,833	2,248,864,804
Real estate	1,892,694,183	1,721,422,230
Other saleable services	760,986,275	721,817,150
Construction and civil engineering	723,336,604	609,979,061
Foodstuffs, beverages and tobacco-based products	705,094,968	704,028,848
Other public entities	683,957,477	705,057,868
Ores and non-metal ore products	557,704,210	174,648,812
Agriculture - forestry – fisheries	514,090,004	532,873,934
Energy products	349,273,960	228,465,282
Metal products except cars and means of transport	301,393,836	294,093,604
Inland transport services	290,776,907	302,580,652
Rubber and plastic products	277,247,913	230,805,851
Communications services	277,228,003	269,599,582
Other industrial products	209,065,243	231,950,793
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	194,364,740	539,287,890
Financial companies	193,264,632	203,259,568
Paper, paper products, printing and publishing	183,130,257	118,978,119
Transport-related services	155,300,695	140,857,719
Hotel and public commercial concern services	149,771,537	145,323,195
Farming and industrial machinery	129,253,902	86,711,090
Textiles, leather and footwear and clothing products	118,101,939	98,432,034
Means of transport	88,945,381	96,173,787
Chemicals	66,637,002	42,958,163
Office machines, data processing machines, precision	42,026,639	35,822,758
Sea and air transport services	8,100,690	6,905,078
Total	15,737,448,244	14,499,380,530



Notes to the condensed interim financial statements

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

The movements in loan allowances for impairment for the six months ended 30 June 2012 are summarized as follows:

<i>In RON</i>	30 June 2012
Specific allowances for impairment	
Balance at 1 January 2012	1,208,880,468
Net impairment charge/(release) for the period	206,562,202
Foreign currency exchange effect	26,819,761
Release of allowance for impairment of loans written-off and loans sold	(248,362,809)
Balance at 30 June 2012	1,193,899,622
Collective allowances for impairment	
Balance at 1 January 2012	218,293,161
Net impairment charge/(release) for the period	(77,628,364)
Foreign currency exchange effect	8,966,509
Balance at 30 June 2012	149,631,306
Total opening balance	1,427,173,629
Total closing balance	1,343,530,928

The movements in loan allowances for impairment for the six months ended 30 June 2011 could be summarized as follows:

<i>In RON</i>	30 June 2011
Specific allowances for impairment	
Balance at 1 January 2011	736,486,896
Net impairment charge/(release) for the period	184,048,481
Foreign currency exchange effect	(6,396,145)
Balance at 30 June 2011	914,139,232
Collective allowances for impairment	
Balance at 1 January 2011	193,479,977
Net impairment charge/(release) for the period	(10,742,437)
Foreign currency exchange effect	(2,500,013)
Balance at 30 June 2011	180,237,527
Total opening balance	929,966,873
Total closing balance	1,094,376,759



Notes to the condensed interim financial statements

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

Exposure to credit risk

<i>In RON</i>	30 June 2012	31 December 2011
Individually impaired/Non performing loans		
Grade 8-	-	-
Grade 9: Impaired	2,386,450,452	1,064,302,128
Grade 10: Impaired	542,830,860	506,741,975
Gross amount	2,929,281,312	1,571,044,103
Allowance for impairment	(866,022,069)	(618,124,152)
Carrying amount	2,063,259,243	952,919,951
Fair value of collateral	1,285,712,075	773,792,801
Property	1,181,418,882	682,289,483
Goods	72,778,086	62,416,791
Assignment of receivables	24,687,857	11,018,969
Other*	6,827,250	18,067,558
Past due but not individually impaired		
Grade 8-	472,751,391	581,892,565
Grade 9	925,327	596,545
Grade 10	171,288,543	158,967,818
Other impaired **	40,070,966	226,499,057
Gross amount	685,036,227	967,955,985
Allowance for impairment	(327,877,554)	(590,756,316)
Carrying amount	357,158,673	377,199,669
Neither past due nor individually impaired		
Grade 1 - 8	9,767,868,139	9,610,679,083
Private individuals less than 90 overdue days	3,637,780,083	3,741,440,749
Private individuals more than 90 overdue days ***	61,013,411	35,434,239
Gross amount	13,466,661,633	13,387,554,071
Allowance for impairment	(149,631,305)	(218,293,161)
Carrying amount	13,317,030,328	13,169,260,910
Total carrying amount	15,737,448,244	14,499,380,530



*Other collateral includes cash and financial risk insurance.

**Loans classified as Past Due, Restructured, Doubtful or NPL with rating different from 8-, 9, 10.

*** Under Basel II established default threshold.

In respect of the identification and measurement of impairment for collective assessment of Loans and advances to customers, new internal models were implemented during the year 2011 within the impairment process. As a result, for each type of exposure, loss parameters as Loss Given Default (“LGD”) and Exposure at Default (“EAD”) have been determined based on the Bank’s updated historical experience. For those parts of loan portfolio where no historical data could be used for development of models in order to reach a reliable and valid model, UniCredit Bank Austria AG’s expert judgment is used.

Notes to the condensed interim financial statements

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

As part of the harmonization process within UniCredit Group for loan loss provisions methodology a new internal model for LCP (Loss Confirmation Period) parameter has been validated based on local historical databases and also implemented during Q2 2012 within the impairment process. The Loss Confirmation Period parameter represents the risk parameter which associates the Basel II Expected Loss with the IAS 39 Impairment Loss.

14. Investment securities, available - for - sale

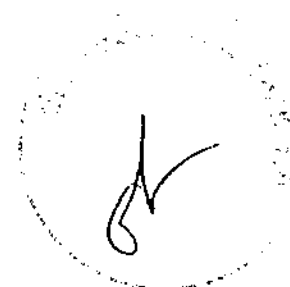
As at 30 June 2012, the Bank included in investment securities, available for sale bonds, Romanian government T-bills, bonds issued by Ministry of Public Finance and Bucharest City Hall in amount of RON 3,138,902,192 (31 December 2011: RON 3,369,112,393).

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

	30 June 2012	31 December 2011
<i>In RON</i>		
At 1 of January	3,369,112,393	3,853,099,398
Additions	2,202,375,586	6,207,961,949
Transfers from the held for trading portfolios	181,584,518	-
Disposals (redemption)	(2,656,005,205)	(6,662,160,823)
Positive changes in fair value	43,274,356	10,247,123
Negative changes in fair value	(1,439,456)	(40,035,254)
	<hr/>	<hr/>
At the end of the reporting period	3,138,902,192	3,369,112,393
	<hr/>	<hr/>

As at 30 June 2012, the investment securities available for sale in amount of RON 40,470,727 are pledged to Sent Clearing House in order to ensure daily execution of the inter-banking payments (31 December 2011: RON 35,320,979).

During the six month ended 30 June 2012 the Bank acquired and then reclassified its bond portfolio (RON 181,584,518) from held for trading to available for sale financial instruments, as a rare circumstance. The rare circumstance is the introduction, as of 2012, of new capital requirements at Group level, arising only for entities having securities classified in the trading portfolio.



The table below sets out the financial assets reclassified and their carrying and fair values:

<i>In RON</i>	Amount reclassified	30 June 2012	
		Carrying value	Fair value
Held for trading assets reclassified to available for sale investment securities	181,584,518	182,959,654	182,959,654

The amounts actually recognised in the profit or loss and other comprehensive income since the reclassification of the bond portfolio from held for trading assets to available for sale instruments are presented in the table below:

<i>In RON</i>	30 June 2012	
	Profit or loss	Other comprehensive income
Held for trading assets reclassified to available for sale investment securities:		
Interest income	1,376,577	-
Net change in fair value	-	89,679

If the bond portfolio had not been reclassified, the net fair value change (RON 89,679) would have been presented in the Profit or loss.

15. Deposits from banks

<i>In RON</i>	30 June 2012	31 December 2011
Sight deposits	924,200,918	517,569,216
Term deposits	1,303,216,962	2,989,135,621
Amounts in transit	232,756,534	154,361,971
Total	2,460,174,414	3,661,066,808



Notes to the condensed interim financial statements

16. Loans from banks and other financial institutions

The caption Loans from banks and other financial institutions comprises the followings:

- a) UniCredit Bank Austria AG, Austria: loans facilities in amount of EUR 689,569,490 and RON 1,662,941,201 in total outstanding amount of RON 4,731,111,688 (31 December 2011: RON 4,040,559,706).
- b) Kreditanstalt fur Wiederaufbau, Germany: loan facilities in amount of EUR 8,575,308 in total outstanding amount of RON 38,154,975 maturing on 16 June 2014 (31 December 2011: RON 46,545,483).
- c) European Bank for Reconstruction and Development, UK: loan facility in amount of EUR 5,016,941 in total outstanding amount of RON 22,322,377, maturing on 19 May 2017 (31 December 2011: RON 23,824,101).
- d) European Investment Bank, Luxembourg: loan facilities in amount of EUR 2,432,063 in total outstanding amount of RON 10,821,222, facilities maturing on 17 June 2013 and 15 June 2016 (31 December 2011: RON 12,676,815).

Loans from banks and other financial institutions in balance as at 30 June 2012 were bearing interest rates which ranged between 0.912% and 4.457% p.a. for EURO denominated loans and respectively from 5.3% and 6.44% p.a. for RON denominated loans. The final maturity of loans varies from July 2012 to March 2018. The maximum percentage of the interest derives from one of the loans granted by UniCredit Austria AG.

17. Deposits from customers

	30 June 2012	31 December 2011
<i>In RON</i>		
Payable on demand	5,336,377,339	4,605,471,459
Term deposits	5,753,876,329	6,348,745,383
Collateral deposits	615,382,121	525,036,405
Certificates of deposits	1,692,121	1,514,854
Amounts in transit	17,578,635	61,555,495
Total	11,724,906,545	11,542,323,596



Notes to the condensed interim financial statements

18. Provisions

	30 June 2012	31 December 2011
<i>In RON</i>		
Provision for financial guarantees (refer to note 20)	245,974,286	227,674,202
Provision for off-balance commitments and contingencies	9,128,183	10,996,190
Provision for legal disputes	4,398,391	2,851,653
Other provisions	3,102,122	2,546,489
Total	262,602,982	244,068,534

As of 30 June 2012, the Bank had provisions for off-balance sheet commitments and contingencies in amount of RON 9,128,183 (31 December 2011: RON 10,996,190) both for un-drawn lines and for other off-balance sheet credit related commitments items.

The movements in provisions could be summarized as follows:

	2012	2011
<i>In RON</i>		
Balance at 1 January	244,068,534	158,588,186
Provision charge	79,019,450	31,075,611
Release	(21,096,516)	(11,332,982)
FX effect related to off-balance commitments	7,260,465	(1,156,528)
Use of provisions for off-balance commitments	(47,452,892)	-
Other movements	-	6,654,402
Balance at 30 June	262,602,982	183,828,689



Notes to the condensed interim financial statements

18. Provisions (*continued*)

Net provisions charges/(releases)

<i>In RON</i>	30 June 2012	30 June 2011
Net provision charge for off-balance sheet loan commitments and contingencies (including risk participation agreement with UniCredit Bank Austria AG)	(56,565,656)	(27,040,078)
Net provision (charge)/release for litigations	(1,459,995)	1,132,861
Other provisions release	102,717	6,164,588
Net provisions charges	(57,922,934)	(19,742,629)

19. 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.

<i>In RON</i>	30 June 2012		
	Parent Company	Associates	Other related parties
Financial assets held for trading on derivative contracts	-	1,665,784	15,181,517
Current accounts and deposits to banks	54,421,832	-	14,278,194
Loans to banks	-	-	1,904,425
Loans to customers	-	151,038,312	20,897,982
Other assets	4,583,766	59,967,982	2,321,552
Outstanding receivables	59,005,598	212,672,078	54,583,670
Financial liabilities held for trading on derivative contracts	193,210	-	124,515,839
Derivatives used for hedging	-	-	77,134,640
Current accounts	12,720,219	9,508,046	93,105,446
Deposits attracted	1,798,446,538	548,101,190	314,208,666
Loans received	4,731,111,690	-	-
Subordinated liabilities	339,462,589	-	66,888,305
Other liabilities	-	-	15,776,657
Outstanding payables	6,881,934,246	557,609,236	691,629,553

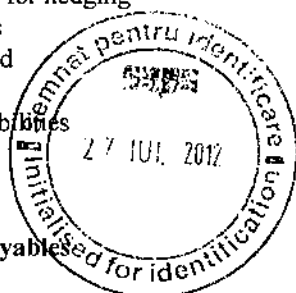


Notes to the condensed interim financial statements

19. Related party transactions (continued)

<i>In RON</i>	30 June 2012		
	Parent Company	Associates	Other related parties
Interest and similar income	645,831	7,036,969	58,823
Interest income and similar revenues on derivative instruments	-	21,934	152,210
Interest expenses and similar charges on derivative instruments	(128,797,788)	(4,530,852)	(3,887,069)
Interest expense and similar charges on hedging derivatives	-	-	(1,438,881)
Commission income	17,136,929	5,333,889	163,943
Commission expense	(1,474,764)	-	(162)
Management fees	(218,577)	-	(1,286,159)
Other operating income	3,098,631	-	2,300,815
Administration costs: general and administrative expenses - other	-	-	(17,360,573)
Net income/(expense)	(109,609,738)	7,861,940	(25,637,137)

<i>In RON</i>	31 December 2011		
	Parent Company	Associates	Other related parties
Financial assets held for trading on derivative contracts	-	1,474,187	33,210,703
Current accounts and deposits to banks	622,840,581	-	3,410,912
Loans to banks	-	-	1,448,241
Loans to customers	-	160,375,972	22,983,107
Other assets	4,820,306	47,600,464	15,976,016
Outstanding receivables	627,660,887	209,450,623	77,028,979
Financial assets held for trading on derivative contracts	1,795,056	-	96,095,403
Derivatives used for hedging	-	-	58,812,857
Current accounts	15,570,119	4,888,059	81,259,000
Deposits attracted	2,731,985,281	822,064,396	352,854,008
Loans received	4,040,559,708	-	-
Subordinated liabilities	338,106,674	-	64,984,818
Other liabilities	-	-	14,484,326
Outstanding payable	7,128,016,838	826,952,455	668,490,412



Notes to the condensed interim financial statements

19. Related party transactions (continued)

<i>In RON</i>	30 June 2011		
	Parent Company	Associates	Other related parties
Interest and similar income	379,162	7,481,742	743,333
Interest income and similar revenues on derivative instruments	-	-	1,475,162
Interest expenses and similar charges	(113,609,953)	(4,949,859)	(5,843,097)
Interest expense and similar charges on derivative instruments	-	-	(6,541,278)
Commission income	<u>20,256,568</u>	<u>8,351,810</u>	<u>181,468</u>
Commission expense	(1,008,722)	-	(71)
Management fees	<u>(550,298)</u>	-	<u>(1,207,423)</u>
Other operating income	2,264,073	-	1,702,456
Administration costs: general and administrative expenses - other	-	-	(16,299,210)
Net income/(expense)	<u>(92,269,170)</u>	<u>10,883,693</u>	<u>(25,788,660)</u>

Net loss from derivatives held for risk management concluded with UniCredit Group entities amounts to RON equivalent (100,596,494) for the period ended 30 June 2012 (net gain from derivatives for the period ended 30 June 2011 amounted to RON equivalent 116,708,126).

Transactions with key management personnel

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

<i>In RON</i>	30 June 2012	30 June 2011
Loans granted	1,217,969	2,223,854
	<u>1,217,969</u>	<u>2,223,854</u>
Current accounts and deposits	5,632,072	5,612,841
	<u>5,632,072</u>	<u>5,612,841</u>



No provisions have been recognized in respect of loans given to related parties.

Notes to the condensed interim financial statements

19. Related party transactions (*continued*)

<i>In RON</i>	30 June 2011	30 June 2011
Key management compensation		
Gross salaries	5,036,200	5,851,684
Total	5,036,200	5,851,684

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 program. (Also refer to Note 9)

20. 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 recognized at the balance sheet date if counterparties failed completely to perform as contracted.

<i>In RON</i>	30 June 2012	31 December 2011
Guarantees issued	5,591,916,435	5,542,176,924
Loan commitments	1,088,663,551	1,132,124,703
Letters of credit	199,760,335	70,022,597
Total	6,880,340,321	6,744,324,224



Notes to the condensed interim financial statements

20. Commitments and contingencies (*continued*)

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 or to any other entities within UniCredit Group any installment that the borrowers failed to pay. The total amount of such risk participation agreements in force as at 30 June 2012 is EUR 618,754,879, USD 50,000,000 and CHF 5,310,236 (31 December 2011: EUR 641,820,778, USD 50,000,000 and CHF 5,310,236).

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 is obliged to indemnify UniCredit Bank Austria AG.

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 21,052,492 (31 December 2011: EUR 21,869,103).

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

As compensation for the financial guarantees assumed by the risk participation agreements and for providing security and payment agent services to UniCredit Bank Austria AG, the 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.

As at 30 June 2012 the Bank was involved in several litigations for which the possible total claims estimated by the Bank's lawyers amounted to RON 67,145,513 (31 December 2011: RON 5,830,863). The Bank, based upon legal advice, has assessed that a provision amounting to RON 4,398,391 as at 30 June 2012 (31 December 2011: RON 2,851,653) is necessary to be booked for these claims.

