



UNICREDIT TIRIAC BANK S.A.

SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2013

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS
AS ENDORSED BY EUROPEAN UNION**



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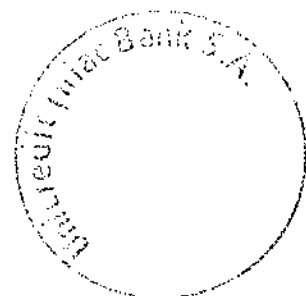
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To the Shareholders of UniCredit Tiriac Bank S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of UniCredit Tiriac Bank S.A. (the "Bank"), which comprise the separate statement of financial position as at December 31, 2013, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

Deloitte

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 separate financial statements give a true and fair view of the financial position of UniCredit Tiriac Bank S.A. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and Order 27/2010.

Other Matters

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

Report on Conformity of the Administrators' Report with the Separate Financial Statements

In accordance with Order of the National Bank of Romania Governor no. 27/2010, article 16.1, point e) we have read the Administrators' Report attached to the separate financial statements. The Administrators' Report is not a part of the separate financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

Ahmed Hassan, Audit Partner

For signature, please refer to the original Romanian version.

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

On behalf of:

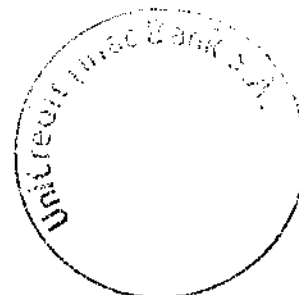
DELOITTE AUDIT S.R.L.

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

Bucharest, Romania
February 27, 2014

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RON	2012 RON
Interest income		1,236,071,359	1,257,403,496
Interest expense		(573,461,111)	(653,719,314)
Interest related effect of swap transactions related to refinancing lines with UniCredit Group companies		39,815,610	85,688,280
Net interest income	7	702,425,858	689,372,462
Fee and commission income		363,260,689	307,736,336
Fee and commission expense		(63,856,235)	(57,974,177)
Net fee and commission income	8	299,404,454	249,762,159
Net income from trading and other financial instruments at fair value through profit or loss	9	284,143,925	263,808,748
Net gains on financial assets available for sale	23	92,887,452	29,229,565
Dividends and similar incomes	10	1,053,815	636,281
Other operating income	11	3,902,169	15,823,521
Operating income		1,383,817,673	1,248,632,736
Personnel expenses	12	(302,814,409)	(292,849,835)
Depreciation and amortisation	13	(69,306,244)	(69,980,548)
Other administrative costs	14	(306,490,112)	(265,977,446)
Other operating costs		(10,503,897)	(5,129,719)
Operating expenses		(689,114,662)	(633,937,548)
Net operating income		694,703,011	614,695,188
Net impairment losses on financial assets	15	(682,855,956)	(317,055,543)
Net impairment losses on non-financial assets	25	(10,531,998)	-
Net provision charge	16	(16,219,844)	(92,762,454)
Profit / (Loss) before taxation		(14,904,787)	204,877,191



**SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)**

	Note	2013 RON	2012 RON
Income tax	17	89,991,356	(31,748,330)
Net profit for the year		75,086,569	173,128,861
Other comprehensive income, net of tax			
Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	27,23	12,995,758	53,940,707
Net change in cash flow hedging reserve (net of deferred tax)	27,29	35,144,286	(28,176,242)
Revaluation of property, plant and equipment (net of deferred tax)	27,25	(1,237,812)	81,537
Other comprehensive income for the year, net of tax		46,902,232	25,846,002
Total comprehensive income for the year		121,988,801	198,974,863

The separate financial statements were approved by the Management Board on 25 February 2014, and were signed on its behalf by:

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mrs. Mihaela Alina Lupu
Chief Financial Officer



**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	31 December 2013 RON	31 December 2012 RON
Assets			
Cash and cash equivalents	18	5,235,423,604	4,429,652,624
Derivative assets at fair value through profit or loss	19	76,489,100	156,042,671
Derivatives assets designated as hedging instruments	29	13,606,582	-
Loans and advances to banks	20	378,166,622	51,423,603
Loans and advances to customers	21	15,763,723,509	15,904,311,718
Investment securities, available for sale	23	5,402,692,661	3,945,757,938
Equity investments	24	2,683,310	2,233,832
Investment in associates	22	823,800	67,216,476
Investment in subsidiaries	22	64,767,136	-
Property and equipment	25	223,082,205	261,954,327
Intangible assets	26	123,921,961	120,940,183
Current tax assets	17	32,100,976	-
Deferred tax assets	27	46,239,003	-
Other assets	28	94,173,952	123,106,176
Total assets		27,457,894,421	25,062,639,548
Liabilities			
Derivative liabilities at fair value through profit or loss	19	92,166,312	140,609,534
Derivatives liabilities designated as hedging instruments	29	62,038,833	94,235,076
Deposits from banks	30	3,670,345,104	2,611,205,753
Loans from banks and other financial institutions	31	4,207,328,024	4,703,547,992
Deposits from customers	32	15,179,302,001	13,839,475,142
Debt securities issued	33	549,912,266	-
Subordinated liabilities	34	503,874,631	500,335,612
Provisions	35	227,799,156	291,465,317
Current tax liabilities		-	19,234,372
Deferred tax liabilities	27	-	36,656,957
Other liabilities	36	138,834,098	121,568,598
Total liabilities		24,631,600,425	22,358,334,353
Equity			
Share capital	37	1,101,604,066	1,101,604,066
Reserve on available for sale financial assets		41,377,457	28,381,699
Cash flow hedging reserve		(31,601,811)	(66,746,097)
Revaluation reserve on property and equipment		14,966,066	16,203,878
Other reserves	38	213,573,522	213,573,522
Retained earnings		1,486,374,696	1,411,288,127
Total equity		2,826,293,996	2,704,305,195
Total liabilities and equity		27,457,894,421	25,062,639,548

The separate financial statements were approved by the Management Board on 25 February 2014, and were signed on its behalf by:

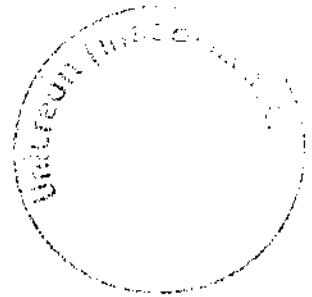
Mr. Catalin Rasvan Radu
Chief Executive Officer

Mrs. Mihaela Alina Lupu
Chief Financial Officer

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2013

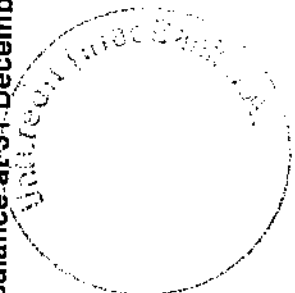
<i>In RON</i>	Share capital	Reserve on available for sale financial assets	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Retained earnings	Total
Balance at 31 December 2012	1,101,604,066	28,381,699	(66,746,097)	16,203,878	213,573,522	1,411,288,127	2,704,305,195
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	75,086,569	75,086,569
Other comprehensive income, net of tax							
Net change in available for sale financial assets, net of tax	-	12,995,758	-	-	-	-	12,995,758
Net change in cash flow hedging reserve, net of tax	-	-	35,144,286	-	-	-	35,144,286
Revaluation of property, plant and equipment, net of tax	-	-	-	(1,237,812)	-	-	(1,237,812)
Total other comprehensive income for the year		12,995,758	35,144,286	(1,237,812)	-	-	46,902,232
Total comprehensive income for the year		12,995,758	35,144,286	(1,237,812)	-	75,086,569	121,988,801
Balance at 31 December 2013	1,101,604,066	41,377,457	(31,601,811)	14,966,066	213,573,522	1,486,374,696	2,826,293,996



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

**SEPARATE STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER 2012**

<i>In RON</i>	Share capital	Reserve on available for sale financial assets	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Retained earnings	Total
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,573,522	1,238,158,397	2,505,330,332
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	173,128,861	173,128,861
Other comprehensive income, net of income tax							
Net change in available for sale financial assets, net of tax	-	53,940,707	-	-	-	-	53,940,707
Net change in cash flow hedging reserve, net of tax	-	-	(28,176,242)	-	-	-	(28,176,242)
Revaluation of property, plant and equipment, net of tax	-	-	-	80,668	-	869	81,537
Total other comprehensive income for the year	-	53,940,707	(28,176,242)	80,668	-	869	25,846,002
Total comprehensive income for the year	-	53,940,707	(28,176,242)	80,668	-	173,129,730	198,974,863
Balance at 31 December 2012	1,101,604,066	28,381,699	(66,746,097)	16,203,878	213,573,522	1,411,288,127	2,704,305,195



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

**SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

<i>In RON</i>	Note	2013	2012
Operating activities			
Profit / (Loss) before taxation	17	(14,904,787)	204,877,191
Adjustments for non-cash items:			
Depreciation, amortisation and impairment on tangible and intangible assets	13	69,306,244	69,980,548
Net impairment losses on financial assets		689,420,262	318,217,627
Change in fair value of derivatives at fair value through profit or loss		31,110,349	(3,361,113)
Other items for which the cash effects are investing or financing		(1,203,145)	1,971,315
Other non-cash items		153,603,124	94,484,503
Operating profit before changes in operating assets and liabilities		927,332,047	686,170,071
Change in operating assets:			
Increase in investment securities available for sale		(1,419,071,660)	(497,963,257)
Increase in loans and advances to banks		(321,630,420)	(26,878,160)
Increase in loans and advances to customers		(668,754,961)	(1,742,144,051)
(Increase) / Decrease in other assets		8,032,532	(12,487,442)
Change in operating liabilities:			
(Decrease) / Increase in deposits from banks		1,058,598,676	(1,048,134,253)
Increase in deposits from customers		1,330,374,824	2,270,061,146
Decrease in other liabilities		(22,062,134)	(7,116,861)
Income tax paid		(53,040,276)	(24,304,284)
Cash flows from / (used in) operating activities		839,778,628	(402,797,091)
Investing activities			
Proceeds from sale of property and equipment		149,330	251,106
Acquisition of property and equipment and intangible assets		(50,821,707)	(73,707,285)
Acquisition of equity investments		(6,194,701)	(12,787,356)
Redemption of held to maturity securities		-	8,630,585
Dividends received	10	1,053,815	636,281
Cash flows used in investing activities		(55,813,263)	(76,976,669)

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



**SEPARATE STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Financing activities			
Payment of finance lease liability		-	(45,444)
Proceeds from debt securities issued		550,000,000	-
Repayments of loans from financial institutions		(1,244,333,706)	(1,350,946,345)
Drawdowns from loans from financial institutions		716,139,321	1,877,870,059
Drawdowns from subordinated liabilities		-	224,094,250
Repayment of subordinated liabilities		-	(124,143,651)
Cash flows from financing activities		21,805,615	626,828,869
Net increase in cash and cash equivalents		805,770,980	147,055,109
Cash and cash equivalents at 1 January	18	4,429,652,624	4,282,597,515
Cash and cash equivalents at 31 December	18	5,235,423,604	4,429,652,624
Cash flow from operating activities include:			
		<u>2013</u>	<u>2012</u>
Interest received		1,277,432,597	1,173,048,973
Interest paid		567,982,439	619,698,799



NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. REPORTING ENTITY

UniCredit Tiriac Bank S.A. (the "Bank") was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank) and is licensed by the National Bank of Romania ("NBR") to conduct banking activities.

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

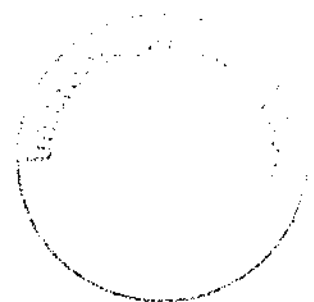
At December 2013, the Bank is member of the UniCredit Group, being directly controlled by UniCredit Bank Austria AG, with registered office in Vienna, Austria, Schottengasse 6 – 8, and having as ultimate parent UniCredit S.p.A., with registered office in Rome, Italy, Via Alessandro Specchi, 16.

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 bank has a shareholding of 50.1% in its subsidiary UniCredit Consumer Financing IFN S.A. that provides consumer finance loans to individuals, and respectively 20% in the associated entity UniCredit Leasing Corporation IFN S.A. that provides financial lease services to corporate clients and individuals.

The Bank operates through the Head Office located in Bucharest and through its network of 188 branches (31 December 2012: 208) located in Bucharest and in the country.





**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. BASIS OF PREPARATION

a) Statement of compliance

At 31 December 2013 and 31 December 2012, the separate financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

According to provisions of Order 27/2010 issued by National Bank of Romania, starting with 1 January 2012 the Bank applies IFRS as endorsed by European Union as statutory financial reporting framework. Transition from financial statements prepared based on Romanian Accounting standards in place until 31 December 2011 to IFRS was based on the information from financial statements as at 31 December 2011 prepared by the Bank in accordance with IFRS as endorsed by the European Union. The IFRSs relevant for the Bank were the same as those endorsed by the European Union for both years, therefore there is no effect on the Bank's accounting policies from the change of financial reporting framework applied.

Additionally, the Bank prepares a set of consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements".

b) Basis of measurement

The separate financial statements have been prepared as follows:

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

c) Functional and presentation currency

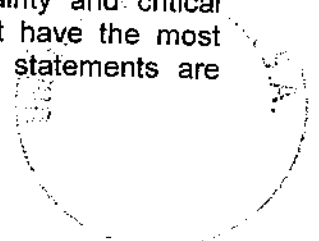
The separate financial statements are presented in Romanian Lei ("RON"), which is the functional and presentation currency. Except as indicated, the financial information presented in RON has been rounded to the nearest unit.

d) Use of estimates and judgements

The preparation of separate 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 separate financial statements are described in notes 4 and 5.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Foreign currency

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

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

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

The exchange rates of major foreign currencies were:

Currencies	31 December 2013	31 December 2012	%
Euro (EUR)	1: RON 4.4847	1: RON 4.4287	1.26
US Dollar (USD)	1: RON 3.2551	1: RON 3.3575	(3.05)

e) 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 separate financial statements.

f) 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013



3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

c) Interest (*continued*)

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.

Once a loan has been classified as depreciated, the remaining unamortised balance related to fee is recognised in profit or loss.

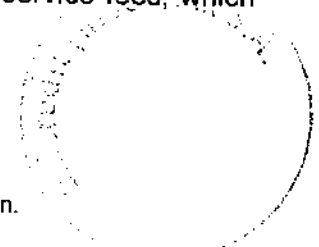
Interest income and expense presented in the statement of comprehensive income include:

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

d) 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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****e) 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.

f) Net income from other financial instruments at fair value through profit or 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.

g) Leases

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

h) Income tax

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

Current tax 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 2013 is 16% (2012: 16%).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****i) Financial assets and financial liabilities****(i) Recognition and initial measurement**

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

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

(ii) Classification*Financial assets*

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

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

See accounting policies 3(k), (l), (m), (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), (t).

The Bank designates financial assets and liabilities at fair value through profit or 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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****i) Financial assets and financial 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 is also recognised in profit or loss.

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

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 statement of financial position. 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 most 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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*****i) Financial assets and financial 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****i) Financial assets and financial 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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****i) Financial assets and financial liabilities (continued)****(vii) Identification and measurement of impairment (continued)****Loans and advances to customers (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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****i) Financial assets and financial 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.

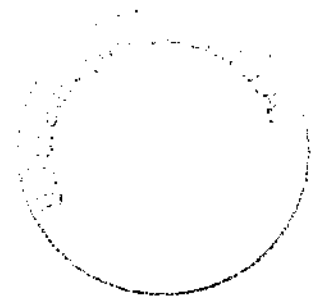
Financial assets carried at cost

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

j) 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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****k) 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:

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

The Bank does not have any trading instruments at 31 December 2013 and 31 December 2012 except for derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back-to-back transactions within UniCredit Group.

l) Derivatives held for risk management purposes and hedge accounting

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

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****I) Derivatives held for risk management purposes and hedge accounting (continued)****(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.

(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 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****l) Derivatives held for risk management purposes and hedge accounting (continued)****(iii) Cash flow hedges (continued)**

The Bank has applied cash flow hedge accounting starting since 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 or loss account.

m) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near 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.

n) 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.

(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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****o) Equity investments****(i) Subsidiaries**

Subsidiaries are investees controlled by the Bank. The Bank controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

At the beginning of January 2013, the Bank acquired UCFIN 417,208 shares from UniCredit SpA resulting in the increase of its shareholding in UCFIN from 46.06% to 50.10%. Simultaneously, the Shareholders Agreement and respectively UCFIN Articles of Associations have been amended to reflect the transfer of control over UCFIN from UniCredit SpA to the Bank, including Bank's right to nominate the majority of UCFIN Supervisory Board members. As a consequence, UCFIN, previously associate entity, has become a subsidiary of the Bank. The Bank has accounted for the Subsidiary at cost in the separate financial statements in accordance with IAS 27, Separate financial statements.

(ii) Investment in associate

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

The Bank holds a 20% investment in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to local and external customers. The Bank has accounted for the investment in associate at cost in the separate financial statements in accordance with IAS 27, Separate financial statements.

(iii) Equity instruments

The Bank holds minor shareholdings in other entities providing auxiliary financial services and are classified as available for sale. For impairment policy please refer to note 3 i) (vi).

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

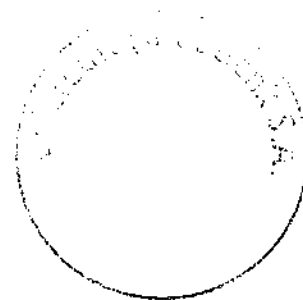
All items of property and equipment are initially recognized at cost.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013



3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

p) Property and equipment (*continued*)

(ii) *Subsequent measurement (continued)*

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

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

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

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

(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*

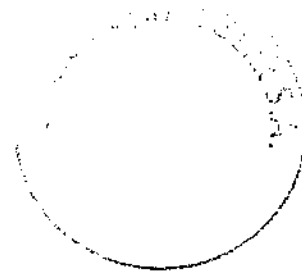
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated rates of depreciation are as follows:

Buildings

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

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****q) Investment property**

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

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

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

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

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.

s) 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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Deposits, debt securities issued, loans from banks and subordinated liabilities

Deposits, debt securities issued loans 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 separate financial statements.

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

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

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

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

u) 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.

v) Financial guarantees and loan commitments

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 Separate Financial Statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

v) Financial guarantees and loan commitments (*continued*)

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 3i(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 3i (iii).

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

w) 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 government bonds that have maturity dates approximating the terms of the Bank's obligations.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

w) Employee benefits *(continued)*

(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 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.

x) Segment reporting

An operating segment is a component of an entity:

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*****x) Segment reporting *(continued)***

Primary format for segment reporting of the Bank is the segmentation of activities. Segment results reported to the management of the Bank include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

y) Earnings per share

The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

z) Changes in accounting policies

The Bank has adopted the following new standards and amendments to the standards with the date of initial application of 1 January 2013.

(i) IFRS 13 Fair Value Measurement

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.

In accordance with the transitional provisions of IFRS 13, the Bank has applied the new definition of fair value, as set out in Note 3 (i)(vi), prospectively. The change had no significant impact on the measurements of the Bank's assets and liabilities. The new disclosure requirements do not have a material impact on the financial statements of the Bank, as the Bank does not have significant portfolio of financial instruments measured at fair value which are classified as Level 3 within the fair value hierarchy.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****z) Changes in accounting policies****(ii) Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income**

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 amendment had no impact in the Other Comprehensive Income as all items included in this category are to be recycled in profit or loss in the future.

(iii) Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets

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 amendment was implemented by the Bank during 2013 with no material impact.

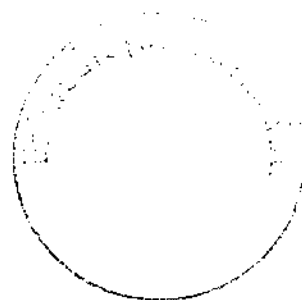
aa) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these separate financial statements:

(i) IFRS 9 Financial Instruments (effective for annual period beginning after 1 January 2018)

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, loans and receivable and financial instruments at fair value through profit or loss.

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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****aa) New standards and interpretations not yet adopted (continued)****(i) IFRS 9 Financial Instruments (effective for annual period beginning after 1 January 2018) (continued)**

A financial asset is measured at amortized cost if the following two conditions are met: the asset 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 from 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 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 separate 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 separate financial statements, including the latest amendments. The Bank has not decided on the date it will initially apply the new standard.

(ii) 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. 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****4. FINANCIAL RISK MANAGEMENT****a) Introduction and overview**

The Bank has exposure to the following main 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 Management Board implements the risk management strategy and policies. The Management Board 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 Management Board 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 UniCredit 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.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****4. FINANCIAL RISK MANAGEMENT (continued)****c) Credit risk (continued)****(i) Management of credit risk**

The functions of the **Risk Management Committee**, which has a consultative and proposing function for the Management Body with respect to the assurance of sound and adequate risk management process, are as follows:

- Ensuring the information to the Management Board on the issues and on the significant evolutions that might influence the risk profile of the Bank;
- Presenting to the Management Board detailed and adequate information, allowing the Board to acknowledge and evaluate the performance of significant risks' management (evaluation, monitoring and controlling according to the approved policies) and the overall performance of the Bank;
- Making recommendations regarding the involvement of the Bank into new activities based on related significant risks analysis;
- Informing on a regular basis the Management Board over the state of the risk exposures and immediately in case significant changes occur in current or future risk exposures;
- Recommending proper reporting systems for risk related issues;
- Recommending proper limits for risk exposure, including crisis situation, in accordance with the Bank's size, complexity and financial standing, as well as the necessary procedures for approving limit excesses.

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 UniCredit Group, 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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
4. FINANCIAL RISK MANAGEMENT (continued)
c) Credit risk (continued)
(ii) Exposure to credit risk
In RON

	31 December 2013	31 December 2012
Individually significant impaired loans		
Grade 8-: Impaired	-	25,743,209
Grade 9: Impaired	2,594,748,554	2,332,794,172
Grade 10: Impaired	725,926,279	610,948,044
Gross amount	3,320,674,833	2,969,485,425
Allowance for impairment	(1,393,777,865)	(932,362,250)
Carrying amount	1,926,896,968	2,037,123,175
Fair value of collateral	1,099,772,464	1,349,496,017
Property	921,695,726	1,257,252,093
Goods	96,697,684	54,151,818
Assignment of receivables	71,696,676	31,573,965
Other collateral*	9,682,378	6,518,141
Other impaired loans		
Grade 8-	449,690,596	391,886,670
Grade 9	22,626	4,945,976
Grade 10	255,190,005	184,558,266
Other impaired**	5,699,921	40,871,706
Gross amount	710,603,148	622,262,618
Allowance for impairment	(368,699,305)	(301,377,579)
Carrying amount	341,903,843	320,885,039
Fair value of collateral	336,910,472	291,102,086
Property	311,362,040	267,862,304
Goods	5,994,946	6,974,082
Assignment of receivables	1,501,276	337,607
Other collateral*	18,052,210	15,928,093
Past due but not impaired		
Grade 1 – 7, out of which:	788,774,242	1,355,849,100
Less than 90 overdue days	781,938,465	1,351,693,562
More than 90 overdue days	6,835,778	4,155,538
Grade 8, out of which:	398,135,226	427,129,027
Less than 90 overdue days	381,258,121	395,304,444
More than 90 overdue days	16,877,105	31,824,583
Gross amount	1,186,909,468	1,782,978,128
Allowance for impairment	(32,313,000)	(41,975,061)
Carrying amount	1,154,596,468	1,741,003,067
Neither past due nor impaired		
Grade 1-7	11,987,802,117	11,194,832,698
Grade 8-	377,440,585	699,997,856
Gross amount	12,365,242,702	11,894,830,554
Allowance for impairment	(24,916,472)	(89,530,117)
Carrying amount	12,340,326,230	11,805,300,437
Total carrying amount	15,763,723,509	15,904,311,718

* Other collateral includes cash and financial risk insurance.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
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. Please also refer to *Note 18, Note 20 and Note 23.*

Restructured loans are as follows:

<i>In RON</i>	<u>31 December 2013</u>	<u>31 December 2012</u>
Gross amount	1,243,919,259	1,184,197,340
Allowance for impairment	(382,934,019)	(212,874,637)
Carrying amount	860,985,240	971,322,703

Restructured loans are those that have been renegotiated due to deterioration in the borrower's financial position. Once the loan is restructured, in case of impaired portfolio, it remains within impaired category independent of satisfactory performance after restructuring for at least 2 years (according to Bank of Italy risk classes reporting classification). Restructured loans are monitored internally by a dedicated unit in the Bank.

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

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

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

Impaired loans

Impaired loans are loans 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.

Individually significant impaired loans

Individually significant impaired loans comprises significant private individuals (more than EUR 250,000) which have at least one default event, as defined in the Bank's internal procedures, and significant corporate clients (more than EUR 1 million) with grade 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013



4. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

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

Other impaired loans

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

Past due but not impaired loans

Loans for which contractual interest or principal payments are past due but the 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.

Neither past due nor individually impaired

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

Allowances for impairment

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

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 2013	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8-: Impaired	449,690,596	259,634,941
Grade 9: Impaired	2,594,771,180	1,751,465,270
Grade 10: Impaired	981,116,284	252,123,179
Other impaired	5,699,921	5,577,421
Total	4,031,277,981	2,268,800,811
31 December 2012	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8-: Impaired	417,629,879	215,488,756
Grade 9: Impaired	2,337,740,148	1,757,647,261
Grade 10: Impaired	795,506,310	345,596,828
Other impaired	40,871,706	39,275,369
Total	3,591,748,043	2,358,008,214

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
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 2013	31 December 2012
Private entities (including individuals)	4,346,524,640	3,879,631,475
Commercial, recovery and repair services	2,781,045,155	2,861,351,962
Real estate	1,622,263,103	1,864,159,971
Energy products	919,827,561	364,255,608
Foodstuffs, beverages and tobacco-based products	751,384,510	820,885,961
Construction and civil engineering	618,690,629	859,857,229
Other saleable services	602,398,429	795,686,874
Other public entities	544,133,298	651,731,138
Agriculture - forestry – fisheries	501,739,717	510,269,016
Inland transport services	375,303,702	294,649,558
Other industrial products	354,822,459	431,130,850
Paper, paper products, printing and publishing	288,419,647	214,265,060
Rubber and plastic products	273,246,507	283,229,236
Financial companies	227,309,424	194,627,453
Metal products except cars and means of transport	226,618,665	297,019,078
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	223,104,174	211,937,210
Farming and industrial machinery	174,727,242	147,889,470
Communications services	174,496,380	255,519,154
Transport-related services	171,016,406	191,066,073
Textiles, leather and footwear and clothing products	162,600,449	136,981,642
Means of transport	161,054,458	79,465,286
Hotel and public commercial concern services	124,883,175	137,002,198
Chemicals	107,117,083	46,275,290
Office machines, data processing machines, precision	23,575,578	27,926,759
Sea and air transport services	7,421,118	8,574,696
Ores and non-metal ore products	-	338,923,471
Total	15,763,723,509	15,904,311,718

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. FINANCIAL RISK MANAGEMENT *(continued)*

c) Credit risk *(continued)*

(ii) Exposure to credit risk (continued)

In RON

	2013	2012
Loans and advances to customers	15,763,723,509	15,904,311,718
Loan related commitments and contingencies <i>(refer to Note 40)</i>	6,295,558,935	6,328,139,817
	22,059,282,444	22,232,451,535

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 2013 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 2013, 99% of the loans to customers' portfolio was represented by Romanian residents. According to Fitch's rating, Romania is considered to have a low to moderate risk for investments.

At 31 December 2013, 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 2013, 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.

d) Liquidity risk

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. FINANCIAL RISK MANAGEMENT (*continued*)

d) Liquidity risk (*continued*)

Liquidity risk has the following subtypes:

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

Management of liquidity risk

By its very nature, the liquidity risk is a systemic risk with a high contagion potential for the whole banking system. Therefore, in order to limit the potential damage caused by liquidity problems, the 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.

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.

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 significant portion 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 and liability management activities etc.;
- Increasing the liquidity self-sufficiency by extending strategic financing through own bonds issues, covered bonds issues securitisation etc.;
- Development of collaboration with international financial institutions and foreign banks with the purpose of obtaining long term finance.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. FINANCIAL RISK MANAGEMENT *(continued)*

d) Liquidity risk *(continued)*

Exposure to liquidity risk

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

- the daily short-term liquidity report, in which, starting from maturities of inter-bank assets and liabilities, a daily liquidity profile is estimated for the coming 3 months. In addition to the interbank assets and liabilities, the bank considers also other potential short-term outflows coming from the commercial book (such as deposits, cash, and loan commitments). The limits checked in this report are 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, separately by each major currency, and in total (for all currencies cumulated).
- the weekly indicator on immediate liquidity. Every week, based on the statement of financial position data (static), a ratio between immediate assets and drawn sources is calculated. Immediate assets include: cash, current account with National Bank of Romania, Nostro accounts, deposits with banks, T-bills not serving as collateral;
- daily projection of treasury cash-flows the next 30 days – represents an estimation of cash flows generated by treasury transactions.
- liquidity indicators by time buckets, 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 through money market instruments, deposits and treasury-bills, or in medium term treasury bonds with higher liquidity in financial markets. For financing its asset expansion, the Bank uses mostly medium-term funding.

The ratio of net liquid assets to deposits from customers is 45% as at 31 December 2013 (31 December 2012: 38 %).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 – in 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
Cash and cash equivalents	5,235,423,604	-	-	-	-	5,235,423,604	5,235,423,604
Derivative assets at fair value through profit or loss	992,638	6,418,409	8,881,855	60,196,198	-	76,489,100	76,489,100
Derivatives financial instruments designated as hedging instruments	-	1,799,962	11,806,620	-	-	13,606,582	13,606,582
Loans and advances to banks	81,910,806	200,764,978	95,490,838	-	-	378,166,622	378,166,622
Loans and advances to customers	3,771,452,031	4,763,255,922	3,571,952,004	3,807,801,035	-	15,914,460,992	15,763,723,509
Investments in subsidiary and associates	-	-	-	-	65,590,936	65,590,936	65,590,936
Investment securities, available for sale	709,283,779	1,271,476,666	2,911,076,759	510,855,457	-	5,402,692,661	5,402,692,661
Equity investments	-	-	-	-	2,683,310	2,683,310	2,683,310
Total financial assets	9,799,062,858	6,243,715,937	6,599,208,076	4,378,852,690	68,274,246	27,089,113,807	26,938,376,324
Derivative liabilities at fair value through profit or loss	4,298,692	3,422,906	25,440,170	59,004,544	-	92,166,312	92,166,312
Derivatives financial instruments designated as hedging instruments	823,354	-	14,352,919	46,862,560	-	62,038,833	62,038,833
Loans and deposits from banks and subordinated liabilities	2,044,155,540	260,010,573	4,899,213,190	1,180,693,832	-	8,384,073,135	8,381,547,759
Deposits from customers	13,548,906,680	1,371,299,289	235,554,571	25,045,985	-	15,180,806,525	15,179,302,001
Debt securities issued	-	1,530,959	550,000,000	-	-	551,530,959	549,912,266
Total financial liabilities	15,598,184,266	1,636,263,727	5,724,560,850	1,311,606,921	-	24,270,615,764	24,264,967,171
Liquidity surplus/ (shortfall)	(5,799,121,408)	4,607,452,210	874,647,226	3,067,245,769	68,274,246	2,818,498,043	2,673,409,153
Adjustment for investment securities available for refinancing*	4,693,408,882	(1,271,476,666)	(2,911,076,759)	(510,855,457)	-	-	-
Liquidity surplus/ (shortfall) adjusted	(1,105,712,526)	3,335,975,544	(2,036,429,533)	2,556,390,312	68,274,246	2,818,498,043	2,673,409,153

* 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 SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

31 December 2013 - RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Gross nominal inflow/ (outflow)
Contingent assets and liabilities**)						
Irrevocable commitments given outflow	(1,256,124,658)	-	-	-	-	(1,256,124,658)
Irrevocable commitments taken inflow	1,071,843,300	-	-	-	-	1,071,843,300
Issued financial guarantees outflow	-	(4,582,519,568)	-	-	-	(4,582,519,568)
Future lease obligations outflow	-	(74,004,497)	(234,394,708)	(91,724,081)	-	(400,123,286)
Future interest on long-term borrowings outflow	(31,985,489)	(100,064,444)	-	-	-	(132,049,933)
Future interest on deposits from banks and customers outflow	(78,590,483)	(245,522,840)	-	-	-	(324,113,323)
Future interest on debt securities issued	(8,800,000)	(26,888,889)	-	-	-	(35,688,889)
Contingent assets and liabilities surplus / (shortfall)	(303,657,330)	(5,029,000,238)	(234,394,708)	(91,724,081)	-	(5,658,776,357)

**) 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 SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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
Cash and cash equivalents	4,429,652,624	-	-	-	-	4,429,652,624	4,429,652,624
Derivative assets at fair value through profit or loss	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	15,904,311,718
Investments in associates	-	-	-	-	67,216,476	67,216,476	67,216,476
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
Total financial assets	9,420,834,008	6,249,522,135	5,474,611,696	3,418,672,757	69,450,308	24,633,090,904	24,556,638,862
Derivative liabilities at fair value through profit or loss	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	69,450,308	2,740,564,465	2,667,228,133
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	69,450,308	2,740,564,465	2,667,228,133

*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.

Convenience translation in English of the original Romanian version.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 and 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 and customers outflow	(109,935,908)	(326,340,780)	(1,745,106,753)	-	-	(2,181,383,441)
Contingent assets and 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 SEPARATE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

4. FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

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

RON	Carrying amount	Gross nominal inflow / (outflow)	Less than 1 month	1 to 3 Months	3 months to 1 year	1-5 years	More than 5 years
31 December 2013							
Derivative assets	90,095,682	91,273,413	(1,460,095)	(692,407)	12,878,945	19,882,401	60,664,569
Outflow		(494,182,182)	141,591,827	(7,739,942)	(308,955,946)	(296,319,681)	(22,758,440)
Inflow		585,455,595	(143,051,922)	7,047,535	321,834,891	316,202,082	83,423,009
Derivative liabilities	(154,205,145)	(163,485,331)	(1,642,886)	468,052	(6,582,246)	(46,527,153)	(109,201,098)
Outflow		(2,208,545,562)	(1,003,331,621)	(259,558,535)	(232,491,496)	(520,576,752)	(192,587,158)
Inflow		2,045,060,231	1,001,688,735	260,026,587	225,909,250	474,049,599	83,386,060
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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****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 Management Board 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 arising from the bank's balance sheet positions is managed by Markets. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****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 UniCredit Group; data is automatically upload from the core banking system and other front office systems.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. FINANCIAL RISK MANAGEMENT (continued)

e) Market Risk (continued)

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

<i>In EUR</i>	At 31 December 2013	Average 2013	Maximum 2013	Minimum 2013
Foreign currency risk	22,739	79,167	460,920	755
Interest rate risk	840,136	502,989	1,115,062	69,403
Credit Spread Risk	4,083,254	5,251,053	7,441,891	3,548,376
Overall	4,127,282	5,490,736	7,637,046	3,660,991

<i>In EUR</i>	At 31 December 2012	Average 2012	Maximum 2012	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

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) 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, which correlate also with the stable FX VaR figure.

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

Currency	Limits (EUR equiv) 2013	Average usage 2013	Limits (EUR equiv) 2012	Average usage 2012
EUR	40,000,000	20.24%	40,000,000	23.58%
RON	40,000,000	20.16%	40,000,000	23.65%
USD	5,000,000	2.15%	5,000,000	4.04%

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 SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 based on earlier date between contractual maturity and repricing date is as at 31 December 2013:

In RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total	
					contractual amount	Total carrying amount
Cash and cash equivalents	5,235,423,604	-	-	-	5,235,423,604	5,235,423,604
Derivative assets at fair value through profit or loss	41,128,381	4,131,579	1,421,378	29,807,762	76,489,100	76,489,100
Derivatives financial instruments designated as hedging instruments	13,606,582	-	-	-	13,606,582	13,606,582
Loans and advances to banks	285,318,352	92,848,270	-	-	378,166,622	378,166,622
Loans and advances to customers	10,122,678,301	5,140,360,585	350,602,559	300,819,546	15,914,460,991	15,763,723,509
Investment securities, available for sale	709,283,779	1,271,476,666	2,911,076,759	510,855,457	5,402,692,661	5,402,692,661
Total financial assets	16,407,438,999	6,508,817,100	3,263,100,696	841,482,765	27,020,839,560	26,870,102,077
Financial liabilities at fair value through profit or loss	44,847,247	16,359,046	1,440,864	29,519,155	92,166,312	92,166,312
Derivatives financial instruments designated as hedging instruments	62,038,833	-	-	-	62,038,833	62,038,833
Loans and deposits from banks and subordinated liabilities	8,368,333,226	15,739,909	-	-	8,384,073,135	8,381,547,759
Deposits from customers	13,548,897,994	1,371,307,975	235,554,571	25,045,985	15,180,806,525	15,179,302,001
Debt securities issued	-	1,530,959	550,000,000	-	551,530,959	549,912,266
Total financial liabilities	22,024,117,300	1,404,937,889	786,995,435	54,565,140	24,270,615,764	24,264,967,171
Interest sensitivity surplus / (shortfall)	(5,616,678,301)	5,103,879,211	2,476,105,261	786,917,625	2,750,223,796	2,605,134,906

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 based on earlier date between contractual maturity and repricing date is as at 31 December 2012:

In RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total	
					contractual amount	Total carrying amount
Cash and cash equivalents	4,429,652,624	-	-	-	4,429,652,624	4,429,652,624
Derivative assets at fair value through profit or loss	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	15,904,311,718
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
Total financial assets	19,252,166,111	1,155,096,242	3,283,370,227	873,008,016	24,563,640,596	24,487,188,554
Derivative liabilities at fair value through profit or loss	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 financial liabilities	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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
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 2013:

	RON Average	EUR Average	USD Average
Assets			
Current accounts with the National Bank of Romania	0.87%	0.46%	-
Placements with banks	3.78%	0.75%	0.10%
Investment securities	5.74%	4.63%	6.35%
Loans and advances to customers	8.01%	4.56%	4.61%
Liabilities			
Deposits from banks	3.07%	0.40%	0.14%
Deposits from customers	3.15%	1.33%	1.08%
Loans from banks	5.49%	2.91%	-
Subordinated loans	4.70%	6.62%	-

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	5.81%	3.54%	1.44%
Subordinated loans	5.74%	5.20%	-

The interest rates related to the local currency and the major foreign currencies as at 31 December 2013 and 31 December 2012 were as follows:

Currencies	Interest rate	31 December 2013	31 December 2012
RON	Robor 3 months	2.44%	6.05%
RON	Robor 6 months	2.99%	6.27%
EUR	Euribor 3 months	0.29%	0.19%
EUR	Euribor 6 months	0.39%	0.32%
USD	Libor 3 months	0.25%	0.51%
USD	Libor 6 months	0.35%	0.51%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 can be analysed as follows:

In RON	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	3,081,244,328	116,167,913	2,023,168,656	14,842,707	5,235,423,604
Derivative assets at fair value through profit or loss	41,071,462	1,014	35,416,624	-	76,489,100
Derivatives designated as hedging instruments	11,348,684	1,605	2,256,293	-	13,606,582
Loans and advances to banks	370,465,363	31,931	7,664,673	4,655	378,166,622
Loans and advances to customers	4,860,729,136	223,094,762	10,677,258,685	2,640,926	15,763,723,509
Investments in associates	823,800	-	-	-	823,800
Investment securities, available for sale	4,204,902,857	7,999,975	1,189,789,829	-	5,402,692,661
Investments in subsidiary	64,767,136	-	-	-	64,767,136
Equity investments	2,683,310	-	-	-	2,683,310
Other assets	58,101,185	287,368	35,755,382	30,017	94,173,952
Total financial assets	12,696,137,261	347,584,568	13,971,310,142	17,518,305	27,032,550,276
Financial liabilities					
Derivative liabilities at fair value through profit or loss	55,037,922	2,363	37,124,297	1,730	92,166,312
Derivatives designated as hedging instruments	48,328,411	141,357	13,569,065	-	62,038,833
Loans and deposits from banks and subordinated liabilities	1,098,585,540	69,797,042	7,211,691,174	1,474,003	8,381,547,759
Deposits from customers	9,782,800,507	661,885,318	4,680,888,449	53,727,727	15,179,302,001
Debt securities issued	549,912,266	-	-	-	549,912,266
Provisions for risk and charges	18,492,144	645,203	208,275,118	386,691	227,799,156
Other liabilities	107,712,876	867,544	30,160,366	93,312	138,834,098
Total financial liabilities	11,660,869,666	733,338,827	12,181,708,469	55,683,463	24,631,600,425
Net financial assets/(liabilities)	1,035,267,595	(385,754,259)	1,789,601,673	(38,165,158)	2,400,949,851

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. FINANCIAL RISK MANAGEMENT (continued)

e) Market Risk (continued)

In RON	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	2,231,894,291	459,848,915	765,009,941	43,511,502	3,500,264,649
Cash Outflow	751,283,726	73,645,977	2,671,667,597	3,681,310	3,500,278,610
Net effect of derivatives at fair value through profit or loss	1,480,610,565	386,202,938	(1,906,657,656)	39,830,192	(13,961)
Net foreign currency position	2,515,878,160	448,679	(117,055,983)	1,665,034	2,400,935,890

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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:

In RON	RON	USD	EUR	Other	Total
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 at fair value through profit or loss	176,740	7,832,246	148,029,498	4,187	156,042,671
Loans and advances to banks	33,606,139	11,124,876	6,691,675	913	51,423,603
Loans and advances to customers	4,250,563,269	305,027,917	11,342,737,498	5,983,034	15,904,311,718
Investments in associates	67,216,476	-	-	-	67,216,476
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	37,261,748	32,508,697	53,303,911	31,820	123,106,176
Total financial assets	9,186,082,621	481,530,913	14,983,770,954	28,360,550	24,679,745,038
Financial liabilities					
Derivative liabilities at fair value through profit or loss	1,120,423	67,135	139,370,063	51,913	140,609,534
Derivatives designated as hedging instruments	79,273,646	143,976	14,817,454	-	94,235,076
Loans and deposits from banks and subordinated liabilities	2,170,946,969	9,745,577	5,625,458,386	8,938,425	7,815,089,357
Deposits from customers	7,520,211,389	1,108,211,180	5,165,869,404	45,183,169	13,839,475,142
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	1,124,308,282	11,255,119,126	54,555,482	22,302,443,024
Net financial assets/(liabilities)	(682,377,513)	(642,760,215)	3,736,528,702	(26,156,305)	2,385,234,669



NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. FINANCIAL RISK MANAGEMENT (continued)

e) Market Risk (continued)

In RON	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	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	2,421,770,508	(7,879,885)	(20,937,124)	(262,215)	2,392,691,284

f) Taxation risk

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

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

The tax legal framework has often been modified in 2013, generally for aligning to international developments of tax matters, and it is expected to continue being subject of frequent amendments in the future, due to more demanding requirements resulting from state budgetary needs and from Romania's obligations as EU member state.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****4. FINANCIAL RISK MANAGEMENT (continued)****g) Operating environment**

The Romanian economy has expanded by 3.5% in 2013, the fastest GDP growth rate in the CEE area. However, this attainment was helped by outstanding harvest and the development of new production facilities in the industrial sector. At the same time, domestic demand remained the main drag on growth, which was also reflected in the dynamic of retail sales and the construction sector.

GDP growth may slow down in 2014 due to a negative base effect from the outstanding harvest of 2013, weak domestic demand and political noise. Nevertheless, the industrial sector will remain supported by the recovery of Eurozone economies, particularly Germany.

The election could potentially increase risks of fiscal slippages, but the budget deficit and public debt to GDP ratio are set to remain low. The RON is expected to trade flat in 2014 as bank deleveraging will offset the positive basic balance.

Annual inflation ended 2013 at 1.55%, a substantial decline from 2012's reading of 4.95%. As a caveat, this downward adjustment was facilitated by temporary factors as an exceptional harvest and the reduction of VAT for bread products. The elimination of these factors along with changes in the fiscal framework could push inflation to 3.7% by the end of 2014. Nevertheless, consumer price inflation remained on a downward path since 2008 (excluding the volatile dynamic of foods and tax changes).

The Central Bank has capitalized on the favourable dynamic of inflation and cut the monetary policy to 3.5% in February 2014. Going forward, the NBR will focus primarily on liquidity conditions, leaving the monetary policy rate on hold. The Central Bank took a first step in this direction by cutting Minimum Reserve Requirements for both RON (from 15% to 12%) and FCY (from 20% to 18%) during the January 2014 meeting. Nevertheless, monetary easing can do little to address the structural problems of the banking sector or the lack of demand.

The Romanian banking system has undergone a substantial rebalancing process during 2013, which was reflected in the decline of the loans-to-depo ratio from 114.5% in December 2012 to 101.3% in December 2013, the lowest level since April 2007. Moreover, this has been a two-pronged adjustment, as deposits increased by 9.3% yoy in 2013 and loans to the private sector contracted by 3.3%. Consumer loans have been particularly weak, shrinking by 7.4% yoy in 2013.

The dominating characteristic in the detailed data for both loans and deposits has been a rebalancing away from EUR and towards RON. We believe that this transition has been accelerated by tighter lending standards aimed at limiting unhedged FX exposures and a large RON surplus in the financial system. Credit activity is likely to deteriorate further and NBR officials estimate that lending will not be resumed until 4Q 2014.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****4. FINANCIAL RISK MANAGEMENT (continued)****g) Operating environment (continued)**

Despite the provisions level increased in the 4th quarter of 2013, the banking system has ended 2013 on profit, due to the adjustment related to deferred tax resulted from the fiscal treatment of prudential filters (the positive difference between impairment allowance adjustments made in accordance with NBR Regulation no. 3/2009 and those made in accordance with IFRS).

In 2014, it is expected that the profitability of banking sector to be influenced by the ongoing financial deleveraging process, the verification process of assets quality performed by oversight authorities, by the changes of Law 193/2000 regarding the abusive clauses in the contracts concluded between businesses and consumers, the impact of the NBR Regulation no.5/2013 regarding the prudential requirements for credit institutions, and of the EU Regulation no. 575/2013 regarding the prudential requirements for credit institutions and investment firms. However, banks could prioritize the improvement of assets portfolios to the detriment of income generation.

In this environment the Bank's senior management will focus its attention on capturing all opportunities for supporting local business and growth, on customer satisfaction, on strong capital, liquidity and risk management.

Business growth targets stay ambitious, focusing on proper servicing and supporting customers in difficult times, risk management and profitability level. Quality improvement, process and cost optimization will continue. The Bank will also focus on systems enhancement as the main driver for high performance and efficiency.

The Management Board's members of the Bank firmly believe that due to the strong financial fundamentals of the Bank and the commitment for support from the main shareholders, the Bank has very good prospects to duly service its customers, comply with all ruling laws and regulations, and further improve its position at the market.

h) Capital management

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

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

4. FINANCIAL RISK MANAGEMENT *(continued)*

h) Capital management *(continued)*

Risk capital measurement

(i) Regulatory capital

Credit Risk

In July 2012, National Bank of Romania ("NBR") 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 22/14.12.2006.

Operational Risk

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

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

The internal model (AMA) has been formally approved by the National Bank of Romania 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 Tiriac Bank SA.

The Bank's regulator, NBR, 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 at minimum 8%.

The Bank's regulatory capital is structured 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
4. FINANCIAL RISK MANAGEMENT (continued)
h) Capital management (continued)
Risk capital measurement (continued)
Operational Risk (continued)
(i) Regulatory capital (continued)

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.

The Bank's regulatory capital position was as follows:

<i>In RON</i>	31 December 2013	31 December 2012
Tier 1 capital*	2,288,347,186	2,421,180,383
Tier 2 capital	-	179,441,321
Total regulatory capital	2,288,347,186	2,600,621,704
Capital requirements for credit risk	1,177,673,501	1,253,776,898
Capital requirements for market risk	9,595,281	519,897
Capital requirements for operational risk	185,739,241	178,719,152
Total capital requirement	1,373,008,023	1,433,015,947

Capital ratios

Total regulatory capital expressed as a percentage of total risk-weighted assets	13.33%	14.52%
Total tier 1 capital expressed as a percentage of risk-weighted assets	13.33%	13.52%

*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.

(ii) Capital allocation

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****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 UniCredit Group policies. 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 separate 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 10,562 thousand higher (31 December 2012: RON 14,297 thousand) or RON 45,915 thousand lower (31 December 2012: RON 25,534 thousand).

To the extent that the degree of collateral recognition parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 49,245 thousand higher (31 December 2012: RON 42,239 thousand) or RON 27,265 thousand lower (31 December 2012: RON 39,210 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
5. USE OF ESTIMATES AND JUDGEMENTS (continued)
a) Key sources of estimation uncertainty (continued)

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

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

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	13,302,833	(12,947,365)
Available for sale denominated in EUR	11,478,762	(11,327,419)
Available for sale Total	24,781,595	(24,274,784)

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

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

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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

Determining fair value

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 their classification in quoted and unquoted financial instruments is presented below:

31 December 2013	Listed	Unlisted	Total
<i>In RON</i>			
Investment securities, available for sale	3,450,897,085	1,951,795,576	5,402,692,661
Equity investments, available for sale	-	2,683,310	2,683,310
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	-	2,233,832	2,233,832

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. For each end of month the discounted PV from Markets Front office systems is input into Core System. Level 2 is assigned for deals with liquid currency pairs.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

5. USE OF ESTIMATES AND JUDGEMENTS (*continued*)

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

Determining fair value (*continued*)

- IR Options and IRS - are revalued daily in the Front Office System OPUS – consistent with the UniCredit 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 UniCredit 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 UniCredit 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. For each end of month the discounted PV from Markets Front office systems is input into Core System. Level 3 is assigned for deals with less liquid currency pairs.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

Determining fair value (continued)

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

	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Assets measured at amortized cost					
Cash and cash balances	-	-	5,235,423,604	5,235,423,604	5,235,423,604
Loans and advances to banks ¹	-	-	378,163,621	378,163,621	378,166,622
Loans and advances to customers ¹	-	-	15,970,675,388	15,970,675,388	15,763,723,509
Investments in subsidiaries and in associates ²	-	-	65,590,936	65,590,936	65,590,936
Property plant and equipment ³	-	-	223,082,205	223,082,205	223,082,205
Total assets measured at amortized cost	-	-	21,872,935,754	21,872,935,754	21,665,986,876
Assets measured at fair value					
Trading assets					
Derivative assets at fair value through profit or loss ⁴	-	76,083,698	405,402	76,489,100	76,489,100
Derivatives financial instruments designated as hedging instruments ⁴	-	-	13,606,582	13,606,582	13,606,582
Total trading assets	-	76,083,698	14,011,984	90,095,682	90,095,682
Available for sale assets					
Investment securities, available for sale ⁵	3,297,526,356	2,094,834,575	10,331,730	5,402,692,661	5,402,692,661
Equity investments, available for sale ⁶	-	-	2,683,310	2,683,310	2,683,310
Total available for sale assets	3,297,526,356	2,094,834,575	13,015,040	5,405,375,971	5,405,375,971

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

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

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

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

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

⁶ For the unquoted equity instruments where their fair value cannot be reliably estimated, are measured at cost (see also note 3) (vii)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

Determining fair value (continued)

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Financial liability measured at amortized cost					
Deposits from banks ⁷	-	-	3,583,696,498	3,583,696,498	3,670,345,104
Loans from banks and other financial institutions, including subordinated liabilities ⁷	-	-	4,596,955,991	4,596,955,991	4,711,202,655
Deposits from customers ⁷	-	-	15,290,104,815	15,290,104,815	15,179,302,001
Debt securities issued ⁸	-	-	562,175,310	562,175,310	549,912,266
Total liabilities measured at amortized cost	-	-	24,032,932,614	24,032,932,614	24,110,762,026
Financial liability measured at fair value					
Trading liabilities					
Derivative liabilities at fair value through profit or loss ⁴	-	91,219,098	947,214	92,166,312	92,166,312
Derivatives financial instruments designated as hedging instruments ⁴	-	59,700,038	2,338,795	62,038,833	62,038,833
Total trading liabilities	-	150,919,136	3,286,009	154,205,145	154,205,145

⁷ Fair values of loans and deposits are based on discounted cash flows using market interest rates and credit spreads.

⁸ Fair value of debt securities issued is determined on discounted cash flows using market interest rates

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

b) Critical accounting judgments in applying the Bank's accounting policies (continued) Determining fair value (continued)

The table below presents the fair value of financial instruments measured at amortised cost, respectively at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised as of 31 December 2012:

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Assets measured at amortized cost					
Cash and cash balances	-	-	4,429,652,624	4,429,652,624	4,429,652,624
Loans and advances to banks ¹	-	-	51,423,603	51,423,603	51,423,603
Loans and advances to customers ¹	-	-	15,706,685,052	15,706,685,052	15,904,311,718
Investments in associates and in subsidiaries ²	-	-	67,216,476	67,216,476	67,216,476
Property plant and equipment ³	-	-	261,954,327	261,954,327	261,954,327
Total assets measured at amortized cost	-	-	20,516,932,082	20,516,932,082	20,714,557,128
Assets measured at fair value					
Trading assets					
Derivative assets at fair value through profit or loss ⁴	-	154,733,774	1,308,897	156,042,671	156,042,671
Derivatives financial instruments designated as hedging instruments ⁴	-	-	-	-	-
Total trading assets	-	154,733,774	1,308,897	156,042,671	156,042,671
Available for sale assets					
Investment securities, available for sale ⁵	-	3,945,757,938	-	3,945,757,938	3,945,757,938
Equity investments, available for sale ⁶	-	-	2,233,832	2,233,832	2,233,832
Total available for sale assets	-	3,945,757,938	2,233,832	3,947,991,770	3,947,991,770

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

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

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

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

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

⁶ For the unquoted equity instruments where their fair value cannot be reliably estimated, are measured at cost (see also note 3i) (vii))

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. USE OF ESTIMATES AND JUDGEMENTS *(continued)*

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

In RON

Financial liability measured at amortized cost

	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Deposits from banks ⁷	-	-	2,611,205,753	2,611,205,753	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities ⁷	-	-	5,178,645,247	5,178,645,247	5,203,883,604
Deposits from customers ⁷	-	-	13,883,493,739	13,883,493,739	13,839,475,142
Total liabilities measured at amortized cost	-	-	21,673,344,739	21,673,344,739	21,654,564,499

Financial liability measured at fair value

Trading liabilities

Derivative liabilities at fair value through profit or loss⁴
 Derivatives financial instruments designated as hedging instruments⁴

	-	139,274,594	1,334,940	140,609,534	140,609,534
	-	88,319,374	5,915,702	94,235,076	94,235,076
Total trading liabilities	-	227,593,968	7,250,642	234,844,610	234,844,610

⁷ Fair value of loans and deposits are based on discounted cash flows using market interest rates and credit spreads.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
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.
 - In RON

31 December 2013	Note	Financial instruments at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
Cash and cash equivalents	18	-	5,235,423,604	-	-	5,235,423,604	5,235,423,604
Derivative assets at fair value through profit or loss	19	76,489,100	-	-	-	76,489,100	76,489,100
Derivatives assets designated as hedging instruments	29	-	-	-	-	-	-
Loans and advances to banks	20	-	378,166,622	-	13,606,582	13,606,582	13,606,582
Loans and advances to customers	21	-	15,763,723,509	-	-	378,166,622	378,163,621
Investment securities, available for sale	23	-	-	-	-	15,763,723,509	15,970,675,388
Equity investments, available for sale	24	-	-	5,402,692,661	-	5,402,692,661	5,402,692,661
Investments in associated entities and in subsidiaries	22	-	-	2,683,310	-	2,683,310	2,683,310
Total financial assets					65,590,936	65,590,936	65,590,936
Derivative liabilities at fair value through profit or loss	19	92,166,312	-	-	-	92,166,312	92,166,312
Derivatives liabilities designated as hedging instruments	29	-	-	-	62,038,833	62,038,833	62,038,833
Deposits from banks	30	-	-	-	3,670,345,104	3,670,345,104	3,583,696,498
Loans from banks and other financial institutions, including subordinated liabilities							
Debt securities issued	33	-	-	-	4,711,202,655	4,711,202,655	4,596,955,991
Deposits from customers	32	-	-	-	549,912,266	549,912,266	562,175,310
Total financial liabilities		92,166,312	-	-	15,179,302,001	15,179,302,001	15,290,104,815
					24,172,800,859	24,264,967,171	24,187,137,759

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

- In RON

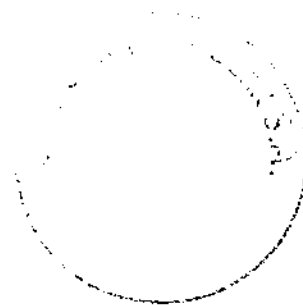
31 December 2012	Note	Financial instruments at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
Cash and cash equivalents	18	-	4,429,652,624	-	-	4,429,652,624	4,429,652,624
Derivative assets at fair value through profit or loss	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	-	15,904,311,718	-	-	15,904,311,718	15,706,685,052
Investment securities, available for sale	23	-	-	3,945,757,938	-	3,945,757,938	3,945,757,938
Equity investments, available for sale	24	-	-	2,233,832	-	2,233,832	2,233,832
Investments in associated entities and in subsidiaries	22	-	-	-	67,216,476	67,216,476	67,216,476
Total financial assets		156,042,671	20,385,387,945	3,947,991,770	67,216,476	24,556,638,862	24,359,012,196
Derivative liabilities at fair value through profit or loss	19	140,609,534	-	-	-	140,609,534	140,609,534
Derivatives designated as hedging instruments	29	-	-	-	94,235,076	94,235,076	94,235,076
Deposits from banks	30	-	-	-	2,611,205,753	2,611,205,753	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	5,203,883,604	5,203,883,604	5,178,645,247
Deposits from customers	32	-	-	-	13,839,475,142	13,839,475,142	13,883,493,739
Total financial liabilities		140,609,534	-	-	21,748,799,575	21,889,409,109	21,908,189,349

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
7. NET INTEREST INCOME
In RON

	<u>2013</u>	<u>2012</u>
Interest income		
Interest and similar income arising from:		
Loans and advances to customers*	977,368,928	1,021,708,191
Treasury bills and bonds	204,388,816	182,893,221
Current accounts and placements with banks	32,532,113	38,594,322
Others (including derivatives)	21,781,502	14,207,762
Total interest income	<u>1,236,071,359</u>	<u>1,257,403,496</u>
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers	302,288,092	337,427,976
Loans from banks and other financial institutions	161,277,081	212,938,406
Deposits from banks	52,266,453	62,347,284
Debts securities issued	17,996,557	-
Repurchase agreements	5,470,223	5,137,338
Others (including derivatives)	34,162,705	35,868,310
Total interest expense	<u>573,461,111</u>	<u>653,719,314</u>
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies**	39,815,610	85,688,280
Net interest income	<u>702,425,858</u>	<u>689,372,462</u>

*) Includes interest income on impaired loans of RON 64,227,215 (31 December 2012: RON 76,851,174). Interest income and expense for financial assets and financial liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

***) 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 from trading and other financial instruments at fair value through profit or loss.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

8. NET FEES AND COMMISSIONS INCOME
In RON

	<u>2013</u>	<u>2012</u>
Fees and commissions income		
Payments transactions	202,573,598	184,215,902
Risk participation fee (refer to Note 40)	60,846,003	35,345,247
Guarantees and letters of credit	24,680,638	24,180,956
Loan administration	16,792,338	13,013,484
Other	58,368,112	50,980,747
Total fees and commission income	<u>363,260,689</u>	<u>307,736,336</u>
Fees and commissions expense		
Inter-banking fees	36,670,360	32,377,711
Payments transactions	16,255,645	11,402,165
Commitments and similar fees	4,795,127	7,660,082
Intermediary agents fees	2,429,343	1,118,013
Other	3,705,760	5,416,206
Total fees and commissions expense	<u>63,856,235</u>	<u>57,974,177</u>
Net fees and commissions income	<u>299,404,454</u>	<u>249,762,159</u>

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

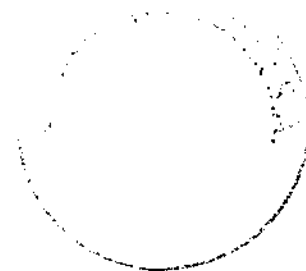
	<u>2013</u>	<u>2012</u>
Net gains from foreign exchange operations (including FX derivatives)	260,448,486	264,087,944
Net income from trading bonds	2,123,288	294,478
Net gains / (losses) from interest derivatives	21,572,151	(573,674)
Net income on foreign exchange and on derivative at fair value through profit or loss	<u>284,143,925</u>	<u>263,808,748</u>

10. DIVIDENDS INCOME

The Bank received dividends from the following companies:

In RON

	<u>2013</u>	<u>2012</u>
Transfond SA	939,073	528,254
Biroul de Credit SA	114,742	108,027
Total dividend income	<u>1,053,815</u>	<u>636,281</u>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

11. OTHER OPERATING INCOME
In RON

	2013	2012
Gains from sales of loans and receivables	-	12,961,133
Other operating revenues	3,902,169	2,862,388
Total	3,902,169	15,823,521

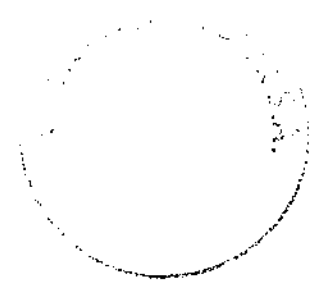
12. PERSONNEL EXPENSES
In RON

	2013	2012
Wages and salaries	234,497,909	232,264,878
Social security charges	63,469,520	61,296,299
Equity settled share-based payments	648,964	1,196,288
Other (income)/costs	4,198,016	(1,907,630)
Total	302,814,409	292,849,835

The number of employees at 31 December 2013 was 2,912 (31 December 2012: 2,799). Remuneration of Board's members for 2013 was RON 10,900,559 (2012: RON 11,195,805). 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 w (iv)).

13. DEPRECIATION AND AMORTISATION
In RON

	2013	2012
Depreciation on property and equipment	40,103,789	37,118,601
Amortisation on intangible assets	29,202,455	32,861,947
Total	69,306,244	69,980,548


**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
14. OTHER ADMINISTRATIVE COSTS
In RON

	2013	2012
Office space expenses (rental, maintenance, other)	103,707,650	100,428,800
IT services	81,571,251	58,530,501
Other taxes and duties	33,627,358	26,348,654
Communication expenses	20,041,275	21,173,007
Advertising and promotional expenses	18,210,224	14,889,428
Consultancy, legal and other professional services	10,967,321	8,983,747
Materials and consumables	8,950,319	7,262,748
Personnel training and recruiting	3,289,499	3,833,736
Insurance expenses	3,003,896	2,857,319
Other	23,121,319	21,669,506
Total	306,490,112	265,977,446

15. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS
In RON

	2013	2012
Net provision charges for loans and advances to customers	(626,945,867)	(311,636,822)
Loans written-off	(54,786,497)	(2,984,819)
Recoveries from loans previously written-off	6,564,306	1,162,084
Net provisions charges for investments in associates	(7,362,346)	-
Net provisions charges for other financial instruments	(317,135)	(988,390)
Net provisions charges for equity investments	(8,417)	(2,607,596)
Net impairment losses on financial assets	(682,855,956)	(317,055,543)

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
16. NET PROVISIONS CHARGES
In RON

	<u>2013</u>	<u>2012</u>
Net provision (charges)/release for off-balance loan commitments and contingencies*	68,270,859	(90,117,367)
Net provision charges for litigations	(1,466,964)	(2,971,869)
Other release of provisions	20,000	326,782
Other net charges of provisions*	(83,043,739)	-
Net provisions charges	(16,219,844)	(92,762,454)

* Following the execution of the Risk Participation Agreement contract for 2 clients the Bank incurred a loss of RON 83,043,739 which is booked in "Other net charges of provisions" line. The Bank release at the date of the execution an amount of RON 92.181.145 representing the related provisions for the 2 commitments presented in "Net provision (charges)/release for off-balance loan commitments and contingencies".

17. TAXATION
In RON

	<u>2013</u>	<u>2012</u>
Direct taxes at 16% (2012: 16%) of taxable profits determined in accordance with Romanian law	-	(43,896,087)
Correction of current income tax arising from previous year	(1,741,299)	901,741
Deferred tax income	91,732,655	11,246,016
Total tax expense	89,991,356	(31,748,330)

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

In RON

	<u>2013</u>	<u>2012</u>
Profit / (Loss) before tax	(14,904,787)	204,877,191
Taxation at statutory rate of 16%	2,384,766	(32,780,351)
Non-deductible expenses	(25,428,507)	(35,384,603)
Non-taxable revenues	32,135,551	25,876,631
Tax effect on retained earnings on transition to IFRS as endorsed by EU as statutory financial reporting framework, taxable during 2012	-	(2,848,679)
Origination and reversal of temporary differences	91,732,655	11,246,016
Fiscal credit	-	2,142,656
Fiscal loss	(10,833,109)	-
Taxation in the income statement	89,991,356	(31,748,330)

The Bank made quarterly payments in advance during 2013 with reference to the taxable profit of the previous year adjusted with consumer price index according with Fiscal Code.

In this context, the Bank booked as at 31 December 2013 a current tax asset of RON 32,100,976 for such payments considering that fiscal result was a loss.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
18. CASH AND CASH EQUIVALENTS

<i>In RON</i>	31 December 2013	31 December 2012
Balances with National Bank of Romania	4,199,744,807	3,537,695,143
Short term Money Market placements	459,543,818	460,678,182
Cash (including cash in ATMs)	429,734,767	240,949,220
Current balances with other banks	146,400,212	190,330,079
Total	5,235,423,604	4,429,652,624

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 2013, the minimum reserve level was settled as 15% (31 December 2012: 15%) for liabilities to customers in RON and 20% (31 December 2012: 20%) for liabilities to customers in foreign currency both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity greater than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.

19. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
(RON)

	31 December 2013		
	Notional	Present value	
		Assets	Liabilities
<i>Foreign currency derivatives</i>			
Forward contracts	2,411,599,971	5,043,130	5,016,099
Purchased Options	233,047,323	453,029	-
Sold Options	205,109,573	-	449,529
Total foreign currency derivatives	2,849,756,867	5,496,159	5,465,628
<i>Interest rates derivatives</i>			
Interest Rate Swaps	2,127,493,148	40,012,539	56,008,629
Purchased Options	1,229,552,455	30,980,402	-
Sold Options	1,229,531,695	-	30,692,055
Total interest rate derivatives	4,586,577,298	70,992,941	86,700,684
Total	7,436,334,165	76,489,100	92,166,312

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
**19. DERIVATIVE ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR
LOSS (continued)**

(RON)	31 December 2012		
	Notional	Present value	
		Assets	Liabilities
Foreign currency derivatives			
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
Interest rates derivatives			
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

As at 31 December 2013, the Bank has non-matured SPOT foreign currency transactions as follows: assets notional amount RON 1,091,290,175 (as at 31 December 2012: RON 2,666,886,631), asset present value RON 3,269,649 (as at 31 December 2012: RON 3,708,079) and liabilities notional amount RON 1,088,794,797 (as at 31 December 2012: RON 2,664,316,875), liability present value RON 774,272 (as at 31 December 2012: RON 1,138,324).

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

20. LOANS AND ADVANCES TO BANKS

In RON	31 December 2013	31 December 2012
Loans to banks	300,134,070	13,533,442
Suspense accounts	78,032,552	37,890,161
Total	378,166,622	51,423,603

Loans to banks include money market deposits to domestic and foreign commercial banks. These exposures with grade from 1 to 7 (31 December 2012: 3 to 5) are assessed as performing according with Bank's internal rating as at 31 December 2013 and 31 December 2012.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
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 2013	31 December 2012
Mortgages	7,261,730,501	6,361,835,831
Corporate loans	3,294,712,314	3,539,619,588
Revolving credit lines	1,936,416,592	2,418,614,573
Factoring	573,488,141	850,713,910
Credit cards and personal loans	485,804,623	507,024,780
Impaired assets*	4,031,277,981	3,591,748,043
Loans and advances to customers before provisions	17,583,430,151	17,269,556,725
Less provision for impairment losses on loans	(1,819,706,642)	(1,365,245,007)
Net loans and advances to customers	15,763,723,509	15,904,311,718

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

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

Specific allowances for impaired assets	2013	2012
Balance at 1 January	1,233,739,830	1,087,316,670
Net impairment charge for the year	700,740,735	420,647,366
Foreign currency exchange effect	(19,595,471)	(28,563,864)
Release of allowance for impairment of loans written-off and loans sold	(224,048,043)	(343,254,684)
Unwinding effect on provisions	71,640,120	97,594,342
Balance at 31 December	1,762,477,171	1,233,739,830
Collective allowances for incurred but not reported losses	2013	2012
Balance at 1 January	131,505,177	228,697,670
Net impairment charge / (release) for the year	(73,794,869)	(109,010,544)
Foreign Currency Exchange Effect	(480,837)	9,135,172
Release of allowance for impairment of loans written-off and loans sold	-	2,682,879
Balance at 31 December	57,229,471	131,505,177
Total opening balance	1,365,245,007	1,316,014,340
Total closing balance	1,819,706,642	1,365,245,007

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
 22. INVESTMENT IN SUBSIDIARIES AND IN ASSOCIATES

In RON	Nature of business	Country of incorporation	31 December 2013		31 December 2012	
			% interest held	Carrying amount	% interest held	Carrying amount
UniCredit Consumer Financing IFN S.A.*	Consumer finance	Romania	50.10%	64,767,136	46.06%	59,030,330
UniCredit Leasing Corporation IFN S.A.**	Leasing services	Romania	20.00%	823,800	20.00%	8,186,146
Total				65,590,936		67,216,476

*In January 2013 the Bank acquired 4.4% stake in UniCredit Consumer Financing IFN S.A. from UniCredit SpA when the transfer of the control over UCFin was made to the Bank. UCFin previously being an associated entity, has become a subsidiary of the Bank since then.

** During 2013 the Bank booked impairment for its associate UCLC in amount of RON: 7,362,346 (31 December 2012: 0). (refer to Note 15)

The following information is taken from the unaudited individual financial statements of the associates, prepared in accordance with UniCredit Group accounting policies which are based on IFRS as endorsed by the European Union:

In RON	Ownership	Total assets	Total liabilities	Operating income	Profit / (Loss)
2013					
UniCredit Consumer Financing IFN S.A.	50.10%	1,305,488,368	1,176,095,863	106,901,435	13,490,256
UniCredit Leasing Corporation IFN S.A.	20.00%	2,774,242,840	2,768,639,101	91,373,151	(17,977,379)
In RON					
2012					
UniCredit Consumer Financing IFN S.A.	46.06%	1,223,746,879	1,107,844,630	86,777,249	8,234,218
UniCredit Leasing Corporation IFN S.A.	20.00%	2,793,724,126	2,770,109,831	105,890,120	2,302,520

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
23. INVESTMENT SECURITIES, AVAILABLE FOR SALE

As at 31 December 2013, 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 5,402,692,661 (31 December 2012: RON 3,945,757,938).

As at 31 December 2013, the investment securities available for sale are pledged in amount of RON 161,598,375 (31 December 2012: RON 40,835,208) and there were no securities pledged for the repurchase transaction with the National Bank of Romania as at 31 December 2013 (31 December 2012: RON 499,747,465).

The Bank transferred to profit or loss during 2013 an amount of RON 92,887,452 (2012: RON 29,229,565) representing net gain from disposal of available for sale investment securities. Net change in fair value booked in other comprehensive income was an increase of RON 108,358,592 before tax (31 December 2012: RON 92,805,433), respective RON 91,021,217 net of tax (31 December 2012: RON 77,956,564).

24. EQUITY INVESTMENTS, AVAILABLE FOR SALE

The Bank held the following unlisted equity investments, available for sale as at 31 December 2013 and 31 December 2012:

31 December 2013	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit CAIB Securities Romania SA*	Financial activities	19.97	2,632,881	2,632,881	-
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial activities	6.80	645,525	-	645,525
Pioneer Asset Management S.A.I. SA	Other credit activities	3.10	1,786,564	960,253	826,311
Casa de Compensare Bucuresti SA	Financial activities	2.57	194,560	155,496	39,064
VISA Europe Limited	Other financial services	0.11	46,980	39,483	7,497
UniCredit Leasing Romania SA	Cards	0.01	37	-	37
	Leasing services	0.00002	14	-	14
Total			6,471,423	3,788,113	2,683,31

* Entity in liquidation.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
24. EQUITY INVESTMENTS, AVAILABLE FOR SALE (continued)

31 December 2012	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit CAIB Securities Romania SA	Financial activities	19.97	2,632,881	2,632,881	-
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial activities	4.23	187,635	-	187,635
Pioneer Asset Management S.A.I. SA	Other credit activities	3.10	1,786,564	960,253	826,311
Casa de Compensare Bucuresti SA	Financial activities	2.57	194,560	147,079	47,481
VISA Europe Limited	Other financial services	0.11	46,975	39,483	7,492
UniCredit Leasing Romania SA	Cards	0.01	37	-	37
	Leasing services	0.00002	14	-	4
Total			6,013,528	3,779,696	2,233,83

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

25. 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
Balance at 1 January 2013	167,937,284	116,343,738	603,115	112,657,568	13,094,004	410,635,709
Additions	3,619,769	8,150,881	-	3,682,184	18,221,883	33,674,717
Revaluation*	(13,333,502)	-	-	-	-	(13,333,502)
Disposals	(4,498,301)	(4,302,801)	-	(4,870,436)	(15,063,949)	(28,735,487)
Reclassification to investment properties	(479,571)	-	-	-	-	(479,571)
Balance at 31 December 2013	153,245,679	120,191,818	603,115	111,469,316	16,251,938	401,761,866
Depreciation and impairment losses						
Balance at 1 January 2013	(14,274,593)	(76,962,803)	(603,115)	(56,840,871)	-	(148,681,382)
Charge for the year	(12,296,553)	(15,092,766)	-	(12,714,470)	-	(40,103,789)
Revaluation*	1,364,905	-	-	-	-	1,364,905
Disposals	1,182,855	3,785,407	-	3,745,639	-	8,713,901
Reclassification to investment properties	26,704	-	-	-	-	26,704
Balance at 31 December 2013	(23,996,682)	(88,270,162)	(603,115)	(65,809,702)	-	(178,679,661)
Carrying amounts						
At 1 January 2013	153,662,691	39,380,935	-	55,816,697	13,094,004	261,954,327
At 31 December 2013	129,248,997	31,921,656	-	45,659,614	16,251,938	223,082,205

* The last revaluation has been performed by SC Colliers International S.R.L. as at 31 December 2013. At this date all the tangible assets classified as buildings and land not currently used by the Bank has been revaluated. In accordance with Evaluation International Standards, in estimating the fair value the independent evaluator used three alternative methods and chooses the most appropriate one, depending on nature and destination of each element.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

25. PROPERTY AND EQUIPMENT (continued)

As a result of revaluation, the Bank booked in 2013 an impairment loss in amount of RON 10,397,949 (2012: 0) for the land and buildings for which fair value at the date of the revaluation was below the cost and a net decrease in revaluation reserve in amount of RON 1,570,648 in statement of other comprehensive income.

Following the annual inventory process the Bank booked also as of 31 December 2013 impairment loss in amount RON 134,049 related to other assets.

<i>In RON</i>	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Balance at 1 January 2012	159,223,566	87,120,751	603,115	92,591,929	42,268,004	381,807,365
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	167,937,284	116,343,738	603,115	112,657,568	13,094,004	410,635,709
Depreciation and impairment losses						
Balance at 1 January 2012	-	(64,224,916)	(567,833)	(48,311,018)	-	(113,103,767)
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	(14,274,593)	(76,962,803)	(603,115)	(56,840,871)	-	(148,681,382)
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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
25. PROPERTY AND EQUIPMENT (continued)
Contingent operating lease (rentals)
In RON

	31 December 2013	31 December 2012
Amounts payable under operational leases		
Up to twelve months	74,004,497	74,253,561
From one to five years	234,394,708	259,665,370
Over five years	91,724,081	124,620,742
Total future lease obligations	400,123,286	458,539,673

26. INTANGIBLE ASSETS
In RON

	Intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2013	156,511,102	89,979,179	246,490,281
Additions	77,179,898	32,184,233	109,364,131
Disposals	-	(77,179,898)	(77,179,898)
Balance at 31 December 2013	233,691,000	44,983,514	278,674,514
Amortisation and impairment losses			
Balance at 1 January 2013	(125,550,098)	-	(125,550,098)
Amortisation for the year	(29,202,455)	-	(29,202,455)
Disposals	-	-	-
Balance at 31 December 2013	(154,752,553)	-	(154,752,553)
Carrying amounts			
At 1 January 2013	30,961,004	89,979,179	120,940,183
At 31 December 2013	78,938,447	44,983,514	123,921,961

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
26. INTANGIBLE ASSETS (continued)

<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)
Balance at 31 December 2012	156,511,102	89,979,179	246,490,281
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
Balance at 31 December 2012	(125,550,098)	-	(125,550,098)
Carrying amounts			
At 1 January 2012	39,027,984	71,436,191	110,464,175
At 31 December 2012	30,961,004	89,979,179	120,940,183

27. DEFERRED TAX ASSETS AND LIABILITIES

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

<i>In RON</i>	31 December 2013 Assets	31 December 2013 Liabilities	31 December 2013 Net
Property, equipment and intangible assets	1,372,393	2,656,713	(1,284,320)
Available for sale equity investments	-	65,131	(65,131)
Available for sale investment securities	-	7,881,420	(7,881,420)
Derivative financial instruments held for hedging	6,019,392	-	6,019,392
Provisions, other liabilities, accruals	39,345,060	-	39,345,060
Fiscal loss	9,651,622	-	9,651,622
Other assets	453,800	-	453,800
Deferred tax asset / (liability) at 16%	56,842,267	10,603,264	46,239,003

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
27. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

In RON

	31 December	31 December	31 December
	2012	2012	2012
	Assets	Liabilities	Net
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 hedging	12,713,542	-	12,713,542
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)

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

In RON

	2013	2013	2013	2012	2012	2012
	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
Available for sale financial assets	49,258,877	(7,881,420)	<u>41,377,457</u>	33,787,737	(5,406,038)	<u>28,381,699</u>
Cash flow hedging reserve	(37,621,203)	6,019,392	<u>(31,601,811)</u>	(79,459,639)	12,713,542	<u>(66,746,097)</u>
Revaluation of property, plant and equipment	17,622,779	(2,656,713)	<u>14,966,066</u>	19,193,428	(2,989,550)	<u>16,203,878</u>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
28. OTHER ASSETS
In RON

	31 December 2013	31 December 2012
Sundry debtors (gross amounts)	42,587,650	35,329,443
Prepayments	23,854,902	35,345,534
Amounts receivable	17,334,492	17,603,022
Inventories	11,198,302	8,198,489
Advances for property and equipment	3,484,202	1,728,528
Investment property	417,656	-
Amounts in transit	33,840	31,858,383
Other	3,966,629	3,824,019
Total gross amounts	102,877,673	133,887,418
Less impairment for sundry debtors	(8,703,721)	(10,781,242)
Total	94,173,952	123,106,176

The Bank booked as prepayments, during 2013 and 2012: premises rents, local taxes, premises insurance and bankers blanket bond.

29. DERIVATIVES ASSETS/LIABILITIES 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 2013	Assets 2013	Liabilities 2013	Notional amount 2012	Assets 2012	Liabilities 2012
Instrument type:						
Interest rate	485,697,799	-	59,700,038	527,183,817	-	88,319,374
Cross currency swap	471,790,440	13,606,582	2,338,795	221,435,000	-	5,915,702
Total	957,488,239	13,606,582	62,038,833	748,618,817	-	94,235,076

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
29. DERIVATIVES ASSETS/LIABILITIES DESIGNATED AS HEDGING INSTRUMENTS (continued)

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 2013	31 December 2013	31 December 2013
	Within 1 year	1-5 years	Over 5 years
Cash inflow	230,788,901	287,488,917	29,779,174
Cash outflow	(239,287,326)	(310,646,933)	(49,114,654)

<i>In RON</i>	31 December 2012	31 December 2012	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 at 31 December 2013, all cash flow hedge relationships have been assessed as highly effective, with no ineffectiveness recognised in profit or loss.

During 2013 the Bank transferred from cash flow hedge reserve an amount of RON 1,809,063 loss (31 December 2012: RON 1,445,000) to profit or loss representing credit value adjustment and foreign currency difference for the hedging items. The net change in fair value during 2013 was an increase of RON 33,335,223 before tax (31 December 2012: decrease of RON 29,621,242), and respective an increase of RON 28,001,587 net of tax (31 December 2012: decrease of RON 24,881,843).

30. DEPOSITS FROM BANKS

<i>In RON</i>	31 December 2013	31 December 2012
Term deposits	3,210,812,937	1,706,163,717
Sight deposits	362,325,452	827,527,645
Amounts in transit	97,206,715	77,514,391
Total	3,670,345,104	2,611,205,753

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
31. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

<i>In RON</i>	31 December 2013	31 December 2012
Commercial Banks	3,820,316,309	4,176,694,100
Multilateral development banks	15,739,909	19,985,257
International financial institutions	371,271,806	36,972,459
Repurchase Agreement with National Bank of Romania	-	469,896,176
Total	4,207,328,024	4,703,547,992

As at 31 December 2013, the final maturity of loans varies from June 2014 to December 2021.

32. DEPOSITS FROM CUSTOMERS

<i>In RON</i>	31 December 2013	31 December 2012
Term deposits	7,213,012,016	6,924,149,066
Payable on demand	7,143,291,768	6,249,800,446
Collateral deposits	766,247,115	632,648,154
Amounts in transit	56,718,530	29,091,830
Certificates of deposits	32,572	3,785,646
Total	15,179,302,001	13,839,475,142

As of 31 December 2013, retail clients (individuals and small and medium companies) represents 39% of the portfolio, while corporate clients (including private banking clients) represent 61% of the portfolio (31 December 2012: retail clients 35%, corporate clients 65%).

33. DEBT SECURITIES ISSUED

<i>In RON</i>	31 December 2013	31 December 2012
Debt securities issued	549,912,266	-
Total	549,912,266	-

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
34. SUBORDINATED LOANS

<i>In RON</i>	<u>31 December 2013</u>	<u>31 December 2012</u>
UniCredit Bank Austria AG (i)	436,478,335	433,783,445
UniCredit Bank Ireland PLC (ii)	67,396,296	66,552,167
Total	<u>503,874,631</u>	<u>500,335,612</u>

At 31 December 2013, the following agreements were outstanding:

- (i) *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 433,237,950 principal, maturing on July 2022 and July 2014 respectively (31 December 2012: 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).*

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

- (ii) *UniCredit Ireland: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON equivalent 67,270,500, maturing on 30 November 2015 (the same facility in 2012: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON 66,430,500, 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.

35. PROVISIONS

<i>In RON</i>	<u>31 December 2013</u>	<u>31 December 2012</u>
Provision for financial guarantees (refer to Note 40)	207,130,272	275,909,822
Provision for off-balance commitments and contingencies	14,673,526	10,749,591
Provision for legal disputes	4,386,373	3,050,737
Other provisions	1,608,985	1,755,167
Total	<u>227,799,156</u>	<u>291,465,317</u>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
35. PROVISIONS (continued)

As of 31 December 2013, the Bank calculated provisions for off balance sheet commitments and contingencies in amount of RON 14,673,526 (2012: RON 10,749,591) 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>	2013	2012
Balance at 1 January	291,465,317	244,068,534
Provision set up during the year	171,005,945	117,718,003
Provision used during the year	(83,301,157)	(50,437,528)
Provision reversed during the year	(154,786,101)	(24,955,549)
FX effect related to off-balance exposure (financial guarantees and commitments)	3,415,152	5,071,857
Balance at 31 December	227,799,156	291,465,317

36. OTHER LIABILITIES

<i>In RON</i>	31 December 2013	31 December 2012
Accruals for third party services	43,823,701	29,671,486
Deferred income	24,708,312	23,057,181
Amounts payable to suppliers	23,519,364	20,217,096
Payable to state budget	19,352,698	18,508,827
Accrual of employee bonus	15,281,259	16,491,737
Other	12,148,764	13,622,271
Total	138,834,098	121,568,598

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

37. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2013 is represented by 40,760,784 ordinary shares (31 December 2012: 40,760,784 ordinary shares) having a face value of RON 9.30 each. The shareholders of the Bank are as follows:

	31 December 2013	31 December 2012
	%	%
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 BeteiligungsgmbH	0.01329	0.01329
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank		
Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders	4.32827	4.32827
Total	100.00	100.00

The share capital comprises of the following:

<i>In RON</i>	31 December 2013	31 December 2012
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

38. OTHER RESERVES

The breakdown of other reserves is presented below:

<i>In RON</i>	31 December 2013	31 December 2012
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
Total	213,573,522	213,573,522

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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
39. RELATED PARTY TRANSACTIONS

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

In RON

	31 December 2013		
	Parent Company	Subsidiary and Associates	Other related parties
Derivative assets at fair value through profit or loss	-	874,988	6,740,827
Derivatives assets designated as hedging instruments	3,404,031	-	10,202,551
Loans and advances to banks	577,440,615	-	14,856,297
Loans and advances to customers	-	144,450,085	31,827,413
Other assets	7,702,847	1,424,468	14,317,037
Outstanding receivables	588,547,493	146,749,541	77,944,125
Derivative liabilities at fair value through profit or loss	2,571,509	-	82,732,297
Derivatives liabilities designated as hedging instruments	-	-	62,038,833
Current accounts	18,549,769	2,240,875	43,780,087
Deposit attracted	3,033,798,220	282,947,224	174,099,210
Loans received	3,820,316,308	-	-
Debts securities issued	20,608,025	-	-
Subordinated liabilities	436,478,335	-	67,396,296
Other liabilities	7,983,043	580	10,569,691
Outstanding payables	7,340,305,209	285,188,679	440,616,414
Interest income	7,670,616	11,944,841	18,967,332
Interest expense	(197,560,296)	(9,868,632)	(38,984,775)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group companies	39,815,610	-	-
Fee and commission income	36,062,056	15,251,647	1,673,162
Fee and commission expense	(1,413,155)	(7,495)	(69,361)
Other operating income	7,702,847	-	4,101,884
Operating expenses	(560,883)	-	(52,631,437)
Net revenue / (expense)	(108,283,205)	17,897,756	(66,943,195)
Commitments	444,635,583	181,463,325	480,620,771

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
39. RELATED PARTY TRANSACTIONS (continued)
In RON

	31 December 2012		
	Parent Company	Associates	Other related parties
Derivative assets at fair value through profit or loss	18,077,399	1,596,234	9,218,093
Loans and advances to banks	183,191,259	-	6,529,981
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
Derivative liabilities at fair value through profit or loss	214,545	-	130,240,063
Derivatives liabilities designated as hedging instruments	-	-	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 income	2,233,426	14,072,120	623,537
Interest expense	(259,636,780)	(8,980,079)	(12,126,484)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group companies	62,711,731	-	22,976,549
Fee and commission income	36,174,892	16,710,269	2,222,402
Fee and commission expense	(4,026,403)	(141)	(1,387,155)
Other operating income	6,156,280	-	4,250,061
Operating expenses	(511,595)	-	(38,906,215)
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 SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
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:

<i>In RON</i>	31 December 2013	31 December 2012
Loans	601,461	1,205,999
Current accounts and deposits	4,974,619	5,637,739
Interest and similar income	45,218	70,853
Interest expenses and similar charges	(157,332)	(133,963)
	2013	2012
<i>In RON</i>		
Key management compensation	10,900,559	11,195,805
Total	10,900,559	11,195,805

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

40. COMMITMENTS AND CONTINGENCIES (*continued*)

<i>In RON</i>	31 December 2013	31 December 2012
Loan commitments	1,289,670,511	943,192,063
Letters of credit	49,530,094	133,903,105
Guarantees issued	4,956,358,330	5,251,044,649
Total	6,295,558,935	6,328,139,817

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 or the other entities within UniCredit Group. The total amount of such risk participation agreements in force as at 31 December 2013 is EUR 524,859,081 CHF 3,540,157 (31 December 2012 is EUR 584,670,289, USD 50,000,000 and CHF 4,425,197).

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(i)(iii)).

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 40,077,826 (31 December 2012: EUR 32,972,257).

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

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

As at 31 December 2013 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 15,742,753 (31 December 2012: RON 4,226,428). The Bank, based upon legal advice, has assessed that a provision amounting to RON 2,424,424 as at 31 December 2013 (2012: RON 3,050,737) is necessary to be booked for these claims.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****41. OPERATING SEGMENTS**

The segment report format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank. The business segments are presented as independent units with responsibility for their own results and meet the requirement of IFRS 8 Operating segments.

Corporate and Investment Banking ("CIB and PB") segment covers the product lines Global Transaction Banking (including payment transactions, trade finance, cash management), Finance and Advisory (classic and structured lending business and capital market advisory services) and Markets (Treasury). Management is performed through a matrix organization based on customer segments: medium corporate (mid) with turnover between 3 and 50 EUR million, corporate whose turnover exceeds EUR 50 millions, international corporate, real estate, public sector and financial institutions.

In this segment there are also included Private Banking clients which is focusing on private customers and families with investments exceeding EUR 190.000 and/or individuals with monthly turnover higher than EUR 7,000. These customers receive customized banking products and services, including personalized assets under Management/Custody product solutions.

Retail segment ("Retail") covers business with private customers (except Private Banking customers) and small and medium-sized enterprises with a turnover of up to EUR 3 millions. Also included in this segment is the Credit Card Business and factoring.

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

Internal fund transfer pricing and equity benefit are considered and shown in respective business line with corresponding amount in segment "Other". Costs are allocated to the individual business segments based on internal drivers.

Overhead costs are allocated to the business segments according to a key of distribution applied within the UniCredit Group methodology.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

41. OPERATING SEGMENTS *(continued)*

Segment reporting on income statements as of 31 December 2013:

In RON

	CI&B and PB	Retail	Other	Total
Net interest income	462,518,140	302,765,879	(62,858,161)	702,425,858
Net fee and commission income	170,086,838	130,521,470	(1,203,854)	299,404,454
Net income from trading and other financial instruments at fair value through profit or loss	239,298,374	39,796,702	5,048,849	284,143,925
Net gains on financial assets available for sale	92,887,452	-	-	92,887,452
Other operating income	-	-	4,955,984	4,955,984
Operating income	964,790,804	473,084,051	(54,057,180)	1,383,817,673
Operating expenses	(239,447,468)	(471,678,121)	22,010,927	(689,114,662)
Net operating income	725,343,337	1,405,928	(32,046,254)	694,703,011
Net impairment losses and provision charges	(572,149,601)	(119,840,588)	(17,617,610)	(709,607,798)
Profit before taxation	153,193,736	(118,434,659)	(49,663,864)	(14,904,787)
Income tax	-	-	89,991,356	89,991,356
Net profit for the year	153,193,736	(118,434,659)	40,327,492	75,086,569

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

41. OPERATING SEGMENTS *(continued)*

Segment reporting on income statements as of 31 December 2012:

<i>In RON</i>	CIB and PB	Retail	Other	Total
Net interest income	443,206,503	291,914,281	(45,748,322)	689,372,462
Net fee and commission income	138,437,786	113,335,000	(2,010,627)	249,762,159
Net income from trading and other financial instruments at fair value through profit or loss	207,494,019	32,160,885	24,153,845	263,808,748
Net gains on financial assets available for sale	29,229,565	-	-	29,229,565
Other operating income	300,679	2,465,170	13,693,953	16,459,802
Operating income	818,668,551	439,875,336	(9,911,151)	1,248,632,736
Operating expenses	(188,237,362)	(461,175,225)	15,475,039	(633,937,548)
Net operating income	630,431,190	(21,299,890)	5,563,888	614,695,188
Net impairment losses and provision charges	(349,760,990)	(50,761,190)	(9,295,817)	(409,817,997)
Profit before taxation	280,670,200	(72,061,080)	(3,731,929)	204,877,191
Income tax	-	-	(31,748,330)	(31,748,330)
Net profit for the year	256,071,494	(109,705,551)	41,265,600	173,128,861

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

41. OPERATING SEGMENTS (continued)

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

<i>In RON</i>	CIB and PB	Retail	Other	Total
Total assets	13,776,482,435	5,537,264,221	8,144,147,765	27,457,894,421
Total liabilities	10,209,121,917	5,859,822,336	8,562,656,172	24,631,600,425
Total equity	-	-	2,826,293,996	2,826,293,996
Total liabilities and equity	10,209,121,917	5,859,822,336	11,388,950,168	27,457,894,421

Segment reporting on statement of financial position as of 31 December 2012:

<i>In RON</i>	CIB and PB	Retail	Other	Total
Total assets	14,948,433,285	5,086,140,950	5,028,065,313	25,062,639,548
Total liabilities	10,782,133,732	4,808,660,461	6,767,540,160	22,358,334,353
Total equity	-	-	2,704,305,195	2,704,305,195
Total liabilities and equity	10,782,133,732	4,808,660,461	9,471,845,355	25,062,639,548

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****42. SUBSEQUENT EVENTS**

The Leasing Reorganisation Project at Romania level, through which has been planned the transfer of control in 2014 of the majority of the leasing entities that operates in Romania from Holding to UniCredit Tiriatic Bank SA, has been approved by Management Board on 17 January 2014 and respectively by Supervisory Board on 22 January 2014. This project implies the transfer to UniCredit Tiriatic Bank of direct control over the following entities UniCredit Leasing Corporation IFN SA and UniCredit Leasing Romania SA, and of indirect control over Allib Rom SRL, Debo Leasing IFN SA, UniCredit Insurance Broker SRL through takeover of the majority stake by UniCredit Leasing Corporation IFN SA from Holding. Also, as part of this project, UniCredit Leasing Corporation IFN SA will takeover a minority participation (<10%) in UniCredit Leasing Fleet Management SRL. This process is in progress.

New important regulations in respect of the capital adequacy and prudential requirements for credit institutions (e.g. Emergency Ordinance no. 113/2013 regarding some budgetary measures and amendments of OUG 99/2006 regarding credit institutions and capital adequacy, National Bank of Romania Regulation no. 5/2013 regarding the prudential requirements for credit institutions, EU Regulation no. 575/2013 of the European Parliament and of Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012) enter into force in 2014 and will have significant impact on reporting of capital adequacy and on prudential requirements for banking sector. The Bank is prepared for the application of the new regulations mentioned above.

In January 2014 National Bank of Romania has changed the minimum reserve level from 15% to 12% for RON and from 20% to 18% for foreign currency.

Mr. Catalin Rasvan Radu
Chief Executive Officer

Mrs. Mihaela Alina Lupu
Chief Financial Officer

UniCredit Tiriac Bank S.A.

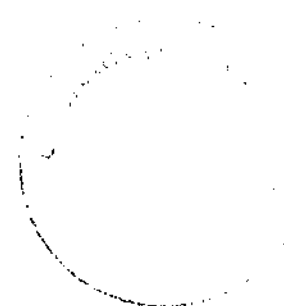
MANAGEMENT BOARD'S REPORT

for the financial period ended 31 December 2013



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1. 2013 activity overview

In 2013, UniCredit Tiriac Bank S.A. (the "Bank") focused its attention and resources on improving the market position, risk management, growth and development aimed at safeguarding the Bank's assets and capital, value creation for customers, society and shareholders, enhancing quality of products and services, strong management of credit, market and operational risks and internal controls in line with statutory and UniCredit Group regulations and best international practices.

In 2013, the main achievements of the Bank were:

- In January 2013, the Bank has taken over the control over UniCredit Consumer Financing IFN SA through the transfer of 4.04% shareholding from UniCredit SpA, reaching a shareholding of 50.1%;
- In April 2013 the Bank and UniCredit Consumer Financing IFN SA signed the takeover the Retail and Private Banking portfolios from RBS (Bank) Romania S.A., and in September 2013 the transfer of retail portfolio was completed successfully;
- In June 2013 the first Corporate bond issuance from UCT was completed, with an oversubscription level of 110%;
- Active liquidity management in providing for sufficient and adequate in structure and pricing funding and also proper maturity matching. UCT significantly increased (near 4 times) funding from supra-nationals in line with the strategic goal to increase funding self sufficiency;
- Maintaining a strong capital position;
- Improvement of the quality of service for Retail customers, reflected in better TRIM index, while preserving customer satisfaction advantage comparing to market average in Corporate;
- Strengthening of brand positioning;
- Further development of supporting IT systems, with focus on Information Computer Technology and processes.

The Bank records:

- A positive evolution in loans, mainly sustained by increase in SME financing (+11% y/y) and for medium sized companies (+3% y/y);
- An increase in assets market share from 6.85% in December 2012, to 7.22% in September 2013 due to organic increase efforts, but also through the above mentioned Retail portfolio acquisition from RBS Romania;
- A significant increase of operational profit comparing to similar period of previous year;
- A reduction of Cost/Income ratio comparing to December 2012, indicating an increase of Bank efficiency and an optimal cost absorption related to portfolio acquisition from RBS Romania;
- An optimization of Loan/Deposits ratio comparing to previous years.

Special attention was granted to ensuring prudent levels of liquidity and capital adequacy, in full compliance with the National Bank of Romanian's regulations. Particular emphasis was laid on overall risk management, and especially on credit risk management in order to ensure proper assets quality and adequate provision coverage.

The Bank records a strong and balanced financial position in 2013 despite of macroeconomic slowdown evolution:

Indicator	%
ROE	2.7
ROA	0.3
Solvency ratio*	13.3
Cost/Income ratio	49.8
Cash coverage of deposits ratio	70.1
Loan portfolio provision coverage	10.4

**Solvency ratio is calculated before inclusion of net profit 2013*

As at 31 December 2013, the Bank carried out its activity through 188 outlets (in 2012: 208 outlets) operating in Romania, out of which: 169 branches (in 2012: 188 branches) and 19 agencies (in 2012: 19 agencies).

As of 31 December 2013, the total assets of the bank are RON 27.5bn. The net profit for 2013 is RON 75.1mn.

During 2013 the members of the Management Board acted in accordance with statutory laws and regulations in force and ruling UniCredit Group and Bank's regulations. The Supervisory Board and Management Board members also acted according to their responsibilities as defined in the Constitutive Act of the Bank and within the limits of their competences assigned by the General Shareholders Meeting. The Management Board has acted under the supervision and control of the Supervisory Board.

The activity of the Management Board as the main decision making corporate body in the Bank has been consistently and efficiently supported by staff of the Bank, in accordance with their responsibilities and competences operating in compliance with their authorities and set of responsibilities. The Management Board has coordinated the Bank's activity and has taken all necessary measures for the proper management of the Bank in compliance with the Constitutive Act of UCT.



2. Separate Financial Statements of Commercial Bank UniCredit Tiriac Bank S.A. as at 31 December 2013

2.1. Legal framework

The annual separate financial statements as at 31 December 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by EU applicable to credit institutions through NBR Order 27/2010.

The annual financial statements have been prepared on the basis of the Bank's trial balance which corresponds to documents and accounting records concerning the economic and financial operations for the period 1 January – 31 December 2013.

The duties stipulated by law, related to organization and management of accounting activity, accounting principles (prudence, permanence of methods, continuity, independence, intangibility, non-compensation, separate evaluation of assets and liabilities', materiality, substance over form) have been followed. The Accounting Law no. 82/1991 provisions, with subsequent changes and accounting regulations and methods stipulated by regulations in force, were abided by the Bank.

The annual financial statements provide a true and fair view on the assets and liabilities, the economic and financial position of UniCredit Tiriac Bank S.A., and are audited by the external auditors.



2.2. The Separate Statement of financial position

The separate Statement of financial position of UniCredit Tiriac Bank SA as of 31.12.2013 is presented below:

ASSETS	ths RON	% in Total Assets/Liabilities
Cash and cash equivalents	5,235,424	19.07%
Financial assets at fair value through profit and loss	76,489	0.28%
Derivatives financial instruments designated as hedging	13,607	0.05%
Loans and advances to banks	378,167	1.38%
Loans and advances to customers	15,763,724	57.41%
Investment securities, available-for-sale	5,402,693	19.68%
Equity investments	2,683	0.01%
Investment in associate	824	0.00%
Investment in subsidiary	64,767	0.24%
Property and equipment	223,082	0.81%
Intangible assets	123,922	0.45%
Current tax asset	32,101	0.12%
Deferred tax asset	46,239	0.17%
Other assets	94,174	0.34%
TOTAL ASSETS	27,457,894	100.00%
LIABILITIES	ths RON	% in Total Assets/Liabilities
Financial liabilities at fair value through profit and loss	92,166	0.34%
Derivatives financial instruments designated as hedging	62,039	0.23%
Deposits from banks	3,670,345	13.37%
Loans from banks and other financial institutions	4,207,328	15.32%
Deposits from customers	15,179,302	55.28%
Debt securities issued	549,912	2.00%
Subordinated liabilities	503,875	1.84%
Provisions	227,799	0.83%
Current tax liabilities	-	0.00%
Deferred tax liabilities	-	0.00%
Other liabilities	138,834	0.51%
TOTAL LIABILITIES	24,631,600	89.71%
Share capital	1,101,604	4.01%
Reserve on available for sale financial assets	41,377	0.15%
Cash flow hedge reserve	(31,602)	-0.12%
Reevaluation reserve on property and equipment	14,966	0.05%
Other reserves	213,574	0.78%
Retained earnings	1,486,375	5.41%
TOTAL EQUITY	2,826,294	10.29%
TOTAL LIABILITIES AND EQUITY	27,457,894	100.00%

A more detailed explanation on main Statement of financial position captions is presented below.

2.3. Assets

Cash and due from Central Banks – 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 2013, the minimum reserve level was settled as 15% (31 December 2012: 15%) for liabilities to customers in RON and 20% (31 December 2012: 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 longer than 2 years with

reimbursement, transfer and anticipated withdrawals clause, or 0% for all the other liabilities included in the calculation base.

Loans and advances to customers - a total amount of RON 15.8bn which is 57.41% of total assets.

The outstanding credit balance as at 31.12.2013 is distributed as follows:

- 62.48% to corporate;
- 2.31% to private banking individuals;
- 22.49% to individuals;
- 10.22% to small and medium size enterprises;
- 2.50% loans granted to Bank's employees.

Term loans granted to customers are classified, according to the remaining maturity, into the following time buckets: up to one year (45.87%), between 1 and 5 years (19.10%) and over 5 years (35.03%).

Loans are collateralized mainly by mortgages, assignments of receivables, pledges, corporate guarantees from parent company and letters of guarantee. The risk structure of total loan portfolio (including individuals and companies) at the end of 2013 is as follows:

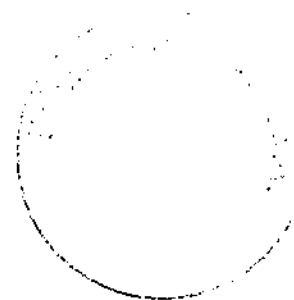
- Performing loans 69,88%;
- Past due but not individually impaired 6,68%;
- Individually impaired 23,44%.

Investments in subsidiary - The Bank holds a 50.1% equity stake (net carrying amount RON 64.8mn as of 31st of December 2013, RON 59mn as of 31st of December 2012) in UniCredit Consumer Financing IFN SA, a company providing consumer financing loans to individuals.

Investments in associates - The Bank holds a 20% equity stake (net carrying amount RON 824ths as of 31st December 2013, RON 8.2mn as of 31st December 2012) in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to domestic and foreign customers. These associates have been accounted at cost in the separate financial statements in accordance with IAS 27 *Separate Financial Statements*.

Other assets of RON 94.2mn (0.34% of total assets) include:

- RON 33.9mn sundry debtors, net of impairment;
- RON 23.9mn prepayments;
- RON 17.3mn other amounts receivable;
- RON 8.7mn assets held for sale;
- RON 4.4mn other assets;
- RON 3.5mn advances for fixed assets;
- RON 2.5mn inventory.



2.4 Liabilities

Deposits from banks balance is RON 3,670.3mn, representing 13.37 % of total liabilities, and include mainly:

- RON 459.5mn sight deposits of credit institutions and amount in transit;
- RON 3,210.8mn term deposits and long term funding from credit institutions.

Deposits from customers balance is RON 15,2bn, representing 55.28% of total liabilities, including:

- RON 7,143.3mn sight deposits (47.06% of total deposits from customers);
- RON 7,213mn term deposits (47.52% of total deposits from customers);
- RON 823mn other amounts due to customers, (5.42% of total liabilities), out of which RON 766.2mn representing collateral deposits. Remaining balance refers to amounts in transit and certificate of deposits.

Other liabilities balance is RON 138.8mn (0.51% of total liabilities) representing mainly debts to the state budget (RON 19.4mn), accruals for third party services (RON 43.8mn), amounts payable to suppliers (RON 23.5mn) and deferred income (RON 24.7mn), other liabilities (RON 27.4mn).

Provisions of RON 227.8mn, 0.83% of total liabilities are split by type as presented below:

-mn RON-

Provisions for financial guarantees	207.1
Provisions for off-balance sheet commitments	14.7
Provisions for legal disputes	4.4
Other provisions	1.6
Total	227.8

Subordinated loans of RON 503.9mn (1.84% of total liabilities) represent the outstanding value of subordinated loans in foreign currency and in RON, borrowed from UniCredit Bank Austria AG and UniCredit Bank Ireland plc.

2.5. Shareholders' equity

At 31 December 2013, the value of shareholders' equity of the Bank is RON 2,826.3mn, the increase by RON 122mn compared to the end of previous year (RON 2,704.3mn) is mainly generated by the reinvestment of 2013 net profit in order to support the capital base.

As of 31 December 2013, the shareholders' equity includes:

- **Subscribed share capital** is in total amount of RON 1,101.6mn of which RON 379.1mn represents the paid-in capital at nominal value divided into 40,760,784 ordinary shares of RON 9.3 par value each. The remaining difference represents the hyperinflation effect from application of IAS 29 — Financial Reporting in Hyperinflationary Economies.

- **Other reserves** of RON 213.6mn include:
 - Statutory general banking reserves of RON 115.8mn;
 - Statutory Legal reserves of RON 78.7mn;
 - Effect of hyperinflation due the application of IAS 29 of RON 19.1mn;
 - Issuance premium of RON 55.
- **Revaluation reserve** of property and plant of RON15mn.
- **Other reserves related to hedge accounting and to fair value investments securities, available for sale** of RON 9.7mn (net amount);
- **Retained earnings (including 2013 net profit)** as of 31.12.2013 are in amount of RON 1,486.4mn (in 2012: RON 1,411.3mn).

2013 current net profit is RON 75.1mn (in 2012: RON 173.1mn).

2.6. Off-balance-sheet accounts

The outstanding off-balance-sheet accounts at the end of 2013 amounts to RON 6,295.6mn which include:

- RON 4,956.36mn guarantees;
- RON 1,289.67mn loan commitments;
- RON 49.5mn letters or credit.



2.7. Separate Profit and loss account

2013 separate IFRS Income Statement of UniCredit Tiriatic Bank SA is presented below, with the net profit amounting to RON 75mn.

Items	31-Dec-13
	ths RON
Interest income	1,236,071
Interest expense	(573,461)
Interest related effect of Swap transactions regarding refinancing lines with Group Companies	39,816
Net interest income	702,426
Fee and commission income	363,261
Fee and commission expense	(63,856)
Net fee and commission income	299,404
Net income from financial instruments at fair value through profit or loss	284,144
Net gains and losses on financial assets available for sale	92,887
Dividends and similar income	1,054
Other operating income	3,902
Operating income	1,383,818
Personnel expenses	(302,814)
Depreciation and amortisation	(69,306)
Other administrative costs	(306,490)
Other operating costs	(10,504)
Operating expenses	(689,115)
Net operating income	694,703
Net impairment loss on financial assets	(682,856)
Net impairment on non financial assets	(10,532)
Net provision charges	(16,220)
Profit/(loss) before taxation	(14,905)
Tax expenses	89,991
Net profit/(loss) for the year	75,087

UniCredit Tiriatic Bank has presented in the financial statements previous to 2012, the deferred tax liability regarding the difference between value of provisions in accordance with NBR Regulation no 3/2009 regarding the classification of loans and investments, as well the set up, reversal and usage of specific credit risk provisions, with further amendments and updates, and the impairment adjustments in accordance with IFRS.

Thus, as of 01 January 2012, date of IFRS conversion, deferred tax liabilities related to the credit balance of the account "Retained earnings from specific provisions", carried forward and booked in the opening balance was in amount of RON 91mn.

Following clarifications provided by Ministry of Finance Order 814/2013 for approval of Practical Guide related to the tax treatment of certain transactions made by taxpayers applying accounting regulations in accordance with IFRS, applicable to credit institutions, approved by NBR Order no. 27/2010, published on 28 June 2013, Bank released deferred tax liability in the amount mentioned above, having a positive effect in the income statement for the year ended at 31 December 2013.

3. Profit distribution

The gross loss before tax for 2013 is RON 14.9mn. The positive income tax booked in 2013 is RON 90mn. **The net profit is RON 75.086.569 due for distribution according to the law.**

The Board Members plan to propose to the Annual General Shareholders Meeting full reinvestment of the 2013 net profit in order to support the capital base of the Bank.

4. Forecast related to future evolution of the Bank

The Romanian economy has expanded by 3.5% in 2013, the fastest GDP growth rate in the CEE area. However, this attainment was helped by outstanding harvest and the development of new production facilities in the industrial sector. At the same time, domestic demand remained the main drag on growth, which was also reflected in the dynamic of retail sales and the construction sector.

GDP growth may slow down in 2014 due to a negative base effect from the outstanding harvest of 2013, and weak domestic demand. Nevertheless, the industrial sector will remain supported by the recovery of eurozone economies, particularly Germany.

The election could potentially increase risks of fiscal slippages, but the budget deficit and public debt to GDP ratio are set to remain low. The RON is expected to trade flat in 2014 as bank deleveraging will offset the positive basic balance.

Annual inflation ended 2013 at 1.55%, a substantial decline from 2012's reading of 4.95%. As a caveat, this downward adjustment was facilitated by temporary factors as an exceptional harvest and the reduction of VAT for bread products and similar products. The elimination of these factors along with changes in the fiscal framework could push inflation to 3.7% by the end of 2014. Nevertheless, consumer price inflation remained on a downward path since 2008 (excluding the volatile dynamic of foods and tax changes).

The Central Bank has capitalized on the favorable dynamic of inflation and cut the monetary policy to 3.5% in February 2014. Going forward, the NBR will focus primarily on liquidity conditions, leaving the monetary policy rate on hold. The Central Bank took a first step in this direction by cutting Minimum Reserve Requirements for both RON (from 15% to 12%) and FCY (from 20% to 18%) during the January 2014 meeting. Nevertheless, monetary easing can do little to address the structural problems of the banking sector or the lack of demand.

The Romanian banking system has undergone a substantial rebalancing process during 2013, which was reflected in the decline of the loans-to-depo ratio from 114.5% in Dec-2012 to 101.3% in December 2013, the lowest level since April 2007. Moreover, this has been a two-pronged adjustment, as deposits increased by 9.3% yoy in 2013 and loans to the private sector contracted by 3.3%. Consumer loans have been particularly weak, shrinking by 7.4% yoy in 2013.

The dominating characteristic in the detailed data for both loans and deposits has been a rebalancing away from EUR and towards RON. We believe that this transition has been accelerated by tighter lending standards aimed at limiting unhedged FX exposures and a large RON surplus in

the financial system. Credit activity is likely to deteriorate further and NBR officials estimate that lending will not be resumed until 4th quarter of 2014.

Despite the provisions level increased in the 4th quarter of 2013, the banking system has ended 2013 on profit, due to the adjustment related to deferred tax resulted from the fiscal treatment of prudential filters (the positive difference between impairment allowance adjustments made in accordance with NBR Regulation no. 3/2009 and those made in accordance with IFRS).

In 2014, it is expected that the profitability of banking sector to be influenced by the ongoing financial deleveraging process, the verification process of assets quality performed by oversight authorities, by the changes of Law 193/2000 regarding the abusive clauses in the contracts concluded between businesses and consumers, the impact of the NBR Regulation no.5/2013 regarding the prudential requirements for credit institutions, and of the EU Regulation no. 575/2013 regarding the prudential requirements for credit institutions and investment firms. However, banks could prioritize the improvement of assets portfolios to the detriment of income generation.

In this economical environment the Bank's senior management will focus its attention on capturing all opportunities for supporting local business and growth, on customer satisfaction, on strong capital, liquidity and risk management.

Business growth targets stay ambitious, focusing on proper servicing and supporting customers in difficult times, risk management and profitability level. Quality improvement, process and cost optimization will continue. The Bank will also focus on systems enhancement as the main driver for high performance and efficiency.

The Management Board's members of UCT firmly believe that due to the strong financial fundamentals of the Bank and the commitment for support from the main shareholders, the Bank has very good prospects to duly service its customers, comply with all ruling laws and regulations, and further improve its position at the market.

5. Research and development activity

The research and development activity of UCT, including the know-how received from UniCredit Group, was mainly directed to improvement of efficiency and productivity of:

- Products and services offered to customers;
- Risks management systems;
- Internal control systems and compliance;
- Financial accounting systems;
- Management information system;
- IT systems;
- Human resources management;
- Decision making systems.

Learning & Development

- The training activity was focused on developing the technical skills and knowledge of the employees from all divisions. Tailor-made training programs were implemented and developed for employees in Retail & Corporate network, related to Code of Conduct, anticorruption, preventing AML and terrorism financing, antitrust, conflict of interest, as well as for CRO people, in order to enhance communication, relationships and negotiation.
- Head office and network employees have access to an extended soft skills training curricula: change management, personal efficiency, emotional intelligence, communication, creative thinking in problem solving, business presentation skills, etc. Over 800 colleagues participated at these types of trainings in 2013.
- The internal testing platform, including that from UniCredit Group was actively used both for on-line education, as well as for periodical testing sessions.
- E-learning concept was further developed, through the extended usage of SkillsSoft e-learning platform (world's biggest e-learning provider), offering unlimited access to all our employees at over 2000 trainings – soft and technical.
- The employees with managerial position had access to trainings and specialized programs: "Managerial workshops" being in the 4th year of application, managerial trainings (neuro-leadership, business simulations), leadership conferences, 360 Feedback – in order to further developed managerial competencies and performance.
- The Development Center project was continued and further improved, addressing managers and potential successors for managerial positions, through identifying strengths, development needs and building individual development plans in order to create a strong leadership pipeline for the bank. By the end of 2013, over 150 employees from Retail network, CRO and GBS participated in Development Center.
- UniCredit Group Talent Management Programs addressing executives and talents (Executive Development Program, Talent Management Review, UniQuest) were further developed, according to the company' objectives.
- Internal Coaching program was implemented with a team of 7 internal coaches (including one ICF certified coach), focused on individual and team development.
- Internal Mentoring Program reached the 8th edition.
- School Branch – an efficient alternative to „on-the-job training" was actively used, delivering technical trainings for Retail network employees through the 4 existing locations in Bucharest and within the country.
- The Bank continued its cooperation with the top Academies and Universities across the country (Bucharest, Cluj, Iasi, Constanta, Timisoara), involving local student's communities through events like: Real Life Learning, UniCredit Let's Be Practical, Student School Branch, Advanced Internship, social scholarships).

Integrity/Corporate Social Responsibility

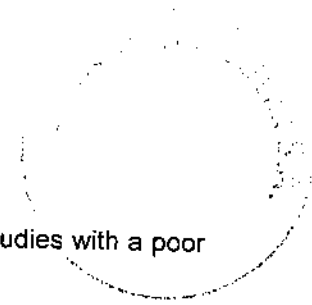
Approximately EUR 600,000 was invested in sponsorship and Corporate Social Responsibility projects. The Bank was involved and sustained a number of cultural, educational & social projects in cooperation with different NGOs and partners.

Social projects:

- 12 philanthropic projects were sustained by the Bank and co-sponsored by UniCredit Foundation, within the framework of the regular GIFT MATCHING campaign. The projects are driven and financially supported by its employees and UniCredit Foundation, matching individuals' donations;
- As a part of GIFT MATCHING program, we supported financially the second edition of the charity marathon between Bucharest and Sofia and back – 1000Balkan Charity Challenge - <http://1000balkan.com/>;
- We developed, together with Free Miorita Association, the "Light for Ursici" project, where colleagues and other volunteers installed solar panels to the people in Ursici who never had electricity;
- We initiated, together with Graffiti Social Work Foundation, the project "For you just a coin, for them a future" – we collected the coins before the UEFA Champions League matches and gave them to Mihaita Nesu Foundation;
- The colleagues participated at a fundraising for the victims of the flood in Galati; also, the Bank contributed with 2,000 EUR.

Art and culture:

- The Bank continued the exhibition series with art workings from UniCredit Art Collection, presenting 2 new exhibitions in Head Office;
- The Bank continued the project launched in February 2009, PAVILION, the first independent centre for contemporary art and culture in Romania;
- UniCredit Literary Debut Contest continued also in 2013 (the sixth edition), gathering more than 140 manuscripts; the winners' books were launched at Gaudeamus International Book and Learning Fair;
- The Bank was the main partner of the International Theatre Festival in Sibiu and George Enescu International Festival;
- We were, again, the main partner of the biggest outdoor cultural festival in Bucharest – Strada de C'Arte, which presented altogether streets literature, architecture, cinema, painting, poetry, music, theatre and creative for children and for young people on Bucharest streets;
- The Bank continued the partnership with Bucharest Design Centre, an initiative aimed to promote Romanian product design.



Educational projects:

- the Bank offered scholarships to 4 students from Academy of Economic Studies with a poor financial conditions and excellent academic records;
- We offered one scholarship within the project "Talents Grant", organized by Fundatia Culturala Oradea;
- The Bank was main partner of the third edition of "The Power of Storytelling" conference.

Environmental projects:

- The Bank continued CICLOTEQUE project – the first bike rental centre in Bucharest, launched in 2008, by opening 3 more rental centers in Timisoara.

6. Management

The Bank's senior management has applied strictly all acting statutory and UniCredit Group regulations. The Bank's performance was strictly and regularly monitored and corrective or enhancement decisions were made in a timely manner. The Bank maintained its solid financial standing, covering all potential risks.

The Bank was properly represented on due managerial level in different bodies and forums in Romania and internationally at UniCredit Group level.

7. Risk Management

7.a. The foreign exchange risk

The Bank is exposed to foreign exchange risk as a consequence of its foreign exchange transactions performed between RON and foreign currencies in which the assets and the liabilities are denominated.

The main foreign currencies held by the Bank are EUR and USD. The Bank strictly watches and manages the foreign currency position. It has strictly observed the regulatory limits set by the NBR and other internal regulations.

7.b. Interest risk

The Bank faces interest rate risk that could be a result of exposure to unfavorable fluctuations marketing the market. The change of the interest rates on the market directly influences the income and expenses related to the financial assets and liabilities bearing variable interests, as well as the effective value of those bearing fixed interest rate.

For the financial receivables and financial liabilities in RON, the Bank aims to correlate the current interest rates on the market and to obtain a positive interest margin.

For the financial assets and liabilities denominated in foreign currencies, the Bank aims to maintain a positive net position. Most of its interest-earning assets and interest-bearing liabilities in foreign currencies have variable interest rates which could be updated in full compliance with the law or

which are related to a reference variable interest rate on the local or international inter-banking market.

7.c. Credit risk

In its regular course of business, the Bank is exposed to credit risk, representing the risk of negative impact on revenues generated by debtors not fulfilling the contractual obligations of loans granted on short, medium or long run.

The Bank manages credit risk through a comprehensive set of measures, both at transaction or debtor level, as well as at overall bank level, by:

- Strict evaluation of debtors creditworthiness and of loan applications;
- Continuous monitoring of the exposures in order to identify any changes that may affect the overall risk status or generate the breach of risk limits set out by the internal procedures;
- Allocation of general loan loss provisions in correlation with the estimated expected losses for all credit portfolio, as well as specific loan loss provisions for high risk or defaulted exposures;
- Capital allocation for credit risk unexpected losses in accordance with the regulatory and UniCredit Group regulations;
- Regular monitoring of the credit risk profile of the Bank in order to ensure compliance within the tolerance limits defined in accordance with the risk management strategy and the Bank risk appetite.

In respect of the assurance of prudent management for credit counterparty risk, the Bank deals with adequate ranking international banks based on the specific assessment criteria and strict internal rules. Therefore specific limits are set up for transactions with other banks, related to deposits and foreign currency exchange.

7.d. Liquidity risk

As a financial services entity, the Bank faces liquidity risk (risk of breaching its obligations on not meeting its financial liabilities when they become due).

Among the main potential generators of liquidity risk, the Bank distinguishes between:

- Timing or amount mismatches between inflows and outflows, under normal operating conditions (liquidity mismatch risk). This risk depends upon the maturity structure of the balance sheet;
- Unexpected changes in client behavior (liquidity contingency risk); it is especially materialized in heavy withdrawals in a very short time;
- Lack of proper functioning of financial markets, especially the money market (market liquidity risk); this may arise following material events that most participants weren't expecting or because of a lack in market depth. Therefore, the Bank may suddenly be in the position of not being able to sell liquid assets at "market" prices.

By 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 permanently assess the broad macroeconomic conditions, with a special focus on data concerning the banking system.

The Bank's approach of managing liquidity is to ensure, as long as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Asset and Liability Management is the department responsible for managing the liquidity risk in the Bank, reporting to the CFO and the Asset and Liability Management Committee (ALCO).

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

The Bank uses daily, weekly and monthly reporting systems for monitoring the liquidity position overall and by currencies and regular liquidity stress testing is conducted under a variety of scenarios with different severity levels. The liquidity stress tests are carried out based on the concept of the "operating liquidity [maturity] ladder". The effects of plausible events on cash inflows and cash outflows are taken into account for relevant time frames according to defined events.

Considering the management of structural liquidity, the Bank focus is on encouraging the long-term clients deposits, on long-term financing from Sub Holding (UniCredit Bank Austria) for supporting a significant part of the asset side of the balance sheet, on increasing liquidity self-sufficiency by the development of strategic funding through own bonds issues, covered bonds issues and/or securitizations and on the development of relations with various international financial institutions and foreign banks in order to start / continue special financing programs.

All liquidity policies and procedures are subject to review and approval by ALCO. A summary report regarding the evolution of the bank's liquidity position, the dynamics of the main balance sheet items and sources of funding, the key indicators used in the management of funding need, as well as information on compliance with liquidity limits, including any exceptions and remedial action taken, is submitted regularly to ALCO, which meets at least once per month.

On a regular basis, the Bank produces an extensive quarterly analysis, when the CFO presents to the Management Board a report on the bank's liquidity position and its main developments, influenced by both internal factors that generate bank's balance-sheet evolution and external factors of the local and international financial markets.

7.e. Cash flow management

The Bank focused its attention to mitigate the exposure to cash flow risk within its regular course of business, but also for longer periods of time.

The monitoring of cash flow statement is done on a regular basis using reports containing all needed data. The Bank continued in 2013 the development and implementation of a data warehouse and business intelligence tool in order to improve the data quality and automation process which are important factors that contribute for a complex and prudent estimation of the future cash flows.

The main monitored areas in order to mitigate cash flow are: operational activity, investment activity and financing activity.

7.f. Derivative financial instruments

The Bank deals with certain types of derivatives, aiming to hedge underlying risk positions, such as interest rate swaps, exchange rate swaps, forward contracts, exchange rate options and interest rate options. The derivatives are traded on the OTC market.

On 31 December 2013, the Bank had outstanding a number of FX swap contracts, as well as forward contracts, interest rate swaps, cross currency swaps, FX options and interest rate options. FX and interest rate options, as well as IRS concluded with clients and closed back to back, mainly with the Group.

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. 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, within cash flows hedge relationships. 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.

7.g. Tax 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 complies with the legal norms regarding taxes and duties.

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

The tax legal framework has often been modified in 2013, generally for aligning to international developments of tax matters, and it is expected to continue being subject of frequent amendments in the future, due to more demanding requirements resulting from state budgetary needs and from Romania's obligations as EU member state.

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

7.h. Business environment

The Romania economy recorded a growth rate of 3.5% in 2013, but this acceleration was not homogenous across all sectors of the economy and was boosted by transitory factors. The industrial sector and agriculture were the main drivers of growth, but internal demand has remained very weak.

2013 was an outstanding year for agriculture. Wheat and rye production increased by 40% compared with 2012, reaching an 8-year maximum. Production of other cereals also recorded significant growth rates. However, it is important to note that the outstanding harvest of 2013 will create a negative base effect for 2014.

Production in the industrial sector increased by more than 5% in 2013, helped by a pick-up of external demand, the competitiveness of Romanian exports and transitory factors such as the development of new production facilities (i.e. Bosch or DeLonghi). We believe this sector will remain the primary factor of growth in 2014 as it will remain supported by a favorable external context. UniCredit estimates that Germany's exports will increase by 7% in 2014 while the recovery of euro zone economies will accelerate.

Low labor costs help ensure Romania's competitiveness as an exporter, but are also constraining the recovery of domestic demand. Consequently, retail sales have decreased by 0.3% in 2013 and we are anticipating a modest dynamic in 2014 as well. Furthermore, the frail internal demand coupled with financial deleveraging and the tightening of lending standards have taken a toll on lending dynamics. The volume of consumer loans has decreased by 7.4% in 2013 and could decline further in 2014.

In the construction sector, the lack of demand from consumers has been offset by the need of companies for non-residential buildings and government spending. We estimate that the latter could accelerate in 2014 as the absorption of EU funds improves and infrastructure projects advance in the implementation phase.

7.i. Compliance risk

In a complex legal framework, the Bank is subject to compliance risk, defined as the risk that a financial institution to support sanctions stipulated by legal framework, to experience financial loss or reputation damages, as a result of non-compliance with the provisions of the legal framework, of the own norms and standards and codes of conduct set by market or industry, applicable to its business. In this respect, compliance function in order to meet the requirements of the law, supported Management Board to identify, assess, monitor and report the conformity risk related to activities performed, including by providing advice regarding compliance of activities in accordance with the legal framework and UniCredit Group internal regulations.

8. Shareholders' equity

At 31 December 2013 the paid-in capital of the Bank was RON 379,075,291.20 split into 40,760,784 shares at RON 9.3 par value each.

The structure of the Bank's shareholders as at 31 December 2013 is the following:

Shareholders Name	Shares' number	Value	%
UniCredit Bank Austria A.G.	20,608,181	191,656,083	50.5588
Bank Austria-CEE BeteiligungsmbH	5,417	50,378	0.0133
Arno Grundstücksverwaltungs Gesellschaft m.b.H	5,417	50,378	0.0133
Beteiligungsverwaltungs Gesellschaft der BA-CA Leasing GmbH	5,417	50,378	0.0133
Bank Austria Creditanstalt Leasing GmbH	5,417	50,378	0.0133
Total Group BA-CA	20,629,849	191,857,595	50.6120
Redrum	10,121,325	94,128,322	24.8310
Vesanio	8,245,374	76,681,978	20.2287
Total Group Tiriac	18,366,699	170,810,300	45.0597
UniCredit Leasing Romania S.A.	2	18,6	0.0001
Total Group Unicredit	2	18,6	0.0001
Romanian Individuals	1,632,999	15,186,891	4.0063
Romanian Legal Entities	73,025	679,132	0.1791
Foreign Individuals	50,870	473,091	0.1248
Foreign Legal Entities	7,340	68,262	0.0180
Total minority shareholders	1,764,234	16,407,376	4.3282
TOTAL	40,760,784	379,075,291	100.0000

During 2013, there were changes in the shareholding structure as follows:

- Romanian individuals, in 2012: 4.0067% from total share capital, in 2013: 4.0063% from total share capital;
- Foreign Individuals, in 2012: 0.1244% from total share capital, in 2013: 0.1248% from total share capital.

There was no change in the total share capital during 2013.

9. Corporate Governance

The Bank's management framework defines the overall administrative and control system, the legal framework of the Bank's day to day activities, the standards for efficient and responsible corporate governance, all structured in the light of the Group's guidelines and legal rules and regulations in force. The management framework also defines the mechanism of setting the Bank's objectives and the methods for reaching its objectives and for monitoring its performance.

The Management Framework includes the following:

- Organizational structure, delegation of responsibilities and positioning of the Bank within the Group;
- Responsibilities of the management structures;
- The internal control system.

9.1. **General Shareholders' Meeting ("GSM")**

The General Shareholders' Meeting is constituted as the **supreme authority** of the Bank.

The rights, responsibilities and working methods of the GSM are established in the Constitutive Act of the Bank and they are carried out in compliance with the applicable Romanian laws and regulations.

The detailed tasks and responsibilities are set forth in the Bank's Constitutive Act.

The General Shareholders' Meeting may delegate a part of its authorities to the Supervisory Board and to the Management Board of the Bank, only in those cases mentioned in the Constitutive Act and with the observance of the legal provisions in force.

Depending on the responsibilities of the component entities, the management structure consists of:

The Supervisory Board is the organizational body having supervisory and control responsibilities related to the activity of the management body. As of 31.12.2013, the Supervisory Board composed of 10 members appointed for a three years, with the possibility of being re-appointed.

The Management Board is the organizational body having executive responsibilities and taking care of the day-to-day business of the Bank composed of 7 members as of 31.12.2013, appointed for a three years mandate, with the possibility of being re-appointed.

The organizational structure is presented in detail in the Bank's Organizational Chart, while the responsibilities of each organizational entity are detailed in the Bank's Functioning Regulation.

The **General Meetings of the Shareholders** shall be convened at least once a year, within 4 months since the financial year end in accordance with the legal requirements, and at any time it is needed to make decisions in its area of responsibility, in accordance with the provisions of law or the Constitutive Act.

Extraordinary General Meeting of Shareholders shall be convened whenever decisions in its responsibilities must be adopted.

The **Ordinary General Meeting of Shareholders** shall:

- i. Discuss, approve or modify the annual financial statements, based upon the reports of the Management Board, Supervisory Board and financial auditor, and shall determine the dividends;
- ii. Appoint the Supervisory Board members from among the candidates nominated by the existing Supervisory Board members or by the Bank's shareholders and revoke the Bank's Supervisory Board members;
- iii. Appoint and revoke the financial auditor and establish the minimum duration of the financial audit contract following the proposal of the Supervisory Board;
- iv. Approve the remuneration of the Bank's Supervisory Board' members;
- v. Express its opinion about the Management Board's management;
- vi. Approve the budget of income and expenses, and the program of activity for the next financial year as established by the Management Board and after preapproval by the Supervisory Board;

vii. Approve the pledging, renting out or dissolving of one or more of the Bank's units.

9.2. Supervisory Board

The Supervisory Board is the statutory body of the Bank which is responsible for supervision and control of the Bank, in particular shall supervise the exercise of powers by the Management Board and the conduct of the Bank's business activities.

The Supervisory Board shall supervise the financial and business activities of the Bank and shall control the observance of the provisions of the Constitutive Act and of any relevant legal provisions by the Bank's management bodies. The Supervisory Board shall further review the annual financial statements including the proposal for the distribution of profits, and the annual report prior to submitting them to the Ordinary General Meeting of Shareholders for approval.

The competences of the Supervisory Board are established by the Constitutive Act and the Romanian laws and regulations in force.

The Supervisory Board acts also through the Audit Committee and the Remuneration Committee and any other consultative committee with the scope to assist the management in specific areas.

9.3. Management Board

The Management Board is the statutory body of the Bank which is responsible for the management and execution of all activities of the Bank, including monitoring and control of the business objectives of the Bank. The Management Board takes decisions on any matters of the Bank, unless such decisions are reserved to other bodies according to legal regulations or this Constitutive Act.

The Management Board manages and coordinates collectively the Bank's activity in accordance with the competences assigned by the Constitutive Act and the Rules of Procedure of the Management Board.

The members of the Management Board are appointed and/or revoked by the Supervisory Board.

The mechanism of the functioning of Management Board's meetings is described in the Rules of Procedure regarding the preparation and holding of the Management Board's meetings.

Both Supervisory Board and Management Board operates through specialized committees, whose role is to assist the management structure in specific areas.

9.4. Committees subordinated to Supervisory Board

Committees subordinated to Supervisory Board are:

- Audit Committee
- Remuneration Committee

9.4.1. Audit Committee

The Audit Committee is directly subordinated to the Supervisory Board.

The Audit Committee is a consulting body of the Supervisory Board, operates with assessment, consultative and proposing functions.

The Audit Committee will be composed of 3 elected non-executive members of the Supervisory Board. The members of the Audit Committee and the Chairman will be elected by the Supervisory Board.

The roles, responsibilities and functioning mechanisms of the Audit Committee are detailed in the Audit Committee Regulation/rule of procedure.

9.4.2. Remuneration Committee

The Remuneration Committee is directly subordinated to the Supervisory Board.

The Remuneration Committee is set up to:

- (i) Determine the compensation (fixed and variable part) to be paid to each of the Bank's Management Board members;
- (ii) Approve the terms and conditions of the management contracts to be concluded between the Bank and the members of the Management Board.

The Remuneration Committee shall be composed of 3 (three) members to be appointed and revoked by the Supervisory Board, among the Supervisory Board members, for a 3 year term, allowing reappointment.

At least one of the Remuneration Committee members shall be appointed among the Supervisory Board independent members. The Remuneration Committee Chairman shall be appointed by the Supervisory Board.

The roles and responsibilities and functioning mechanisms of the Remuneration Committee are detailed in the Remuneration Committee regulation/rule of procedure.

9.5. Committees subordinated to Management Board

Committees subordinated to Management Board are:

- Risk Management Committee;
- Credit Committee;
- Assets and Liabilities Committee (ALCO);
- Professional and Disciplinary Committee;
- Norms and Procedures Committee;
- Projects Committee;
- Branch Network Committee;
- Security and Healthy Committee;
- Fraud Risk Management Committee;
- Special Credit Committee;
- Crisis Committee;
- Conflict of Interest Committee;
- Professional Assessment Committee;
- Cost Committee;
- Internal Control Business Committee;
- Operational Permanent Work Group Committee.

Activities of the most important committees subordinated to the Management Board are presented below.

9.5.1. Risk Management Committee

Risk Management Committee is a permanent committee of UniCredit Tiriac Bank SA.

The Committee shall exercise a consultative and proposing function and carry out its duties in plenary session. The Risk Management Committee regulation will be reviewed periodically, if necessary.

The number of members of Risk Management Committee with voting rights (permanent members) is 10.

The roles and responsibilities and functioning mechanism of the Risk Management Committee are detailed in Risk Management Committee's regulation.

9.5.2. Credit Committee

The Credit Committee is a permanent committee responsible for making decisions regarding credit facilities under its area of competence in order to ensure an adequate quality of loans portfolio, according to the approved credit policy.

The number of members of Credit Committee is 4.

The roles and responsibilities and functioning mechanisms of the Credit Committee are detailed in the Credit Committee Regulation.

9.5.3. Assets and Liabilities Committee (ALCO)

The ALCO Committee is responsible for ensuring an adequate and sound management of the bank's Balance Sheet in a pro-active manner. All members of the ALCO must be aware of all relevant business and market changes in order to ensure a balanced decision making process. The ALCO monitors and establishes limits for Liquidity and Market Risks. The ALCO evaluates regularly the market risk profiles of the bank with the aim of optimizing the profit of the bank within the boundaries of approved risk limits. Number of members is 10.

The roles and responsibilities and functioning mechanisms of the Assets and Liabilities Committee are detailed in the own regulation of the committee.

9.5.4. Professional and Disciplinary Committee

The Disciplinary and Professional Committee meets in order to investigate and analyze whether the employees subject to disciplinary and professional investigation procedure committed the types of violations regarding Code of Conduct, job description, Labor Contract. The number of members is 7.

The roles and responsibilities and functioning mechanisms of this committee are detailed in the Disciplinary Committee regulation.

9.5.5. Fraud Risk Management Committee

The main purpose of Fraud Risk Management Committee (hereby "The Committee"), is the evaluation, the monitoring and the control of the fraud risk, by its periodical evaluation with the aim of minimizing the loss produced by the possible frauds (where it is necessary, as the competences permit it).

In Committee mision (composed of 5 members) is included imediate mittigation of fraud risk, depended of situation.

The roles and responsibilities and functioning mechanisms are detailed in the committee's regulation.

9.5.6. Crisis Committee

Crisis Committee is established to ensure decision-making process, coordination and operational support, in day-to-day management related to the Crisis Management activities and plan and during emergency, declaring the crisis stage, taking or validating strategic decisions for Crisis handling.

The number of members is 14.

The roles and responsibilities and functioning mechanisms of the Crisis Committee are detailed in the specific regulation of the Committee.

9.5.7. Internal Control Business Committee

Internal Control Business Committee (10 members) has main role and responsibility to support the Chief Executive Officer ("CEO") in the assessment of the overall Internal Control System adequacy in the bank through the analysis of the critical topics, monitoring and prioritization of the corrective actions related to internal control systems, in order to contribute to the efficiency and effectiveness of the internal control systems.

The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation of the Committee.

9.6. Internal Control System

Internal control is a continuous process designed reasonable to provide:

- Performance related objectives – efficiency of performed activities;
- Information related objectives - credibility, integrity and delivery in due time of financial information and management needed information;
- Compliance related objectives – compliance with applicable legal framework and internal regulations.

The internal control system includes accounting organization, accounting treatment of the data, risk assessment and their measurement systems.

In order to implement a comprising and efficient internal control system Supervisory Board and Management Board defined and organized the three fundamental functions of internal control system: risk management function, being composed by risk control function on each business line, compliance function and internal audit function.

Internal audit function reported periodic to the management structures results of adequacy of internal controls ensuring the quality of internal controls, in terms effectiveness and efficiency.

10. Relations with shareholders/investors

Conduct of General Meetings Shareholders is in accordance with legal requirements of Law no. 31/1990 regarding companies, as well as by Law no. 297/2004 regarding capital market with a special attention to meet the rights and obligations of the shareholders.

11. Communication schedule for 2014

Bank prepare every year a financial communication schedule, for information of their shareholders, this schedule will be published also on Bucharest Stock Market site.

The schedule for 2014 is the following:

Presentation of preliminary 2013 financial results	12.03.2014
GSM meeting for the approval of 2013 financial statements	11.04.2014
Presentation of 2013 financial statements	30.04.2014
Presentation of Q1 - 2014 financial results	12.05.2014
Presentation of H1 - 2014 financial statements	05.08.2014
Presentation of Q3 - 2014 financial results	11.11.2014

12. Members of the Management Board during 2013

1. **Catalin Rasvan Radu**, Romanian citizen, born on 12.02.1966, Executive President (CEO), Chairman of the Management Board;
2. **Niccoló Ubertalli**, Italian citizen, born on 02.03.1973, First Executive Vice-President (Deputy CEO), member of the Management Board, starting with 18.04.2013;
3. **Daniela Magdalena Bodirca**, Romanian citizen, born on 28.04.1976, Executive Vice-President, member of the Management Board;
4. **Septimiu Postelnicu**, Romanian citizen born on 27.03.1977, Executive Vice-President, member of the Management Board;
5. **Alina Marinela Dragan**, Romanian citizen, born on 17.09.1978, Executive Vice-President, member of the Management Board;
6. **Marco Giuseppe Esposito**, Italian citizen, born on 07.10.1959, Executive Vice-President, member of the Management Board;
7. **Mihaela Alina Lupu**, Romanian citizen, born on 08.11.1975, Executive Vice-President, member of the Management Board starting with 24.12.2013;
8. **Stanislav Goranov Georgiev**, Bulgarian citizen, born on 23.04.1965, Executive Vice-President, member of the Management Board until 31.07.2013.

In their activity, the Management Board members acted in compliance with specific economic legislation in force, norms and regulations issued by National Bank of Romania, Group rules and internal rules and regulations of UniCredit Tiriak Bank SA.

The Management Board members' activity had as primary goal effective and efficient management of the bank's patrimony in full compliance with the law and statutory regulations.

The main focus of the Management Board members was put on:

- Strong financial standing of the Bank, including solid capital base and liquidity;
- Prudent risk management, including credit, market and operational risks;

- Strict and effective internal control of activity and operations, carried out in accordance with the legal provisions in force;
- Value added of all types of businesses, geographies and operations;
- Completion of the targets set in the budget;
- Business sustainability;
- Corporate social responsibility;
- Increasingly productive and efficiently functioning organizational structure of the Bank, focused on rendering qualitative and competitive banking services and products to the clients of the Bank;
- Diversification of services and products offered to personal and business customers;
- Balanced, transparent and efficient marketing policy;
- Increased efficiency of logistical organization and infrastructure;
- Higher automation and systems development, through improvement of banking software performances, risk management and specialized applications in order to satisfy the bank's operating needs, acting accounting and legal requirements, and enhance decision making process;
- Continuous development and professional training of the bank's employees.

In exercising its duties, the Management Board was assisted by the compliance function, with attributions in the identification, assessment, monitoring and reporting the compliance risk, thus being ensured the observance of the legal framework's provisions, as well as of the Bank's internal regulations and UniCredit Group's standards.

The Management Board has ensured the necessary resources for the existence of a permanent and independent compliance function and has contributed to the development of an organizational compliance culture.

In order to fulfil its role, the compliance function had direct access to the Bank's bodies with managerial responsibilities, with the aim of communicating the results of the activities carried out and of reporting aspects related to compliance risk.

13. Protection of the environment

The Bank, through its organization and operational activity, through its business strategy and applied policies, is focused on ensuring its results to have a positive influence on environment.

14. Subsequent events

The Leasing Reorganisation Project at Romania level, through which has been planned the transfer of control in 2014 of the majority of the leasing entities that operates in Romania from Holding to UniCredit Tiriac Bank SA, has been approved by Management Board on 17 January 2014 and respectively by Supervisory Board on 22 January 2014. This project implies the transfer to UniCredit Tiriac Bank of direct control over the following entities UniCredit Leasing Corporation IFN SA and UniCredit Leasing Romania SA, and of indirect control over Allib Rom SRL, Debo Leasing IFN SA,

UniCredit Insurance Broker SRL through takeover of the majority stake by UniCredit Leasing Corporation IFN SA from Holding. Also, as part of this project, UniCredit Leasing Corporation IFN SA will take over a minority participation (<10%) in UniCredit Leasing Fleet Management SRL. This process is in progress.

New important regulations in respect of the capital adequacy and prudential requirements for credit institutions (e.g. Emergency Ordinance no. 113/2013 regarding some budgetary measures and amendments of OUG 99/2006 regarding credit institutions and capital adequacy, National Bank of Romania Regulation no. 5/2013 regarding the prudential requirements for credit institutions, EU Regulation no. 575/2013 of the European Parliament on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012) enter into force in 2014 and will have significant impact on reporting of capital adequacy and on prudential requirements for banking sector. The Bank is prepared for the application of the new regulations mentioned above.

Moreover, National Bank of Romania has changed the minimum reserve level from 15% to 12% for liabilities to customers in RON and from 20% to 18% for liabilities to customers in foreign currency in January 2014.

15. Conclusion

Despite of local challenging economic and market environment, UniCredit Tiriac Bank SA possesses a solid financial standing and marked a strong performance in 2013, reconfirming its high value added and growth potential capacity.

The future development objectives will continue to be focused on commercial banking operations in retail, corporate and private banking segments and to put great emphasis on value added servicing, risk management, profitability, productivity and strengthening of market position through higher service quality, enrichment of the spectrum of products and services offered, as well as strict compliance with the acting laws and by-laws.

Catalin Radu Rasvan
Executive President