



UniCredit Tiriatic Bank S.A.

Interim Condensed
Consolidated Financial Statements
30 June 2013

Prepared in accordance with
IAS 34 "Interim Financial Reporting"

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To the shareholders of
UniCredit Tiriac Bank S.A.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of UniCredit Tiriac Bank S.A. (the 'Bank') and its subsidiary UniCredit Consumer Financing S.A. as of 30 June 2013 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management of the Bank is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 the Standards on Auditing adopted by the Romanian Chamber of Financial Auditors 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 interim condensed consolidated financial statements of the Bank are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".



Deloitte Audit SRL
Bucharest, Romania
July 26, 2013

Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June 2013

	Note	Consolidated Six months ended 30 June 2013 RON	Individual Six months ended 30 June 2012 RON
Interest income	6	673,032,805	610,228,411
Interest expense	6	(308,128,562)	(303,192,268)
Interest related effect of swap transactions related to refinancing lines with Group companies	6	28,677,059	41,997,615
Net interest income		393,581,302	349,033,758
Fee and commission income		168,179,237	144,806,046
Fee and commission expense		(25,425,584)	(27,598,148)
Net fee and commission income		142,753,653	117,207,898
Dividends income		1,054,315	636,562
Net income on foreign exchange and on derivatives held at fair value through profit and loss	7	146,244,231	103,740,200
Net gains on financial assets available for sale		49,916,184	8,301,642
Other net operating income		1,922,731	12,102,417
Operating income		735,472,416	591,022,477
Personnel expenses	8	(154,536,437)	(144,581,655)
Depreciation and amortization		(39,302,758)	(34,201,760)
Other administrative costs	9	(144,548,356)	(132,676,764)
Other net operating expense		(1,232,324)	(1,263,336)
Operating expenses		(339,619,875)	(312,723,515)
Net operating income		395,852,541	278,298,962
Net impairment loss on financial assets	10	(244,735,574)	(131,447,213)
Impairment of tangible and intangible assets		-	(1,564,878)
Net provision charges	18	(11,917,964)	(57,922,934)
Loss on investments in associates		(657,155)	1,628,840
Profit before taxation		138,541,848	88,992,777
Income tax expense	11	71,035,157	(13,988,055)
Net profit for the period		209,577,005	75,004,722

The accompanying notes from pages 8 to 30 form an integral part of these condensed interim financial statements.



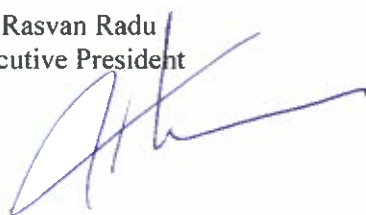
Interim condensed consolidated statement of comprehensive income

for the six months ended 30 June 2013 (continued)

	Note	Consolidated Six months ended 30 June 2013 RON	Individual Six months ended 30 June 2012 RON
Net profit for the period		<u>209,577,005</u>	<u>75,004,722</u>
Attributable to:			
Equity holders of the parent		202,749,872	-
Non-controlling interests		<u>6,827,133</u>	<u>-</u>
		<u>209,577,005</u>	<u>75,004,722</u>
Other comprehensive income			
Net change in reevaluation reserve for available-for-sale financial assets (net of tax)		(24,058,512)	35,141,316
Net change in cash flow hedging reserve (net of tax)		18,817,964	(21,326,468)
Revaluation surplus		40,836	-
Share of other comprehensive income of associates		-	189,653
		<u>(5,199,712)</u>	<u>14,004,501</u>
Other comprehensive income for the period, net of income tax		<u>(5,199,712)</u>	<u>14,004,501</u>
Total comprehensive income, net of tax		<u>204,377,293</u>	<u>89,009,223</u>
Attributable to:			
Equity holders of the parent		197,550,160	-
Non-controlling interests		<u>6,827,133</u>	<u>-</u>
		<u>204,377,293</u>	<u>89,009,223</u>

The interim condensed consolidated financial statements were approved by the Supervisory Board on 26 July 2013 and were signed on its behalf by:

Mr. Rasvan Radu
Executive President



Mr. Stanislav Goranov Georgiev
Chief Financial Officer



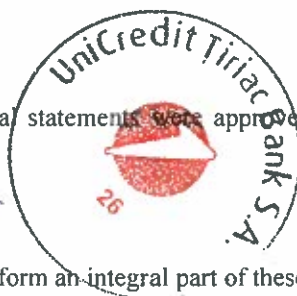

The accompanying notes from pages 8 to 30 form an integral part of these condensed interim financial statements.

Interim condensed consolidated statement of financial position

	Note	Consolidated 30 June 2013 RON	Individual 31 December 2012 RON
Assets			
Cash and cash equivalents		3,261,327,770	4,429,652,624
Derivative assets at fair value through profit and loss	12	105,390,983	156,042,671
Derivative assets designated as hedging instruments		4,401,342	-
Fair value changes of the hedged items in portfolio hedge		1,003,579	-
Loans and advances to banks		109,244,112	51,423,603
Loans and advances to customers	13	16,498,302,403	15,904,310,098
Investment in associate		4,055,229	58,000,779
Investment securities, available-for-sale	14	4,637,014,809	3,945,757,938
Equity investments, available for sale		2,691,727	2,233,832
Property and equipment		242,249,875	261,954,327
Intangible assets		112,970,523	120,940,183
Current tax asset		5,279,378	-
Deferred tax assets		43,998,959	-
Other assets		<u>110,866,962</u>	<u>123,107,796</u>
Total assets		<u>25,138,797,651</u>	<u>25,053,423,851</u>
Liabilities			
Derivative liabilities at fair value through profit and loss	12	124,545,943	140,609,534
Derivative financial instruments designated as hedging instruments		66,416,866	94,235,076
Deposits from banks	15	3,124,674,436	2,611,205,753
Loans from banks and other financial institutions	16	4,880,782,056	4,703,547,992
Deposits from customers	17	12,627,373,810	13,839,475,142
Subordinated liabilities		502,205,958	500,335,612
Debt securities issued	18	549,420,509	-
Provisions	19	204,758,196	291,465,317
Current tax liabilities		-	19,234,372
Deferred tax liabilities		2,600,313	36,656,957
Other liabilities		<u>127,072,486</u>	<u>121,568,598</u>
Total liabilities		<u>22,209,850,573</u>	<u>22,358,334,353</u>
Equity			
Share capital		1,101,604,066	1,101,604,066
Retained earnings		1,567,735,321	1,401,942,668
Reserve on available for sale financial assets		4,323,187	28,381,699
Cash hedge reserve		(47,928,133)	(66,746,097)
Other reserves		<u>229,818,236</u>	<u>229,907,162</u>
Equity attributable to equity holders of the parent		<u>2,855,552,677</u>	<u>2,695,089,498</u>
Non-controlling interests		<u>73,394,401</u>	<u>-</u>
Total equity		<u>2,928,947,078</u>	<u>2,695,089,498</u>
Total liabilities and equity		<u>25,138,797,651</u>	<u>25,053,423,851</u>

The interim condensed consolidated financial statements were approved by the Supervisory Board on 26 July 2013 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 30 form an integral part of these condensed interim financial statements.

Interim condensed consolidated statement of changes in shareholders' equity

For the six months ended 30 June 2013

In RON	Share capital	Reserve on available for sale financial assets	Cash flow hedging Reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2012	1,101,604,066	28,381,699	(66,746,097)	16,203,878	213,573,522	55	1,402,072,375	2,695,089,498	-	2,695,089,498
Consolidation adjustments related to acquisition of subsidiaries										
Pre-acquisition reserves	-	-	-	-	-	-	(36,128,805)	(36,128,805)	66,567,268	30,438,463
Acquisition of UCFIN subsidiary under common control	-	-	-	-	-	-	(6,700,109)	(6,700,109)	-	(6,700,109)
Firmation of previous associate UCFIN IAS 28 adjustments	-	-	-	-	-	-	5,741,933	5,741,933	-	5,741,933
Total for consolidation adjustments related to acquisition of subsidiaries	-	-	-	-	-	-	(37,086,981)	(37,086,981)	66,567,268	29,480,287
Total comprehensive income for the period	-	-	-	-	-	-	202,749,872	202,749,872	6,827,133	209,577,005
Net profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of income tax	-	-	-	40,836	-	-	-	40,836	-	40,836
Revaluation surplus	-	-	-	40,836	-	-	-	40,836	-	40,836
Net change in available-for-sale financial assets, net of tax	-	(24,058,512)	-	-	-	-	-	(24,058,512)	-	(24,058,512)
Net change in cash flow hedging reserve, net of tax	-	-	18,817,964	-	-	-	-	18,817,964	-	18,817,964
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	(24,058,512)	18,817,964	40,836	-	-	-	(5,199,712)	-	(5,199,712)
Total comprehensive income for the period	-	(24,058,512)	18,817,964	40,836	-	-	202,749,872	197,550,160	6,827,133	204,377,293
Balance at 30 June 2013	1,101,604,066	4,323,187	(47,928,133)	16,244,714	213,573,522	55	1,567,735,266	2,855,560,733	73,394,401	2,928,947,078



The accompanying notes from pages 8 to 30 form an integral part of these condensed interim financial statements.

Interim condensed consolidated 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	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,703,284	55	1,224,559,981	2,491,861,733	-	2,491,861,733
Total comprehensive income for the period	-	-	-	-	-	-	75,004,722	75,004,722	-	75,004,722
Net profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-	-	-	-
Net change in available-for-sale financial assets, net of tax	-	35,141,316	-	-	-	-	-	35,141,316	-	35,141,316
Net change in cash flow hedging reserve, net of tax	-	-	(21,326,468)	-	-	-	-	(21,326,468)	-	(21,326,468)
Share of other comprehensive income of associates	-	-	-	-	189,653	-	-	189,653	-	189,653
Total other comprehensive income	-	35,141,316	(21,326,468)	-	189,653	-	-	14,004,501	-	14,004,501
Total comprehensive income for the period	-	35,141,316	(21,326,468)	-	189,653	-	75,004,722	89,009,223	-	89,009,223
Balance at 30 June 2012	1,101,604,066	9,582,308	(59,896,323)	16,123,210	213,892,937	55	1,299,564,703	2,580,870,956	-	2,580,870,956



Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2013

	Note	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>			
Operating activities			
Profit before taxation		138,541,848	88,992,777
Adjustments for non-cash items:			
Depreciation and amortization		34,248,927	35,766,638
Net charge of provision for impairment on financial assets	10	257,702,430	131,843,987
(Gain)/Loss from investments in associates		-	(1,628,840)
Change in fair value of derivatives held for risk management		33,366,977	67,956,450
Other items for which the cash effects are investing or financing		(1,178,009)	(1,472,390)
Other non-cash items		(57,706,169)	14,774,491
Operating profit before changes in operating assets and liabilities		404,976,004	336,233,113
Change in operating assets:			
(Increase)/decrease in investment securities available-for-sale		(710,926,194)	280,103,152
(Increase)/decrease in loans and advances to banks		(57,820,509)	21,585,031
Increase in loans and advances to customers		(71,758,292)	(1,324,469,598)
(Increase)/decrease in other assets		25,318,712	(32,462,827)
Change in operating liabilities:			
Increase/(decrease) in deposits from banks		480,995,412	(1,199,206,417)
Increase/(decrease) in deposits from customers		(888,511,066)	173,377,719
Decrease in other liabilities		(8,627,724)	(3,090,841)
Income tax paid		(30,495,160)	(8,215,000)
Cash flows used in operating activities		(856,848,817)	(1,756,145,668)
Investing activities			
Acquisition of property and equipment		(8,207,003)	(25,152,135)
Proceeds from sale of property and equipment		123,689	-
Increase in equity investments		(6,194,696)	(11,468,940)
Decrease in investment securities in held to maturities		-	9,109,414
Proceeds from sale of equity investments		-	1,095,443
Dividends received		114,742	636,562
Cash flows used in investing activities		(14,163,268)	(25,779,656)

The accompanying notes from pages 8 to 35 form an integral part of these condensed interim financial statements.



Interim condensed consolidated statement of cash flows (continued)

For the six months ended 30 June 2013

<i>In RON</i>	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
Financing activities		
Proceeds from issue debt securities	549,133,454	-
Payment of finance lease liability	-	(45,444)
Repayments of loans from financial institutions	(1,215,635,617)	(800,409,706)
Drawdowns from loans from financial institutions	369,189,394	1,410,382,900
Cash flows generated from/(used in) financing activities	(297,312,769)	609,927,750
Net decrease in cash and cash equivalents	(1,168,324,854)	(1,171,997,574)
Cash and cash equivalents at 1 January	4,429,652,624	4,281,427,161
Cash and cash equivalents at 30 June	3,261,327,770	3,109,429,587
Cash flow from operating activities include:	30 June 2013	30 June 2012
Interest received	681,515,390	629,019,569
Interest paid	237,385,338	298,858,460
Analysis of cash and cash equivalents		
<i>In RON</i>	30 June 2013	30 June 2012
Cash and cash equivalents comprise:		
Cash on hand	213,047,367	207,652,437
Current accounts held with banks	100,603,007	49,705,219
Current accounts held with the National Bank of Romania	1,698,670,597	2,621,883,804
Placements with NBR and other banks – less than 3 months	1,249,006,799	230,188,127
Cash and cash equivalents in the cash flow statement	3,261,327,770	3,109,429,587



Notes to the interim condensed consolidated financial statements

1. Reporting entity

The UniCredit Tiriac Group (the “Group”) consists of UniCredit Tiriac Bank S.A. (the “Bank”), and UniCredit Consumer Financing IFN S.A. (“UCFIN”).

These interim condensed consolidated financial statements as at and for the six months ended 30 June 2013 comprise the Bank and its subsidiary and the Group interest in associates.

UniCredit Tiriac Bank S.A. (the “Bank”), having its current registered office at 1F, Expozitiei Boulevard, District 1, Bucharest, Romania, was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank) and is licensed by the National Bank of Romania to conduct banking activities.

The Bank provides retail and commercial banking services in Romanian Lei (“RON”) and foreign currency. These include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, bank guarantees, letter of credits and documentary collections.

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

UniCredit Consumer Financing IFN S.A., having its current registered office at 23-25 Ghetarilor street, 1st and 3rd floor., District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has 50.1% (31 December 2012: 46.06%) controlling interest in UCFIN.

The associate company, UniCredit Leasing Corporation IFN S.A. (“UCLC”), having its current registered office at 23-25 Ghetarilor street, 1st, 2nd and 4th floor., District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. The Bank has 20.0% (31 December 2012: 20.0%) participation in UCLC.

The Group operates at 30 June 2013 through the Head Office located in Bucharest and through its network of 188 branches and agencies (31 December 2012: 208) located in Bucharest and the country. The Group employed at 30 June 2013 a number of 3,036 people (31 December 2012: 3,036).



Notes to the interim condensed consolidated financial statements

2. Basis of preparation

a) Statement of compliance

These condensed consolidated 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 2012.

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 2013	31 December 2012	change
Euro (EUR)	1: RON 4.4588	1: RON 4.4287	0.67%
US Dollar (USD)	1: RON 3.4151	1: RON 3.3575	1.71%

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Bank in its annual individual financial statements as at and for the year ended 31 December 2012.

a) Basis of consolidation

At the beginning of January 2013, the Bank acquired UCFIN 417,208 shares from UniCredit SpA resulting in the increase of its shareholding in UCFIN from 46.06% to 50.10%. Simultaneously, the Shareholders Agreement and respectively UCFIN Articles of Associations have been amended to reflect the transfer of control over UCFIN from UniCredit SpA to the Bank, including Bank’s right to nominate the majority of UCFIN Supervisory Board members. As a consequence, UCFIN, previously associate entity, has become a subsidiary of the Bank. The acquisition has been accounted for using book value accounting as both entities are under common control of UniCredit SpA as ultimate parent.

The Bank applies the merger accounting prospectively, from the date when obtained the control over UCFIN, therefore the comparative figures presented in these interim condensed consolidated financial statements include only the results of the Bank, as have been disclosed in the Interim Condensed Financial Statements as of 30 June 2012.

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

Intragroup transactions and intragroup outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.



Notes to the interim condensed consolidated financial statements

3. Significant accounting policies (*continued*)

a) Basis of consolidation (*continued*)

The Bank holds a 20% investment in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to local and external customers. The Bank has accounted for the Associate in accordance with IAS 28, Investments in associates.

b) Debt securities in issue

Debt securities in issue include bonds issued by the Bank and not held for trading or designated at fair value through profit or loss. Debt securities in issue are recognized when the bank becomes part of the contract.

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

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

c) IFRS 13 Fair Value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including *IFRS 7 Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.



Notes to the interim condensed consolidated financial statements

4. Financial risk management

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

Ratio	30 June 2013	31 December 2012
Loans / Deposits ratio	144%	125%

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 2012.

5. Use of estimates and judgments

The preparation of these interim condensed consolidated 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 interim condensed consolidated 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 2012.



Notes to the interim condensed consolidated financial statements

6. Net interest income

<i>In RON</i>	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
Interest and similar income		
Interest and similar income arising from:		
Loans and advances to customers*	556,078,758	497,031,897
Treasury bills and bonds	100,253,740	92,627,939
Current accounts and placements with banks	14,411,971	19,752,859
Others (including derivatives)	2,288,336	815,716
	<hr/>	<hr/>
Total interest and similar income	673,032,805	610,228,411
Interest expense and similar charges		
Interest expense and similar charges arising from:		
Deposits from customers**	(151,593,196)	(164,035,140)
Loans from banks and other financial institutions	(83,711,327)	(101,723,132)
Deposits from banks	(57,077,470)	(35,097,097)
Repurchase agreements	(5,281,361)	(884,989)
Interest related to the bonds issued	(287,558)	-
Others (including derivatives)	(10,177,650)	(1,451,910)
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Total interest expense and similar charges	(308,128,562)	(303,192,268)
Interest related effect of swap transactions related to refinancing lines with Group Companies***	28,677,059	41,997,615
	<hr/>	<hr/>
Net interest income	393,581,302	349,033,758
	<hr/> <hr/>	<hr/> <hr/>

*Included in interest income for a total amount of RON 31,028,202 (30 June 2012: RON 32,834,833) 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 2013, gains of RON 7,530,000 and losses of RON 9,035,000 (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 interim condensed consolidated financial statements

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

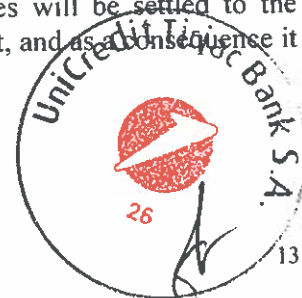
	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>		
Net gains from foreign exchange operations (including FX derivatives)	134,068,967	112,566,653
Net income from trading bonds	833,839	3,895
Net gains/(losses) from interest derivatives	11,341,425	(8,830,348)
	<hr/>	<hr/>
Net income on foreign exchange and on derivatives at fair value through profit and loss	146,244,231	103,740,200
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8. Personnel expenses

	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>		
Wages and salaries (including delegates within the Group)	116,910,332	111,568,848
Social security charges	34,563,658	29,668,440
Equity settled share-based payments costs	1,419,613	364,915
Other costs	1,642,834	2,979,452
	<hr/>	<hr/>
Total	154,536,437	144,581,655
	<hr/> <hr/>	<hr/> <hr/>

The Group number of employees at 30 June 2013 was 3,036 (31 December 2012: 3,036).

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



Notes to the interim condensed consolidated financial statements

9. Other administrative costs

	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>		
Office space expenses (rental, maintenance, other)	51,841,852	49,835,783
IT services	32,920,754	30,531,381
Other taxes and duties	16,528,008	13,722,657
Communication expenses	10,479,437	11,307,931
Advertising and promotional expenses	9,594,002	8,554,280
Consultancy, legal and other professional services	4,626,334	4,216,801
Materials and consumables	4,230,356	3,426,964
Personnel training and recruiting	1,275,694	1,409,734
Insurance expenses	1,485,194	1,376,198
Other	11,566,725	8,295,035
Total	144,548,356	132,676,764

10. Net impairment loss on financial assets

	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>		
Net charge of impairment losses for loans and advances to customers	215,181,119	128,933,840
Net loss on loans written-off	61,516,088	2,910,147
Recoveries from loans previously written-off	(22,496,662)	(396,774)
Net charge / (releases) of impairment losses for other financial assets	(978,868)	-
Total	244,735,574	131,447,213



Notes to the interim condensed consolidated financial statements

11. Taxation

	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>		
Direct taxes at 16% (2012: 16%) of taxable profits determined in accordance with Romanian law	5,385,227	-
Correction of current income tax arising from previous years	596,183	(901,741)
Deferred tax (income)/ expense	(77,016,567)	14,889,796
Total tax (income) / expense	(71,035,157)	13,988,055

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

	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>		
Profit before tax	138,541,848	88,992,777
Tax using the domestic corporation tax rate of 16% (2012: 16%)	22,166,696	14,238,844
Effect of non-deductible expenses	10,464,691	24,204,366
Effect of non-taxable revenues	(24,653,156)	(20,603,857)
Effect of other temporary differences including differences related to previous fiscal losses	(79,013,388)	(3,851,298)
Total tax (income) / expense	(71,035,157)	13,988,055

The Bank released an amount of RON 91,032,826 from deferred tax correspondent prudential filters set up at 1 January 2012 considering such element has the nature of a permanent difference according with practical fiscal guide published in June 2013.



Notes to the interim condensed consolidated 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 2013 may be summarized as follows:

<i>In RON</i>	Consolidated 30 June 2013 Notional	Consolidated 30 June 2013 Present value	
		Assets	Liabilities
<i>Foreign currency derivatives</i>			
Forward contracts	2,978,192,854	23,776,605	13,855,752
Purchased Options	434,592,328	3,918,929	-
Sold Options	412,481,147	-	2,742,670
Total foreign currency derivatives	3,825,266,329	27,695,534	16,598,422
<i>Interest rates derivatives</i>			
Interest Rate Swap	2,252,792,067	43,740,712	74,941,362
Purchased Options	1,134,246,077	33,954,737	-
Sold Options	982,171,183	-	33,006,159
Total interest rate derivatives	4,396,209,327	77,695,449	107,947,521
Total	8,194,475,656	105,390,983	124,545,943

The derivative assets and liabilities held at fair value through profit and loss at 31 December 2012 may be summarized as follows:

<i>(RON)</i>	Individual 2012 Notional	Individual 2012 Present value	
		Assets	Liabilities
<i>Foreign currency derivatives</i>			
Forward contracts	4,325,401,956	56,718,042	7,932,655
Purchased Options	107,943,927	1,326,392	-
Sold Options	107,938,446	-	1,347,759
Total foreign currency derivatives	4,541,284,329	58,044,434	9,280,414
<i>Interest rates derivatives</i>			
Interest Rate Swaps	2,123,391,157	59,130,188	92,461,071
Purchased Options	1,298,661,178	38,868,049	-
Sold Options	1,298,661,178	-	38,868,049
Total interest rate derivatives	4,720,713,513	97,998,237	131,329,120
Total	9,261,997,842	156,042,671	140,609,534

Notes to the interim condensed consolidated financial statements

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

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

<i>In RON</i>	Consolidated Notional amount June 2013	Consolidated Assets June 2013	Consolidated Liabilities June 2013	Individual Notional amount December 2012	Individual Assets December 2012	Individual Liabilities December 2012
Instrument type:						
Interest rate	509,572,320	-	62,820,286	527,183,817	-	88,319,374
Cross currency swap	222,940,000	4,401,342	3,596,580	221,435,000	-	5,915,702
Total	732,512,320	4,401,342	66,416,866	748,618,817	-	94,235,076

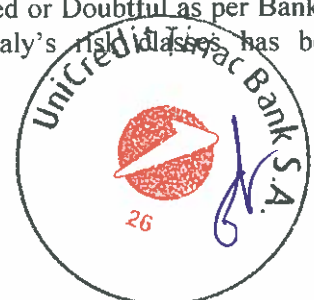
13. Loans and advances to customers

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

<i>In RON</i>	Consolidated 30 June 2013	Individual 31 December 2012
Mortgages	5,404,286,069	5,293,210,603
Corporate loans	4,575,264,096	4,608,412,665
Revolving credit lines*	2,256,081,402	2,410,778,920
Credit cards and personal loans	1,402,223,375	513,620,837
Factoring	668,183,744	850,713,910
Repos	6,709,567	-
Impaired assets**	3,684,059,867	3,580,633,127
Loans and advances to customers before provisions	17,996,808,120	17,257,370,062
Less allowances for impairment losses on loans	(1,498,505,717)	(1,353,059,964)
Net loans and advances to customers	16,498,302,403	15,904,310,098

* 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.

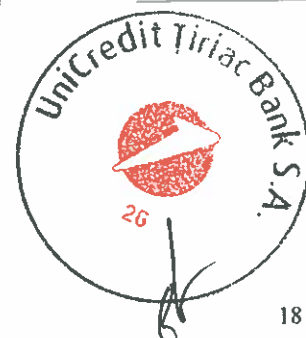


Notes to the interim condensed consolidated financial statements

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

The Group 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>	Consolidated 30 June 2013	Individual 31 December 2012
Private entities (including individuals)	4,689,646,644	3,879,631,475
Commercial, recovery and repair services	3,205,909,003	2,861,351,962
Real estate	1,688,181,742	1,864,159,971
Construction and civil engineering	823,974,886	859,857,229
Foodstuffs, beverages and tobacco-based products	754,912,988	820,885,961
Other saleable services	738,366,947	795,685,254
Other public entities	597,586,317	651,731,138
Agriculture - forestry - fisheries	467,581,948	510,269,016
Energy products	390,780,062	364,255,608
Ores and non-metal ore products	333,863,061	338,923,471
Inland transport services	323,628,994	294,649,558
Rubber and plastic products	301,428,621	283,229,236
Other industrial products	272,805,455	431,130,850
Metal products except cars and means of transport	259,051,335	297,019,078
Paper, paper products, printing and publishing	250,611,409	214,265,060
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	244,687,437	211,937,210
Communications services	244,116,621	255,519,154
Textiles, leather and footwear and clothing products	171,730,001	136,981,642
Transport-related services	167,029,064	191,066,073
Farming and industrial machinery	156,616,898	147,889,470
Hotel and public commercial concern services	130,409,478	137,002,198
Financial companies	111,647,024	194,627,453
Means of transport	76,135,623	79,465,286
Chemicals	59,542,428	46,275,290
Office machines, data processing machines, precision	29,437,089	27,926,759
Sea and air transport services	8,621,328	8,574,693
Total	16,498,302,403	15,904,310,098



Notes to the interim condensed consolidated financial statements

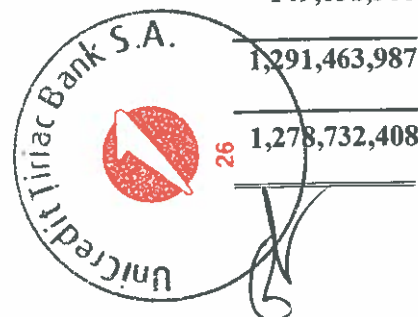
13. Loans and advances to customers (*continued*)

The movements in loan allowances for impairment for the six months ended 30 June 2013 are summarized as follows:

<i>In RON</i>	Consolidated
Specific allowances for impairment	30 June 2013
Balance at 1 January 2013	1,269,853,418
Net impairment charge/(release) for the period	227,523,241
Foreign currency exchange effect	(8,948,547)
Debt sale and write off	(144,493,501)
Unwinding effect on impairment losses	34,595,422
	<hr/>
Balance at 30 June 2013	1,378,530,033
Generic allowances for impairment	30 June 2013
Balance at 1 January 2013	132,099,275
Net impairment charge/(release) for the period	(12,342,122)
Foreign currency exchange effect	218,531
Debt Sale	-
Balance at 30 June 2013	119,975,684
	<hr/>
Total opening balance	1,401,952,693
	<hr/>
Total closing balance	1,498,505,717

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

<i>In RON</i>	Individual
Specific allowances for impairment	30 June 2012
Balance at 1 January 2012	1,073,170,826
Net impairment charge/(release) for the period	206,562,204
Foreign currency exchange effect	43,271,519
Debt sale and write off	(248,362,809)
Unwinding effect on impairment losses	54,459,362
	<hr/>
Balance at 30 June 2012	1,129,101,102
Generic allowances for impairment	30 June 2012
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
	<hr/>
Total opening balance	1,291,463,987
	<hr/>
Total closing balance	1,278,732,408



Notes to the interim condensed consolidated financial statements

13. Loans and advances to customers (continued)

Exposure to credit risk

In RON

Impaired individually assessed

	Consolidated 30 June 2013	Individual 31 December 2012
Grade 8-: Impaired	-	25,743,209
Grade 9: Impaired	2,449,253,995	2,332,794,172
Grade 10: Impaired	607,020,295	610,948,044
Gross amount	3,056,274,290	2,969,485,425
Allowance for impairment	(1,022,132,884)	(932,362,250)
Carrying amount	2,034,141,406	2,037,123,175
Fair value of collateral	1,307,100,452	1,349,496,017
Property	1,176,259,781	1,257,252,093
Goods	70,791,941	54,151,818
Assignment of receivables	54,188,927	31,573,965
Other*	5,859,803	6,518,141

Impaired but not individually assessed

Grade 8-	457,245,212	380,956,693
Grade 9	279,978	4,945,976
Grade 10	204,926,543	184,382,856
Other impaired **	32,038,131	40,862,177
Gross amount	694,489,864	611,147,702
Allowance for impairment	(356,397,149)	(295,638,248)
Carrying amount	338,092,715	315,509,454

Not impaired

Grade 1 – 8	12,652,623,694	13,186,360,495
Other ***	1,593,420,272	490,376,440
Gross amount	14,246,043,966	13,676,736,935
Allowance for impairment	(119,975,684)	(125,059,466)
Carrying amount	14,126,068,282	13,551,677,469
Total carrying amount	16,498,302,403	15,904,310,098

*Other collateral includes cash and financial risk insurance.

**Loans classified as Past Due, Restructured, Doubtful or NPL according to Bank of Italy risk classes definition 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, internal models were implemented 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. The respective models are subject to regular revision. Moreover, the Bank disposes also of own internal models for determining Probability of Default (“PD”) on both Companies and Private Individuals borrowers. 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 interim condensed consolidated 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 Loss Confirmation Period (“LCP”) parameter has been validated based on local historical databases and also implemented during second quarter of 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 2013, 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 4,637,014,809 (31 December 2012: RON 3,945,757,938).

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

<i>In RON</i>	Consolidated 30 June 2013	Individual 31 December 2012
At 1 of January	3,945,757,938	3,369,112,393
Additions	14,743,784,306	8,921,285,299
Transfers from the held for trading portfolios	-	181,584,518
Disposals (redemption)	(14,023,857,248)	(8,584,388,067)
Positive changes in fair value	7,052,625	60,100,299
Negative changes in fair value	(35,722,812)	(1,936,504)
At the end of the reporting period	4,637,014,809	3,945,757,938

As at 30 June 2013, the investment securities available for sale are pledged in amount of RON 41,322,595 (31 December 2012: RON 40,835,208) and the securities pledged for the repurchase transaction with the National Bank of Romania were RON 0 as at 30 June 2013 (31 December 2012: RON 499,747,465).



Notes to the interim condensed consolidated financial statements

15. Deposits from banks

<i>In RON</i>	Consolidated 30 June 2013	Individual 31 December 2012
Term deposits	2,582,773,416	1,706,163,717
Sight deposits	296,566,612	827,527,645
Amounts in transit	245,334,408	77,514,391
Total	3,124,674,436	2,611,205,753

16. Loans from banks and other financial institutions

Loans from banks comprises the following:

i) for the loans borrowed by the Bank:

a) *UniCredit Bank Austria AG* : loans facilities in amount of EUR 676,019,136 and RON 458,132,561 in total amount of RON equivalent 3,472,366,686 as at 30 June 2013 (31 December 2012: loans facilities in amount of EUR 673,616,959 and RON 1,193,413,467 in total amount of RON equivalent 4,176,660,893).

b) *Kreditanstalt fur Wiederaufbau Germany*: loan facilities in amount of EUR 4,292,080 in total amount of RON equivalent 19,137,528 maturing on 16 June 2014 (31 December 2012: RON equivalent 28,424,303).

c) *B.E.R.D.*: loan facilities in amount of EUR 4,010,738 in total amount of RON equivalent 17,883,079, maturing on 19 May 2017 (31 December 2012: RON equivalent 19,985,257).

d) *BANQUE EUROPENE D'INVESTISSEMENT-BEI*: loans facilities in amount of EUR 81,438,476 in total amount of RON equivalent 363,117,876, (31 December 2012: EUR 1,930,173 RON equivalent 8,548,155).

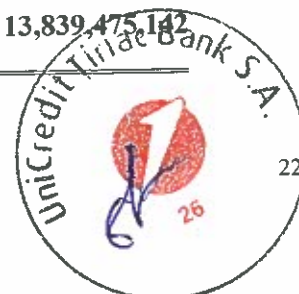
ii) for the loans borrowed by UniCredit Consumer Financing:

a) *UniCredit S.p.A*: credit line in amount of RON 446,758,588 (31 December 2012: RON 443,704,851).

b) *UniCredit Bank Austria AG*: loan facilities in amount of RON 561,518,300 (31 December 2012: RON 527,596,422).

17. Deposits from customers

<i>In RON</i>	Consolidated 30 June 2013	Individual 31 December 2012
Payable on demand	6,776,093,049	6,249,800,446
Term deposits	5,157,452,202	6,924,149,066
Collateral deposits	650,689,086	632,648,154
Amounts in transit	43,084,810	29,091,830
Certificates of deposits	54,663	3,785,646
Total	12,627,373,810	13,839,475,142



Notes to the interim condensed consolidated financial statements

18. Debt securities issued

<i>In RON</i>	Consolidated 30 June 2013	Individual 31 December 2012
Debt securities issued	549,420,509	-

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

19. Provisions

<i>In RON</i>	Consolidated 30 June 2013	Individual 31 December 2012
Provision for financial guarantees (refer to note 20)	187,790,597	275,909,822
Provision for off-balance commitments and contingencies	9,811,732	10,749,591
Provision for legal disputes	5,516,875	3,050,737
Other provisions	1,638,992	1,755,167
Total	204,758,196	291,465,317

As of 30 June 2013, the Bank had provisions for off-balance sheet commitments and contingencies in amount of RON 9,811,732 both for irrevocable un-drawn lines and for financial guarantees items (31 December 2012: RON 10,767,250).

The movements in provisions could be summarized as follows:

<i>In RON</i>	Consolidated 2013	Individual 2012
Balance at 1 January	291,465,317	244,068,534
Provision charge	11,339,904	79,019,450
Release	(17,396,723)	(21,096,516)
FX effect related to off-balance commitments	2,566,083	7,260,465
Other movements	(83,216,385)	(46,648,951)
Balance at 30 June	204,758,196	262,602,982



Notes to the interim condensed consolidated financial statements

19. Provisions (*continued*)

Net provisions (charges)/releases

<i>In RON</i>	Consolidated 30 June 2013	Individual 30 June 2012
Net provision charge for off-balance sheet loan commitments and contingencies (including risk participation agreement with UniCredit Bank Austria AG)	(8,773,266)	(56,565,656)
Net provision (charge)/release for litigations	(3,164,698)	(1,459,995)
Other provisions release	20,000	102,717
Net provisions charges	(11,917,964)	(57,922,934)

20. Related party transactions

The Group 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>	Parent Company	Consolidated 30 June 2013 Associates	Other related parties
Interest and similar income	755,893	522,521	203,350
Interest income and similar revenues on derivative instruments	-	-	30,840,883
Interest expenses and similar charges	(128,813,280)	(3,230,037)	(5,982,809)
Interest expense and similar charges on derivative instruments	-	-	(7,045,482)
Interest expense and similar charges on hedging derivatives	-	-	(2,977,330)
Commission income	19,553,838	133,586	906,234
Commission expense	(778,781)	-	(28,992)
Management fees	(310,273)	-	(2,650,796)
Other operating income	3,878,050	-	1,671,206
Administration costs: general and administrative expenses - other	(815,095)	-	(18,351,357)
Net income/(expense)	(106,529,648)	(2,573,930)	(3,415,093)



Notes to the interim condensed consolidated financial statements

20. Related party transactions (continued)

<i>In RON</i>	Consolidated 30 June 2013		
	Parent Company	Associates	Other related parties
Financial assets held for trading on derivative contracts	3,774,446	-	12,271,446
Derivatives used for hedging	-	-	4,401,342
Current accounts and deposits to banks	115,413,598	-	358,500,240
Loans to banks	-	-	7,278,211
Loans to customers	-	16,251,521	16,251,521
Other assets	<u>3,878,050</u>	<u>4,055,243</u>	<u>1,681,378</u>
Outstanding receivables	123,066,094	20,306,764	400,384,138
Financial liabilities held for trading on derivative contracts	4,151,733	-	107,129,911
Derivatives used for hedging	-	-	65,309,095
Current accounts	24,639,302	1,796,564	79,248,423
Deposit attracted	2,522,696,155	351,245,688	215,116,830
Loans received	4,033,826,437	-	446,758,588
Subordinated liabilities	435,204,522	-	67,001,436
Debt securities issued	20,610,000	-	-
Other liabilities	<u>274,322</u>	<u>-</u>	<u>14,977,227</u>
Outstanding payables	7,041,402,471	353,042,252	995,541,510

<i>In RON</i>	Individual 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	(128,797,788)	(4,530,852)	(3,887,069)
Interest expense and similar charges on derivative instruments	-	-	(1,438,881)
Interest expense and similar charges on hedging derivatives	-	-	(4,340,084)
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	(25,637,138)



Notes to the interim condensed consolidated financial statements

20. Related party transactions (continued)

<i>In RON</i>	Parent Company	Individual 31 December 2012		Other related parties
		Associates		
Financial assets held for trading on derivative contracts	18,077,399	1,596,234		9,218,093
Current accounts and deposits to banks	183,191,259	-		5,941,303
Loans to banks	-	-		588,678
Loans to customers	-	142,323,365		27,628,500
Other assets	6,156,280	68,961,146		4,259,951
Outstanding receivables	207,424,938	212,880,745		47,636,525
Financial liabilities held for trading on derivative contracts	214,545	-		130,240,063
Derivatives used for hedging	-	-		94,235,076
Current accounts	55,344,819	8,366,246		41,032,910
Deposit attracted	2,252,615,719	597,903,075		310,153,825
Loans received	4,176,660,894	-		33,208
Subordinated liabilities	433,783,445	-		66,552,167
Other liabilities	-	-		9,076,804
Outstanding payables	6,918,619,422	606,269,321		651,324,053

Net gain from derivatives held for risk management concluded with UniCredit Group entities amounts to RON equivalent 59,130,651 for the period ended 30 June 2013 (net loss from derivatives for the period ended 30 June 2012 amounted to RON equivalent 100,596,494).

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>	Consolidated 30 June 2013	Individual 30 June 2012
Loans granted	<u>975,344</u>	<u>1,217,969</u>
	975,344	1,217,969
Current accounts and deposits	<u>6,391,366</u>	<u>5,632,072</u>
	6,391,366	5,632,072

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



Notes to the interim condensed consolidated financial statements

20. Related party transactions (*continued*)

<i>In RON</i>	Consolidated	Individual
Key management compensation	30 June 2013	30 June 2012
Gross salaries	<u>7,990,064</u>	<u>5,036,200</u>
Total	<u>7,990,064</u>	<u>5,036,200</u>

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)

21. Commitments and contingencies

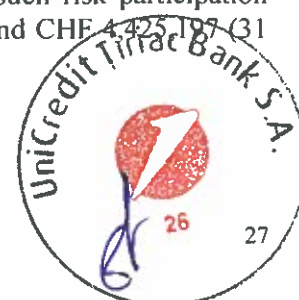
At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one 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 2013	31 December 2012
Financial guarantees given	2,421,540,545	2,502,358,646
Commercial guarantees given	2,526,926,881	2,766,009,159
Irrevocable commitments	<u>1,103,071,513</u>	<u>1,059,772,014</u>
Total	<u>6,051,538,939</u>	<u>6,328,139,819</u>

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 2013 is EUR 542,507,077, USD 50,000,000 and CHF 4,425,197 (31 December 2012: EUR 558,342,907, USD 50,000,000 and CHF 4,425,197).



Notes to the interim condensed consolidated financial statements

21. Commitments and contingencies (*continued*)

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 37,631,522 (31 December 2012: EUR 32,972,257).

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 2013 the Bank was involved in several litigations for which the possible total claims estimated by the Bank's lawyers amounted to RON 7,638,164 (31 December 2012: RON 4,226,428). The Bank, based upon legal advice, has assessed that a provision amounting to RON 5,516,875 as at 30 June 2013 (31 December 2012: RON 3,050,737) is necessary to be booked for these claims.

Notes to the interim condensed consolidated financial statements

22. Financial instruments - Fair value hierarchy as of 30 June 2013

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Assets measured at amortized cost					
Cash and cash balances ¹	-	-	3,261,283,029	3,261,283,029	3,261,327,770
Loans and advances to banks ¹	-	-	109,243,842	109,243,842	109,244,112
Loans and advances to customers ¹	-	-	16,642,003,745	16,642,003,745	16,498,302,403
Investments in associates ²	-	-	4,055,229	4,055,229	4,055,229
Property plant and equipment ³	-	-	<u>242,249,875</u>	<u>242,249,875</u>	<u>242,249,875</u>
Total assets measured at amortized cost	-	-	20,258,835,720	20,258,835,720	20,115,179,389
Trading assets					
Derivative assets at fair value through profit and loss ⁴	-	101,487,782	3,903,201	105,390,983	105,390,983
Derivatives financial instruments designated as hedging instruments ⁴	-	-	4,401,342	4,401,342	4,401,342
Total trading assets	-	<u>101,487,782</u>	8,304,543	109,792,325	109,792,325
Available for sale assets					
Investment securities, available-for-sale ⁵	532,420,156	4,104,594,653	-	4,637,014,809	4,637,014,809
Equity investments, available for sale	-	-	13,753,089	13,753,089	2,691,727
Total available for sale assets	<u>532,420,156</u>	<u>4,104,594,653</u>	<u>13,753,089</u>	4,650,767,898	4,639,706,536

¹ Fair value of loans is determined on discounted cash flows using market interest rates and credit spreads.

² Fair value is approximated by the percentage held of net assets as of the latest financial statements available; if not available, cost is used instead while the equity method is considered to be a reasonable approximation for associates.

³ The revaluation was done accordingly with International Standards of Evaluation. The following methods were applied: income approach, cost approach and market approach

⁴ Fair value for derivatives products are based on market parameters and groups' internal models.

⁵ Fair value of bonds is determined on OTC market prices.

Notes to the interim condensed consolidated financial statements

22 Financial instruments - Fair value hierarchy as of 30 June 2013

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Liability measured at amortized cost					
Deposits from banks ⁶	-	-	3,048,902,294	3,048,902,294	3,124,674,436
Loans from banks and other financial institutions ⁶	-	-	4,760,269,548	4,760,269,548	4,880,782,056
Deposits from customers ⁶	-	-	12,695,783,770	12,695,783,770	12,627,373,810
Subordinated liabilities ⁶	-	-	490,027,658	490,027,658	502,205,958
Debt securities issued	-	-	<u>549,420,509</u>	<u>549,420,509</u>	<u>549,420,509</u>
Total liabilities measured at amortized cost	-	-	<u>21,544,403,779</u>	<u>21,544,403,779</u>	<u>21,684,456,769</u>
Trading liabilities					
Derivative liabilities at fair value through profit and loss ⁴	-	121,418,854	3,127,089	124,545,943	124,545,943
Derivatives financial instruments designated as hedging instruments ⁴	-	62,820,286	3,596,580	66,416,866	66,416,866
Total trading liabilities	-	<u>184,239,140</u>	<u>6,723,669</u>	<u>190,962,809</u>	<u>190,962,809</u>



⁶ Fair value of deposits is determined on discounted cash flows using market interest rates and credit spreads.

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