

**UniCredit Tiriac Bank S.A.****MANAGEMENT BOARD'S REPORT****for the financial period ended 31 December 2014**

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## 1. 2014 activity overview

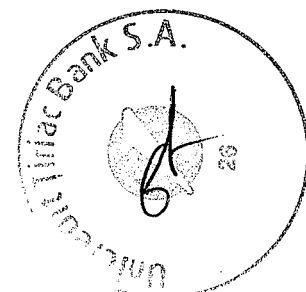
In 2014, UniCredit Tiriac Bank S.A. (the "Bank") focused its attention and resources on improving the market position, risk management, growth and development aimed at safeguarding the Bank's assets and capital, value creation for corporate and retail customers, society and shareholders, enhancing quality 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 2014, the main achievements of the Bank were:

- In the first semester, the Bank completed the projects of reorganization of the leasing activity at local level by taking control of the majority of leasing entities from Romania: direct control over UniCredit Leasing Corporation and UniCredit Leasing Romania and indirect control over ALLIB Leasing, Debo Leasing, UniCredit Insurance Broker;
- In the second semester, UniCredit Tiriac Bank SA finalized the takeover of the Corporate portfolio from The Royal Bank of Scotland plc, Edinburgh, Romanian Branch ("RBS Romania"), representing a client portfolio of over 300 medium and large private companies, local and international, as well public and financial institutions and which consists of total assets of approx. EUR 90mn and of total deposits of approx. EUR 160mn;
- Active liquidity management in providing adequate funding in structure and pricing and also proper maturity matching;
- Maintain a strong capital position and of an adequate solvency ratio according with local and international regulations;
- UniCredit Tiriac Bank continued to support the Romanian economy being involved in Corporate deals, such as: Transelectrica, municipalities, Azomures, Cargus, etc.;
- UniCredit Tiriac Bank continued the process of clean up of non-performing loans through writing off in off balance sheet accounts;
- Maintain the market lider position in leasing activity by UniCredit Leasing, and UniCredit Consumer Financing continued to be actively involved in consumer credit segment.

Also, the Bank had:

- A positive evolution in loans, mainly sustained by increase in SME financing (+7.8% y/y) and for corporate companies (+13.5% y/y);
- Banking system had a decrease of credit activity (-3.1%), however the Bank increased the market share of credit activity by 0.8pp (from 7.7% as of December 2013 to 8.4% as of December 2014), as result of taking over of corporate portfolio of RBS Romania and especially through organic growth from corporate deals;
- An increase of the net profit comparing to similar period of previous year (+7%), as results of the effort of reducing of operational costs and provision costs;



- Maintain constant report Credits/Deposits comparing to similar period of previous year, taking into account a similar increase as well for credits (+7.4% y/y), and for deposits (+7.0% y/y);
- European Funds segment had an outstanding evolution in 2014, taking into account the volumes approved for this segment: an increase of 30% comparing to similar period of previous year. Also the credit withdrawals of European Funds beneficiaries increased by 18% in the period 31 December 2013 – 31 December 2014. A third part of them represents agriculture funding which confirm the involvement of the UniCredit Tiriac Bank in supporting this strategic segment of Romanian economy;
- Regarding JEREMIE initiative (“Common European resources for medium and SME”) launched by European Committee and European Investment Fund, which are part of European Investments Bank Group (BEI), the Bank granted 216 medium enterprises which are beneficiaries of more than EUR 75mn facilities;
- Online services: Online B@nking (Retail), Business NET (Corporate). Number of individuals users increased with approx 8% in 2014 comparing with 2013. Number of corporate users slightly increased (1.15%), while the number of the payments made by companies increased by 19%.

A special attention was granted to ensure prudent levels of liquidity and capital adequacy in compliance with regulations. A 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 finalized with a strong and balanced financial position in 2014 despite of macroeconomic slowdown evolution:

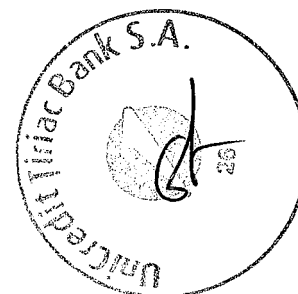
Indicator	%
ROE	2.8
ROA	0.3
Solvency ratio*	13.4
Cost/Income ratio	53.1
Cash coverage of deposits ratio	63.4
Loan portfolio provision coverage	10.2

*\*Solvency ratio is calculated before inclusion of net profit 2014*

As at 31 December 2014, the Bank carried out its activity through 183 outlets (in 2013: 188 outlets) operating in Romania.

As of 31 December 2014, the total assets of the bank are RON 28.7bn. The net profit for 2014 is RON 80.3mn.

Convenience translation in English of the original Romanian version.



During 2014, 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 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 2014**

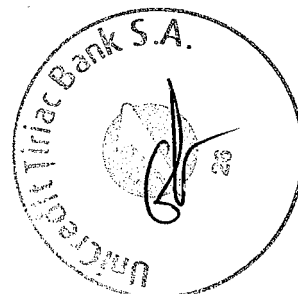
### ***2.1. Legal framework***

The annual separate financial statements as at 31 December 2014 are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by EU applicable to credit institutions through NBR Order 27/2010, including subsequent amendments.

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 2014.

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 auditor Deloitte Audit SRL.

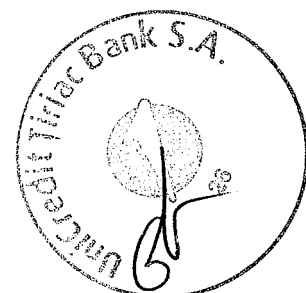


## 2.2. The Separate Statement of financial position

The separate Statement of financial position of UniCredit Tiriac Bank SA as of 31.12.2014 is presented below:

<b>ASSETS</b>	<b>ths RON</b>	<b>% in Total Assets</b>
Cash and cash equivalents	4,355,613	15.18
Financial assets at fair value through profit or loss	256,739	0.89
Derivatives assets designated as hedging instruments	12,433	0.04
Loans and advances to banks	534,125	1.86
Loans and advances to customers	16,971,541	59.14
Available for sale financial assets	5,946,153	20.72
Investments in associates and subsidiaries	135,753	0.47
Property and equipment	202,852	0.71
Intangible assets	140,428	0.49
Current tax asset	21,330	0.07
Deferred tax asset	29,223	0.10
Other assets	91,280	0.32
Non-current assets and disposal groups classified as held for sale	924	0.003
<b>TOTAL ASSETS</b>	<b>28,698,395</b>	<b>100.00</b>
<b>LIABILITIES</b>	<b>ths RON</b>	<b>% in Total Liabilities and Equity</b>
Derivative liabilities at fair value through profit or loss	115,324	0.40
Derivatives liabilities designated as hedging instruments	94,875	0.33
Deposits from banks	3,596,087	12.53
Loans from banks and other financial institutions	4,515,334	15.73
Deposits from customers	16,240,745	56.59
Debt securities issued	550,317	1.92
Subordinated liabilities	287,888	1.00
Provisions	211,515	0.74
Other liabilities	161,189	0.56
<b>TOTAL LIABILITIES</b>	<b>25,773,273</b>	<b>89.81</b>
<b>EQUITY</b>		
Share capital	1,101,604	3.84
Share premium	0.055	0.00
Reserve on available for sale financial assets	94,920	0.33
Cash flow hedge reserve	(62,830)	(0.22)
Reevaluation reserve on property and equipment	10,752	0.04
Other reserves	240,535	0.84
Retained earnings	1,540,141	5.37
<b>TOTAL EQUITY</b>	<b>2,925,122</b>	<b>10.19</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28,698,395</b>	<b>100.00</b>

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



### 2.3. Assets

**Cash and cash equivalents** – The balance of current accounts with the National Bank of Romania represents the minimum reserve requirements. As at 31 December 2014, the minimum reserve requirements settled of 10% (31 December 2013: 15%) for liabilities to customers in RON and 14% (31 December 2013: 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 17bn which is 59.14% of total assets. The outstanding credit balance as at 31.12.2014 is distributed as follows:

- 71.71% non-financial institutions;
- 24.45% households, individuals;
- 3.84% public administrations and other financial institutions.

Term loans granted to customers are classified, according to the remaining maturity, into the following time buckets: up to one year (56.10%), between 1 and 5 years (23.28%) and over 5 years (20.62%).

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 2014 is as follows:

- Performing loans 73.41%;
- Past due but not individually impaired 5.83%;
- Individually impaired 20.76%.

**Investments in subsidiary** - The Bank holds interests in the following subsidiaries which are directly controls, and are accounted at cost in the separate financial statements

- 50.1% (50.1% as of 31<sup>st</sup> December 2013) in UniCredit Consumer Financing IFN SA ("UCFIN"), a company providing consumer financing loans to individuals, with net carrying amount RON 64,767,136 (RON 64,767,136 as of 31<sup>st</sup> December 2013);
- 99.90% (20% as of 31<sup>st</sup> December 2013) in UniCredit Leasing Corporation IFN S.A. (UCLC), a company providing leasing services to domestic and foreign customers, with net carrying amount RON 4,114,881 as of 31<sup>st</sup> December 2014 (RON 823,800 as of 31<sup>st</sup> December 2013). UCLC was an associate entity, until April 2014 when it became a UCT's subsidiary;
- 99.99% (31<sup>st</sup> December 2013: 0%), UniCredit Romania S.A. ("UCLRO"), a company providing financial leasing services to legal entities and individuals, with net carrying amount RON 66,871,320. UCLRO became UCT's subsidiary starting with April 2014.



**Other assets** of RON 91.3mn (0.32% of total assets) include:

- RON 35.9mn sundry debtors;
- RON 24.8mn prepayments;
- RON 14.5mn other amounts receivable;
- RON 7.9mn assets held for sale;
- RON 7.3mn advances for fixed assets;
- RON 0.9mn other assets.

## 2.4 Liabilities

**Deposits from banks** in total amount of RON 3,596mn (12.53 % of total liabilities), include:

- RON 471mn sight deposits of credit institutions and amounts in transit;
- RON 3,125mn term deposits and long term funding from credit institutions.

**Deposits from customers** in total amount of RON 16.2bn, (56.59% of total liabilities), include:

- RON 9,386mn sight deposits (57.80% of total deposits from customers);
- RON 6,792mn term deposits (41.82% of total deposits from customers);
- RON 61.5mn other amounts due to customers, (0.38% of total deposits from customers).

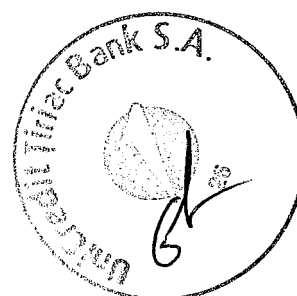
**Other liabilities** in total amount of RON 161.2mn (0.56% of total liabilities) representing debts to the state budget (RON 19.6mn), accruals for third party services (RON 59mn), amounts payable to suppliers (RON 34.4mn) and deferred income (RON 19.6mn), other liabilities (RON 28.6mn).

**Provisions** of RON 211.5mn (0.74% of total liabilities) are presented below:

-mn RON-

Provisions for financial guarantees	200.8
Provisions for off-balance sheet commitments	1.6
Provisions for legal disputes	3.9
Other provisions	5.2
<b>Total</b>	<b>211.5</b>

**Subordinated loans** of RON 287.9mn (1% 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 2014, the value of shareholders' equity of the Bank is RON 2,925mn. The increase by RON 99mn comparing with the previous year (RON 2,826.3mn) is mainly generated by the reinvestment of 2014 net profit in order to support the capital base.

As of 31 December 2014, the shareholders' equity includes:

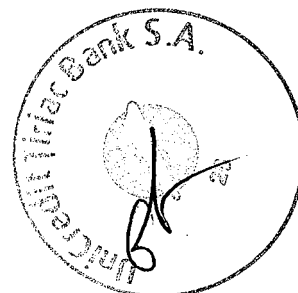
- **Subscribed share capital** is in total amount of RON 1,101.6mn out of which RON 379.1mn represents the paid-in capital at nominal value divided into 40,760,784 ordinary shares of RON 9.3 par value each. The remaining difference represents the hyperinflation effect from application of IAS 29 — Financial Reporting in Hyperinflationary Economies.
- **Other reserves** of RON 240.5mn include:
  - Statutory general banking reserves of RON 115.8mn;
  - Statutory legal reserves of RON 78.7mn;
  - Other reserves of RON 26.9mn. In 2014, other reserves of RON 26.9mn are presented in position "Other reserves" in the Financial Statement of financial position. In comparative scope, in 2013 these reserves were reclassified from the position "Retained earnings";
  - 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 RON 10.8mn.
- **Other reserves related to hedge accounting and to fair value investments securities, available for sale** of RON 32.1mn (net amount);
- **Retained earnings (including 2014 net profit)** as of 31.12.2014 are in amount of RON 1,540mn (in 2013: RON 1,459.4mn).

**2014 current net profit** is RON 80.3mn (in 2013: RON 75.1mn).

## 2.6. Off balance-sheet accounts

The off balance-sheet accounts at the end of 2014 amounts to RON 6,340.5mn which include:

- RON 4,405.5mn issued guarantees;
- RON 1,749.6mn loan commitments;
- RON 185.4mn letters or credit.



## 2.7. Separate Profit and loss account

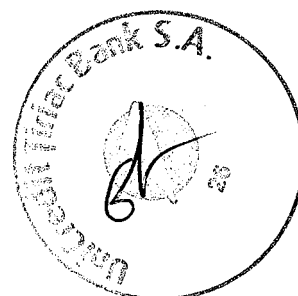
2014 separate IFRS Income Statement of UniCredit Tiriac Bank SA is presented below, with the net profit amounting to RON 80.3mn.

Items	31-Dec-14
	ths RON
Interest income	1,074,361
Interest expense	(427,354)
Interest related effect of Swap transactions regarding refinancing lines with Group Companies	12,168
<b>Net interest income</b>	<b>659,175</b>
Fee and commission income	354,773
Fee and commission expense	(70,637)
<b>Net fee and commission income</b>	<b>284,136</b>
Net income from financial instruments at fair value through profit or loss	248,142
Net gains or losses from hedge accounting	3,261
Net gains on disposal of financial assets and liabilities not measured at fair value through profit or loss	103,308
Dividends and similar income	1,037
Other operating income	5,134
<b>Operating income</b>	<b>1,304,193</b>
Personnel expenses	(310,460)
Depreciation on tangible assets	(38,507)
Amortization of intangible assets	(33,042)
Other administrative costs	(300,002)
Other operating costs	(9,904)
<b>Operating expenses</b>	<b>(691,915)</b>
<b>Net operating income</b>	<b>612,277</b>
Net impairment loss on financial assets	(533,901)
Net provision charges	(3,938)
Net gains from other investment activities	23,796
<b>Profit/(loss) before taxation</b>	<b>98,234</b>
Income tax	(17,940)
<b>Net profit/(loss) for the year</b>	<b>80,293</b>
<b>Other comprehensive income, net of tax</b>	
<b>Items that will not be reclassified to profit or loss</b>	
Revaluation of property, plant and equipment (net of deferred tax)	(3,780)
<b>Total items that will not be reclassified to profit or loss</b>	<b>(3,780)</b>
<b>Items that may be reclassified to profit or loss</b>	
Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	53,543
Net change in cash flow hedging reserve (net of deferred tax)	(31,228)
<b>Total items that may be reclassified to profit or loss</b>	<b>22,314</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>18,534</b>
<b>Total comprehensive income for the year</b>	<b>98,828</b>

## 3. Profit distribution

The gross loss before tax for 2014 is RON 98.2mn. **The net profit is RON 80.293.321 due for distribution according to the law.**

The Board Members proposes to the Annual General Shareholders Meeting full reinvestment of the 2014 net profit in order to support the capital base of the Bank.



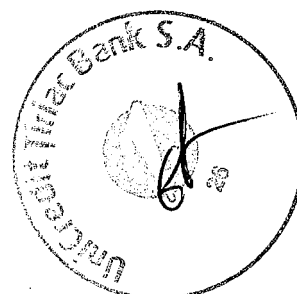
#### 4. Forecast related to future evolution of the Bank

The Romanian economy has expanded by 2.9% in 2014, with the consumption as the main growth driver, while the investment dragged on economic growth. Investment should provide a strong support to growth in 2015 due to the very low base and a last year of EU fund inflows from the 2007-2014 programming period.

Private consumption will benefit from positive real wage growth and a very strong rebound in RON lending, but public consumption will likely drag on growth due to Romania's ambitious fiscal commitments. Even so, growth will probably remain below 3% yoy in 2015.

The Presidential elections in November 2014 did not lead to fiscal slippages, while the inflows of EU funds and FDIs were sufficient to cover the capital outflows that occurred throughout the year, ensuring the stability of the EURRON, which remained in the 4.40-4.50 interval for most of 2014. Under the expectations of balanced capital flows, we expect the EURRON to remain in the above mentioned interval during 2015. However, risks on the global markets persist due to the Greek debt issues, Russia-Ukraine conflict, the EUR-CHF flexibility and the rising contrast between the Fed and the ECB's monetary policies. Escalating external pressures might affect capital flows and lead to temporary depreciation pressures throughout 2015.

Annual inflation ended 2014 well below the targeted level (of 2.5%) at only 0.8%, adjusting significantly from 1.55% at the end of 2013. The drop in inflation was due to supply-side shocks, especially the significant drop of fuel prices globally and lower food prices following the Russian ban on European imports. This has enabled the NBR to reduce the monetary policy rate by a cumulated 1.25 percentage points throughout the year to 2.75%. At the same time, the Central Bank cut the minimum reserve requirements to 10% for RON-denominated liabilities and to 14% for FCY-denominated liabilities (from 15% and 20%, respectively), releasing liquidity of around RON 10.7bn in the interbank market. Given the downward revision of inflationary expectations, the NBR will continue the easing cycle in 2015, already cutting the key rate by 0.5pp in the first two months. During the year, we expect one more cut to a level of 2% accompanied by further reductions of the minimum reserve requirements for both RON and FCY liabilities.



In 2014, banks started to clean up their loan portfolios through the transfer of fully provisioned non-performing loans into off-balance sheet accounts (RON 7.1bn transferred during May-December 2014) and portfolio sales. The process will likely continue at a lower pace in 2015 mainly via sales of non-performing credit portfolios. Although new lending already started to recover and provided a positive credit impulse to domestic demand, the write-off process has resulted in a drop in outstanding credit (-3.1%yoy), which coupled with increasing savings (+7.5%yoy) on higher disposable income led to a sharp correction of the loan-to-depo ratio to 0.91 at the end of 2014 (from 1.01 at the end of 2013). At the same time, the rebalancing away from FCY and towards RON for both loans and deposits continued in 2014 as well. During 2015, the demand for credit will be supported by the monetary easing process.

The portfolio cleanup process was very costly for banks and resulted in additional provisioning, which has led to a loss of RON 4.35bn for the banking system in 2014. However, the banking system is still well capitalized, with a solvency ratio of 17.28% in December 2014. In 2015, we expect banking profitability to return in positive sense, as most of the balance sheet clean-up was already undertaken.

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.

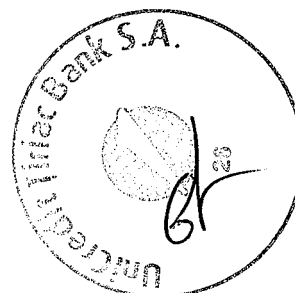
Business growth targets stay ambitious, focusing on proper servicing and supporting, risk management and profitability level. Quality improvement, process and cost optimization will continue. The Bank will also focus on systems enhancement as the main driver for high performance and efficiency.

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.

## **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 Head Office, as well as Retail & Corporate network;
- 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 600 colleagues participated at these types of trainings in 2014;
- The network colleagues had access to special programs for developing managerial skills, as well as communication, sales and negotiation. Increased attention was given to developing technical knowledge in risk management area, 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 internal e-learning and testing platform, including that from UniCredit Group was actively used both for on-line education, as well as for periodical testing sessions, for topics as: transparency and consumer protection, anticorruption, preventing AML and terrorism financing, antitrust, conflict of interest. Using this platform were delivered also technical trainings for employees in the network;
- E-learning concept was further developed, through the extended usage of SkillSoft e-learning platform (world’s biggest e-learning provider), offering unlimited access to all our employees at over 2000 trainings – soft and technical;
- Continued development of the leadership pipeline, as one of our strategic objective, relying on UniCredit Group Talent Management Programs addressing executives and talents (Executive Development Program, Talent Management Review, UniQuest). These programs were further developed, according to the company’ objectives;
- The employees with managerial position had access to trainings and specialized programs: First Time Manager Program, “Managerial workshops” being in the 5<sup>th</sup> year of application, managerial trainings leadership events and 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 2014, over 50 employees participated in Development Center;
- Internal Coaching program implemented with a team of 7 internal coaches (including one ICF certified coach), was continued, focused on individual and team development;
- Internal Mentoring Program reached the 9th edition;



- Continued 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, 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:**

- 17 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, the Bank supported financially the third 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 Inelet children" project, a follow-up for "Light for Ursici" project, where volunteers installed solar panels and bought school equipment to the children who go to school in Inelet, a school that never had electricity;
- We became an official partner for Romanian Olympic Foundation in the program "Together for Romanian's sportsmen", which aims to help the former champions who had to retire earlier.

#### **Art and culture:**

- The Bank continued the exhibition series with art workings from UniCredit Art Collection, presenting 2 new exhibitions in Head Office. The latest, opened until March 31<sup>st</sup> 2015, brings to the public the artworks of the Romanian painter, well-known in Italy, Vincentiu Grigorescu;
- The Bank continued the project launched in February 2009, PAVILION, the first independent centre for contemporary art and culture in Romania. We were also partners for the sixth edition of the Bucharest Biennale;
- The Bank was the main partner of the International Theatre Festival in Sibiu and Official Currency Provider for Electric Castle and Summer Well festivals;
- We supported Young Designers Exhibition, part of Romanian Design Week, an exhibition made of young Romanian designers' artworks, which we also took to Bucuresti, Iasi, Cluj-Napoca and Timisoara.



**Educational projects:**

- We supported the summer camp organized by Resources Centre for Student Organizations Association;
- The Bank was main partner of the fourth edition of "The Power of Storytelling" conference;
- We were partners for 8 editions Creative Mornings Bucharest;
- We helped with the publication of the artist book – Ioana Nemes (postum), one of the most influential Romanian artists of contemporaneous art, who died in 2011 in New York;
- In Cluj-Napoca, the Bank sustained the opening of the Film Deposit, a space opened for cinema and educational projects.

**Environmental projects:**

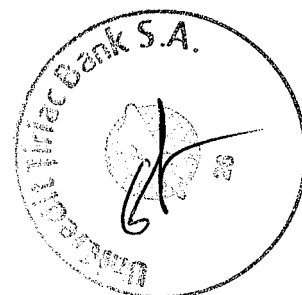
- UniCredit Tiriac Bank signed a partnership with Planting Good Deeds in Romania Association through which we promised to plant a tree for every client who decides to receive his credit card report via email. More than 30 colleagues participated in planting the 4,000 trees in Iasi, Constanta and Mures, while more than 3,000 clients embraced our initiative.

**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**

### **7.1. 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 monitors and manages the foreign currency position. It has strictly observed the regulatory limits set by the NBR and other internal regulations.

### **7.2. Interest risk**

The Bank faces interest rate risk that could be a result of exposure to unfavorable fluctuations of the interests on 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 rates.

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.

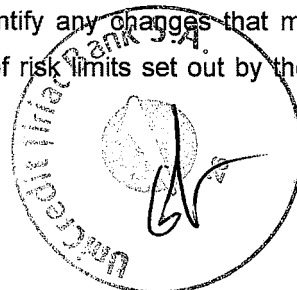
For the financial assets and liabilities denominated in foreign currencies, the Bank aims to maintain a positive net position. Most of its interest-earning assets and interest-bearing liabilities in foreign currencies have variable interest rates which could be updated at Bank's initiative or are related to a reference variable interest rate on the inter-banking market.

### **7.3. Credit risk**

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 negative the overall risk status or generate the breach of risk limits set out by the internal procedures;





- Set up 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.

#### **7.4. 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:

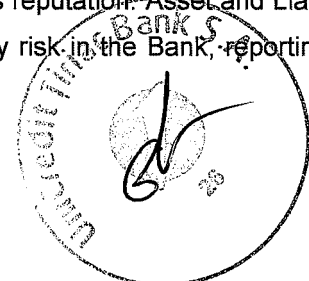
- timing or amount mismatches between inflows and outflows, under normal operating conditions (liquidity mismatch risk). This risk depends upon the maturity structure of the balance sheet;
- unexpected changes in client behavior (liquidity contingency risk); it is especially materialized in heavy withdrawals in a very short time;
- disfunctionalities in the financial markets, especially in the money market (market liquidity risk) can appear due to events which are not expected by the large majority of the authorized participants or due to lack of development and maturity of the market.

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).

Convenience translation in English of the original Romanian version.



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 and warning levels, 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.

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



### **7.6. 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 2014, 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.

### **7.7. 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 fiscal laws regarding taxes and duties.

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

The Bank is constantly focused on transfer pricing risk monitoring, including proper documentation of intra-group transactions.

It is expected that international guidelines (OECD, EU) in fiscal matters and stringent budget requirements to generate changes in the regulatory framework in the near future as well as an increased aggressiveness of fiscal control bodies. Tax liabilities of the Bank are opened to a general tax inspection for a period of five years.



### 7.8. Compliance risk

Within a complex legal framework, the Bank is subject to the compliance risk, defined as the actual or future risk to impact the profits and capital, which may lead to fines, claims and/or cancellation of contracts or which may affect the reputation of a credit institution, as a result of breaching or non-compliance with the regulatory framework, agreements, recommended practices or ethical standards.

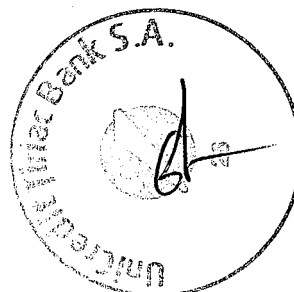
In this respect, compliance function in order to meet the requirements of the law, supported Management Board to manage the conformity risk. In this respect, the compliance risk function gives support to identify, evaluate, monitor and report the compliance risk associated to different activities, including consultancy to respect the legal and internal requirements and UniCredit Group's requirements.

### 8. Shareholders' equity

At 31 December 2014 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 2014 is the following:

Shareholder	Shares' number	Value (RON)	%
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
<b>Total Group BA-CA</b>	<b>20,629,849</b>	<b>191,857,595</b>	<b>50.6120</b>
Tiriac Holdings Limited	18,366,699	170,810,300	45.0597
<b>Total Group Tiriac</b>	<b>18,366,699</b>	<b>170,810,300</b>	<b>45.0597</b>
UniCredit Leasing Romania S.A.	2	19	0.0001
<b>Total Group UniCredit</b>	<b>2</b>	<b>19</b>	<b>0.0001</b>
Romanian Individuals	1,632,723	15,184,324	4.0100
Romanian Legal Entities	73,025	679,133	0.1791
Foreign Individuals	51,146	475,658	0.1300
Foreign Legal Entities	7,340	68,262	0.0180
<b>Total minority shareholders</b>	<b>1,764,234</b>	<b>16,407,377</b>	<b>4.3282</b>
<b>TOTAL</b>	<b>40,760,784</b>	<b>379,075,291</b>	<b>100.0000</b>



During 2014, there were changes in the shareholding structure as follows:

- Romanian individuals, in 2013: 4,0063% from total share capital, in 2014: 4,0100% from total share capital;
- Foreign Individuals, in 2013: 0,1248% from total share capital, in 2014: 0,1300% from total share capital,

There was no change in the total share capital during 2014,

## 9. Corporate Governance

The Bank is responsible for the existence of a rigorous management framework designed to include at least the following aspects:

- organizational structure and organization;
- the Bank's Governing body: duties and responsibilities;
- composition and function, general framework for the activity;
- risk management;
- internal control;
- informational systems and business continuities;
- transparency requirements,

The Bank has internal regulations regarding management of the business, in the light of the Group's guidelines, The Bank adapted management framework depending on nature, scale and complexity of the inherent risks in the business model,

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

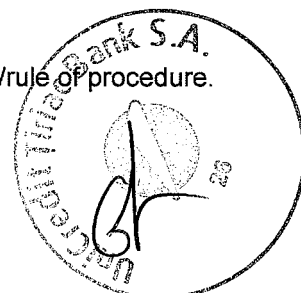
The General Shareholders' Meeting is constituted as the **supreme authority** of the Bank,

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 could delegate a part of its competences to Supervisory Board and Management Board in the cases mentioned in the Constitutive Act and in compliance with the applicable laws.

The roles and responsibilities are detailed in the specific regulation/rule of procedure.



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:

- 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;
- 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;
- appoint and revoke the financial auditor and establish the minimum duration of the financial audit contract following the proposal of the Supervisory Board;
- approve the remuneration of the Bank's Supervisory Board' members;
- express its opinion about the Management Board's management;
- 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;
- 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, As of 31<sup>st</sup> December 2014, Supervisory Board has 10 members elected for a 3 year term, allowing reappointment,

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 in 2014 through the Audit Committee, Remuneration Committee, Risk Administration Committee, Nomination Committee and any other consultative committee with the scope to assist the management in specific areas,

Convenience translation in English of the original Romanian version.



### **9.3. Management Board**

The Management Board is the statutory body responsible for current management of the Bank, has 7 members as of 31st of December 2014 elected for a 3 year term, allowing reappointment,

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
- Nomination Committee
- Risk Administration 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, with specialized attributions, The Audit Committee shall oversee the internal control system of the Bank 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.

Convenience translation in English of the original Romanian version.



#### **9.4.2. Remuneration Committee**

The Remuneration Committee is directly subordinated to the Supervisory Board.

The Remuneration Committee is set up to:

- determine the compensation (fixed and variable part) to be paid to each of the Bank's Management Board members;
- 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.

#### **9.4.3. Nomination Committee**

The Nomination Committee is a permanent committee established by the Supervisory Board.

The Nomination Committee is a permanent committee, having as main duties:

- to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body;
- to assess the balance of knowledge, skills, diversity and experience within the management body;
- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and to make recommendations to the management body with respect to any changes;
- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;
- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.

The nomination committee consists of minimum 3 (three) and maximum 5 (five) members selected from amongst the Supervisory Board members.

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

Convenience translation in English of the original Romanian version.





#### **9.4.4. Risk Management Committee**

Risk Management Committee is directly subordinated to the Supervisory Board, Risk Management Committee is a permanent committee of UniCredit Tiriac Bank having a consultative and support function to the Management Body composed by the Management Board and the Supervisory Board and carry out its duties in plenary session.

The RMC shall be composed of minimum 3 (three) and maximum 5 (five) members among of the SB's members.

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

#### **9.5. Committees subordinated to Management Board**

Committees subordinated to Management Board are:

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

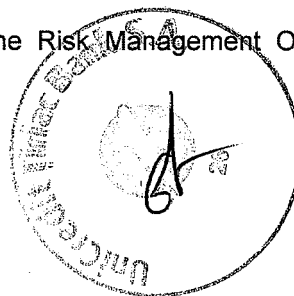
Activities of the most important committees subordinated to the Management Board are presentated bellow.

##### **9.5.1. Risk Management Operative Committee**

Risk Management Operative 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 Operative Committee regulation will be reviewed periodically, if necessary.

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

The roles and responsibilities and functioning mechanism of the Risk Management Operative Committee are detailed in own 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. Special Credit Committee**

The Special Credit Committee is organized with the purpose of advising, recommending, approving, rejecting loan applications and related memos for amendments to already approved transactions or other requests, for corporate clients (watch list 2), and all restructuring and workout clients (corporate clients, retail clients, private banking clients).

The roles and responsibilities and functioning mechanisms of the Special Credit Committee are detailed in the own regulation.

#### **9.5.4. Assets and Liabilities Committee (ALCO)**

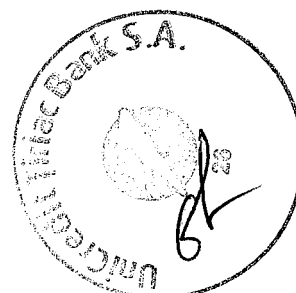
The ALCO Committee is responsible for ensuring an adequate and sound management of the bank's Balance Sheet in a proactive manner, All members of the ALCO must be aware of all relevant business and market changes in order to ensure a balanced decision making process, The ALCO monitors and establishes 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.

#### **9.5.5. Disciplinary Committee**

The Disciplinary 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.



#### **9.5.6. Normes and Procedures Committee**

The Norms and Procedures Committee analyzes and issues recommendation for approval/ rejecting or adjusting internal regulations before approval, Number of members is 10.

The roles and responsibilities and functioning mechanisms of the NPC are detailed in the Norms and Procedures Committee regulation.

#### **9.5.7. Projects Committee**

The Projects Committee creates the bases for easier and centralized management of the existing projects or identification of the new ones, in line with bank's strategy, for efficiently usage of resources participating in the projects, Number of members is 9.

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

#### **9.5.8. Branch Network Committee**

The Branch Network Committee analyzes and proposes actions for improvement of the activity of the branch network, Number of members is 6.

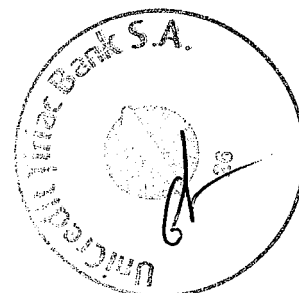
The roles and responsibilities and functioning mechanisms of the BNC are detailed in the Branch Network Committee regulation.

#### **9.5.9. Security and Healthy Committee**

The Security & Healthy Committee ensures a real secure and healthy working environment for the employees, in accordance with and with respecting of the specific local legislation in force and the Labour Code.

The Security & Healthy Committee functioning regulation establishes clear duties for both banks' management and employees, according to local specific legislation, Number of members is 8.

The roles and responsibilities and functioning mechanisms of the S&HC are detailed in the Security & Healthy Committee regulation.



#### **9.5.10. 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 mission (composed of 7 members) is included immediate mitigation of fraud risk, depended of situation.

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

#### **9.5.11. Business Continuity & Crisis Management Crisis Committee**

The Business Continuity & Crisis Management committee and work teams are established by the decision of the MB.

Decision-making, coordination and operational support during the business as usual and crisis stage. 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.

#### **9.5.12. Professional Assessment Committee**

The Professional Assessment Committee meets in order to evaluate and analyze whether the employees subject to professional assessment procedure are professionally suitable for the job, The number of members is 3.

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

#### **9.5.13. Cost Committe**

To be a management decision body responsible for the operational monitoring, forecasting and optimization of operational HR and non-HR and capital expenditure of the bank, The number of members is 7.

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



#### **9.5.14. Internal Control Committee**

**Internal Control Committee (10 members) has the role** to support the President of the Bank in the assessment of the overall Internal Control adequacy at the Bank's level through the analysis of the critical topics, monitoring and prioritization of the corrective actions related to internal control, in order to contribute to the efficiency and effectiveness of the internal control.

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

#### **9.5.15. Operational Permanent Work Group Committee**

Operational Permanent Work Group Committee is primarily responsible for analyzing the operational risk losses, Key Risk Indicators (KRIs) and scenarios in order to identify mitigation actions aiming at reducing operational risk and losses from operational risk in the future.

The number of members is 3.

The roles, responsibilities and functioning mechanisms of the Committee are detailed in the specific rule of procedures.

### **9.6. Internal Control**

The UCT's internal control is based on:

- the existence of the Internal Control framework
- the existence of the independent internal control function

In the internal control functions, which must be independent, are included:

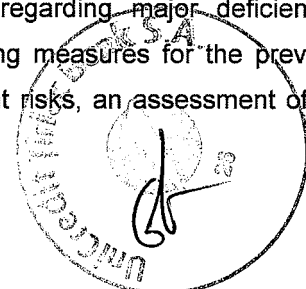
- risk management function, being composed by risk control function on each business line;
- compliance function and
- internal audit function

The Internal Control framework represents the frame that ensures the deployment of efficient and effective operations, adequate risks control, prudent conduct of activity, credibility of the reported financial and non-financial information, both internally and externally, The Internal Control framework also represents the frame that ensures the compliance with legal and regulatory requirements, supervision requirements and Bank's internal rules and decisions.

The internal control frame covers all Bank's structures, as a whole, including activities of all operational units, of support and control functions.

The internal control functions periodically sends official reports regarding major deficiencies identified to the management body, These reports include monitoring measures for the previous findings and for any new major deficiency identified involved relevant risks, an assessment of the impact and recommendation, per the case.

Convenience translation in English of the original Romanian version.



## 10. Relations with shareholders/investors

Conduct of General Meetings Shareholders is in accordance with legal requirements of the applicable laws regarding capital market with a special attention to meet the rights and obligations of the shareholders.

## 11. Communication schedule for 2015

Bank prepares 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 2015 is the following:

Presentation of preliminary 2014 financial results	12.02.2015
2014 local/Group financial results	12.03.2015
GSM meeting for the approval of 2014 financial statements	16.04.2015
Presentation of Q1 - 2015 financial results	12.05.2015
Presentation of H1 - 2015 financial statements	05.08.2015
Presentation of Q3 - 2015 financial results	11.11.2015

## 12. Members of the Management Board during 2014

**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 Margareta 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;

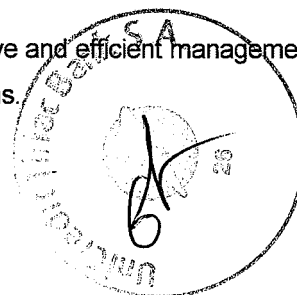
**6, Marco Giuseppe Esposito**, Italian citizen, born on 07,10,1959, Executive Vice-President, member of the Management Board;

**7, Mihaela Alina Lupu**, Romanian citizen, born on 08,11,1975, Executive Vice-President, member of the Management Board.

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 Tiriatic 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.

Convenience translation in English of the original Romanian version.



In conclusion, 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;
- 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.

### **13. Protection of the environment**

UniCredit Tiriac Bank SA is compliant with the applicable legal framework regarding the environmental protection and is concerned to decrease the impact of its operational activities on environment.

### **14. Subsequent events**

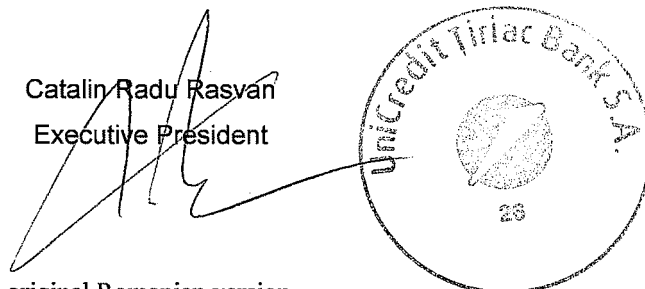
There are no significant subsequent events.

### **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 2014, 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 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



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