



UniCredit Tiriac Bank S.A.

Financial Statements

31 December 2012

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



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

P.O. Box 18-191
Bucharest 013685
Romania

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

Independent Auditors' Report

To the shareholders of
Unicredit Tiriac Bank S.A.

Report on the Financial Statements

- 1 We have audited the accompanying financial statements of Unicredit Tiriac Bank S.A. ("the Bank"), which comprise the statement of financial position as at 31 December 2012, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, initialised by us for identification purposes.

Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

- 6 In our opinion, the financial statements of Unicredit Tiriac Bank S.A. present fairly, in all material respects, the financial position of the Bank as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other Matters

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

For and on behalf of KPMG Audit S.R.L.:

C. Furtună



KPMG Audit SRL

Furtuna Cezar-Gabriel

registered with the Chamber of Financial
Auditors of Romania under no
1526/20.11.2003

KPMG AUDIT S.R.L.

registered with the Chamber of Financial
Auditors of Romania under no 9/2001

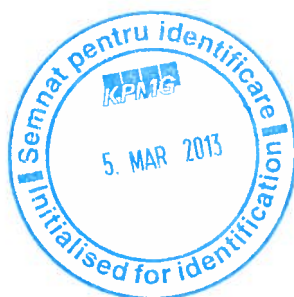
Bucharest, 5 March 2013

Content**Independent auditors' report****Statement of comprehensive income****Page 1 – 2****Statement of financial position****Page 3****Statement of changes in equity****Page 4 – 5****Statement of cash flows****Page 6 – 7****Notes to the Financial Statements for the year ended 31
December 2012****Page 8 – 101**

Statement of comprehensive income
for the year ended 31 December 2012

	Note	2012 RON	2011 RON
Interest income		1,243,093,197	1,231,607,330
Interest expense		(639,412,901)	(548,056,097)
Interest related effect of swap transactions related to refinancing lines with Group companies*		85,688,280	100,913,551
Net interest income	7	689,368,576	784,464,784
Fee and commission income		307,736,336	276,601,504
Fee and commission expense		(57,970,291)	(51,572,933)
Net fee and commission income	8	249,766,045	225,028,571
Dividends income	9	636,281	868,364
Net income from trading and other financial instruments at fair value through profit and loss	10	263,808,748	199,437,316
Net gains on financial assets available for sale		29,229,565	9,420,316
Other operating income	11	15,823,521	3,484,939
Operating income		1,248,632,736	1,222,704,290
Personnel expenses	12	(292,849,835)	(284,829,851)
Depreciation and amortisation	13	(69,980,548)	(65,590,958)
Other administrative costs	14	(265,977,446)	(257,338,834)
Other operating costs		(5,129,719)	(4,160,040)
Operating expenses		(633,937,548)	(611,919,683)
Net operating income		614,695,188	610,784,607
Net impairment losses on financial assets	15	(317,055,543)	(348,952,291)
Net provision charge	16	(92,762,454)	(78,939,235)
Share of profit of associate		4,252,902	4,185,251
Profit before taxation		209,130,093	187,078,332

* See note 7.



The accompanying notes from pages 8 to 101 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2012 (continued)

	Note	2012 RON	2011 RON
Income tax expense	17	(31,748,330)	(27,648,395)
Net profit for the year		177,381,763	159,429,937
Other comprehensive income, net of income tax			
Net change in revaluation reserve for available-for-sale financial assets (net of deferred tax)		53,940,707	(25,022,030)
Revaluation of property, plant and equipment (net of deferred tax)		81,537	16,123,210
Net change in cash flow hedging reserve (net of deferred tax)		(28,176,242)	(38,569,855)
Share of other comprehensive income of associates		-	129,761
Other comprehensive income for the year, net of income tax		25,846,002	(47,338,914)
Total comprehensive income for the year		203,227,765	112,091,023

The financial statements were approved by the Management Board on 5 March 2013 and were signed on its behalf by:

Mr. Rasvan Radu
 Chief Executive Officer



Mr. Stanislav Georgiev
 Chief Financial Officer



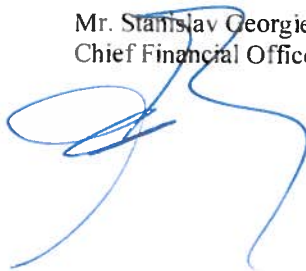
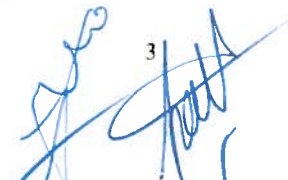

Statement of financial position at 31 December 2012

	Note	31 December 2012 RON	31 December 2011 RON
Assets			
Cash and cash equivalents	18	4,429,652,624	4,282,597,515
Derivative assets at fair value through profit or loss	19	156,042,671	123,958,371
Loans and advances to banks	20	51,423,603	24,545,443
Loans and advances to customers	21	15,904,310,098	14,499,380,530
Investments in associates	22	58,000,779	42,278,937
Investment securities, available-for-sale	23	3,945,757,938	3,369,112,393
Equity investments, available for sale	24	2,233,832	3,523,012
Investments securities, held to maturity	25	-	9,109,414
Property and equipment	26	261,954,327	268,703,598
Intangible assets	27	120,940,183	110,464,175
Other assets	29	123,107,796	77,842,351
Total assets		25,053,423,851	22,811,515,740
Liabilities			
Derivative liabilities at fair value through profit or loss	19	140,609,534	111,886,347
Derivatives financial instruments designated as hedging instruments	30	94,235,076	58,812,857
Deposits from banks	31	2,611,205,753	3,661,066,808
Loans from banks and other financial institutions	32	4,703,547,992	4,123,606,300
Deposits from customers	33	13,839,475,142	11,542,323,596
Subordinated liabilities	34	500,335,612	403,091,492
Provisions	35	291,465,317	244,068,534
Current tax liabilities		19,234,372	9,872,694
Deferred tax liabilities	28	36,656,957	43,076,985
Other liabilities	36	121,568,598	121,848,394
Total liabilities		22,358,334,353	20,319,654,007
Equity			
Share capital	37	1,101,604,066	1,101,604,066
Retained earnings		1,401,942,668	1,224,560,036
Reserve on available for sale financial assets		28,381,699	(25,559,008)
Cash flow hedging reserve		(66,746,097)	(38,569,855)
Other reserves	38	229,907,162	229,826,494
Total equity		2,695,089,498	2,491,861,733
Total liabilities and equity		25,053,423,851	22,811,515,740

The financial statements were approved by the Management Board on 5 March 2013 and were signed on its behalf by:

Mr. Rasvan Radu
Chief Executive Officer

Mr. Stamslav Georgiev
Chief Financial Officer

Statement of changes in equity
at 31 December 2012
in RON

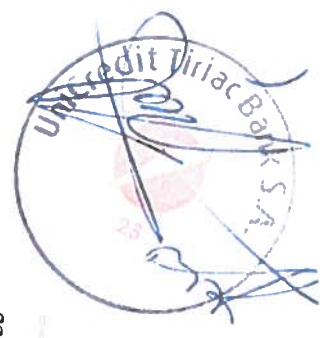
	Share capital	Reserve on available for sale financial assets	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Retained earnings	Total
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,703,284	1,224,560,036	2,491,861,733
Total comprehensive income for the year							
Net profit for the year							
Other comprehensive income, net of income tax							
Net change in available-for-sale financial assets, net of tax		53,940,707				177,381,763	177,381,763
Net change in cash flow hedging reserve, net of tax			(28,176,242)				53,940,707
Revaluation of property, plant and equipment, net of tax				80,668			(28,176,242)
Share of other comprehensive income of associates						869	81,537
Total other comprehensive income for the year		53,940,707	(28,176,242)	80,668		869	
Total comprehensive income for the year		53,940,707	(28,176,242)	80,668		869	25,846,002
Balance at 31 December 2012	1,101,604,066	28,381,699	(66,746,097)	16,203,878	213,703,284	1,401,942,668	2,695,089,498




The accompanying notes from pages 8 to 101 form an integral part of these financial statements.

Statement of changes in equity
*at 31 December 2011
in RON*

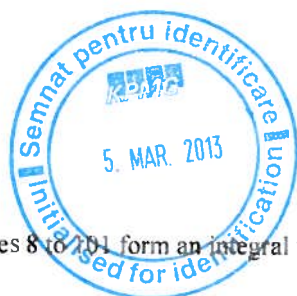
	Share capital	Reserve on available for sale financial assets	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Retained earnings	Total
Balance at 31 December 2010	1,101,604,066	(536,978)	-	-	213,573,523	1,065,130,099	2,379,770,710
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	159,429,937	159,429,937
Other comprehensive income, net of income tax	-	(25,022,030)	-	-	-	-	(25,022,030)
Net change in available-for-sale financial assets, net of tax	-	-	-	-	-	-	-
Net change in cash flow hedging reserve, net of tax	-	-	(38,569,855)	-	-	-	(38,569,855)
Revaluation of property, plant and equipment, net of tax	-	-	-	16,123,210	-	-	16,123,210
Share of other comprehensive income of associates	-	-	-	-	-	-	-
Total other comprehensive income					129,761	-	129,761
Total comprehensive income for the year							
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,703,284	1,224,560,036	2,491,861,733



The accompanying notes from pages 8 to 101 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2012

<i>In RON</i>	Note	2012	2011
Operating activities			
Profit before taxation	17	209,130,093	187,078,332
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible and intangible assets	13	69,980,548	67,113,612
Net charge of provision for impairment on financial assets	15	315,609,863	358,934,268
Share of gain from associates	22	(4,252,902)	(4,185,251)
Change in fair value of derivatives at fair value through profit or loss		(3,361,113)	(1,277,999)
Other items for which the cash effects are investing or financing		1,971,315	(61,152)
Other non-cash items		97,092,267	82,124,315
Operating profit before changes in operating assets		686,170,071	689,726,125
Change in operating assets:			
(Increase)/Decrease in investment securities available-for-sale		(497,963,257)	465,091,957
(Increase)/decrease in loans and advances to banks		(26,878,160)	10,292,030
(Increase)/decrease in loans and advances to customers		(1,742,144,051)	(2,171,524,143)
(Increase)/decrease in other assets		(12,487,442)	(16,196,922)
Change in operating liabilities:			
(Decrease)/Increase in deposits from banks		(1,048,134,253)	431,245,522
Increase in deposits from customers		2,270,061,146	546,882,199
Decrease in other liabilities		(7,116,861)	(10,388,082)
Income tax paid		(24,304,284)	-
Cash flows used in operating activities		(402,797,091)	(54,871,314)
Investing activities			
Proceeds from sale of property and equipment		251,106	4,284,226
Acquisition of property and equipment and intangible assets		(73,707,285)	(77,270,232)
Acquisition of equity investments		(12,787,356)	(13,447,979)
Redemption of held to maturity securities		8,630,585	1,095,443
Dividends received	9	636,281	868,364
Cash flows used in investing activities		(76,976,669)	(84,470,178)

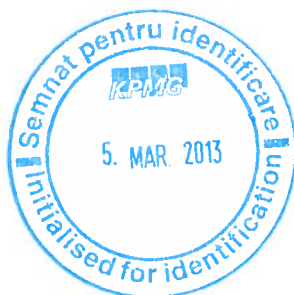


The accompanying notes from pages 8 to 101 form an integral part of these financial statements.

Statement of cash flows (continued)

for the year ended 31 December 2012

	Note	2012	2011
Financing activities			
Payment of finance lease liability		(45,444)	(44,037)
Repayments of loans from financial institutions		(1,350,946,345)	(109,912,133)
Drawdowns from loans from financial institutions		1,877,870,059	863,940,000
Drawdowns from subordinated liabilities		224,094,250	-
Repayment of subordinated liabilities		(124,143,651)	-
Cash flows from financing activities		626,828,869	753,983,830
Net increase in cash and cash equivalents		147,055,109	614,642,338
Cash and cash equivalents at 1 January	18	4,282,597,515	3,667,955,177
Cash and cash equivalents at 31 December	18	4,429,652,624	4,282,597,515
Cash flow form operating activities include:			
Interest received		1,173,048,973	1,075,571,252
Interest paid		619,698,799	518,967,916



Notes to the financial statements for the year ended 31 December 2012

1. Reporting entity

UniCredit Tiriatic 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 Tiriatic S.A. (the absorbing bank) and is licensed by the National Bank of Romania to conduct banking activities.

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

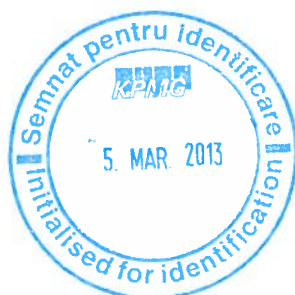
At December 2012, the Bank is member of the UniCredit Group, being directly controlled by UniCredit Bank Austria AG, with registered office in Vienna, Austria, Schottengasse 6 – 8, and having as ultimate parent UniCredit S.p.A., with registered office in Rome, Italy, Via Alessandro Specchi, 16.

The management of the Bank is governed by a two-tier system, by the Management Board and respectively by the Supervisory Board, in accordance with the prerogatives provided by the Constitutive Deed of the Bank and within the authority levels given by the General Assembly of Shareholders. The members of the Management Board exercise their responsibilities under the oversight of the Supervisory Board.

The Bank provides retail and commercial banking services in Romanian Lei (“RON”) and foreign currency for individuals and legal entities. 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, derivative financial instruments.

The associate company, UniCredit Leasing Corporation IFN S.A., provides financial lease services to corporate clients and individuals, while UniCredit Consumer Financing IFN S.A., also associate, provides consumer finance loans to individuals.

The Bank operates through the Head Office located in Bucharest and through its network of 208 branches and agencies (31 December 2011: 245) located in Bucharest and in the country.



Notes to the financial statements for the year ended 31 December 2012

2. Basis of preparation

a) Statement of compliance

At 31 December 2012 and 31 December 2011 the financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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



Notes to financial statements for the year ended 31 December 2012

2. Basis of preparation (continued)

e) Changes in presentation

In 2012 the Bank reclassified certain items included in the Statement of Financial Position so as to reflect more accurately the balance of the Cash and cash equivalents and of Deferred tax assets and liabilities as at the end of each reporting period. Comparatives were restated. The impact of the reclassification on the Statement of financial position for 31 December 2011, as well as the impact for the beginning of the earliest comparative period for which the restatement was performed are presented below:

- Cash and cash equivalents increased from RON 2.956.144,324 to RON 4.282.597,515 (31 December 2010: increased from RON 2.968.321,117 to RON 3.696.902,493);
- Loans and advances to banks decreased from RON 1.350.998,634 to RON 24.545,443 (31 December 2010: decreased from RON 734.471,531 to RON 5.890,155);
- Deferred tax assets decreased from RON 50.981,681 to nil (31 December 2010: decreased from RON 29.660,743 to nil);
- Deferred tax liabilities decreased from RON 94.058,666 to RON 43.076,985 (31 December 2010: decreased from RON 86.285,836 to RON 56.625,093);

Reclassification on "Cash and cash equivalents" and "Loans and advances to banks" was performed so as to reflect short term money market placements (with original maturity less than 90 days) under Cash and cash equivalents, if they met the definition of the latter.

Starting with financial statements for the year ended 31 December 2012 the Bank decided to disclose the deferred tax assets and liabilities on a net basis in the statement of financial position in accordance with IAS 12.74 (a) and (b) (i), respectively the Bank has a legally enforceable right to set off current tax against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies

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

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

As at 31 December 2012, and respectively as at 31 December 2011, the Bank had no subsidiary as it had no power to govern the financial and operating policies of its equity investments.

Associates

Associates are those entities in which the Bank has significant influence, but no control, over the financial and operating policies.

In this set of financial statement associates are accounted for using the equity method (equity accounted investees). The financial statements include the Bank's share of the income and expenses and other comprehensive income of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

The Bank holds a 20% investment in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to local and external customers, respectively a 46.06% investment in UniCredit Consumer Financing IFN S.A., a company providing consumer financing loans for individuals. The Bank has accounted for the associates in accordance with IAS 28, Investments in associates.

b) Foreign currency

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

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



Notes to the financial statements for the year ended 31 December 2012
3. Significant accounting policies (continued)
b) Foreign currency (continued)

The exchange rates of major foreign currencies were:

Currencies	31 December 2012	31 December 2011	%
Euro (EUR)	1: RON 4.4287	1: RON 4.3197	2.52
US Dollar (USD)	1: RON 3.3575	1: RON 3.3393	0.54

c) Accounting for the effect of hyperinflation

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

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

d) Interest

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

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

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

d) Interest (*continued*)

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest related effect of Swap transactions regarding refinancing lines with Group Companies - 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;
- interest on financial assets and financial liabilities measured at fair value, calculated on an effective interest basis (derivative financial instruments, securities held for trading);
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income/expense.

e) Fees and commission

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

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

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

f) Dividends

Dividend income is recognised in the income statement on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues. Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders. The only profit available for distribution is the profit for the year recorded in the separate financial statements prepared by the Bank where the investments in associates are accounted for at cost in accordance with IAS 27 Consolidated and Separate Financial Statements (as amended in 2008).

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

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



Notes to the financial statements for the year ended 31 December 2012**3. Significant accounting policies (continued)****h) Lease payments**

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

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

i) Income tax expense

Income tax expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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

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

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

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

The tax rate used to calculate the current and deferred tax position at 31 December 2012 is 16% (2011: 16%).



Notes to the financial statements for the year ended 31 December 2012**3. Significant accounting policies (continued)****j) Financial assets and liabilities****(i) Recognition and initial measurement**

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

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

(ii) Classification*Financial assets*

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

- loans and receivables;
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss

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

Financial liabilities

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

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

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

(iii) Derecognition

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies *(continued)*

j) Financial assets and liabilities *(continued)*

(iii) Derecognition (continued)

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

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

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

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

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

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

As the Bank has transferred the right to receive cash flows from the loans financed by UniCredit Bank Austria AG, has neither retained nor transferred all risks and rewards of ownership, nor has retained control, such loans are not recognized in the Bank's balance sheet (refer also to note 40).

(iv) Offsetting

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

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



Notes to the financial statements for the year ended 31 December 2012**3. Significant accounting policies (continued)****j) Financial assets and liabilities (continued)****(v) Amortised cost measurement**

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

(vi) Fair value measurement

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

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

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

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

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

j) Financial assets and liabilities (*continued*)

(vii) Identification and measurement of impairment

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

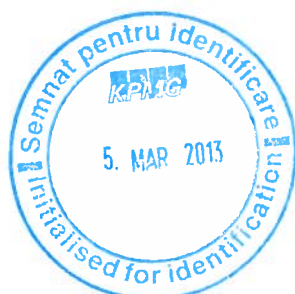
It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. If there is objective evidence that an impairment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

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

Loans and advances to customers

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

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies *(continued)*

j) Financial assets and liabilities *(continued)*

(vii) Identification and measurement of impairment (continued)

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

Individual assessment

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

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

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

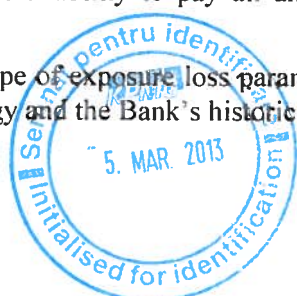
Collective assessment

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

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

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

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



Notes to the financial statements for the year ended 31 December 2012**3. Significant accounting policies (continued)****j) Financial assets and liabilities (continued)****(vii) Identification and measurement of impairment (continued)****Collective assessment (continued)**

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

Available for sale financial assets

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

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

Financial assets carried at cost

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

k) Cash and cash equivalents

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

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

l) Trading assets and liabilities

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

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

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

The Bank does not have any trading instruments at 31 December 2012 and 31 December 2011 except for derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back-to-back transactions within UniCredit Group.

m) Derivative instruments held for risk management purposes and hedge accounting

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

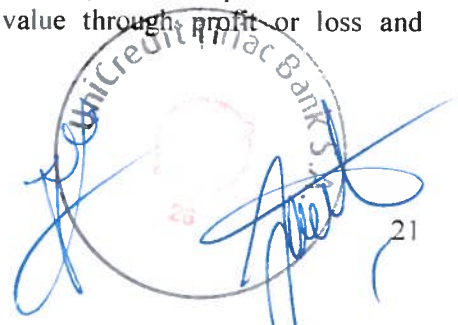
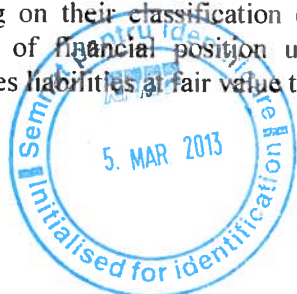
Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Other non-trading derivatives

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

(ii) Embedded derivatives

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

m) Derivative instruments held for risk management purposes and hedge accounting (*continued*)

(iii) Cash flow hedges

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

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The Bank recognizes directly in profit or loss the gains and losses on the hedging instruments as the hedged cash flows affect profit or loss, in the same line of the income statement. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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

The Bank started to apply cash flow hedge accounting starting with 2011. The Bank designated certain interest rate swap and cross currency swap contracts as hedging instruments and certain loans and deposits from customers of the Bank as hedged items.

For hedge accounting purposes, only instruments that involve an external party to the Bank (or intra-group transactions directly replicated with third parties outside the Group) are designated as hedging instruments. Intra-group instruments for which the Bank did not receive confirmation that they are replicated with third parties do not qualify for hedge accounting. The foreign exchange gains or losses from these financial instruments are directly recognized in Profit and Loss.

n) Loans and advances to customers

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



Notes to the financial statements for the year ended 31 December 2012**3. Significant accounting policies (continued)****o) Investment securities**

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

(i) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost using the effective interest method. If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity, the entire category would be reclassified as available for sale and for a two year period the Bank would not use the held to maturity classification. Held-to-maturity investments comprise debt securities.

(ii) Available-for-sale

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

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

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

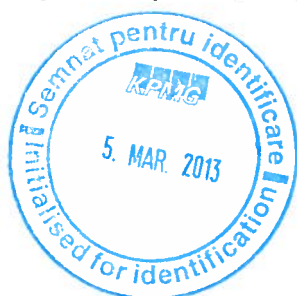
Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent measurement

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

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

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under Other reserves. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.



Notes to the financial statements for the year ended 31 December 2012**3. Significant accounting policies (continued)****p) Property and equipment (continued)***(ii) Subsequent measurement (continued)*

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

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

(iii) Subsequent costs

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

(iv) Depreciation

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

The estimated rates of depreciation are as follows:

Buildings

- property 2% - 3.66 % per year
- improvements (rentals) 6.67% - 100 % per year

Office equipment and furniture 3.33% - 50% per year

Motor vehicles 11.76 - 25% per year

Computer equipment 7.84% - 50% per year

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

(v) Leased assets - lessee

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



Notes to the financial statements for the year ended 31 December 2012**3. Significant accounting policies (continued)****q) Intangible assets***(i) Recognition*

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is 1 to 3 years.

r) Impairment of non – financial assets

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

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

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

s) Deposits, borrowings from banks and subordinated liabilities

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

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

Deposits and borrowings such as loans from banks and other financial institutions are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings and other liabilities evidenced by paper are subsequently stated at amortized cost.

t) Provisions

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

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

u) Financial guarantees

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

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

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



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

u) Financial guarantees (*continued*)

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

v) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

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

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

(iii) Defined benefit plans

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

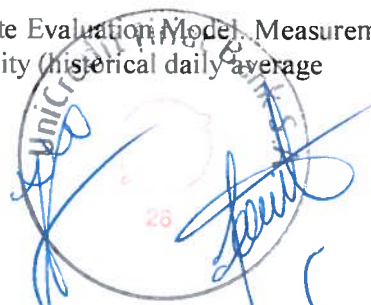
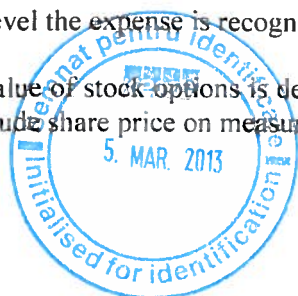
On the basis of internal practice and policies, the Bank has an obligation to pay to retiring employees a benefit equivalent of two salaries as at retirement date. The Bank's net obligation in respect of the retirement benefit is calculated by estimating the amount of future benefit that employees have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

(iv) Share - based payment transactions

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

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

The fair value of stock options is determined using the Hull and White Evaluation Model. Measurement inputs include share price on measurement date, exercise price, volatility (historical daily average



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies *(continued)*

v) Employee benefits *(continued)*

(iv) Share - based payment transactions (continued)

volatility for a period equal to the duration of the vesting period), exit rate (annual percentage of Stock Options forfeited due to termination), dividend yield (last four years average dividend-yield, according to the duration of the vesting period).

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

(v) Termination benefits

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

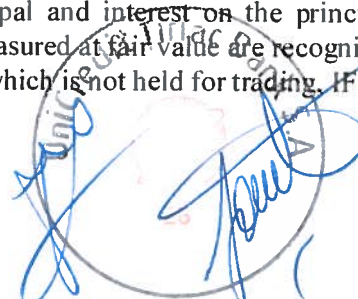
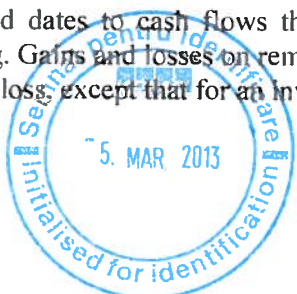
w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these financial statements:

1. IFRS 9 Financial Instruments (effective for annual period beginning on or after 1 January 2015)

This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets and liabilities, and derecognition of financial assets and liabilities. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading. IFRS



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

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

9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (“OCI”). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9, “Reassessment of Embedded Derivatives”. It is expected that the new standard, when initially applied, will have a significant impact on the financial statements, since it will be required to be retrospectively applied. This standard has not been endorsed by the European Union.

The Bank is currently in the process of evaluating the potential effect of IFRS 9 Financial Instruments on the financial statements, including the latest amendments. The Bank has not decided on the date it will initially apply the new standard.

2. IFRS 12 Disclosure of Interests in Other Entities – (*effective for annual period beginning on or after 1 January 2014; earlier application is permitted*)

IFRS 12 sets out the disclosure requirements for subsidiaries, joint ventures, associates and “structured entities.” IFRS 12 replaces the requirements previously included in IAS 27, IAS 31, and IAS 28 Investments in Associates. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities.

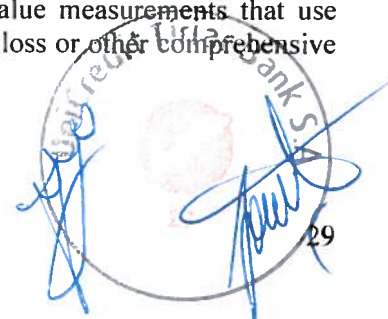
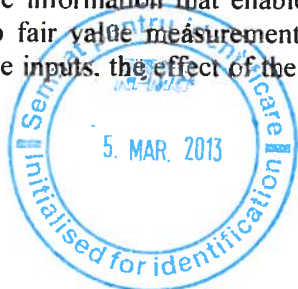
The requirement in IFRS 12 is more expansive than the requirement in IAS 27, which only required entities to disclose circumstances where: (1) a subsidiary was consolidated and the parent owned less than a majority of voting rights; and (2) an investee was not consolidated, and the investor owned more than a majority of voting rights. This change in the disclosure requirements reflects the degree of judgement that is now required to determine whether an entity is controlled, and, therefore, consolidated. IFRS 12 expands the disclosure requirements for subsidiaries with non-controlling interests (NCI), joint arrangements and associates that are individually material.

The Bank is currently in the process of evaluating the potential effect of IFRS 12 *Disclosure of Interests in Other Entities* on the financial statements in respect of its associated entities.

3. IFRS 13 Fair Value Measurement (*effective prospectively for annual period beginning on or after 1 January 2013*)

IFRS 13 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, describes how to measure fair value under IFRS when it is required or permitted by IFRS. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.



Notes to the financial statements for the year ended 31 December 2012

3. Significant accounting policies (*continued*)

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

The Bank does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

4. Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (*Effective for annual periods beginning on or after 1 July 2012*)

The standard requires that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application. The Bank is currently in the process of evaluating the potential effects of the amendments to IAS 1 on the financial statements.

5. IAS 19 (2011) Employee Benefits (*Effective for annual periods beginning on or after 1 January 2013*)

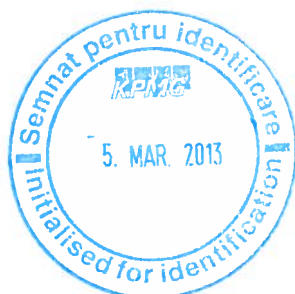
The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The Bank is currently in the process of evaluating the potential effects of the amendments to IAS 19 on the financial statements.

6. IAS 28 (2011) Investments in Associates and Joint Ventures (*Amendments effective for annual periods beginning on or after 1 January 2013*)

- *Associates and joint ventures held for sale.* IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

- *Changes in interests held in associates and joint ventures.* Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Bank is currently in the process of evaluating the potential effect of IAS 28 on the financial statements.



3. Significant accounting policies (*continued*)

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

7. IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (*Effective for annual periods beginning on or after 1 January 2014*)

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The new Standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

The Bank is currently in the process of evaluating the potential effect of IFRS 10 on the financial statements.

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements.

The Bank is currently in the process of evaluating the potential effect of IAS 27 (2011) on the financial statements.

8. Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets (*Effective for annual periods beginning on or after 1 January 2013*)

The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.

The amendments are not relevant to the Bank's financial statements, since the Bank does not have any investment properties measured using the fair value model in IAS 40.



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management

a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks

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

b) Risk management framework

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

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

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

c) Credit risk

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



Notes to the financial statements for the year ended 31 December 2012**4. Financial risk management (continued)****c) Credit risk (continued)****(i) Management of credit risk**

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

The functions of the Risk Management Committee:

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

The functions of the Credit Committee:

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



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

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

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



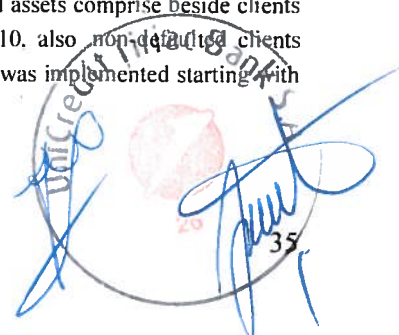
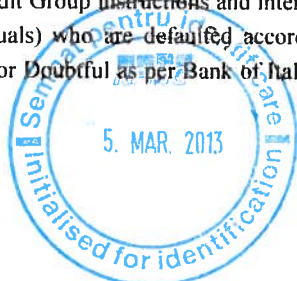
Notes to the financial statements for the year ended 31 December 2012
4. Financial risk management (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk

In RON	31 December 2012	31 December 2011
Individually impaired/Non performing loans		
Grade 8-: Impaired	25,743,209	-
Grade 9: Impaired	2,332,794,172	1,033,911,179
Grade 10: Impaired	610,948,044	476,351,026
Gross amount	2,969,485,425	1,510,262,205
Allowance for impairment	(932,362,250)	(557,342,253)
Carrying amount	2,037,123,175	952,919,952
Fair value of collateral	1,349,496,017	773,792,801
Property	1,257,252,093	682,289,483
Goods	54,151,818	62,416,791
Assignment of receivables	31,573,965	11,018,969
Other*	6,518,141	18,067,558
Past due but not individually impaired		
Grade 8-	386,629,995	561,834,538
Grade 9	4,945,976	596,545
Grade 10	184,474,038	138,909,791
Other impaired*	28,683,284	206,441,211
Gross amount	604,733,293	907,782,085
Allowance for impairment	(291,814,589)	(529,974,417)
Carrying amount	312,918,704	377,807,668
Neither past due nor individually impaired		
Grade 1 – 8	10,121,390,829	9,610,071,083
Private individuals less than 90 overdue days	3,524,392,926	3,741,440,749
Private individuals more than 90 overdue days	37,367,590	35,434,239
Gross amount	13,683,151,345	13,386,946,071
Allowance for impairment	(128,883,126)	(218,293,161)
Carrying amount	13,554,268,219	13,168,652,910
Total carrying amount	15,904,310,098	14,499,380,530

* Loans classified as Past Due, Restructured, Doubtful or non-performing loans with rating different from 8-, 9, 10*Other collateral includes cash and financial risk insurance.

** Under Basel II established default threshold. According to Basel II an exposure past due shall be above a defined materiality threshold. A client has 90 overdue days if the overdue amounts exceed the threshold continuously for more than 90 days.

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 was implemented starting with the first quarter of 2011.



4. Financial risk management (continued)

c) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Cash and cash equivalents, loans and advances to banks and investment securities were neither impaired nor past due.

Restructured loans are as follows:

Neither past due nor individually impaired	31 December 2012	31 December 2011
Grade 1 – 8	591,496,256	1,125,779,708
Private individuals less than 90 overdue days	278,467,013	355,548,852

Restructured loans are those that have been renegotiated due to deterioration in the borrower's financial position. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring for at least 6 months.

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

Impaired loans and securities

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

Individually impaired exposures (non-performing loans) comprises significant private individuals which have at least one default event, as defined in the Bank's internal procedures, and corporate clients with grade 9 or 10, as defined in the internal rating of the Bank; these two categories are individually assessed by the Bank.

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

Past due but not individually impaired loans

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

Past due and not individually impaired loans includes all private individuals exposures which are more than 90 days overdue and corporate & business clients exposures with grade 8-, 9 and 10 which are collectively assessed. Grade 9 and 10 are individually assessed only for significant exposures (more than EUR 250,000) for the retail portfolio, while on corporate portfolio all significant exposures are individually assessed (more than EUR 1 million).



Notes to the financial statements for the year ended 31 December 2012
4. Financial risk management (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk (continued)
Neither past due nor individually impaired

It includes all exposures not classified in the above categories. The loans in this category can be performing or watch.

Allowances for impairment

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

Write-off policy

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

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

31 December 2012	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8-: Impaired	25,743,209	23,588,040
Grade 9: Impaired	2,332,794,172	1,755,471,365
Grade 10: Impaired	610,948,044	258,063,770
	<hr/>	<hr/>
Total	2,969,485,425	2,037,123,175
	<hr/> <hr/>	<hr/> <hr/>
31 December 2011	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8-: Impaired	-	-
Grade 9: Impaired	1,033,911,179	730,261,766
Grade 10: Impaired	476,351,026	222,658,186
	<hr/>	<hr/>
Total	1,510,262,205	952,919,952
	<hr/> <hr/>	<hr/> <hr/>



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (*continued*)

c) Credit risk (*continued*)

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

Collateral

To a large degree, the Bank's exposure is in the form of traditional loans to non-financial companies and households. These loans may be secured by collateral (e.g., a mortgage on property or a charge over securities, movable property or receivables) or guarantees (usually provided by individuals or legal entities).

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

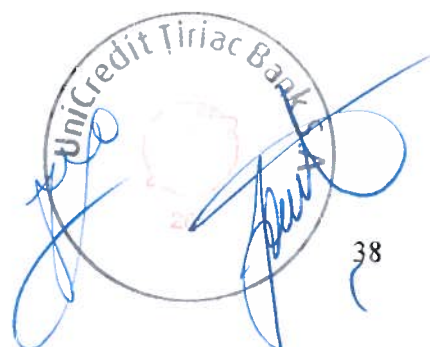
Any form of collateral serves only as additional security for the secured loan and as such is taken into account at the time the creditworthiness of the entity requesting the credit facility is assessed. In other words, this assessment mainly concentrates on determining whether the entity requesting the credit facility is able to meet its obligations autonomously regardless of whether additional collateral is provided (ability to repay).

In order to protect against fluctuations in the market value of assets assigned to the Bank as collateral, the value of the collateral should generally provide an adequate margin in excess of the current value of such assets, and this margin is properly adjusted as a function of the intrinsic characteristics of these assets.

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

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

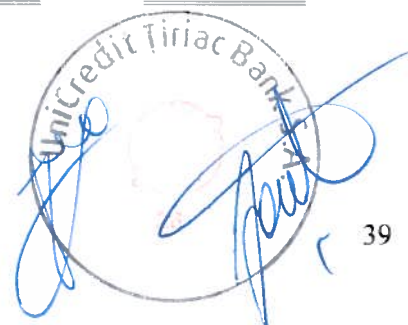
With regard to appropriateness, security is said to be appropriate when it is qualitatively and quantitatively sufficient with respect to the amount and nature of the credit facility, provided there are no significant risk elements associated with the provider of security.



Notes to the financial statements for the year ended 31 December 2012
4. Financial risk management (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk (continued)
Concentration of credit risk

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

RON	31 December 2012	31 December 2011
Private entities (including individuals)	3,879,631,475	4,008,482,658
Commercial, recovery and repair services	2,861,351,962	2,248,864,804
Real estate	1,864,159,971	1,721,422,230
Construction and civil engineering	859,857,229	609,979,061
Foodstuffs, beverages and tobacco-based products	820,885,961	704,028,848
Other saleable services	795,685,254	721,817,150
Other public entities	651,731,138	705,057,868
Agriculture - forestry - fisheries	510,269,016	532,873,934
Other industrial products	431,130,850	231,950,793
Energy products	364,255,608	228,465,282
Ores and non-metal ore products	338,923,471	174,648,812
Metal products except cars and means of transport	297,019,078	294,093,604
Inland transport services	294,649,558	302,580,652
Rubber and plastic products	283,229,236	230,805,851
Communications services	255,519,154	269,599,582
Paper, paper products, printing and publishing	214,265,060	118,978,119
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	211,937,210	539,287,890
Financial companies	194,627,453	203,259,568
Transport-related services	191,066,073	140,857,719
Farming and industrial machinery	147,889,470	86,711,090
Hotel and public commercial concern services	137,002,198	145,323,195
Textiles, leather and footwear and clothing products	136,981,642	98,432,034
Means of transport	79,465,286	96,173,787
Chemicals	46,275,290	42,958,163
Office machines, data processing machines, precision	27,926,759	35,822,758
Sea and air transport services	8,574,696	6,905,078
Total	15,904,310,098	14,499,380,530



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

c) Credit risk (continued)

(ii) Exposure to credit risk (continued)

In RON	2012	2011
Loans and advances to customers	15.904.310.098	14.499.380.530
Loan related commitments and contingencies (refer to Note 40)	6.328.139.817	6.744.324.224
	<u>22.232.449.915</u>	<u>21.243.704.754</u>

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

Exposures to higher risk Eurozone countries

Significant concerns about the creditworthiness of certain Eurozone countries persisted during 2012 leading to speculation as to the long-term sustainability of the Eurozone. The deepening recession in a number of countries, the wider political and economic consequences of fiscal austerity programs and other government actions, and concerns about the viability of some countries' financial institutions have led to increased volatility of spreads on sovereign bonds that have peaked at times during the past year at worrying levels. Most recently, certain actions undertaken by the European Central Bank and European Commission have led to positive results in terms of improving market confidence. However, the situation remains fragile.

At 31 December 2012, 98% of the loans to customers' portfolio was represented by Romanian residents. According to Fitch's rating, Romania is considered to have a low to moderate risk for investments.

At 31 December 2012, there are no significant transactions with local subsidiaries of companies incorporated in Eurozone countries that are experiencing financial difficulties materialised through the existence of financial aid programs or other higher risk indicators.

At 31 December 2012, all investments securities recognized in the portfolio as available-for-sale, were represented by bonds issued by Ministry of Public Finance of Romania and local Romanian authorities.



Notes to the financial statements for the year ended 31 December 2012**4. Financial risk management (continued)****d) Liquidity risk**

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

Liquidity risk has the following subtypes:

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

Management of liquidity risk

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



Notes to the financial statements for the year ended 31 December 2012**4. Financial risk management (continued)****d) Liquidity risk (continued)****Management of liquidity risk (continued)**

Management of liquidity risk is an optimization problem with two variables positively correlated (risk and return), as the liquid instruments have a lower return. For this reason, the Bank's approach is divided between short term liquidity (intraday liquidity also) and medium and long term liquidity management (structural liquidity).

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. A summary report of the daily positions, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Regarding structural liquidity, the Bank pursues the following goals:

- Encouraging the attracting of long term customer deposits, by developing and promoting complex products with a higher value added;
- Close monitoring of loans-to-deposits ratio across all business lines, in order to maintain planned volumes of liquidity and an appropriate currency structure.
- Attracting long term funds from the UniCredit Bank Austria AG for financing a greater share of the assets;
- Development of relations with other companies within the UniCredit Bank Austria AG sub-holding, in order to attain mutual benefits from each company's specialization profile in sales activities (conveying to a diversification of funds), asset & liability management activities etc.;
- Development of autonomy in providing the liquidity by extending strategic financing like guaranteed bond issues, securitisation etc.;
- Development of collaboration with international financial institutions and foreign banks with the purpose of obtaining long term finance.

Exposure to liquidity risk

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

- the daily short-term liquidity report, in which, starting from maturities of inter-bank assets and liabilities, a daily liquidity profile is estimated for the coming 3 months. In addition to the interbank assets and liabilities, the bank considers also other potential short-term outflows coming from the commercial book (such as deposits, cash, and loan commitments). The limits checked in this report are the ones imposed by UniCredit Bank Austria AG, through the Bank short term liquidity strategy, and represent the arithmetical difference between inflows and outflows separately, by each major currency, and in total (for all currencies cumulated).
- the weekly indicator on immediate liquidity. Every week, based on the statement of financial position data (static), a ratio between immediate assets and drawn sources is calculated. Immediate assets include: cash, current account with National Bank of Romania, nostro accounts, deposits with banks, T-bills not serving as collateral;



Notes to the financial statements for the year ended 31 December 2012**4. Financial risk management (continued)****d) Liquidity risk (continued)****Exposure to liquidity risk**

- daily projection of treasury cash-flows the next 30 days – represents an estimation of cash flows generated by treasury transactions.
- liquidity indicators by time buckets (similar computation to the indicator described above), as established by the Bank's lead regulator (National Bank of Romania) plus indicators set at UniCredit Bank Austria AG level (compliance of liquidity indicators and warning levels set by the group determined as total cash outflow divided by the total inflows with minimum 1, 3 and 5 years maturity, for the total position). Regarding the liquidity position for the five major currencies (EUR, USD, GBP, CHF, JPY) the gap between assets and liabilities over one year is determined. This difference represents the value, at currency level, of assets over one year which are financed with funds less than one year (short term financing), for which limits are imposed for each currency.
- other key indicators for the management of liquidity and funding needs as Liquid assets/Total assets (%), Liquid assets/Deposits (%), Liquid assets /Deposits of top 30 deponents (%), Total funds raised from an economic group (clients)/Total on balance-sheet liabilities (%), Loans outstanding /Client deposits (%), Immediate liabilities (below 1M)/Total liabilities (%), target and alert levels are set for each indicator.

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

The ratio of net liquid assets to deposits to customers is 35.92% as at 31 December 2012 (31 December 2011: 31.25 %).



Notes to the financial statements for the year ended 31 December 2012

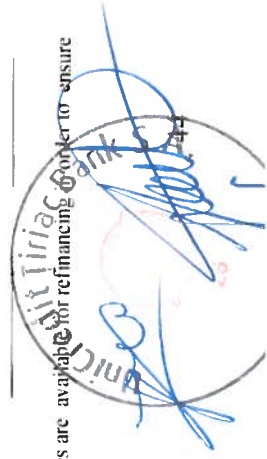
4. Financial risk management (continued)

d) Liquidity risk (continued)

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

31 December 2012 – RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Financial assets							
Cash and cash equivalents	4,429,652,624	-	-	-	-	4,429,652,624	4,429,652,624
Derivative assets held for risk management	55,136,601	4,270,982	14,581,101	82,053,987	-	156,042,671	156,042,671
Loans and advances to banks	51,423,603	-	-	-	-	51,423,603	51,423,603
Loans and advances to customers	3,888,279,126	5,485,636,382	3,438,299,579	3,168,548,673	-	15,980,763,760	15,904,310,098
Investments in associates	-	-	-	-	58,000,779	58,000,779	58,000,779
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	-	3,945,757,938	3,945,757,938
Equity investments, available for sale	-	-	-	-	2,233,832	2,233,832	2,233,832
Investment securities, held-to-maturity	-	-	-	-	-	-	-
Total financial assets	9,420,834,008	6,249,522,135	5,474,611,696	3,418,672,757	60,234,611	24,623,875,207	24,547,421,545
Financial liabilities							
Derivative liabilities held for risk management	8,539,113	11,691,318	38,325,116	82,053,987	-	140,609,534	140,609,534
Derivatives designated as hedging instruments	833,100	1,545,898	17,105,234	74,750,844	-	94,235,076	94,235,076
Loans and deposits from banks and subordinated liabilities	1,488,463,482	749,038,230	5,110,461,291	467,227,850	-	7,815,190,853	7,815,089,357
Deposits from customers	11,924,185,245	1,102,324,943	792,226,004	23,754,784	-	13,842,490,976	13,839,475,142
Total financial liabilities	13,422,020,940	1,864,600,389	5,958,117,645	647,787,465	-	21,892,526,439	21,889,409,109
Liquidity surplus/ (shortfall)	(4,001,186,932)	4,384,921,746	(483,505,949)	2,770,885,292	60,234,611	2,731,348,768	2,658,012,436
Adjustment for investment securities available for refinancing*	2,949,415,884	(759,614,771)	(2,021,731,016)	(168,070,097)	-	-	-
Liquidity surplus/ (shortfall) adjusted	(1,051,771,048)	3,625,306,975	(2,505,236,965)	2,602,815,195	60,234,611	2,731,348,768	2,658,012,436

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



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

d) Liquidity risk (continued)

31 December 2012 - RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Gross nominal inflow/(outflow)
Contingent assets & liabilities**)						
Irrevocable commitments given outflow	(1,070,521,604)	-	-	-	-	(1,070,521,604)
Irrevocable commitments taken inflow	885,740,000	-	-	-	-	885,740,000
Issued financial guarantees outflow	-	(5,543,517,550)	-	-	-	(5,543,517,550)
Future lease obligations outflow	-	(74,253,561)	(259,665,370)	(124,620,742)	-	(458,539,673)
Future interest on long-term borrowings outflow	(39,783,707)	(150,162,175)	-	-	-	(189,945,882)
Future interest on deposits from banks & customers outflow	(109,935,908)	(326,340,780)	(1,745,106,753)	-	-	(2,181,383,441)
Contingent assets & liabilities surplus/ (shortfall)	(334,501,219)	(6,094,274,066)	(2,004,772,123)	(124,620,742)	-	(8,558,168,150)

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



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

d) Liquidity risk (continued)

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

31 December 2011 – RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Total contractual amount	Total carrying amount
Financial assets							
Cash and cash equivalents	4,282,597,515	-	-	-	-	4,282,597,515	4,282,597,515
Derivative assets held for risk management	40,322,335	7,978,690	14,397,444	61,259,902	-	123,958,371	123,958,371
Loans and advances to banks	24,545,443	-	-	-	-	24,545,443	24,545,443
Loans and advances to customers	2,222,126,435	5,430,811,125	3,651,277,562	3,295,341,800	-	14,599,556,922	14,499,380,530
Investments in associate	-	-	-	-	42,278,937	42,278,937	42,278,937
Investment securities, available for sale	610,269,377	1,206,408,628	1,402,079,926	150,354,462	-	3,369,112,393	3,369,112,393
Equity investments, available for sale	-	-	-	-	3,523,012	3,523,012	3,523,012
Investment securities, held-to-maturity	-	9,109,414	-	-	-	9,109,414	9,109,414
Total financial assets	7,179,861,105	6,654,307,857	5,067,754,932	3,506,956,164	45,801,949	22,454,682,007	22,354,505,615
Financial liabilities							
Derivative liabilities held for risk management	10,094,500	5,006,173	35,525,772	61,259,902	-	111,886,347	111,886,347
Derivatives designated as hedging instruments	-	-	8,649,118	50,163,739	-	58,812,857	58,812,857
Loans and deposits from banks and subordinated liabilities	3,301,939,391	681,956,450	2,689,930,070	1,514,054,850	-	8,187,880,761	8,187,764,600
Deposits from customers	10,500,175,839	935,841,117	105,951,080	355,560	-	11,542,323,596	11,542,323,596
Total financial liabilities	13,812,209,730	1,622,803,740	2,840,056,040	1,625,834,051	-	19,900,903,561	19,900,787,400
Liquidity surplus/ (shortfall)	(6,632,348,625)	5,031,504,117	2,227,698,892	1,881,122,113	45,801,949	2,553,778,446	2,453,718,215
Adjustment for investment securities available for refinancing*	2,758,843,016	(1,206,408,628)	(1,402,079,926)	(150,354,462)	-	-	-
Liquidity surplus/ (shortfall) adjusted	(3,873,505,609)	3,825,095,489	825,618,966	1,730,767,651	45,801,949	2,553,778,446	2,453,718,215

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

Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

d) Liquidity risk (continued)

31 December 2011 - RON Contingent assets & liabilities**)	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Gross nominal inflow/(outflow)
Irrevocable commitments given outflow	(1,213,143,490)	-	-	-	-	(1,213,143,490)
Irrevocable commitments taken inflow	863,940,000	-	-	-	-	863,940,000
Issued financial guarantees outflow	-	(5,733,154,329)	-	-	-	(5,733,154,329)
Future lease obligations outflow	-	(71,995,554)	(124,545,347)	(33,297,241)	-	(229,838,142)
Future interest on long-term borrowings outflow	(49,185,000)	(195,845,000)	-	-	-	(245,030,000)
Future interest on deposits from banks & customers outflow	(78,731,000)	(255,002,000)	(1,334,932,000)	-	-	(1,668,665,000)
(Contingent assets & liabilities surplus/ (shortfall))	(477,119,490)	(6,255,996,883)	(1,459,477,347)	(33,297,241)	-	(8,225,890,961)

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



Notes to the financial statement for the year ended 31 December 2012
4. Financial risk management (continued)
d) Liquidity risk (continued)

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

<i>RON</i>	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 Months	3 months to 1 year	1-5 years	More than 5 years
31 December 2012							
Derivative assets							
	156,042,671	157,056,289	34,921,729	18,208,871	7,263,725	14,607,976	82,053,988
Outflow		(3,411,837,133)	(2,323,745,890)	(814,962,662)	(254,003,402)	(1,546,905)	(17,578,274)
Inflow		3,568,893,422	2,358,667,619	833,171,533	261,267,127	16,154,881	99,632,262
Derivative liabilities							
	(234,844,610)	(235,858,228)	(5,214,522)	(2,145,590)	(15,604,933)	(56,088,352)	(156,804,831)
Outflow		(859,972,421)	298,649,875	(414,497,585)	(97,599,428)	(419,861,701)	(226,663,582)
Inflow		624,114,193	(303,864,397)	412,351,995	81,994,495	363,773,349	69,858,751
31 December 2011							
Derivative assets							
	123,958,371	(29,965,288)	21,344,712	9,997,740	11,209,883	14,370,015	(86,887,638)
Outflow		(3,402,844,256)	(2,506,485,780)	(584,518,445)	(115,859,386)	(4,078,533)	(191,902,112)
Inflow		3,372,878,968	2,527,830,492	594,516,185	127,069,269	18,448,548	105,014,474
Derivative liabilities							
	(170,699,204)	(16,775,545)	(3,970,271)	(1,139,845)	(3,706,558)	103,750,991	(111,709,862)
Outflow		(2,005,106,950)	(1,026,963,418)	(473,070,201)	(94,568,521)	(173,007,652)	(237,497,158)
Inflow		1,988,331,405	1,022,993,147	471,930,356	90,861,963	276,758,643	125,787,296



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (*continued*)

e) Market Risk

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

Management of market risks

Organizational structure

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

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

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

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

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

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



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

Exposure to market risks – Value at Risk Tool

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

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

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

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

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



Notes to the financial statements for the year ended 31 December 2012
4. Financial risk management (continued)
e) Market Risk (continued)

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

In EUR	At 31 December	Average	Maximum	Minimum
2012				
Foreign currency risk	45,699	82,870	464,662	2,594
Interest rate risk	273,854	354,850	809,181	92,374
Credit Spread Risk	4,028,764	4,237,112	5,149,851	3,191,160
Overall	4,070,465	4,356,798	5,194,182	2,142,806
2011				
Foreign currency risk	28,424	70,185	272,403	1,676
Interest rate risk	708,844	1,018,260	1,683,806	368,961
Credit Spread Risk	3,204,082	2,810,947	4,720,137	1,625,235
Overall	3,511,997	3,116,384	4,602,047	2,142,806

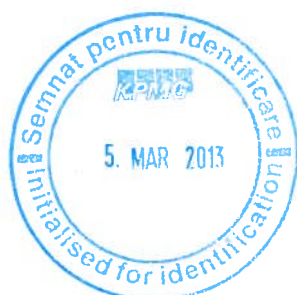
The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit analyses. The Bank uses a range of stress tests to model the financial impact of a variety of exceptional market scenarios on the Bank's positions.

Foreign exchange (FX) Sensitivity analysis

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

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

The table shows the average usage of the limits during 2011 and 2012, which correlate also with the stable FX VaR figure.



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (*continued*)

e) Market Risk (*continued*)

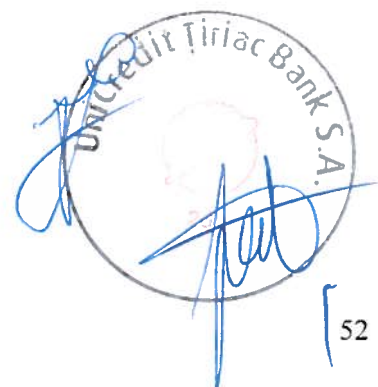
Foreign exchange (FX) Sensitivity analysis (*continued*)

Foreign exchange (FX) Open Position

Currency	Limits (EUR equiv)	Average usage 2012	Limits (EUR equiv)	Average usage 2011
AUD	1,000,000	0.97%	1,000,000	1.10%
BGN	100,000	17.05%	100,000	5.38%
CAD	1,000,000	4.18%	1,000,000	4.57%
CHF	1,000,000	2.58%	1,000,000	4.13%
CNY	100,000	9.64%		
CZK	100,000	14.65%	100,000	8.09%
DKK	1,000,000	1.39%	1,000,000	1.15%
EUR	40,000,000	23.58%	40,000,000	21.82%
GBP	1,000,000	3.96%	1,000,000	3.39%
HUF	1,000,000	3.19%	1,000,000	4.49%
JPY	1,000,000	1.10%	1,000,000	1.60%
NOK	1,000,000	1.80%	1,000,000	1.99%
PLN	1,000,000	3.32%	1,000,000	5.59%
RON	40,000,000	23.65%	40,000,000	21.85%
RUB	500,000	2.62%	500,000	1.50%
SEK	1,000,000	0.92%	1,000,000	1.03%
TRY	100,000	13.18%	100,000	2.03%
USD	5,000,000	4.04%	5,000,000	3.07%
ZAR	100,000	1.83%	100,000	0.52%

Exposure to market risks – Interest Rate Gap tool

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



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

e) Market Risk (continued)

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities is as at 31 December 2012:

31 December 2012	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total contractual amount	Total carrying amount
RON						
Cash and cash equivalents	4,429,652,624	-	-	-	4,429,652,624	4,429,652,624
Derivative assets held for risk management	55,136,600	4,244,109	14,050,305	82,611,657	156,042,671	156,042,671
Placements with banks	51,423,603	-	-	-	51,423,603	51,423,603
Loans and advances to customers	13,719,611,230	391,237,362	1,247,588,906	622,326,262	15,980,763,760	15,904,310,098
Investment securities, available for sale	996,342,054	739,614,771	2,021,731,016	168,070,097	3,945,757,938	3,945,757,938
Total	19,252,166,111	1,155,096,242	3,283,370,227	873,008,016	24,563,640,596	24,487,186,934
Derivative liabilities held for risk management	8,539,113	7,880,237	41,578,527	82,611,657	140,609,534	140,609,534
Derivatives designated as hedging instruments	89,865,272	4,369,804	-	-	94,235,076	94,235,076
Loans and deposits from banks and subordinated liabilities	7,795,205,597	19,985,257	-	-	7,815,190,854	7,815,089,357
Deposits from customers	11,905,403,490	1,102,905,495	810,401,437	23,780,553	13,842,490,975	13,839,475,142
Total	19,799,013,472	1,135,140,793	851,979,964	106,392,210	21,892,526,439	21,889,409,109
Interest sensitivity surplus/ (shortfall)	(546,847,361)	19,955,449	2,431,390,263	766,615,806	2,671,114,157	2,597,777,825

Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

e) Market Risk (continued)

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities is as at 31 December 2011:

31 December 2011	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total contractual amount	Total carrying amount
RON						
Cash and cash equivalents	4,282,597,515	-	-	-	4,282,597,515	4,282,597,515
Derivative assets held for risk management	80,865,101	7,779,591	3,064,790	32,248,889	123,958,371	123,958,371
Placements with banks	22,281,898	2,263,545	-	-	24,545,443	24,545,443
Loans and advances to customers	10,594,348,003	3,176,255,247	451,734,639	377,219,033	14,599,556,922	14,499,380,530
Investment securities, available for sale	610,269,377	1,206,408,628	1,402,079,926	150,354,462	3,369,112,393	3,369,112,393
Investment securities, held-to-maturity	-	9,109,414	-	-	9,109,414	9,109,414
Total	15,590,361,894	4,401,816,425	1,856,879,355	559,822,384	22,408,880,058	22,308,703,666
Derivative liabilities held for risk management	48,473,360	28,099,308	3,064,790	32,248,889	111,886,347	111,886,347
Derivatives designated as hedging instruments	1,051,937	57,760,920	-	-	58,812,857	58,812,857
Loans and deposits from banks and subordinated liabilities	8,090,467,016	97,413,745	-	-	8,187,880,761	8,187,764,600
Deposits from customers	10,500,147,532	935,845,703	105,951,327	379,034	11,542,323,596	11,542,323,596
Total	18,640,139,845	1,119,119,676	109,016,117	32,627,923	19,900,903,561	19,900,787,400
Interest sensitivity surplus/ (shortfall)	(3,049,777,951)	3,282,696,749	1,747,863,238	527,194,461	2,507,976,497	2,407,916,266

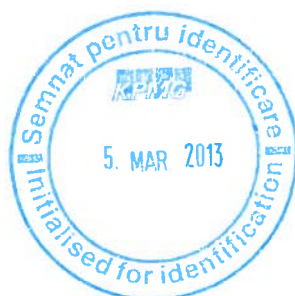
Notes to the financial statements for the year ended 31 December 2012
4. Financial risk management (continued)
e) Market Risk (continued)

The following table shows the yearly average interest rates obtained or offered by the Bank during 2012:

	RON Average	EUR Average	USD Average
Assets			
Current accounts with the National Bank of Romania	1.16%	0.68%	-
Placements with banks	4.74%	0.72%	0.18%
Investment securities	6.48%	4.80%	6.75%
Loans and advances to customers	8.83%	4.93%	4.33%
Liabilities			
Deposits from banks	3.77%	0.52%	0.34%
Deposits from customers	3.92%	1.45%	1.20%
Loans from banks	5.83%	3.62%	-

The following table shows the yearly average interest rates obtained or offered by the Bank during 2011:

	RON Average	EUR Average	USD Average
Assets			
Current accounts with the National Bank of Romania	1.48%	0.75%	-
Placements with banks	4.70%	0.97%	0.001%
Investment securities	6.48%	4.86%	-
Loans and advances to customers	8.91%	5.53%	4.35%
Liabilities			
Deposits from banks	4.52%	2.40%	0.85%
Deposits from customers	3.33%	1.47%	0.99%
Loans from banks	5.71%	3.36%	1.29%



Notes to the financial statements for the year ended 31 December 2012**4. Financial risk management (continued)****e) Market Risk (continued)**

The interest rates related to the local currency and the major foreign currencies as at 31 December 2012 and 2011 were as follows:

Currencies	Interest rate	31 December 2012	31 December 2011
RON	Robor 3 months	6.05%	6.05%
EUR	Euribor 3 months	0.19%	1.36%
EUR	Euribor 6 months	0.32%	1.62%
USD	Libor 6 months	0.51%	0.81%



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

e) Market Risk (continued)

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2012 can be analysed as follows:

	RON	USD	EUR	Other	Total
<i>In RON</i>					
Financial assets					
Cash and cash equivalents	2,748,247,737	125,037,177	1,534,027,114	22,340,596	4,429,652,624
Derivative assets held for risk management	176,740	557,197	98,586,506	4,187	99,324,630
Loans and advances to banks	33,606,139	11,124,876	6,691,675	913	51,423,603
Loans and advances to customers	4,250,561,649	305,027,917	11,342,737,498	5,983,034	15,904,310,098
Investments in associates	58,000,779	-	-	-	58,000,779
Investments in associates					
Investment securities, available-for-sale	2,046,776,680	-	1,898,981,258	-	3,945,757,938
Equity investments, available for sale	2,233,832	-	-	-	2,233,832
Other assets	37,263,368	32,508,697	53,303,911	31,820	123,107,796
Total financial assets	9,176,866,924	474,255,864	14,934,327,962	28,360,550	24,613,811,300
Financial liabilities					
Derivative liabilities held for risk management	1,120,423	49,981	131,493,189	13,286	132,676,879
Derivatives designated as hedging instruments	79,273,646	143,976	14,817,454	-	94,235,076
Loans & deposits from banks and subordinated liabilities	2,170,946,968	9,745,577	5,625,458,386	8,938,425	7,815,089,356
Deposits from customers	7,520,211,390	1,108,211,180	5,165,869,404	45,183,169	13,839,475,143
Provisions for risk and charges	12,707,256	1,242,087	277,411,516	104,458	291,465,317
Other liabilities	84,200,451	4,898,327	32,192,303	277,517	121,568,598
Total financial liabilities	9,868,460,134	1,124,291,128	11,247,242,252	54,516,855	22,294,510,369
Net financial assets/(liabilities)	(691,593,210)	(650,035,264)	3,687,085,710	(26,156,305)	2,319,300,931



Notes to the financial statements for the year ended 31 December 2012
4. Financial risk management (continued)
e) Market Risk (continued)

<i>In RON</i>	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	4,700,057,195	980,108,015	1,573,817,503	32,475,227	7,286,457,940
Cash Outflow	1,595,909,174	337,952,636	5,281,840,337	6,581,137	7,222,283,284
Net effect of derivatives at fair value through profit or loss	3,104,148,021	642,155,379	(3,708,022,834)	25,894,090	64,174,656
Net foreign currency position	2,412,554,811	(7,879,885)	(20,937,124)	(262,215)	2,383,475,587

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2011 can be analysed as follows:

<i>In RON</i>	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	2,323,328,976	17,470,219	1,931,810,351	9,987,969	4,282,597,515
Derivative assets held for risk management	708,087	87	75,642,982	-	76,351,156
Loans and advances to banks	18,954,270	1,639,671	3,951,502	-	24,545,443
Loans and advances to customers	3,178,540,637	357,866,010	10,957,712,709	5,261,174	14,499,380,530
Investments in associates	42,278,937	-	-	-	42,278,937
Investment securities, available-for-sale	1,973,713,717	-	1,395,398,676	-	3,369,112,393
Equity investments, available for sale	3,523,012	-	-	-	3,523,012
Investment securities, held-to-maturity	-	-	9,109,414	-	9,109,414
Other assets	47,561,873	2,061,498	27,983,098	235,882	77,842,351
Total financial assets	7,588,609,509	379,037,485	14,401,608,732	15,485,025	22,384,740,751
Financial liabilities					
Derivative liabilities held for risk management	517,640	39,634	97,812,816	376	98,370,466
Derivatives designated as hedging instruments	44,806,919	141,231	12,812,770	-	57,760,920
Loans & deposits from banks and subordinated liabilities	3,410,310,447	82,567,139	4,650,412,998	44,474,016	8,187,764,600
Deposits from customers	6,228,596,371	547,285,614	4,724,910,222	41,531,389	11,542,323,596
Provisions for risk and charges	16,322,399	2,645,630	225,050,006	50,499	244,068,534
Other liabilities	88,562,026	5,559,887	27,602,629	123,851	121,848,393
Total financial liabilities	9,789,115,802	638,239,135	9,738,601,441	86,180,131	20,252,136,509
Net financial assets/(liabilities)	(2,200,506,293)	(259,201,650)	4,663,007,291	(70,695,106)	2,132,604,242


Notes to the financial statements for the year ended 31 December 2012
4. Financial risk management (continued)
e) Market Risk (continued)

<i>In RON</i>	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	5,725,803,894	393,945,926	1,586,942,364	96,585,223	7,803,277,407
Cash Outflow	1,591,386,863	138,585,659	5,999,244,341	25,549,920	7,754,766,783
Net effect of derivatives at fair value through profit or loss	4,134,417,031	255,360,267	(4,412,301,977)	71,035,303	48,510,624
Net foreign currency position	1,933,910,738	(3,841,383)	250,705,314	340,197	2,181,114,866

f) Taxation risk

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

Effective from 1 January 2012, IFRS implementation has been consideration for the revision of tax legislation in order to introduce particular rules for the treatment of adjustments resulted at the implementation stage and afterwards. The Authority regulated in time the tax implications on both tax neutrality of IFRS implementation and on budgetary sources, by often amending related legislation.

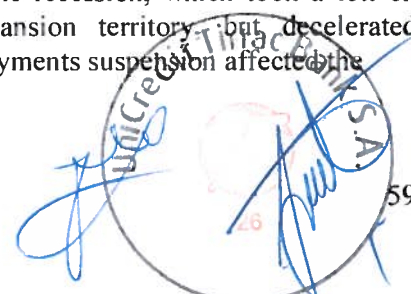
In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.

It is expected that also in the future the tax framework will be subject to frequent amendments as a consequence of the state budgetary needs or as a result of the Romania's obligations as an EU Member State. Given the precedents, they may have retroactive application.

Tax liabilities of the Bank are opened to a general tax inspection for a period of five years

g) Operating environment

After three years of successful fiscal adjustment, growth remains Romania's biggest challenge. The economy grew by 0.2% year on year in 2012, down from 2.2% in 2011. The deceleration came primarily as a corollary of poor harvest yields which were compounded by a negative base effect due to very good agricultural year in 2011 – the two factors generated a negative contribution to gross domestic product growth of about 1pp. The economy was also affected by the euro zone recession, which took a toll on exports and the industrial sector. Constructions remained in expansion territory but decelerated significantly one year ago as the budgetary restrictions and EU funds' payments suspension affected the



Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

g) Operating environment (continued)

public investment projects in the second part of the year. The main positive contribution to growth in 2012 came from services, especially in IT and communication, domestic trade and real estate transactions.

The adjustment of public and external disequilibria continued in 2012.

Even though Romania's current account deficit fell to 3.8% of gross domestic product in 2012 (from 4.5% of gross domestic product in 2011), the adjustment of the trade deficit has been rather slow. The added price competitiveness generated by the RON's depreciation was not sufficient to narrow the trade deficit as external demand weakened. The low price elasticity of fuel and food imports and the increase of commodity prices were two of the factors sustaining the relative resilience of imports.

Consumer prices rose by 5% in 2012. Annual inflation reached a maximum of 5.3% in September 2012 from a low of 1.8% in May 2012. This considerable volatility was induced by repeated shocks in the food market (poor crop yields lead to higher food prices, but the degree of persistency was smaller than in previous years) as well as unexpected increases in the regulated prices.

The inflationary process in Romania also reflects some structural issues – food holds a relatively large weight in the consumer goods' basket (which increases volatility due to weather dependency), while regulated prices are undergoing a liberalisation process. In addition, the high degree of euro inclusion is hindering the transmission mechanism of the monetary policy.

The information disclosed above represents the analysis of the Macroeconomic Research department of the Bank based on public sources: National Bank of Romania, National Institute of Statistics, Ministry of Public Finance.

Management believes that all the necessary measures have been taken to support the sustainability and growth of the Bank's business in the current circumstances by:

- Optimisation of the credit risk through the strict evaluation of the clients solvency, monitoring the related risk and maintaining the risk exposure within the risk levels established in accordance with internal rules over the entire loan period;
- Set up the transactions limits with other banks in respect of the deposits and foreign exchange. The Bank perform transactions with international banks with superior rating based on internal rules, reducing in this way the counterparty risk;
- Daily monitoring of its liquidity position and over-dependence on specific funds;
- Forecasting on short-term basis its net liquidity position;
- Monitoring incoming and outgoing cash flows on a daily basis;
- Examining terms and conditions of financing agreements and considering the implications of obligations imposed and risks identified such as approaching maturity dates or the implications of any terms or covenants that may have been breached or which may be breached in the foreseeable future.

Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (*continued*)

h) Capital management

Risk capital measurement

(i) Regulatory capital

Credit Risk

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

Market Risk

The Bank calculates the capital requirements according to Standardized Approach as described in NBR Regulation 22-27/14.12.2006.

Operational Risk

UniCredit developed an internal model for measuring capital requirements for operational risk. The model is based on internal loss data, external loss data (consortium and public data), and scenario generated loss data and risk indicators.

Capital at risk is calculated at a confidence level of 99.90% on the overall loss distribution for regulatory purposes. For economic capital purpose, the confidence level is currently set up at 99.70%.

The internal model (AMA) has been formally approved by the Italian Supervisory Authority in March 2008.

In February 2010, the Bank of Italy (common decision with National Bank of Romania) authorized the UniCredit Group to extend the application of the internal model for the calculation of the capital requirement for operational risk to UniCredit Tiriatic Bank SA.

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

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

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

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





Notes to the financial statements for the year ended 31 December 2012

4. Financial risk management (continued)

h) Capital management (continued)

Risk capital measurement (continued)

(i) Regulatory capital (continued)

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

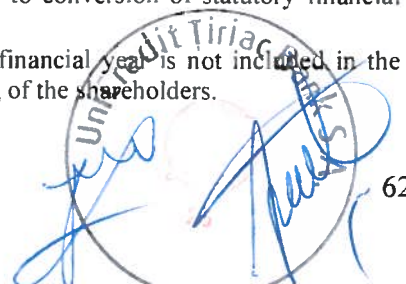
The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

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

In RON	31 December 2012	31 December 2011
Tier 1 capital		
Ordinary share capital	1,101,604,066	379,075,291
Share premium	55	55
Reserves and retained earnings*	1,447,996,337	1,662,467,095
Adjustment to valuation differences in other AFS assets	(30,214,167)	-
Less intangible assets	(120,940,182)	(110,686,064)
Other regulatory adjustments (including equity investments, prudential filter and IRB provision shortfall)	(150,394,587)	(31,562,147)
Total	2,248,051,522	1,899,294,230
Tier 2 capital		
Revaluation reserve (fixed assets)	16,203,877	91,154,956
Qualifying subordinated liabilities	312,726,200	165,413,083
Other regulatory adjustments (equity investments, prudential filter and IRB provision shortfall)	(149,488,756)	(28,518,358)
Total	179,441,321	228,049,681
Total regulatory capital	2,427,492,843	2,127,343,911
Capital requirements for credit risk	1,253,776,898	1,239,451,206
Capital requirements for market risk	519,897	-
Capital requirements for operational risk	186,444,854	176,520,412
Capital ratios		
Total regulatory capital expressed as a percentage of		
total risk-weighted assets	13.48%	12.02%
Total tier 1 capital expressed as a percentage of risk-weighted assets	12.48%	10.73%

The regulatory capital as of 31 December 2011 was calculated under Romanian Accounting Standards (NBR Order 13 /2008) and as of 31 December 2012 under IFRS as endorsed by EU due to conversion of statutory financial reporting framework to IFRS.

*According to local regulatory requirements, the profit after tax of the last financial year is not included in the calculation of own funds until its distribution as decided by the general meeting of the shareholders.



Notes to the financial statements for the year ended 31 December 2012

(ii) Capital allocation

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

5. Use of estimates and judgements

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

a) Key sources of estimation uncertainty

Allowances for loan losses

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

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

To the extent that the probability of default parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 14,297 thousand higher (31 December 2011: RON 25,534 thousand) or RON 14,297 thousand lower (31 December 2011: RON 25,358 thousand).



Notes to the financial statements for the year ended 31 December 2012

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

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

Allowances for loan losses (*continued*)

To the extent that the degree of collateral recognition parameter for the collective assessment differs by +/- 10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 42,239 thousand higher (31 December 2011: RON 49,902 thousand) or RON 39,210 thousand lower (31 December 2011: RON 25,699 thousand).

Sensitivity analysis for available-for-sale

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

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2012 on available for sale financial assets would vary as follows:

<i>In RON</i>	Market Yield – 10%	Market Yield + 10%
Available-for-sale denominated in RON	13,233,335	(13,016,863)
Available-for-sale denominated in EUR	47,996,671	25,190,490
Available-for-sale Total	61,230,006	12,173,627

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2011 on available for sale financial assets would vary as follows:

<i>In RON</i>	Market Yield – 10%	Market Yield + 10%
Available-for-sale denominated in RON	11,938,772	(11,984,151)
Available-for-sale denominated in EUR	4,682,942	(28,494,203)
Available-for-sale Total	16,621,714	(40,478,354)

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

Financial assets and liability classification

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

- In classifying financial assets or liabilities as "derivative assets / liabilities held for risk management", the Bank has determined that it meets the description set out in accounting policy 3(m).



Notes to the financial statements for the year ended 31 December 2012

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

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

Financial assets and liability classification (*continued*)

- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(o)(i).

Qualifying hedge relationships

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

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

Determining fair values

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

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

Financial assets

31 December 2012	Listed	Unlisted	Total
<i>In RON</i>			
Investment securities, available-for-sale	908,128,956	3,037,628,982	3,945,757,938
Equity investments, available for sale	-	2,223,832	2,223,832
31 December 2011	Listed	Unlisted	Total
<i>In RON</i>			
Investment securities, available-for-sale	397,622,130	2,971,490,263	3,369,112,393
Equity investments, available for sale	-	3,523,012	3,523,012
Investment securities, held to maturity	-	9,109,414	9,109,414



Notes to the financial statements for the year ended 31 December 2012

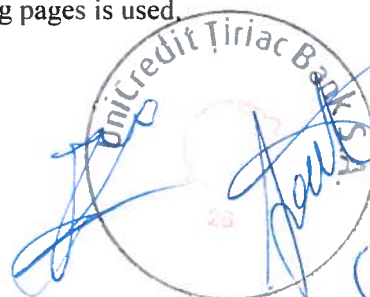
5. Use of estimates and judgements (*continued*)

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

Determining fair values (*continued*)

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. An illustration of it is presented below:
 - FX Outright Forward and FX Swaps – the forward legs are revalued daily in Core 02- IT System at forward rates, which are computed as the sum of the NBR spot rate + swap points for the respective maturity bucket. For establishing the Swap points the information provided by Tullet Prebone on its Reuters/Bloomberg pages is used.
 - IR Options and IRS - are revalued daily in the Front Office System OPUS – consistent with the Group's revaluation. The revaluation performed in OPUS is input as of each end of month in Core02 IT System.
 - Investment securities, available for sale – the fair value is calculated using discounted cash flow techniques based on market observable inputs (i.e. bid quotations from banks, official published quotations).
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category is for instruments that are valued based on unobservable assumptions. The Bank classified in Level 3 the following instruments:
 - FX Options - are revalued daily in the Front-office application software "Wall street" – consistent with the Group revaluation. The revaluation performed in Wall street System is input as of each end of month into Core02 IT System.
 - CCS- are revalued daily in the Front Office System OPUS – consistent with the Group's revaluation. The revaluation performed in OPUS is input as of each end of month in Core02 IT System.
 - FX Outright Forward and FX Swaps – the forward legs are revalued daily in Core 02- IT System at forward rates, which are computed as the sum of the NBR spot rate + swap points for the respective maturity bucket. For establishing the Swap points the information provided by Tullet Prebone on its Reuters/Bloomberg pages is used.



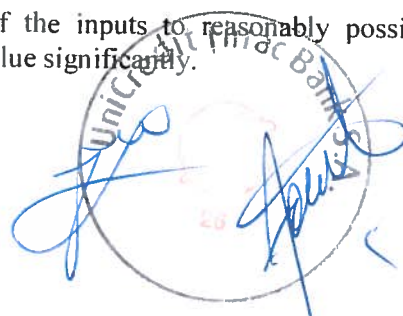

Notes to the financial statements for the year ended 31 December 2012
5. Use of estimates and judgements (continued)
b) Critical accounting judgments in applying the Bank's accounting policies (continued)
Determining fair values (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 December 2012	Level 1	Level 2	Level 3	Total
<i>In RON</i>				
Trading assets				
Derivative assets at fair value through profit and loss	-	154,733,774	1,308,897	156,042,671
Investment securities	-	3,945,757,938	-	3,945,757,938
Equity investments, available for sale	-	-	2,233,832	2,233,832
Total trading assets	-	4,100,491,712	3,542,729	4,104,034,441
Trading liabilities				
Derivative liabilities at fair value through profit and loss	-	139,274,594	1,334,940	140,609,534
Total trading liabilities	-	139,274,594	1,334,940	140,609,534
31 December 2011	Level 1	Level 2	Level 3	Total
<i>In RON</i>				
Trading assets				
Derivative assets at fair value through profit and loss	-	123,086,854	871,517	123,958,371
Investment securities	-	3,369,112,393	-	3,369,112,393
Equity investments, available for sale	-	-	3,523,012	3,523,012
Total trading assets	-	3,492,199,247	4,394,529	3,496,593,776
Trading liabilities				
Derivative liabilities at fair value through profit and loss	-	111,015,751	870,596	111,886,347
Total trading liabilities	-	111,015,751	870,596	111,886,347

Derivatives designated as hedging instruments amounting RON 94,235,076, are measured at fair value level 2 RON 88,319,374 and RON 5,915,702 at fair value level 3 (2011: RON 58,812,857, are measured at fair value level 2).

For fair value measurements in level 3, changing one or more of the inputs to reasonably possible alternative assumptions is considered by the Bank not to change fair value significantly.



Notes to the financial statements for the year ended 31 December 2012

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

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

31 December 2012	Financial assets at fair value through profit	Held-to-maturity	Loans and receivables	Available-for-sale	Other amounts	Total carrying amount	Fair value
<i>in RON</i>	<i>Note</i>						
Cash and cash equivalents	18	-	4,429,652,624	-	-	4,429,652,624	4,429,652,624
Derivative assets held for risk management	19	156,042,671	-	-	-	156,042,671	156,042,671
Loans and advances to banks	20	-	51,423,603	-	-	51,423,603	51,423,603
Loans and advances to customers	21	-	15,904,310,098	-	-	15,904,310,098	15,706,685,052
Investment securities, available for sale	22	-	-	3,945,757,938	-	3,945,757,938	3,945,757,938
Equity investments, available for sale	23	-	-	60,234,611	-	60,234,611	60,234,611
		156,042,671	20,385,386,325	4,005,992,549	-	24,547,421,545	24,349,796,499
Derivative liabilities held for risk management	19	140,609,534	-	-	-	140,609,534	140,609,534
Derivatives designated as hedging instruments*		-	-	-	94,235,076	94,235,076	94,235,076
Deposits from banks	31	-	-	-	2,611,205,753	2,611,205,753	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities	32	-	-	-	5,203,883,604	5,203,883,604	5,178,645,247
Deposits from customers	33	-	-	-	13,839,475,142	13,839,475,142	13,883,493,739
		140,609,534	-	-	21,748,799,575	21,889,409,109	21,908,189,349



Notes to the financial statements for the year ended 31 December 2012

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

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

31 December 2011	In RON	Note	Financial assets at fair value		Held-to-maturity	Loans and receivables	Available-for-sale	Other		Total carrying amount	Fair value
			value through profit	loss				amounts	amounts		
		18	-	-	-	4,282,597,515	-	-	-	4,282,597,515	4,282,597,515
		19	123,958,371	-	-	-	-	-	-	123,958,371	123,958,371
		20	-	-	-	24,545,443	-	-	-	24,545,443	24,545,443
		21	-	-	-	14,499,380,530	-	-	-	14,499,380,530	14,683,547,293
		22	-	-	-	-	3,369,112,393	-	-	3,369,112,393	3,369,112,393
		23	-	-	-	-	45,801,946	-	-	45,801,949	45,801,949
		24	-	-	9,109,414	-	-	-	-	9,109,414	9,223,524
			123,958,371	9,109,414	18,806,523,488	3,414,914,339	-	-	-	22,354,056,615	22,538,786,488
		19	111,886,347	-	-	-	-	-	-	111,886,347	111,886,347
		31	-	-	-	-	-	58,812,857	-	58,812,857	58,812,857
		32	-	-	-	-	-	3,661,066,808	-	3,661,066,808	3,661,066,808
		33	-	-	-	-	-	4,526,697,792	-	4,526,697,792	4,490,088,709
			111,886,347	-	-	-	-	11,542,323,596	-	11,542,323,596	11,575,663,342
			111,886,347	-	-	-	-	19,788,901,053	-	19,900,787,400	19,897,518,063


Notes to the financial statements for the year ended 31 December 2012
7. Net interest income

	2012	2011
<i>In RON</i>		
Interest income		
Interest and similar income arising from:		
Loans and advances to customers*	1,019,909,681	965,704,086
Treasury bills and bonds	182,893,221	214,963,934
Current accounts and placements with banks	38,594,322	45,982,491
Others (including derivatives)	1,695,973	4,956,819
	<hr/>	<hr/>
Total interest income	1,243,093,197	1,231,607,330
	<hr/>	<hr/>
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers**	344,161,115	238,114,180
Loans from banks and other financial institutions	212,938,406	194,157,042
Deposits from banks	62,347,284	104,130,811
Repurchase agreements	5,137,338	10,406,428
Others (including derivatives)	14,828,758	1,247,636
	<hr/>	<hr/>
Total interest expense	639,412,901	548,056,097
	<hr/>	<hr/>
Interest related effect of Swap transactions regarding refinancing lines with Group Companies***	85,688,280	100,913,551
	<hr/>	<hr/>
Net interest income	689,368,576	784,464,784
	<hr/>	<hr/>

*) Includes interest income on impaired loans of RON 65,692,651 (2011: RON 64,320,072). Interest income and expense for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

During the year ended 31 December 2012 losses of RON 822,804 (31 December 2011: RON 188,284 gains) relating to cash flow hedges were recognized in profit or loss and are reflected in interest income.

***) During the year ended 31 December 2012 losses of RON 6,733,139 (31 December 2011: RON 12,983,061) relating to cash flow hedges were recognized in profit or loss and are reflected in interest expenses.

***) 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 financial statements for the year ended 31 December 2012
8. Net fees and commissions income

	2012	2011
<i>In RON</i>		
Fees and commissions income		
Payments transactions	184,215,902	159,752,162
Risk participation fee (refer to Note 40)	35,345,247	44,699,500
Guarantees and letters of credit	24,180,956	19,334,064
Loan administration	13,013,484	14,674,520
Other	50,980,747	38,141,258
	<hr/>	<hr/>
Total fees and commission income	307,736,336	276,601,504
	<hr/>	<hr/>
Fees and commissions expense		
Inter-banking fees	32,377,711	26,398,047
Payments transactions	11,402,165	11,580,828
Commitments and similar fees	7,660,082	5,841,824
Intermediary agents fees	1,114,127	2,523,273
Other	5,416,206	5,228,961
	<hr/>	<hr/>
Total fees and commissions expense	57,970,291	51,572,933
	<hr/>	<hr/>
Net fees and commissions income	249,766,045	225,028,571
	<hr/> <hr/>	<hr/> <hr/>

9. Dividends income

The Bank received dividends from the following companies:

	2012	2011
<i>In RON</i>		
Transfond SA	528,254	784,939
Biroul de Credit SA	108,027	83,425
	<hr/>	<hr/>
Total dividend income	636,281	868,364
	<hr/> <hr/>	<hr/> <hr/>



Notes to the financial statements for the year ended 31 December 2012
10. Net income from trading and other financial instruments at fair value through profit and loss

<i>In RON</i>	2012	2011
Net gains/(losses) from foreign exchange operations (including FX derivatives)	264,087,944	210,485,749
Net income from trading bonds	294,478	210,774
Net gains/(losses) from interest derivatives	(573,674)	(11,259,207)
Net income on foreign exchange and on derivative at fair value through profit or loss	263,808,748	199,437,316

11. Other operating income

<i>In RON</i>	2012	2011
Gains from sales of loans and receivables*	12,961,133	-
Revenues from sales of financial investments**	-	285,336
Other operating revenues	2,862,388	3,199,603
Total	15,823,521	3,484,939

* The net revenue from sales of loans performed during 2012 – please refer to note 21.

**The net revenue on disposals of investments for the year ended 31 December 2011 contains the effect of selling the participations in Argus SA, Bursa Romana de Marfuri SA and respectively in Centrul de Afaceri Romania SA.



Notes to the financial statements for the year ended 31 December 2012
12. Personnel expenses

<i>In RON</i>	2012	2011
Wages and salaries	224,864,621	223,897,364
Social security charges	61,296,299	61,843,400
Equity settled share-based payments	1,196,288	944,034
Other (income)/costs	5,492,627	(1,854,947)
Total	292,849,835	284,829,851

The number of employees at 31 December 2012 was 2,799 (31 December 2011: 2,983). Remuneration of Supervisory Board's and Management Board's members for 2011 was RON 11,195,805 (2011: RON 9,548,057). The Bank has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is incurred by the Bank and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 v (iii)).

13. Depreciation and amortisation

<i>In RON</i>	2012	2011
Depreciation on property and equipment	37,118,601	36,647,551
Amortisation on intangible assets	32,861,947	28,943,407
Total	69,980,548	65,590,958

14. Other administrative costs

<i>In RON</i>	2012	2011
Office space expenses (rental, maintenance, other)	100,428,800	97,179,350
IT services	58,530,501	51,781,291
Other taxes and duties	26,348,654	24,931,012
Communication expenses	21,173,007	20,678,059
Advertising and promotional expenses	14,889,428	19,259,952
Consultancy, legal and other professional services	8,983,747	9,450,294
Materials and consumables	7,262,748	8,264,993
Personnel training and recruiting	3,833,736	3,738,333
Insurance expenses	2,857,319	2,607,349
Other	21,669,506	19,448,201
Total	265,977,446	257,338,834



Notes to the financial statements for the year ended 31 December 2012
15. Net impairment losses on financial assets

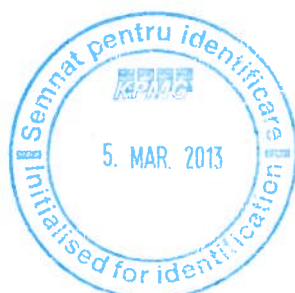
<i>In RON</i>	2012	2011
Net provision (charges)/release for loans and advances to customers	(312,625,045)	(347,994,396)
Loans written-off	(2,984,819)	(11,141,007)
Recoveries from loans previously written-off	1,161,917	9,925,767
Net provisions (charges)/release for equity investments	(2,607,596)	257,345
Net impairment losses on financial assets	(317,055,543)	(348,952,291)

16. Net provisions charges

<i>In RON</i>	2012	2011
Net provision (charges)/release for off-balance loan commitments and contingencies	(90,117,367)	(86,793,074)
Net provision (charges)/release for litigations	(2,971,869)	4,169,948
Other release of provisions	326,782	3,683,891
Net provisions charges	(92,762,454)	(78,939,235)

17. Taxation

<i>In RON</i>	2012	2011
Direct taxes at 16% (2011: 16%) of taxable profits determined in accordance with Romanian law	43,896,087	30,529,973
Correction of current income tax arising from previous year	(901,741)	346,484
Deferred tax expense /(income)	(11,246,016)	(3,228,062)
Total tax expense	31,748,330	27,648,395



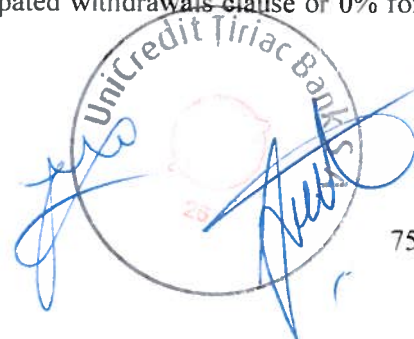

Notes to the financial statements for the year ended 31 December 2012
17. Taxation (continued)
Reconciliation of profit before tax to income tax expense in the income statement

<i>In RON</i>	2012	2011
Profit before tax	209,130,093	187,078,332
Taxation at statutory rate of 16%	33,460,815	29,932,533
Non-deductible expenses	35,384,603	28,825,848
Non-taxable revenues	(26,557,095)	(10,394,656)
Tax effect on retained earnings on transition to IFRS as endorsed by EU as statutory financial reporting framework, taxable during 2012	2,848,679	-
Tax effect of other non-temporary differences	-	(14,561,001)
Origination and reversal of temporary differences	(11,246,016)	(3,228,062)
Fiscal credit	(2,142,656)	(2,926,267)
Taxation in the income statement	31,748,330	27,648,395

18. Cash and cash equivalents

<i>In RON</i>	31 December 2012	31 December 2011
Balances with National Bank of Romania	3,537,695,143	2,730,949,696
Short term Money Market placements	460,678,182	1,291,598,088
Cash (including cash in ATMs)	240,949,220	225,746,064
Current balances with other banks	190,330,079	34,303,667
Total	4,429,652,624	4,282,597,515

The balance of current accounts with the National Bank of Romania represents the minimum reserve maintained in accordance with the National Bank of Romania requirements. As at 31 December 2012, the minimum reserve level was settled as 15% (31 December 2011: 15%) for liabilities to customers in RON and 20% (31 December 2011: 20%) for liabilities to customers in foreign currency both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity grated than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.



Notes to the financial statements for the year ended 31 December 2012
19. Derivative assets/liabilities at fair value through profit or loss

<i>(RON)</i>	2012 Notional	Assets	2012 Present value 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
<hr/>			
<i>(RON)</i>	2011 Notional	Assets	2011 Present value Liabilities
<i>Foreign currency derivatives</i>			
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
<i>Interest rates derivatives</i>			
Interest Rate Swaps	1,785,073,105	40,059,928	62,165,979
Purchased Options	1,261,684,546	35,415,614	85,081
Sold Options	1,264,684,675	-	35,244,722
Total interest rate derivatives	4,311,442,326	75,475,542	97,495,782
Total	11,069,225,298	123,958,371	111,886,347

As at 31 December 2012, the Bank has non-matured SPOT foreign currency transactions as follows: assets notional amount RON 2,666,886,631 (as at 31 December 2011: RON 1,254,508,131), asset present value RON 3,708,079 (as at 31 December 2011: RON 4,684,691) and liabilities notional amount RON 2,664,316,875 (as at 31 December 2011: RON 1,251,571,079), liability present value RON 1,138,324 (as at 31 December 2011: RON 1,749,875).

These are presented under "Other assets" and "Other liabilities" in the statement of financial position.

Notes to the financial statements for the year ended 31 December 2012
20. Loans and advances to banks

<i>In RON</i>	31 December 2012	31 December 2011
Loans to banks*	13,533,442	5,222,144
Suspense accounts	37,890,161	19,323,299
Total	51,423,603	24,545,443

* Money market placements with original maturity less than 90 days and nostro accounts are considered cash equivalents and are disclosed in note 18.

21. 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 reporting date by type of loan was as follows:

<i>In RON</i>	31 December 2012	31 December 2011
Corporate loans	6,901,656,481	5,805,432,488
Impaired assets*	3,574,218,718	2,418,044,290
Mortgages	2,970,848,424	3,036,149,103
Revolving credit lines	2,414,176,985	3,231,451,384
Factoring	897,802,780	755,305,370
Credit cards and personal loans	498,666,674	558,607,726
Loans and advances to customers before provisions	17,257,370,062	15,804,990,361
Less provision for impairment losses on loans	(1,353,059,964)	(1,305,609,831)
Net loans and advances to customers	15,904,310,098	14,499,380,530

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



Notes to the financial statements for the year ended 31 December 2012
21. Loans and advances to customers (continued)

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

Specific allowances for impairment

	2012	2011
Balance at 1 January	1,087,316,670	736,486,896
Net impairment charge for the year	411,084,375	321,794,133
Foreign currency exchange effect	(28,563,864)	29,035,641
Release of allowance for impairment of loans written-off and loans sold	(343,254,684)	-
Unwinding effect on provisions	97,594,342	-
	<hr/>	<hr/>
Balance at 31 December	1,224,176,839	1,087,316,670
	<hr/> <hr/>	<hr/> <hr/>

Collective allowances for impairment

	2012	2011
Balance at 1 January	218,293,161	193,479,977
Net impairment charge / (release) for the year	(98,459,330)	26,200,263
Foreign Currency Exchange Effect	9,049,294	(1,387,079)
	<hr/>	<hr/>
Balance at 31 December	128,883,125	218,293,161
	<hr/> <hr/>	<hr/> <hr/>
Total opening balance	1,305,609,831	929,966,873
	<hr/>	<hr/>
Total closing balance	1,353,059,964	1,305,609,831
	<hr/> <hr/>	<hr/> <hr/>



Notes to the financial statements for the year ended 31 December 2012
22. Investment in associates

<i>In RON</i>	Nature of business	Country of incorporation	31 December 2012 % interest held	31 December 2012 Carrying amount	31 December 2011 % interest held	31 December 2011 Carrying amount
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	20%	4,712,384	20%	4,251,880
UniCredit Consumer Finance IFN S.A.	Consumer finance	Romania	46.06%	53,288,395	46.06%	38,027,057
Total				58,000,779		42,278,937

In 2012 UniCredit Consumer Finance IFN S.A. increased its share capital by RON 24.9 million (the Bank's participation being RON 11.5 million), each shareholder keeping its shareholding stake. The following information is taken from the individual financial statements of the associates, prepared in accordance with group accounting policies which are based on IFRS as endorsed by the European Union:

<i>In RON</i>	Ownership	Total assets	Total liabilities	Operating income	Profit/(Loss)
2012					
UniCredit Leasing Corporation IFN S.A.	20%	2,793,724,126	2,770,109,831	105,890,120	2,302,520
UniCredit Consumer Finance IFN S.A.	46.06%	1,223,746,879	1,107,844,630	85,792,615	8,234,218
2011					
UniCredit Leasing Corporation IFN S.A.	20%	2,952,925,146	2,931,665,501	127,794,237	3,215,859
UniCredit Consumer Finance IFN S.A.	46.06%	1,193,141,756	1,110,373,725	70,894,951	7,690,141

Notes to the financial statements for the year ended 31 December 2012

23. Investment securities, available-for-sale

As at 31 December 2012, the Bank included in investment securities, available for sale bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON 3,945,757,938 (31 December 2011: RON 3,369,112,393).

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

	2012	2011
<i>In RON</i>		
At 1 of January	3,369,112,393	3,853,099,398
Additions	8,921,285,299	6,207,961,949
Transfers from the held for trading portfolios	181,584,518	-
Disposals (redemption)	(8,584,388,067)	(6,662,160,823)
Positive changes in fair value	60,100,299	10,247,123
Negative changes in fair value	(1,936,504)	(40,035,254)
At 31 December	3,945,757,938	3,369,112,393

As at 31 December 2012, the investment securities available for sale are pledged in amount of RON 40,835,208 (31 December 2011: RON 35,320,979) and the securities pledged for the repurchase transaction with the National Bank of Romania were RON 499,747,465 as at 31 December 2012 (31 December 2011: RON: nil).

During the year 2012 the Bank reclassified a portfolio of Romanian Government T-bills of (RON 181,584,518) from held for trading to available for sale financial instruments as a result of a change in management intention according with internal yield analysis.



Notes to the financial statements for the year ended 31 December 2012
23. Investment securities, available-for-sale (continued)

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

<i>In RON</i>	31 December 2012		
	Amount reclassified	Carrying value	Fair value
Held for trading assets reclassified to available for sale investment securities	181,584,518	72,783,337	72,783,337

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>	31 December 2012	
	Profit or loss	Other comprehensive income
Held for trading assets reclassified to available for sale investment securities:		
Interest income	5,338,700	-
Net change in fair value (income/(loss))	-	614,836

If the T-bills portfolio had not been reclassified, the positive change of fair value of (RON 614,836) would have been presented in the profit or loss.

At the date of reclassification the average effective interest rates on trading assets reclassified to available-for-sale investment securities was 4.27% for instruments denominated in EUR, 5.97% for instruments denominated in RON, respectively 6.17% for instruments denominated in USD with the expected to recoverable cash flows similar with the contractual cash flows for the instruments reclassified.



Notes to the financial statements for the year ended 31 December 2012

24. Equity investments, available-for-sale

The Bank held the following unlisted equity investments, available-for-sale as at 31 December 2012 and 31 December 2011:

31 December 2012	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
Biroul de Credit SA	Financial activities	4.23	187,635	-	187,635
Casa de Compensare Bucuresti SA	Other financial services	0.11	46,975	39,483	7,492
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Financial activities	2.57	194,560	147,079	47,481
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
UniCredit CAIB Securities Romania SA	Financial activities	19.97	2,632,881	2,632,881	-
UniCredit Leasing Romania SA	Leasing services	0.00002	14	-	14
VISA Europe Limited	Cards	0.01	37	-	37
Total			<u>6,013,528</u>	<u>3,779,696</u>	<u>2,233,832</u>

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

31 December 2011	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
Biroul de Credit SA	Financial activities	4.23	187,635	-	187,635
Casa de Compensare Bucuresti SA	Other financial services	0.11	46,975	39,483	7,492
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Financial activities	2.57	194,560	147,079	47,481
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
UniCredit CAIB Securities Romania SA	Financial activities	19.97	1,314,465	25,285	1,289,180
UniCredit Leasing Romania SA	Leasing services	0.00002	14	-	14
VISA Europe Limited	Cards	0.01	37	-	37
Total			<u>4,695,112</u>	<u>1,172,100</u>	<u>3,523,012</u>

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



Notes to the financial statements for the year ended 31 December 2012
24. Equity investments, available-for-sale (continued)

The movements in the provisions for equity investments are presented below:

	2012	2011
<i>In RON</i>		
At 1 of January	1,172,100	1,815,143
Increases*	2,607,596	350,062
Releases	-	(993,105)
	<hr/>	<hr/>
At 31 December	3,779,696	1,172,100
	<hr/> <hr/>	<hr/> <hr/>

* Increases of impairment provisions related to UniCredit CAIB Securities Romania S.A.

25. Investment securities, held-to-maturity

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

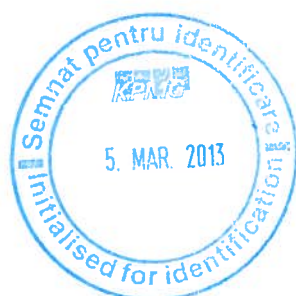
	2012	2011
<i>In RON</i>		
At 1 of January	9,109,414	9,010,918
Additions	-	-
Disposals (redemption)	9,109,414	-
Effect of foreign exchange rate	-	98,496
	<hr/>	<hr/>
At 31 December	-	9,109,414
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2011, the investment securities were not pledged as collateral.



Notes to the financial statements for the year ended 31 December 2012
26. Property and equipment

<i>In RON</i>	Land and Buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Cost						
Balance at 1 January 2012	166,755,333	87,120,751	603,115	92,591,929	42,268,004	389,339,132
Additions	9,986,602	30,013,245	-	21,514,865	21,988,423	83,503,135
Disposals	(1,272,884)	(790,258)	-	(1,449,226)	(51,162,423)	(54,674,791)
Balance at 31 December 2012	175,469,051	116,343,738	603,115	112,657,568	13,094,004	418,167,476
Depreciation and impairment losses						
Balance at 1 January 2012	(7,531,767)	(64,224,916)	(567,833)	(48,311,018)	-	(120,635,534)
Charge for the year	(14,274,593)	(13,347,818)	(35,282)	(9,460,908)	-	(37,118,601)
Disposals	-	609,931	-	931,055	-	1,540,986
Balance at 31 December 2012	(21,806,360)	(76,962,803)	(603,115)	(56,840,871)	-	(156,213,149)
Carrying amounts						
At 1 January 2012	159,223,566	22,895,835	35,282	44,280,911	42,268,004	268,703,598
At 31 December 2012	153,662,691	39,380,935	-	55,816,697	13,094,004	261,954,327



Notes to the financial statements for the year ended 31 December 2012
26. Property and equipment (continued)

<i>In RON</i>	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Cost						
Balance at 1 January 2011	256,611,253	90,678,068	649,031	88,493,217	24,410,536	460,842,105
Additions	8,022,199	13,506,652	-	4,505,866	17,857,468	43,892,185
Disposals	(8,328,789)	(17,063,969)	(45,916)	(407,154)	-	(25,845,828)
Increase due to revaluation	19,194,298	-	-	-	-	19,194,298
Decrease due to revaluation	(108,743,628)	-	-	-	-	(108,743,628)
Balance at 31 December 2011	166,755,333	87,120,751	603,115	92,591,929	42,268,004	389,339,132
Depreciation and impairment losses						
Balance at 1 January 2011	(102,786,391)	(68,513,583)	(521,815)	(39,939,902)	(1,146,086)	(212,907,777)
Charge for the year	(15,144,652)	(12,698,533)	(57,497)	(8,746,869)	-	(36,647,551)
Other movements	(1,146,086)	-	-	-	1,146,086	-
Disposals	2,801,734	16,987,200	11,479	375,753	-	20,176,166
Decrease due to revaluation	108,743,628	-	-	-	-	108,743,628
Balance at 31 December 2011	(7,531,767)	(64,224,916)	(567,833)	(48,311,018)	-	(120,635,534)
Carrying amounts						
At 1 January 2011	153,824,862	22,164,485	127,216	48,553,315	23,264,450	247,934,328
At 31 December 2011	159,223,566	22,895,835	35,282	44,280,911	42,268,004	268,703,598

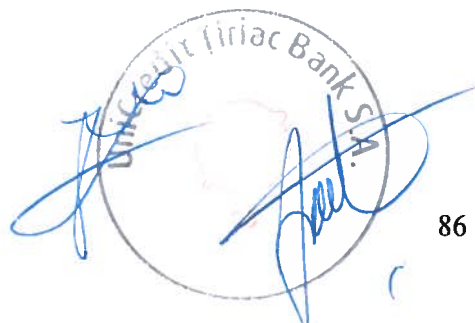


Notes to the financial statements for the year ended 31 December 2012
26. Property and equipment (continued)
Contingent operating lease (rentals)

<i>In RON</i>	31 December 2012	31 December 2011
Amounts payable under operational leases		
Up to twelve months	74,253,561	71,995,553
From one to five years	259,665,370	124,545,347
Over five years	124,620,742	33,297,241
	<hr/>	<hr/>
Total future lease obligations	458,539,673	229,838,141
	<hr/> <hr/>	<hr/> <hr/>

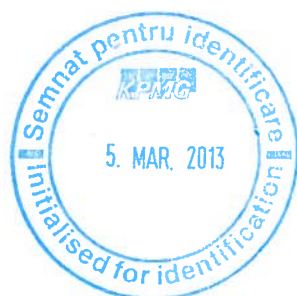
27. Intangible assets

<i>In RON</i>	Intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2012	177,279,682	71,436,191	248,715,873
Additions	24,794,966	44,415,160	69,210,126
Disposals	(45,563,546)	(25,872,172)	(71,435,718)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	156,511,102	89,979,179	246,490,281
	<hr/>	<hr/>	<hr/>
Amortisation and impairment losses			
Balance at 1 January 2012	(138,251,698)	-	(138,251,698)
Amortisation for the year	(32,861,947)	-	(32,861,947)
Disposals	45,563,547	-	45,563,547
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	(125,550,098)	-	(125,550,098)
	<hr/>	<hr/>	<hr/>
Carrying amounts			
	<hr/>	<hr/>	<hr/>
At 1 January 2012	39,027,984	71,436,191	110,464,175
	<hr/>	<hr/>	<hr/>
At 31 December 2012	30,961,004	89,979,179	120,940,183
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



Notes to the financial statements for the year ended 31 December 2012
27. Intangible assets (continued)

<i>In RON</i>	Intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2011	143,376,286	71,040,398	214,416,684
Additions	43,056,632	33,378,751	76,435,383
Disposals	(9,153,236)	(32,982,958)	(42,136,194)
Balance at 31 December 2011	177,279,682	71,436,191	248,715,873
Amortisation and impairment losses			
Balance at 1 January 2011	(118,461,527)	-	(118,461,527)
Amortisation for the year	(28,943,407)	-	(28,943,407)
Disposals	9,153,236	-	9,153,236
Balance at 31 December 2011	(138,251,698)	-	(138,251,698)
Carrying amounts			
At 1 January 2011	24,914,759	71,040,398	95,955,157
At 31 December 2011	39,027,984	71,436,191	110,464,175



Notes to the financial statements for the year ended 31 December 2012
28. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2012 are attributable to the items detailed in the table below:

	31-Dec 2012	31-Dec 2012	31-Dec 2012
	Assets	Liabilities	Net
<i>In RON</i>			
Loans and advances to customers	-	91,032,826	91,032,826
Property, equipment and intangible assets	-	3,053,576	3,053,576
Available-for-sale equity investments	-	65,131	65,131
Available for sale investment securities	-	5,406,038	5,406,038
Derivative financial instruments held for trading	-	-	-
Derivative financial instruments held for hedging	12,713,542	-	(12,713,542)
HTM investment securities	-	-	-
Other assets	349,104	-	(349,104)
Provisions, other liabilities, accruals	49,837,968	-	(49,837,968)
Deferred tax asset / liability at 16%	62,900,614	99,557,571	36,656,957

Deferred tax assets and deferred tax liabilities at 31 December 2011 are attributable to the items detailed in the table below:

	31-Dec 2011	31-Dec 2011	31-Dec 2011
	Assets	Liabilities	Net
<i>In RON</i>			
Loans and advances to customers	-	90,434,212	90,434,212
Property, equipment and intangible assets	-	3,246,860	3,246,860
Available-for-sale equity investments	-	61,085	61,085
Available for sale investment securities	2,436,974	-	(2,436,974)
Derivative financial instruments held for trading	90,456	-	(90,456)
Derivative financial instruments held for hedging	7,346,639	-	(7,346,639)
HTM investment securities	-	316,509	316,509
Other assets	349,104	-	(349,104)
Provisions, other liabilities, accruals	40,758,508	-	(40,758,508)
Deferred tax asset / liability at 16%	50,981,681	94,058,666	43,076,985



Notes to the financial statements for the year ended 31 December 2012

28. Deferred tax assets and liabilities (continued)

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

<i>In RON</i>	2012			2011		
	Before tax	Tax expense / (benefit)	Net of tax	Before tax	Tax expense / (benefit)	Net of tax
Available-for-sale financial assets	33,787,737	(5,406,038)	28,381,699	(29,788,131)	4,766,101	(25,022,030)
Cash flow hedging reserve	(79,459,639)	12,713,542	(66,746,097)	(45,916,494)	7,346,639	(38,569,855)
Revaluation of property, plant and equipment	19,193,427	(2,989,550)	16,203,877	19,194,298	(3,071,088)	16,123,210

29. Other assets

<i>In RON</i>	31 December 2012	31 December 2011
Sundry debtors (gross amounts)	46,412,233	46,666,806
Prepayments	35,345,534	24,320,843
Amounts in transit	31,858,383	275,486
Amounts receivable	17,603,022	7,639,749
Assets held for sale	4,403,385	4,403,385
Advances for fixed assets	1,728,528	3,306,220
Inventories	1,613,206	1,475,810
Other	3,824,021	17,887,366
Total gross amounts	142,788,312	105,975,665
Less impairment for sundry debtors	(19,680,516)	(28,133,314)
Total	123,107,796	77,842,351

The Bank booked as prepayments, during 2012 and 2011: premises rents, local taxes, guarantee fund, premises insurance, bankers blanket bond, subscriptions for several publications.



Notes to the financial statements for the year ended 31 December 2012

30. Derivatives designated as hedging instruments

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

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

<i>In RON</i>	Notional amount 2012	Liabilities 2012	Notional amount 2011	Liabilities 2011
Instrument type:				
Interest rate	527,183,817	88,319,374	514,282,448	57,760,921
Cross currency swap	221,435,000	5,915,702	43,197,000	1,051,936
Total	748,618,817	94,235,076	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:

<i>In RON</i> 31 December 2012	Within 1 year	1-5 years	Over 5 years
Cash inflow	134,397,086	109,023,015	27,412,331
Cash outflow	(69,784,034)	(235,112,603)	(60,170,871)

As 31 December 2012 all cash flow hedge relationships have been assessed as highly effective, with no ineffectiveness recognised in profit or loss.

31. Deposits from banks

<i>In RON</i>	31 December 2012	31 December 2011
Term deposits	1,706,163,717	2,989,135,621
Sight deposits	827,527,645	517,569,216
Amounts in transit	77,514,391	154,361,971
Total	2,611,205,753	3,661,066,808



Notes to the financial statements for the year ended 31 December 2012

32. Loans from banks and other financial institutions

The caption Loans from banks comprises the following:

a) *UniCredit Bank Austria AG*: loans facilities in amount of EUR 673,616,959 and RON 1,193,413,467 in total amount of RON equivalent 4,176,660,893 (31 December 2011: RON equivalent 4,040,559,706).

b) *Kreditanstalt für Wiederaufbau Germany*: loan facilities in amount of EUR 6,418,205 in total amount of RON equivalent 28,424,303, maturing on 16 June 2014 (31 December 2011: RON equivalent 46,545,483).

c) *B.E.R.D.*: loan facilities in amount of EUR 4,512,669 in total amount of RON equivalent 19,985,257, maturing on 19 May 2017 (31 December 2011: RON equivalent 23,824,101).

d) *BANQUE EUROPENE D'INVESTISSEMENT-BEI*: loan facilities in amount of EUR 1,930,173 (RON equivalent 8,548,155), maturing on 15 June 2016 (31 December 2011: RON equivalent 12,676,815).

e) *Unicredit Bank AG, Germany*: overnight facility in amount of EUR 7,498 in total amount of RON equivalent 33,208 (31 December 2011: 0).

f) *National Bank of Romania*: repurchase transaction in amount of RON 469,896,176 (31 December 2011: 0).

As at 31 December 2012, the final maturity of loans varies from January 2013 to March 2018. The maximum percentage of the interest derives from one of the loans granted by UniCredit Bank Austria AG.

The following table shows the yearly average interest rates charged in relation to the Loans from banks and other financial institutions during 2011 and 2012:

Currency	2012	2011
EUR	3.54%	3.43%
RON	5.81%	5.67%
USD	1.44%	1.29%



Notes to the financial statements for the year ended 31 December 2012

33. Deposits from customers

	31 December 2012	31 December 2011
<i>In RON</i>		
Term deposits	6,924,149,066	6,348,745,383
Payable on demand	6,249,800,446	4,605,471,459
Collateral deposits	632,648,154	525,036,405
Amounts in transit	29,091,830	61,555,495
Certificates of deposits	3,785,646	1,514,854
Total	13,839,475,142	11,542,323,596

As of 31 December 2012, retail clients (individuals and small and medium companies) represents 35% of the portofolio, while corporate clients (including Private Banking clients) represents 65% of the portofolio (31 December 2011: retail clients 35%, corporate clients 65%).

34. Subordinated loans

	31 December 2012	31 December 2011
<i>In RON</i>		
UniCredit Bank Austria AG	433,783,445	338,106,674
UniCredit Bank Ireland PLC	66,552,167	64,984,818
Total	500,335,612	403,091,492

At 31 December 2012, the following agreements were outstanding:

a) Subordinated loans from UniCredit Bank Austria AG are as follows: two facilities in amount of EUR 48,500,000 EUR and respectively RON 215,730,000 in total amount of RON equivalent 430,521,950 principal, maturing on July 2022 and July 2014 respectively (31 December 2011: five facilities in amount of EUR 5,000,000, EUR 3,517,824, EUR 3,407,155, RON 215,730,000 and respectively RON 70,400,000 in total amount of RON equivalent 337,226,149 principal, maturing on September 2012, September 2012, August 2012, July 2014 and August 2012 respectively). The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

b) UniCredit Ireland: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON equivalent 66,430,500, maturing on 30 November 2015 (the same facility in 2011: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON 64,272,000, maturing on 30 November 2015). The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

The following table shows the yearly average interest rates charged in relation to the Subordinated loans during 2011 and 2012:

Currency	2012	2011
EUR	5.41%	2.63%
RON	5.98%	6.06%

Notes to the financial statements for the year ended 31 December 2012
35. Provisions

<i>In RON</i>	31 December 2012	31 December 2011
Provision for financial guarantees (refer to Note 40)	275,909,822	227,674,202
Provision for off-balance commitments and contingencies	10,749,591	10,996,190
Provision for legal disputes	3,050,737	2,851,653
Other provisions	1,755,167	2,546,489
Total	291,465,317	244,068,534

As of 31 December 2012, the Bank calculated provisions for off balance sheet commitments and contingencies in amount of RON 10,767,250 (2011: RON 10,996,190) both for undrawn lines and for other off balance sheet credit related commitments items.

The movements in provisions during the year were as follows:

<i>In RON</i>	2012	2011
Balance at 1 January	244,068,534	158,588,186
Provision set up during the year	117,718,003	112,373,246
Provision used during the year	(50,437,527)	-
Provision reversed during the year	(24,955,550)	(33,434,011)
FX effect related to off-balance exposure (financial guarantees and commitments)	5,071,857	6,541,113
Balance at 31 December	291,465,317	244,068,534



Notes to the financial statements for the year ended 31 December 2012
36. Other liabilities

	31 December 2012	31 December 2011
<i>In RON</i>		
Accrual of employee bonus	16,491,737	15,071,618
Payable to state budget	18,508,827	20,257,865
Accruals for third party services	29,671,486	32,291,224
Amounts payable to suppliers	20,217,096	21,140,894
Lease liabilities (i)	-	45,444
Deferred income	23,057,181	22,128,601
Other	13,622,271	10,912,748
Total	121,568,598	121,848,394

(i) Lease liability

As at 31 December 2012, the Bank had no leasing (31 December 2011: RON 45,444, agreement concluded with UniCredit Leasing Corporation IFN S.A. representing financial leasing for tangible assets acquisition).

	31 December 2012	31 December 2011
Amounts payable under finance leases		
Up to twelve months	-	45,629
From one to five years	-	-
Over five years	-	-
Less: future interest payments	-	(185)
Present value of lease obligations	-	45,444



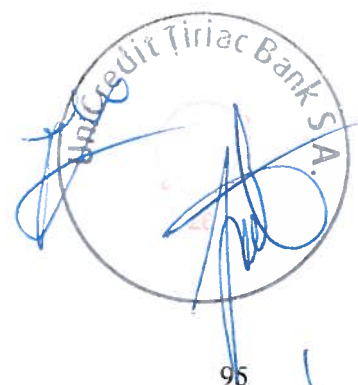
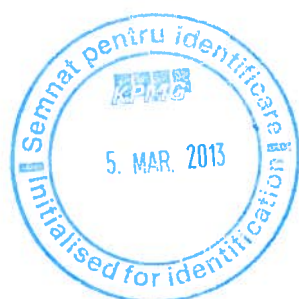
Notes to the financial statements for the year ended 31 December 2012
37. Issued capital

The statutory share capital of the Bank as at 31 December 2012 is represented by 40,760,784 ordinary shares (31 December 2011: 40,760,784 ordinary shares) having a face value of RON 9.30 each. The shareholders of the Bank are as follows:

	31 December 2012 %	31 December 2011 %
UniCredit Bank Austria AG	50.55884	50.55884
Redrum International Investments B.V	24.83104	24.83104
Vesanio Trading Ltd	20.22869	20.22869
Bank Austria – CEE BeteiligungsmbH	0.01329	0.01329
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank Austria	0.01329	0.01329
Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders	4.32827	4.32827
Total	100.00	100.00

The share capital comprises of the following:

<i>In RON</i>	31 December 2012	31 December 2011
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
Share capital under IFRS	1,101,604,066	1,101,604,066



Notes to the financial statements for the year ended 31 December 2012
38. Other reserves

The breakdown of other reserves is presented below:

<i>In RON</i>	31 December 2012	31 December 2011
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,494	19,064,494
Revaluation of property, plant and equipment	16,203,879	16,123,211
Share of other comprehensive income of associates	129,761	129,761
Total	229,907,162	229,826,494

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

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

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



Notes to the financial statements for the year ended 31 December 2012

39. Related party transactions

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

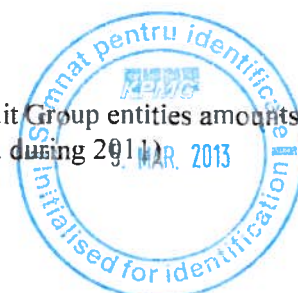
<i>In RON</i>	31 December 2012		
	Parent Company	Associates	Other related parties
Financial assets held for trading on derivative contracts	18,077,399	1,596,234	9,218,093
Current accounts and deposits to banks	183,191,259	-	5,941,303
Loans to banks	-	-	588,678
Loans to customers	-	142,323,365	27,628,500
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
Interest and similar income	2,233,426	14,047,112	569,505
Interest income and similar revenues on derivative instruments	-	25,008	54,032
Interest income and similar revenues on hedging derivatives	-	-	-
Interest expenses and similar charges	(259,636,780)	(9,005,087)	(12,180,516)
Interest expense and similar charges on derivative instruments	-	-	(14,381,270)
Interest expense and similar charges on hedging derivatives	-	-	(7,555,942)
Commission income	36,174,892	16,710,269	2,222,402
Commission expense	(4,026,403)	(141)	(1,387,155)
Management fees	(511,595)	-	(4,617,576)
Other operating income	6,156,280	-	4,250,061
Administration costs: general and administrative expenses - other	-	-	(34,288,639)
Net revenue/(expense)	(219,610,180)	21,777,161	(67,315,098)
Commitments	294,795,928	3,651,157	884,560,633




Notes to the financial statements for the year ended 31 December 2012
39. Related party transactions (continued)

<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	57,101,089	15,976,016
Outstanding receivables	627,660,887	218,951,248	77,028,979
Financial liabilities 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
Deposit 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 payables	7,128,016,838	826,952,455	668,490,412
Interest and similar income	8,645,166	15,714,040	4,558,491
Interest income and similar revenues on derivative instruments	-	59,694	217,091
Interest income and similar revenues on hedging derivatives	-	-	57,639
Interest expenses and similar charges	(262,646,991)	(15,121,312)	(14,090,145)
Interest expense and similar charges on derivative instruments	-	-	(881,197)
Interest expense and similar charges on hedging derivatives	-	-	(12,954,002)
Commission income	39,026,118	12,032,553	557,944
Commission expense	(2,649,945)	(866,106)	(13,595,401)
Management fees	(846,137)	-	(5,209,345)
Other operating income	4,820,306	-	4,158,700
Administration costs - general and administrative expenses - other	-	-	(33,176,136)
Net revenue/(expense)	(213,651,483)	11,818,869	(70,356,361)
Commitments	530,165,905	9,194,056	687,135,454

Net loss from derivatives held for risk management concluded with Unicredit Group entities amounts to RON equivalent 101,810,290 during 2012 (RON equivalent 54,704,485 gain during 2011).



Notes to the financial statements for the year ended 31 December 2012
39. Related party transactions (continued)
Transactions with key management personnel

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

	31 December 2012	31 December 2011
<i>In RON</i>		
Loans	1,205,999	1,309,259
Current accounts and deposits	5,637,739	6,289,078
Interest and similar income	70,853	104,029
Interest expenses and similar charges	(133,963)	(137,382)
Total	6,780,628	7,564,984

No provisions have been recognised in respect of loans given to related parties (2011: nil)

	2012	2011
<i>In RON</i>		
Key management compensation	11,195,805	9,548,057
Total	11,195,805	9,548,057

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



Notes to the financial statements for the year ended 31 December 2012

40. Commitments and contingencies

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

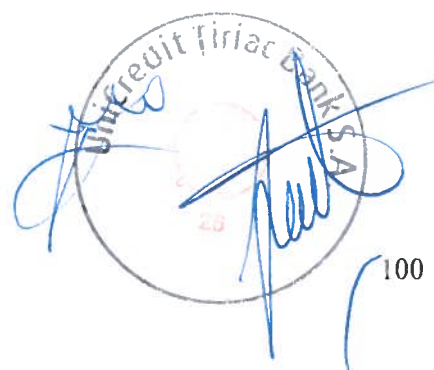
The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.

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

<i>In RON</i>	31 December 2012	31 December 2011
Loan commitments	943,192,063	1,132,124,703
Letters of credit	133,903,105	70,022,597
Guarantees issued	5,251,044,649	5,542,176,924
Total	6,328,139,817	6,744,324,224

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 is obliged to indemnify UniCredit Bank Austria AG. The total amount of such risk participation agreements in force as at 31 December 2012 is EUR 558,342,907, USD 50,000,000 and CHF 4,425,197 (31 December 2011 is 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 (refer to Note 3(j)(iii)).



Notes to the financial statements for the year ended 31 December 2012

40. Commitments and contingencies (*continued*)

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 32,972,257 (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 31 December 2012 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 4,226,428 (31 December 2011: RON 5,830,863). The Bank, based upon legal advice, has assessed that a provision amounting to RON 3,050,737 as at 31 December 2012 (2011: RON 2,851,653) is necessary to be booked for these claims.

41. Subsequent events

Following to the completion of transfer of control over UniCredit Consumer Financing IFN SA ("UCFIN") from UniCredit SpA to UniCredit Tiriatic Bank SA at the beginning of January 2013, UCFIN has become a subsidiary of the Bank. As a consequence, the UniCredit Tiriatic Bank SA will prepare individual and consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS") starting with 1 January 2013. The Bank complies with the respective norms and regulations issued by National Bank of Romania.



Mr. Rasvan Radu
Chief Executive Officer



Mr. Stanislav Georgiev
Chief Financial Officer