



UniCredit Bank S.A.

Separate Financial Statements

31 December 2015

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying separate financial statements of UniCredit Bank S.A. (the "Bank"), which comprise the separate statement of financial position as at December 31, 2015 and the separate statement of comprehensive income, statement of changes in equity and 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

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

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of UniCredit Bank S.A. as at December 31, 2015, 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

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
26 February 2016

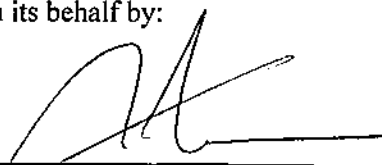
Separate statement of comprehensive income for the year ended 31 December 2015

	Note	2015 RON	2014 RON
Interest income		952,178,675	1,074,360,603
Interest expense		(311,932,683)	(427,353,843)
Interest on effect of swap transactions to refinancing lines with UniCredit Group companies		3,823,851	12,167,903
Net interest income	7	644,069,843	659,174,663
Fee and commission income		362,352,257	355,126,507
Fee and commission expense		(78,186,984)	(70,637,054)
Net fee and commission income	8	284,165,273	284,489,453
Net income from trading and other financial instruments at fair value through profit or loss	9	250,351,039	248,141,875
Fair value adjustments in hedge accounting		(1,630,352)	3,261,295
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss	10	70,595,829	103,669,859
Dividends incomes	11	7,320,896	1,036,974
Other operating income		7,347,867	5,133,678
Operating income		1,262,220,395	1,304,907,797
Personnel expenses	12	(306,519,857)	(310,104,415)
Depreciation and impairment of tangible assets	13	(33,605,481)	(38,507,034)
Amortisation and impairment of intangible assets	13	(45,761,031)	(33,042,019)
Other administrative costs	14	(269,641,340)	(300,002,273)
Other operating costs	15	(10,652,136)	(10,485,650)
Operating expenses		(666,179,845)	(692,141,391)
Net operating income		596,040,550	612,766,406
Net impairment losses on financial assets	16	(317,161,053)	(533,319,271)
Net provision losses	17	(8,978,889)	(4,294,430)
Net gains/(loss) from other investment activities	18	(6,040,469)	23,081,060
Profit / (Loss) before taxation		263,860,139	98,233,765

*Separate statement of comprehensive income for the year ended 31 December 2015
(continued)*

	Note	2015 RON	2014 RON
Income tax	19	(41,805,161)	(17,940,444)
Net profit for the year		222,054,978	80,293,321
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment (net of deferred tax)	28	93,294	(3,779,878)
Total items that will not be reclassified to profit or loss		93,294	(3,779,878)
Items that may be reclassified to profit or loss			
Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	28,25	(14,128,603)	53,542,523
Net change in cash flow hedging reserve (net of deferred tax)	28	16,201,520	(31,228,460)
Total items that may be reclassified to profit or loss		2,072,917	22,314,063
Other comprehensive income for the year, net of tax		2,166,211	18,534,185
Total comprehensive income for the year		224,221,189	98,827,506

The separate financial statements were approved by the Management Board on 23 February 2016, 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 2015

	Note	31 December 2015 RON	31 December 2014 RON
Assets			
Cash and cash equivalents	20	4,594,558,795	4,355,613,257
Financial assets at fair value through profit or loss	21	291,926,020	256,738,572
Derivatives assets designated as hedging instruments	30	16,477,513	12,433,477
Loans and advances to banks	22	849,887,971	534,125,377
Loans and advances to customers	23	17,913,642,488	16,970,280,859
Financial assets available for sale	25	6,359,742,012	5,946,153,215
Investment in subsidiaries	24	143,115,683	135,753,337
Property and equipment	26	217,772,302	207,586,796
Intangible assets	27	148,516,836	142,995,243
Current tax assets		-	21,330,327
Deferred tax assets	28	9,583,774	29,222,590
Other assets	29	65,632,477	85,238,134
Non-current assets and disposal groups classified as held for sale		960,324	923,771
Total assets		30,611,816,195	28,698,394,956
Liabilities			
Financial liabilities at fair value through profit or loss	21	85,383,434	115,323,917
Derivatives liabilities designated as hedging instruments	30	81,900,959	94,874,786
Deposits from banks	31	4,748,273,443	3,596,087,426
Loans from banks and other financial institutions	32	3,433,409,158	4,515,333,851
Deposits from customers	33	18,111,375,152	16,240,745,310
Debt securities issued	34	550,659,161	550,317,133
Subordinated liabilities	35	222,533,940	287,887,877
Provisions	36	68,041,235	212,746,798
Current tax liabilities		11,175,775	-
Other liabilities	37	149,721,247	159,956,356
Total liabilities		27,462,473,504	25,773,273,454

Separate statement of financial position as at 31 December 2015 (continued)

	Note	31 December 2015 RON	31 December 2014 RON
Equity			
Share capital	38	1,101,604,066	1,101,604,066
Share premium		55	55
Reserve on available for sale financial assets	28	80,791,377	94,919,980
Cash flow hedging reserve	28	(46,628,751)	(62,830,271)
Revaluation reserve on property and equipment	28	10,844,909	10,751,615
Other reserves	39	240,534,612	240,534,612
Retained earnings		1,762,196,423	1,540,141,445
Total equity		3,149,342,691	2,925,121,502
Total liabilities and equity		30,611,816,195	28,698,394,956

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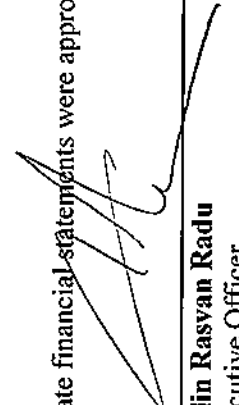



Separate statement of changes in equity as at 31 December 2015

In RON

	Share capital	Reserve on available for sale financial assets	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total
Balance at 31 December 2014	1,101,604,066	94,919,980	(62,830,271)	10,751,615	240,534,612	55	1,540,141,445	2,925,121,502
Total comprehensive income for the year	-	-	-	-	-	-	222,054,978	222,054,978
Net profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Transfer from revaluation reserve of property, plant and equipment to retained earnings	-	-	-	-	-	-	-	-
Net change in available for sale financial assets, net of tax	-	(14,128,603)	-	-	-	-	-	(14,128,603)
Net change in cash flow hedging reserve, net of tax	-	-	16,201,520	-	-	-	-	16,201,520
Revaluation of property, plant and equipment, net of tax	-	-	-	93,294	-	-	-	93,294
Total other comprehensive income for the year	-	(14,128,603)	16,201,520	93,294	-	-	-	2,166,211
Total comprehensive income for the year	-	(14,128,603)	16,201,520	93,294	-	-	222,054,978	224,221,189
Balance at 31 December 2015	1,101,604,066	80,791,377	(46,628,751)	10,844,909	240,534,612	55	1,762,196,423	3,149,342,691

The separate financial statements were approved by the Management Board on 23 February 2016, and were signed on its behalf by:


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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 2014

<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	Share premium	Retained earnings	Total
Balance at 31 December 2013	1,101,604,066	41,377,457	(31,601,811)	14,966,066	240,534,612	55	1,459,413,551	2,826,293,996
Total comprehensive income for the year	-	-	-	-	-	-	80,293,321	80,293,321
Net profit for the year	-	-	-	-	-	-	80,293,321	80,293,321
Other comprehensive income, net of tax	-	-	-	(434,573)	-	-	434,573	-
Transfer from revaluation reserve of property, plant and equipment to retained earnings	-	-	-	(434,573)	-	-	434,573	-
Net change in available for sale financial assets, net of tax	-	53,542,523	-	-	-	-	-	53,542,523
Net change in cash flow hedging reserve, net of tax	-	-	(31,228,460)	-	-	-	-	(31,228,460)
Revaluation of property, plant and equipment, net of tax	-	-	-	(3,779,878)	-	-	-	(3,779,878)
Total other comprehensive income for the year	-	53,542,523	(31,228,460)	(4,214,451)	-	-	434,573	18,534,186
Total comprehensive income for the year	-	53,542,523	(31,228,460)	(4,214,451)	-	-	80,727,894	98,827,506
Balance at 31 December 2014	1,101,604,066	94,919,980	(62,830,271)	10,751,615	240,534,612	55	1,540,141,445	2,925,121,502

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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 2015

<i>In RON</i>	Note	2015	2014
Operating activities			
Profit / (Loss) before taxation		263,860,139	98,233,765
Adjustments for non-cash items:			
Depreciation, amortisation and impairment on tangible and intangible assets	13	79,366,512	71,549,053
Net impairment losses on financial assets	16	317,161,053	533,319,271
Change in fair value of derivatives at fair value through profit or loss		(12,896,992)	(6,218,848)
Other items for which the cash effects are investing or financing		(65,953,948)	(3,373,122)
Other non-cash items		102,932,624	189,405,586
Operating profit before changes in operating assets and liabilities		684,469,388	882,915,705
Change in operating assets:			
Increase in investment securities held for trading		(52,230,939)	(150,873,019)
Increase in investment securities available for sale		(427,151,508)	(480,182,225)
Increase in loans and advances to banks		(314,420,415)	(159,807,187)
Increase in loans and advances to customers		(1,510,728,099)	(1,920,813,220)
(Increase) / Decrease in other assets		(5,264,580)	(9,795,095)
Change in operating liabilities:			
(Decrease) / Increase in deposits from banks		1,151,551,744	(73,056,570)
Increase in deposits from customers		1,877,144,822	1,089,661,080
Increase in other liabilities		23,752,120	11,725,455
Income tax paid		-	(21,198,143)
Cash flows from / (used in) operating activities		1,427,122,533	(831,423,219)
Investing activities			
Acquisition of property and equipment and intangible assets		(101,372,409)	(57,772,396)
Acquisition of subsidiaries and business lines		-	(85,810,317)
Dividends received	11	1,235,366	1,036,974
Cash flows used in investing activities		(100,137,043)	(142,545,739)


Separate statement of cash flows for the year ended 31 December 2015 (continued)

	Note	2015	2014
Financing activities			
Repayments of loans from financial institutions		(1,208,596,772)	(43,003,730)
Drawdowns from loans from financial institutions		187,788,320	352,892,341
Repayment of subordinated liabilities		(67,231,500)	(215,730,000)
Cash flows from financing activities		(1,088,039,952)	94,158,611
Net increase in cash and cash equivalents		238,945,538	(879,810,347)
Cash and cash equivalents at 1 January	20	4,355,613,257	5,235,423,604
Cash and cash equivalents at 31 December	20	4,594,558,795	4,355,613,257
Cash flow from operating activities include:			
Interest received		1,083,287,401	1,200,279,776
Interest paid		318,076,989	456,171,244

The separate financial statements were approved by the Management Board on 23 February 2016, and were signed on its behalf by:



Mr. Catalin Rasvan Radu
 Chief Executive Officer



Mrs. Mihaela Alina Lupu
 Chief Financial Officer

Notes to the separate financial statements for the year ended 31 December 2015

1. REPORTING ENTITY

Starting with August 2015, UniCredit Bank S.A. (the "Bank") is the new brand name of formerly UniCredit Tiriac Bank SA, 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 31 December 2015, 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 the following directly controlled subsidiaries:

- UniCredit Consumer Financing IFN S.A. ("UCFIN"), having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has 50.1% controlling interest in UCFIN starting with January 2013.
- UniCredit Leasing Corporation IFN S.A. ("UCLC"), having its current registered office at 23-25 Ghetarilor Street, 1st, 2nd and 4th floor, District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. UCLC, previously associate entity, has become a subsidiary of the Bank starting with April 2014 when the Bank obtained 99.95% direct and indirect controlling interest (direct controlling interest: 99.90%). The Bank's shareholding has changed to a direct and indirect controlling interest 99.98% as of 31 December 2015 (direct controlling interest: 99.96%). As a result of the merger of UCLC with UniCredit Leasing Romania SA ("UCLRO") finalized by June 2015, where UCLRO was absorbed by UCLC.

The Bank has lost the control of the following directly controlled subsidiary:

- UniCredit Leasing Romania SA ("UCLRO"), having its registered office and head office in 23-25 Ghetarilor Street, 2nd floor, District 1, Bucharest, Romania, has provided lease services to legal entities and individuals. UCLRO has been a subsidiary of the Bank since April 2014 when the Bank obtained 99.99% controlling interest in UCLRO. At the beginning of June 2015 UCLRO has been fully absorbed by UCLC as a result of the merger process.

The Bank operates through the Head Office located in Bucharest and through its network of 182 branches (31 December 2014: 183) located in Bucharest and in the country.



Notes to the separate financial statements for the year ended 31 December 2015

2. BASIS OF PREPARATION

a) Statement of compliance

At 31 December 2015 and 31 December 2014, 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.

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 and intangible 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.

Notes to the separate financial statements for the year ended 31 December 2015

2. BASIS OF PREPARATION (continued)

Particularly, 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.

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. Where it has been considered necessary, the comparative amounts have been reclassified in order to ensure the conformity with the changes in presentation for the current reporting period and their appropriate specific disclosures have been presented in the corresponding notes to the financial statements.

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 2015	31 December 2014	%
Euro (EUR)	1: RON 4.5245	1: RON 4.4821	0.95
US Dollar (USD)	1: RON 4.1477	1: RON 3.6868	12.50

b) 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.

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Interest

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

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

The calculation of the effective interest rate includes all fees 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.

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 part of 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 2015

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. These items are also impacted by valuation adjustments when using a certain valuation technique such as: fair value adjustments and additional valuation adjustments. Fair value adjustment is an adjustment that takes into account non-performance risk (the own credit risk – DVA or the credit risk of the counterparty to transaction – CVA -). Additional value adjustment is an adjustment that takes into account measurement of uncertainty (e.g. when there has been a significant decrease in the volume or level of activity when compared to normal market activity for the asset or liability, or similar assets or liabilities, and the entity has determined that the transaction price or quoted price does not represent fair value).

g) 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 and deferred tax are recognized in the income statement in the caption “Income tax”, except for the tax related to items which are recognised within equity category, such as gains/losses from assets available for sale, changes in fair value of derivative hedging instruments used in cash flow hedge, of which changes are recognized, net of tax, directly 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 2015 is 16% (2014: 16%).

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities

(i) Initial recognition and Classification

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

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;
- Equity investments.

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

Financial liabilities

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

- Fair value through profit or loss;
- Amortised cost (all financial liabilities that are not classified at fair value through profit or loss).

See accounting policies 3 (j), (k) and (u).

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.



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Financial assets and financial liabilities *(continued)*

(ii) 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 rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iii) 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 market 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 a financial 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 various valuation techniques. 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.



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Financial assets and financial liabilities *(continued)*

(iv) 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 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

(iv) Identification and measurement of impairment (continued)

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

Individual assessment

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

The main criteria for determining whether a specific exposure is individually significant is a threshold estimated based on UniCredit Group experience or the specific risk profile (in terms of potential credit loss), but validated by the Bank depending on local economic 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 SMEs 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 respective 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 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Financial assets and financial liabilities *(continued)*

(iv) 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.

For the bank's exposures please see note 22.

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.

(v) 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.

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.

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

(v) Derecognition (continued)

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 41).

The direct decrease of loans value (write-off) represents the operation of diminishing directly the gross loan value fully covered by impairment allowances and their transfer in the off balance sheet accounts, where they are monitored until recovered. At the moment of exhausting all activities to recover the loans and receivables, those are derecognized from the off balance accounts.



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

(vi) 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.

i) 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.

j) Assets and liabilities held for trading

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.

If the fair value of a financial instrument becomes smaller than zero, which might happen in case of derivative financial instruments, then those instruments are presented in the position "Derivative financial liabilities at fair value through profit or loss".

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Assets and liabilities held for trading *(continued)*

The Bank has trading instruments at 31 December 2015: as held for trading financial instruments, derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back-to-back transactions within UniCredit Group.

k) 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 which are not held for trading

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

(ii) Embedded derivatives

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



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Derivatives held for risk management purposes and hedge accounting (continued)

(iii) Cash flow hedges

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the 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. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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

The Bank 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. The foreign exchange gains or losses from these financial instruments are directly recognized in profit or loss account.

l) Loans and advances to customers

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

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Held to maturity

Held-to-maturity investments 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. The Bank has no Held-to-maturity investments as of 31 December 2015.

n) 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.

o) Equity investments

(i) Subsidiaries

Subsidiaries are entities which are controlled directly or indirectly by the Bank, through subsidiaries, by holding more than half of the voting rights, unless in exceptional circumstances, it can be proved that such ownership does not represent control.

Subsidiaries are entities in which the Bank holds half or less of voting rights and:

- The power over the majority of voting rights based on agreements concluded with the other shareholders;
- The power to govern the operational and financial policies of an entity based on its articles of association or other agreement;
- The power to appoint or to revoke the majority of board members or equivalent governing body, and the control over the entity is exercised by that body;
- The power to control the majority of voting rights I the board of directors or equivalent governing body, and the control over the entity is exercised by that body.

In the 1st semester of 2014, the Bank has taken over the direct controlling stake in the following leasing entities UCLC (99.90%) and UCLRO (99.99%) from the previous parent leasing company controlled by UniCredit Group. The merger process of UCLC and UCLRO started in 2014 has been finalized by June 2015 when UCLRO was fully absorbed by UCLC. The Bank has accounted for all its subsidiaries at cost in its separate financial statements in accordance with IAS 27, Separate financial statements.



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Equity investments

(i) Subsidiaries (continued)

UCLC is also a parent company which has direct control over the following subsidiaries:

- Allib Rom S.R.L.("ALLIB"), real estate leasing entity, directly controlled by UCLC, holding 99.99% starting with April 2014 until August 2015 when this subsidiary was sold by UCLC to the lessee in accordance with the finance lease agreement;
- Debo Leasing IFN S.A.("DEBO"), real estate leasing entity, directly controlled by UCLC, holding 99.99% starting with April 2014;
- UniCredit Insurance Broker S.R.L.("UCIB"), insurance broker for insurance activities related to leasing activity for retail and corporate clients, directly controlled by UCLC, holding 100.00% starting with June 2014.

(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 has no investment in associate as of 31 December 2015 and as of 31 December 2014.

(iii) Equity instruments

The Bank holds minor shareholdings in other entities providing auxiliary financial services and are classified as available for sale. Unquoted equity securities whose fair value cannot be reliably measured, are carried at cost. Whenever new information is available on the market regarding the fair value of these equity instruments and the respective fair values can be measured reliably, these financial instruments are measured at fair value, recognising the changes in their fair values in appropriate item within other comprehensive income. For impairment policy please refer to note 3 h) (iv).

Investment in subsidiaries and associated are carried at cost in the separate financial statements of the Bank.

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.

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p) Property and equipment *(continued)*

(ii) Subsequent measurement

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

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

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	2.00% - 2.91% per year
- improvements (rentals)	6.25% - 100.00 % per year
Office equipment and furniture	3.33% - 50.00% per year
Computer equipment	10.00% - 50.00% per year

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

Convenience translation in English of the original Romanian version.

Notes to the separate financial statements for the year ended 31 December 2015

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 operating income" or "Other operating expense" on a case by case basis.

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 in the position "Other operating income" or "Other operating expense".

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

An intangible assets is identifiable non-monetary asset without physical substance which is expected to be used for a period longer than one year and from which economic benefits will flow to the entity.

Intangible assets are mainly goodwill, software, brands and intangibles as list of customers.

Intangible assets, other than goodwill, are carried at acquisition cost, including any costs incurred to put the respective asset into function, less accumulated amortization and related impairment loss.

The acquisition costs and those for put into operation of IT systems acquired are capitalized including all costs incurred to bring the respective systems fully operational.

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) Amortisation

Amortisation 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 is:

- for software:
- for list of customers:

5 years;
5 years.



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Business combinations

In accordance with IFRS 3 *Business combination*, a business is defined as “an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors of other owners, members or participants”.

In 2014, the Bank has acquired a business line related to corporate portfolio of Bank of Scotland plc, Edinburgh, Romania Branch (“RBS Romania”), transactions which is within the provisions stipulated by IFRS 3 Business combinations (*Please see also note 18*).

t) 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 profit or loss.

In case of intangible assets of “List of Customers”, in case of one of the customers, for which the intangible asset was recognised, closes the operations with the Bank, the net carrying amount if the “List of customers” related to that customer will be derecognized.

u) 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 “sell buy back” 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.



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

v) 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.

w) 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.

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 3h(v)). 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 3h (v).

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 3h (iv), which is stated under Provisions in the Statement of financial position.

x) 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.

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

x) Employee benefits *(continued)*

(iii) Other long term employee benefits

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.

(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.

Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

y) 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 distinct financial information is available.

The main segment report format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank. The results on segments reported to the management include elements directly allocated to that segment and also other elements which can be allocated in a reasonable way.

Unallocated items mainly comprise tangible and intangible assets and tax liabilities or assets. In order to manage, the Bank is organized into the following operating segments:

Retail segment ("Retail") – the Bank provides individuals (except Private Banking customers) and small and medium-sized enterprises a large range of financial products and services, including loans (mortgages, personal loans, overdrafts, credit card facility and funds transfer), savings, payment services and transactions with securities.

Corporate and Investment Banking and Private Banking ("CIB and PB") segment covers:

- **Corporate and Investment Banking ("CIB") line** - the product lines Global Transaction Banking (including payment transactions, trade finance, cash management), Financing (develop and offers financing products – classic and structured lending business, as well as Factoring, Real Estate, UE Funds – being also involved in initiation, structuring and promoting specialized financing transactions, syndications and other investment banking specialized transactions, managing overflow portfolio and financial analysis for complex transactions with high risk), Advisory (mergers and acquisitions and capital market advisory services) and Markets (Treasury). The services are provided to medium corporate, large corporate, international corporate, real estate, public sector and financial institutions.
- **Private Banking ("PB") line** - this segment is focusing on private customers and families with significant investments and VIP. The segment provides customized banking products and services, including personalized assets under Management/Custody product solutions.

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



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Standards and Interpretations issued by IASB and not yet adopted by the EU:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018); the Bank has started the analysis and preparation for IFRS 9 implementation;
 - IFRS 9 “Financial Instruments” issued on 24 July 2014 is the IASB’s replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting of financial instruments;
 - IFRS 9 is applicable starting with 1st January 2018 with the exception of Macro Hedge Accounting (portfolio fair value hedge accounting for interest rate risk).
 - Beginning with first semester of 2015, the Bank has started the project IFRS 9 consisting of the following key activities:
 - Trainings and workshops for the relevant departments;
 - Accounting Framework acknowledged;
 - Business Model Assessment: definition and assessment;
 - SPPI test analysis and tool.
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016); this standard has no impact for the Bank.
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2018); this standard has no impact for the Bank.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016); these amendments have no impact for the Bank.
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016); these amendments have no impact for the Bank.
- **Amendments to IAS 7 “Statement of Cash Flows”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).



Notes to the separate financial statements for the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective:

- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016); these amendments are not applicable for the Bank.
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016); these amendments have no impact for the Bank.
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016); these amendments are not applicable for the Bank.
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016); these amendments are not applicable for the Bank.
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016); these amendments are not applicable for the Bank.
- **Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions issued by IASB on 21 November 2013.** The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans by simplifying the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary; these amendments have no impact for the Bank.
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016); these amendments have no impact for the Bank.



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT

a) Introduction and overview

The risks are managed through a continuous process of identification, measurement and monitoring, depending on the risk limits, segregation of duties and other controls.

The Bank has exposure to the following main risks:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks.

The Bank also gives a special attention to the conformity risk, fiscal risk, reputational risk, strategic risk, business risk associated with excessive use of leverage, financial risk and real estate risk.

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

Objectives regarding the risks management are correlated with the overall strategic objectives of the Bank:

- Adequate and prudent management of risks and in particular, of significant risks;
- Increase of loan portfolio in a selective manner and achievement of a balanced structure of customers segments;
- Diversification of products;
- Maintaining of sustainable profitability level;
- Decrease – as much as possible – of the negative impact generated by the economic crisis;
- Identify optimum solutions adapted to the clients' needs which are confronting with the negative effects of economic-financial crisis;
- Training the Bank's employees such that to offer quality services to the clients;
- Integrating locally of the Group standards through internal regulations and procedures.

The risks management within the Bank implies:

- the culture regarding the risk management;
- the framework regarding risk management;
- the policy for the approval of launching new products.

The culture regarding the risks within the Bank is integrated and defined overall, being based on complete understanding of risks the Bank is confronting with and of the manner they are managed, having a tolerance/risk appetite of the Bank.

The Banks' strategic objectives include also the development of sound culture regarding the management of risks, extended both at the management level and also to the business lines with responsibilities in risk management area, by identifying through the set of activities performed and for each significant activity, of the ratio between risks and profits which Bank considers acceptable within the conditions of a prudent and healthy ongoing business performance.

Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT *(continued)*

b) Risk management framework *(continued)*

The framework for risks management is based on:

- definition and set up of basic principles, of policies, procedures, limits and related controls for managing the risks;
- an organize structure specialized in the management and control of risks;
- strategies and specific techniques for measurement, evaluation, monitoring, decrease and reporting the risks.

The framework for management of significant risks is transposed clearly and transparently in internal norms, procedures, including manuals and codes of conduct, making a distinction between the overall standards applicable to all employees and the rules applied specifically to certain categories of personnel.

The governing structures playing the role in risks management are:

The Supervisory Board has overall responsibility for the establishment and oversight of the Bank's risk management framework and approval of risk profile of the Bank and the strategy of the Bank related to the risk management.

The Management Board implements the risk management strategy and policies approved by Supervisory Board regarding the management for significant risks.

The Risk Management Committee set up by Supervisory Board plays advisory role for the governing bodies' decisions regarding the Bank's risk appetite and overall strategy regarding the management of actual and future risks of the Bank, and ensures the support for the Supervisory Board in the oversight of the implementation by the top management of the overall strategy regarding actual and future risks of the Bank.

Implementation of the strategy for significant risks management at the Bank level for the development and monitoring the policies for risk management is achieved through following committees having responsibilities regarding risk management:

- Asset and Liabilities Committee
- Risk Management Operative Committee
- Special Credit Committee
- Credit Committee
- Fraud Risk Management Committee
- Operational Permanent Work Group Committee

The Bank's **Audit Committee** is responsible for checking 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 this function 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.

The Bank's policies for risk management are set up to identify and analysis of risks faced by the Bank, to set up the adequate limits for risk and control, as well as to monitor the risks and respecting the limits. Policies and systems for risks management are periodically reviewed in order to present the changes in market conditions, products and services provided. The Bank, through standards and procedures for management and training, is targeting to develop a constructive and disciplined environment within all employees to understand their roles and obligations.

Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT *(continued)*

e) Credit risk

(i) Management of 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 Bank has set up processes for risk management and has tools for identification, measurement, monitoring and control the credit risk.

The Bank's policy for the risk management promotes a set of principles and coherent practices, oriented toward the following objectives:

- Set up a framework and adequate parameters for credit risk;
- Promoting and operating a healthy and sound process for granting loans;
- Promoting and maintaining an adequate process for management, measurement and monitoring of loans;
- Ensuring a permanent control over the quality of granted loans portfolios.

Credit risk management is performed taking into account both individual loans and also entire portfolio and includes the quantitative and qualitative aspects related to risks.

The Bank evaluates mainly the solvency of entity/client which requests the loan facility. This evaluation is focused mainly on establishment of the manner in which the entity is requesting the loan facility can respect its obligations by paying them autonomously, irrespective whether additional guarantees are provided or not (repayment capacity).

(ii) Exposure to credit risk

In RON

	31 December 2015	31 December 2014
Individually significant impaired loans		
Grade 8-: Impaired	2,323,263,574	2,418,015,500
Grade 9: Impaired	205,282,955	118,335,278
Grade 10: Impaired	492,042,768	763,048,122
Gross amount	3,020,589,297	3,299,398,900
Allowance for impairment	(1,393,679,652)	(1,531,317,561)
Carrying amount	1,626,909,645	1,768,081,339



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

c) Credit risk

(ii) Exposure to credit risk (continued)

	31 December 2015	31 December 2014***
Fair value of collateral	1,156,177,451	1,274,081,740
Property	1,067,844,532	1,137,318,319
Goods	62,045,737	89,037,819
Assignment of receivables	9,062,865	21,092,238
Other collateral*	17,224,317	26,633,364
Other impaired loans		
Grade 8-	311,845,537	370,248,191
Grade 9	14,930,260	5,053,119
Grade 10	198,672,502	235,699,630
Other impaired**	-	12,242,352
Gross amount	525,448,299	623,243,292
Allowance for impairment	(258,488,811)	(298,114,098)
Carrying amount	266,959,488	325,129,194
Fair value of collateral	260,762,893	339,045,391
Property	231,739,528	304,836,510
Goods	6,479,399	8,826,665
Assignment of receivables	3,395,663	5,717,942
Other collateral*	19,148,303	19,664,274
Past due but not impaired		
Grade 1 – 7, out of which:	767,885,889	756,393,942
Less than 90 overdue days	764,148,570	753,069,300
More than 90 overdue days	3,737,319	3,324,642
Grade 8, out of which:	358,839,127	339,546,914
Less than 90 overdue days	344,474,643	327,309,222
More than 90 overdue days	14,364,484	12,237,692
Gross amount	1,126,725,016	1,095,940,856
Allowance for impairment	(25,827,378)	(22,797,145)
Carrying amount	1,100,897,638	1,073,143,711



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

e) Credit risk

(ii) Exposure to credit risk (continued)

	31 December 2015	31 December 2014***
Neither past due nor impaired		
Grade 1-7	14,626,449,109	13,621,818,871
Grade 8	353,126,183	244,974,668
Gross amount	14,979,575,292	13,866,793,539
Allowance for impairment	(60,699,575)	(62,866,924)
Carrying amount	14,918,875,717	13,803,926,615
Total carrying amount	17,913,642,488	16,970,280,859

* 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.

*** Starting with 2015, there have been used new definitions on non-performing and performing loans aligned to ECB requirements and based on the overdue days thresholds in accordance with the FINREP reporting framework. The 2014 amounts and related effects were reclassified accordingly in order to ensure comparative figures.

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 contain impaired customers in accordance with regulatory definitions.

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

Loans and receivables are impaired and impairment adjustment incur whether objective impairment evidence exist as a result of:

- one or many triggers which appeared after initial recognition of the investment (default events);
- that default event has an impact on estimated future cash flow of the asset which can be reliable measured.



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

c) Credit risk

(ii) Exposure to credit risk (continued)

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 8-, 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.

Other impaired loans

Other impaired loans include all loans to individuals with more than 90 days late and credits to businesses with grades 8, 9 and 10 that are not individually significant.

Past due but not impaired loans

Loans with overdue contractual interest or principal cash flows which are not considered impaired due to the level of guarantees available or/and the stage of the collection of the amounts by 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 3h (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 2015	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8-: Impaired	2,635,109,111	1,645,504,476
Grade 9: Impaired	220,213,215	68,252,362
Grade 10: Impaired	690,715,270	180,112,295
Total	3,546,037,596	1,893,869,133
31 December 2014	Gross amounts	Net amounts
<i>In RON</i>		
Grade 8-: Impaired	2,788,263,691	1,803,095,500
Grade 9: Impaired	123,388,397	41,215,259
Grade 10: Impaired	998,747,752	237,586,994
Other impaired	12,242,352	11,312,780
Total	3,922,642,192	2,093,210,533



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT *(continued)*

c) Credit risk

(ii) Exposure to credit risk (continued)

Restructured loans are as follows:

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Gross amount	<u>1,944,176,645</u>	<u>1,246,052,131</u>
Allowance for impairment	<u>(862,775,130)</u>	<u>(435,339,327)</u>
Carrying amount	<u>1,081,401,515</u>	<u>810,712,804</u>

Restructured exposures are loan contracts for which restructuring measures have been applied and which are still under closed monitoring.

The restructuring measures consist of concessions granted to a debtor who is facing or is about to face financial difficulties.

A concession refers to one of the following actions:

- a change in previous terms and conditions of a contract under which it is considered that the debtor cannot meet due to the financial difficulties ("problem asset"), in order to allow a sufficient capacity to service the debt, which would have not been granted the debtor had not been in financial difficulty;
- a total or partial refinancing of a contract related to a problem asset, which would have not been granted the debtor had not been in financial difficulty.

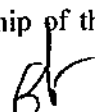
A concession may attract a loss for the lender.

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. Restructured loans are monitored internally by a dedicated unit in the Bank.

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). 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 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 III 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.



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

c) Credit risk

(ii) Exposure to credit risk (continued)

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.

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	<u>31 December 2015</u>	<u>31 December 2014</u>
Private entities (including individuals)	4,268,016,339	4,196,473,539
Manufacturing	4,637,647,107	3,738,369,364
Commerce – wholesale and retail	2,937,568,497	3,084,202,519
Real estate	1,340,398,806	1,531,192,115
Construction and civil engineering	732,927,836	855,414,653
Agriculture - forestry – fisheries	916,151,586	609,062,061
Transport and storage services	486,243,782	582,629,741
Public administration and defence; social security insurance	567,647,393	512,512,660
Production and supply of electricity, gas, steam and air conditioning	440,729,830	415,778,985
Professional, scientific and technical activities	394,150,628	399,563,249
Information and communication	448,991,795	377,268,536
Financial and insurance institutions	214,873,892	197,739,765
Water supply	167,602,459	161,724,972
Hotels and public commercial concern	101,993,043	122,324,596
Administrative and support service activities	98,814,906	58,976,325
Extractive industry (mining and quarrying)	17,069,474	37,518,035
Education	16,438,241	18,619,143
Medical and social activities	29,159,465	16,541,730
Arts, entertainment and recreation	11,884,483	500,572
Other services	85,332,926	53,868,299
Total	<u>17,913,642,488</u>	<u>16,970,280,859</u>



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

c) Credit risk

(ii) Exposure to credit risk (continued)

In RON

	2015	2014
Loans and advances to customers	17,913,642,488	16,970,280,859
Loan related commitments and contingencies (refer to Note 41 i)	5,502,920,167	6,340,452,876
	23,416,562,655	23,310,733,735

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 performing and non-performing loans.

Exposures to higher risk Eurozone countries

Global trade continued to decelerate during 2015 and worries regarding a Chinese slowdown have intensified. Although this was reflected in lower Eurozone exports, the overall growth was resilient as this negative effect was compensated by the higher consumption, stimulated by the weaker exchange rate and lower oil prices. In light of the prolonged drop in oil prices, the European Central Bank ("ECB") announced strong monetary stimulus at the end of 2015 to fight against the low inflation, by extending the Quantitative Easing ("QE") program to at least until March 2017 and cutting the deposit facility rate into negative territory (-0.3%). In contrast, the Federal Reserve ("FED") raised the target range for the federal funds rate by 25bp to 0.25%-0.50%, following considerable improvement in the labour market and confidence in rising inflation rates. The divergence between the monetary policies of the ECB and the FED favoured the depreciation of EURO against USD. On top of the above-mentioned trends, there have been other contributors to market volatility during the year: resurfacing Greek debt woes, lingering geo-political risks related to the Russia – Ukraine dispute, new tensions in the Middle East which led to an inflow of immigrants towards the Europe, inspiring nationalist and populist initiatives in several EU countries which risk to destabilize the Union (i.e. UK).

At 31 December 2015, 97% (31 December 2014: 97%) 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 2015 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 2015, investments securities recognized in the portfolio as Available for sale or as Financial assets at fair value through profit or loss were represented by bonds issued by Ministry of Public Finance of Romania and local Romanian authorities.

Other credit risk exposures

Cash and cash equivalents, loans and advances to banks and investment securities were neither impaired nor past due. Please also refer to *Note 20, Note 21, Note 22 and Note 25*.

Placement with banks includes deposits with local and international commercial banks. These exposures with rating grades from 1 to 7 (31 December 2014: from 1 to 7) are considered performing in accordance with internal rating models of the Bank as of 31 December 2015 and 31 December 2014.

d) Liquidity risk

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

Notes to the separate financial statements for the year ended 31 December 2015

4. 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.

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 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.

Within the liquidity risk management framework, the Bank maintains permanently a sufficient liquidity reserve, consisting of government bonds free of any encumbrances which can be converted into cash immediately through specific transactions with Central Bank and financing facilities which can be used in emergency cases.

Regarding structural liquidity, the Bank pursues the following goals:

- Encouraging 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 supporting the expected increase of the asset side of the balance sheet;
- Increasing the liquidity self-sufficiency by development strategic financing through own bonds issues, covered bonds issues, securitisations;
- Development of relations with various international financial institutions and foreign banks in order to start / continue special financing programs on long term.

Notes to the separate financial statements for the year ended 31 December 2015

4. 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 set in UniCredit Bank Liquidity Management Strategy for indicators representing 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 National Bank of Romania and structural liquidity indicators set at UniCredit Bank Austria AG level. In accordance with UniCredit Group standards, the Bank follows compliance with liquidity limits and warning levels set for ratios 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 with maturities 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;
- Basel III indicators regarding the Bank's liquidity (LCR – Liquidity Coverage Ratio and NSFR – Net Stable Funds Ratio), which are monitored by the responsible departments and reported toward NBR in accordance with regulations in force.

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 35.1% as at 31 December 2015 (31 December 2014: 42.6%).

Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

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

31 December 2015 – 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	4,594,558,795	-	-	-	-	4,594,558,795	4,594,558,795
Financial assets at fair value through profit or loss	291,926,020	-	-	-	-	291,926,020	291,926,020
Derivatives financial instruments designated as hedging instruments	16,477,513	-	-	-	-	16,477,513	16,477,513
Loans and advances to banks	46,508,739	183,486,390	619,999,831	-	-	849,994,960	849,887,971
Loans and advances to customers	4,356,063,666	5,747,587,496	4,189,821,265	3,911,785,963	-	18,205,258,390	17,913,642,488
Financial assets available for sale	871,746,936	921,865,223	2,894,670,560	1,623,550,168	47,909,125	6,359,742,012	6,359,742,012
Investments in subsidiary	-	-	-	-	143,115,683	143,115,683	143,115,683
Total other financial assets, net value	38,571,641	-	-	-	-	38,571,641	38,571,641
Total financial assets	10,215,853,310	6,852,939,109	7,704,491,656	5,535,336,131	191,024,808	30,499,645,014	30,207,922,123
Financial liabilities at fair value through profit or loss	85,383,434	-	-	-	-	85,383,434	85,383,434
Derivatives financial instruments designated as hedging instruments	81,900,959	-	-	-	-	81,900,959	81,900,959
Deposits from banks	2,218,963,636	1,267,426,757	1,131,125,000	130,758,050	-	4,748,273,443	4,748,273,443
Loans from banks and subordinated liabilities	41,408,238	161,786,330	2,610,588,144	844,441,369	-	3,658,224,081	3,655,943,098
Deposits from customers	17,013,175,042	894,340,213	158,291,329	46,128,380	-	18,111,934,964	18,111,375,152
Debt securities issued	-	1,626,644	550,000,000	-	-	551,626,644	550,659,161
Total other financial liabilities	106,989,254	-	-	-	-	106,989,254	106,989,254
Total financial liabilities	19,547,820,563	2,325,179,944	4,450,004,473	1,021,327,799	-	27,344,332,779	27,340,524,501
Liquidity surplus/ (shortfall)	(9,331,967,253)	4,527,759,165	3,254,487,183	4,514,008,332	191,024,808	3,155,312,235	2,867,397,622
Adjustment for investment securities available for refinancing*	5,440,085,951	(921,865,223)	(2,894,670,560)	(1,623,550,168)	-	-	-
Liquidity surplus/ (shortfall) adjusted	(3,891,881,302)	3,605,893,942	359,816,623	2,890,458,164	191,024,808	3,155,312,235	2,867,397,622

* 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 2015

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

31 December 2015 - 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)
Commitments**)						
Irrevocable commitments given outflow	(1,515,390,601)	-	-	-	-	(1,515,390,601)
Irrevocable commitments taken inflow	904,900,000	-	-	-	-	904,900,000
Issued financial guarantees outflow	-	(3,987,529,566)	-	-	-	(3,987,529,566)
Commitments surplus / (shortfall)	(610,490,601)	(3,987,529,566)	-	-	-	(4,598,020,167)

***) 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 2015

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

31 December 2014 – 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	4,355,613,257	-	-	-	-	4,355,613,257	4,355,613,257
Financial assets at fair value through profit or loss	256,738,572	-	-	-	-	256,738,572	256,738,572
Derivatives financial instruments designated as hedging instruments	12,433,477	-	-	-	-	12,433,477	12,433,477
Loans and advances to banks	24,818,683	128,306,694	381,000,000	-	-	534,125,377	534,125,377
Loans and advances to customers	4,056,395,303	5,472,859,079	3,954,780,322	3,722,188,624	-	17,206,223,328	16,970,280,859
Financial assets available for sale	370,312,949	1,541,587,412	3,637,463,089	394,106,469	2,683,296	5,946,153,215	5,946,153,215
Investments in subsidiary	-	-	-	-	135,753,337	135,753,337	135,753,337
Total other financial assets net value	51,661,772	-	-	-	-	51,661,772	51,661,772
Total financial assets	9,127,974,013	7,142,753,185	7,973,243,411	4,116,295,093	138,436,633	28,498,702,335	28,262,759,866
Financial liabilities at fair value through profit or loss	115,323,917	-	-	-	-	115,323,917	115,323,917
Derivatives financial instruments designated as hedging instruments	94,874,786	-	-	-	-	94,874,786	94,874,786
Deposits from banks	1,713,605,426	-	1,456,682,500	425,799,500	-	3,596,087,426	3,596,087,426
Loans from banks and subordinated liabilities	12,437,426	1,186,865,712	2,733,768,620	872,418,316	-	4,805,490,074	4,803,221,728
Deposits from customers	14,609,373,418	814,236,502	768,741,904	49,844,772	-	16,242,196,596	16,240,745,310
Debt securities issued	-	1,626,644	550,000,000	-	-	551,626,644	550,317,133
Total other financial liabilities	118,707,008	-	-	-	-	118,707,008	118,707,008
Total financial liabilities	16,664,321,981	2,002,728,858	5,509,193,024	1,348,062,588	-	25,524,306,451	25,519,277,308
Liquidity surplus/ (shortfall)	(7,536,347,968)	5,140,024,327	2,464,050,387	2,768,232,505	138,436,633	2,974,395,884	2,743,482,558
Adjustment for investment securities available for refinancing*	5,573,156,970	(1,541,587,412)	(3,637,463,089)	(394,106,469)	-	-	-
Liquidity surplus/ (shortfall) adjusted	(1,963,190,998)	3,598,436,915	(1,173,412,702)	2,374,126,036	138,436,633	2,974,395,884	2,743,482,558

* 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.

Liquidity surplus/ (shortfall) adjusted
** 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 2015

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

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

31 December 2014 - 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)
Commitments**)						
Irrevocable commitments given outflow	(1,847,027,696)	-	-	-	-	(1,847,027,696)
Irrevocable commitments taken inflow	930,932,170	-	-	-	-	930,932,170
Issued financial guarantees outflow	-	(4,048,394,488)	-	-	-	(4,048,394,488)
Commitments surplus / (shortfall)	(916,095,526)	(4,048,394,488)	-	-	-	(4,964,490,014)

***)* 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.

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Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

Future cash flows of financial liabilities

Maturity profile of financial liabilities at December 31, 2015 and 2014 which is based on contractual undiscounted future liabilities of payment are listed below:

	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total contractual amount
31 December 2015 – RON					
Financial liabilities at fair value through profit or loss	5,618,731	7,222,733	16,094,325	62,132,063	91,067,852
Derivatives financial instruments designated as hedging instruments	1,113,390	-	13,639,558	69,408,343	84,161,291
Deposits from banks	2,226,598,691	1,284,380,644	1,187,132,486	142,975,914	4,841,087,735
Loans from banks and subordinated liabilities	54,230,209	233,388,722	2,826,909,411	881,721,531	3,996,249,873
Deposits from customers	16,453,415,830	894,337,045	732,738,655	58,529,061	18,139,020,591
Debt securities issued	-	35,020,684	602,339,658	-	637,360,342
Total financial liabilities	18,740,976,851	2,454,349,828	5,378,854,093	1,214,766,912	27,788,947,684
31 December 2014 – RON					
Financial liabilities at fair value through profit or loss	27,168,667	14,746,730	70,389,290	6,370,318	118,675,005
Derivatives financial instruments designated as hedging instruments	14,497,336	2,240,783	81,766,104	969,217	99,473,440
Deposits from banks	1,722,264,323	26,162,070	1,508,869,080	435,403,520	3,692,698,993
Loans from banks and subordinated liabilities	42,901,454	1,274,004,178	3,030,758,089	945,747,337	5,293,411,058
Deposits from customers	14,614,881,493	826,745,689	842,539,955	64,003,352	16,348,170,489
Debt securities issued	-	37,036,713	638,573,681	-	675,610,394
Total financial liabilities	16,421,713,273	2,180,936,163	6,172,896,199	1,452,493,744	26,228,039,379

Notes to the separate financial statements for the year ended 31 December 2015

4. 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					More than 5 years
			1 month	1 to 3 Months	3 months to 1 year	1-5 years	5 years	
31 December 2015								
Derivative assets	105,299,575	91,887,519	(1,152,032)	(5,289,141)	2,905,307	31,345,817	64,077,568	
Outflow		(1,440,886,343)	(511,166,975)	(134,467,538)	(445,160,225)	(314,611,645)	(35,479,959)	
Inflow		1,532,773,862	510,014,943	129,178,397	448,065,532	345,957,462	99,557,527	
Derivative liabilities	(167,284,393)	(175,229,144)	(6,732,121)	(4,736,236)	(2,486,498)	(29,733,883)	(131,540,406)	
Outflow		(2,229,005,389)	(689,787,268)	(651,428,369)	(402,461,440)	(321,023,403)	(164,304,908)	
Inflow		2,053,776,244	683,055,147	646,692,133	399,974,942	291,289,520	32,764,502	
31 December 2014								
Derivative assets	118,299,030	105,660,099	(551,940)	(867,901)	(2,552,362)	38,993,915	70,638,388	
Outflow		(1,106,544,837)	(266,813,147)	(313,371,898)	(217,765,154)	(302,058,504)	(6,536,134)	
Inflow		1,212,204,936	266,261,207	312,503,997	215,212,792	341,052,419	77,174,522	
Derivative liabilities	(210,198,703)	(194,621,048)	(4,747,369)	(1,856,646)	5,731,734	(41,593,374)	(152,155,394)	
Outflow		(2,543,015,188)	(1,438,804,606)	(482,702,377)	(392,177,226)	(48,610,359)	(180,720,621)	
Inflow		2,348,394,140	1,434,057,237	480,845,731	397,908,960	7,016,985	28,565,227	

^{*)} includes the derivatives for hedging



Notes to the separate financial statements for the year ended 31 December 2015

4. 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 banking 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 Group.

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 2015

4. **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.

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

<i>In EUR</i>	At 31 December 2015	Average 2015	Maximum 2015	Minimum 2015
Foreign currency risk	74,931	54,567	225,698	1,789
Interest rate risk	2,978,061	3,583,187	5,134,367	2,586,551
Credit Spread Risk	3,337,950	3,362,985	4,532,028	2,602,420
Overall	3,033,482	3,226,704	5,331,503	2,455,199
<i>In EUR</i>	At 31 December 2014	Average 2014	Maximum 2014	Minimum 2014
Foreign currency risk	48,502	69,054	353,816	988
Interest rate risk	3,297,306	1,742,054	3,829,774	456,483
Credit Spread Risk	3,026,857	3,012,698	4,352,685	2,088,871
Overall	2,574,143	3,310,069	4,551,805	2,159,137

Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

e) Market Risk (continued)

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

Foreign exchange (FX) sensitivity analysis

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

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

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

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

Currency	Limits (EUR equiv.) 2015	Average usage 2015	Limits (EUR equiv.) 2014	Average usage 2014
EUR	40,000,000	20.74%	40,000,000	21.17%
RON	40,000,000	20.65%	40,000,000	21.17%
USD	5,000,000	6.96%	5,000,000	3.26%

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 2015

4. 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 2015:

<i>In RON</i>	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	4,594,558,795	-	-	-	4,594,558,795	4,594,558,795
Financial assets at fair value through profit or loss	26,981,020	66,639,820	154,269,230	44,035,950	291,926,020	291,926,020
Derivatives financial instruments designated as hedging instruments	-	16,477,513	-	-	16,477,513	16,477,513
Loans and advances to banks	787,233,053	62,761,907	-	-	849,994,960	849,887,971
Loans and advances to customers	15,159,918,658	2,659,732,214	164,720,859	220,886,659	18,205,258,390	17,913,642,488
Financial assets available for sale*	871,746,936	921,865,223	2,894,670,560	1,623,550,168	6,311,832,887	6,311,832,887
Total other financial assets, net value	38,571,641	-	-	-	38,571,641	38,571,641
Total financial assets	21,479,010,103	3,727,476,677	3,213,660,649	1,888,472,777	30,308,620,206	30,016,897,315
Financial liabilities at fair value through profit or loss	25,264,665	59,073,280	1,045,489	-	85,383,434	85,383,434
Derivatives financial instruments designated as hedging instruments	81,900,959	-	-	-	81,900,959	81,900,959
Deposits from banks	4,119,253,636	629,019,807	-	-	4,748,273,443	4,748,273,443
Loans from banks and subordinated liabilities	3,658,224,081	-	-	-	3,658,224,081	3,655,943,098
Deposits from customers	17,013,175,042	894,340,213	158,291,329	46,128,380	18,111,934,964	18,111,375,152
Debt securities issued	-	1,626,644	550,000,000	-	551,626,644	550,659,161
Total other financial liabilities	106,989,254	-	-	-	106,989,254	106,989,254
Total financial liabilities	25,004,807,637	1,584,059,944	709,336,818	46,128,380	27,344,332,779	27,340,524,501
Interest sensitivity surplus / (shortfall)	(3,525,797,534)	2,143,416,733	2,504,323,831	1,842,344,397	2,964,287,427	2,676,372,814

* The amount of RON 47,909,125 representing equity investments are not included as they are not bearing interest. (See details for "Investment securities, available for sale" in Note 25).



Notes to the separate financial statements for the year ended 31 December 2015

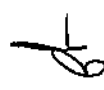
4. RISK MANAGEMENT (continued)

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 2014:

<i>In RON</i>	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	4,355,613,257	-	-	-	4,355,613,257	4,355,613,257
Financial assets at fair value through profit or loss	154,449,237	7,585,547	26,338,426	68,365,362	256,738,572	256,738,572
Derivatives financial instruments designated as hedging instruments	12,433,477	-	-	-	12,433,477	12,433,477
Loans and advances to banks	227,861,210	50,229,167	256,035,000	-	534,125,377	534,125,377
Loans and advances to customers	15,221,987,246	1,431,537,925	260,399,223	292,298,934	17,206,223,328	16,970,280,859
Financial assets available for sale*	370,312,949	1,541,587,412	3,637,463,089	394,106,469	5,943,469,919	5,943,469,919
Total other financial assets gross value	51,661,772	-	-	-	51,661,772	51,661,772
Total financial assets	20,394,319,148	3,030,940,051	4,180,235,738	754,770,765	28,360,265,702	28,124,323,233
Financial liabilities at fair value through profit or loss	10,372,379	10,341,776	25,890,366	68,719,396	115,323,917	115,323,917
Derivatives financial instruments designated as hedging instruments	94,874,786	-	-	-	94,874,786	94,874,786
Deposits from banks	3,596,087,426	-	-	-	3,596,087,426	3,596,087,426
Loans from banks and subordinated liabilities	4,121,928,271	11,246,803	246,515,500	425,799,500	4,805,490,074	4,803,221,728
Deposits from customers	14,609,313,908	814,236,502	768,801,078	49,845,108	16,242,196,596	16,240,745,310
Debt securities issued	-	1,626,644	550,000,000	-	551,626,644	550,317,133
Total other financial liabilities	118,707,008	-	-	-	118,707,008	118,707,008
Total financial liabilities	22,551,283,778	837,451,725	1,591,206,944	544,364,004	25,524,306,451	25,519,277,308
Interest sensitivity surplus / (shortfall)	(2,156,964,630)	2,193,488,326	2,589,028,794	210,406,761	2,835,959,251	2,605,045,925

* The amount of RON 2,683,310 representing equity investments are not included as they are not bearing interest. (See details for "Investment securities, available for sale" in Note 25).



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

e) Market Risk (continued)

The following table shows the yearly average interest rates obtained or offered by the Bank during 2015, for interest bearing assets and liabilities:

	RON Average	EUR Average	USD Average
Assets			
Current accounts with the National Bank of Romania	0.22%	0.18%	-
Placements with banks	3.23%	0.05%	0.46%
Investment securities	4.22%	4.40%	6.07%
Loans and advances to customers	4.53%	4.02%	3.75%
Liabilities			
Deposits from banks	0.17%	0.05%	0.45%
Deposits from customers	1.76%	0.94%	1.22%
Loans from banks	-	2.26%	2.07%
Subordinated loans	-	7.83%	-

The following table shows the yearly average interest rates obtained or offered by the Bank during 2014, for interest bearing assets and liabilities:

	RON Average	EUR Average	USD Average
Assets			
Current accounts with the National Bank of Romania	0.46%	0.35%	-
Placements with banks	2.52%	0.38%	0.06%
Investment securities	4.66%	3.85%	5.39%
Loans and advances to customers	6.25%	4.48%	4.16%
Liabilities			
Deposits from banks	1.57%	0.45%	0.13%
Deposits from customers	3.17%	1.82%	1.56%
Loans from banks	3.37%	2.51%	1.88%
Subordinated loans	-	6.64%	-

The interest rates related to the local currency and the major foreign currencies as at 31 December 2015 and 31 December 2014 were as follows:

Currencies	Interest rate	31 December 2015	31 December 2014
RON	Robor 3 months	1.02%	1.70%
RON	Robor 6 months	1.34%	2.01%
EUR	Euribor 3 months	-0.13%	0.08%
EUR	Euribor 6 months	-0.04%	0.17%
USD	Libor 3 months	0.61%	0.26%
USD	Libor 6 months	0.85%	0.36%

Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

e) Market Risk (continued)

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2015 can be analysed as follows:

<i>In RON</i>	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	2,568,576,057	141,223,371	1,835,611,129	49,148,238	4,594,558,795
Financial assets at fair value through profit or loss	87,874,201	6,713,530	197,338,289	-	291,926,020
Derivatives designated as hedging instruments	2,277,065	2,827	14,197,621	-	16,477,513
Loans and advances to banks	846,637,847	73,858	3,165,243	11,023	849,887,971
Loans and advances to customers	7,318,351,290	655,257,770	9,936,721,483	3,311,945	17,913,642,488
Investment securities, available for sale	3,721,138,944	934,620,133	1,703,982,935	-	6,359,742,012
Investments in subsidiaries	143,115,683	-	-	-	143,115,683
Other assets - other financial assets	106,723	11,553,467	18,440	26,893,011	38,571,641
Total financial assets	14,688,077,810	1,749,444,956	13,691,035,140	79,364,217	30,207,922,123
Financial liabilities					
Financial liabilities at fair value through profit or loss	350,204	1,035,845	83,996,949	436	85,383,434
Derivatives designated as hedging instruments	-	997,566	80,903,393	-	81,900,959
Deposits from banks	446,580,164	264,880,152	4,035,575,233	1,237,894	4,748,273,443
Loans from banks and subordinated liabilities	-	207,897,041	3,448,046,057	-	3,655,943,098
Deposits from customers	11,546,471,364	921,121,957	5,540,560,681	103,221,150	18,111,375,152
Debt securities issued	550,659,161	-	-	-	550,659,161
Other liabilities - other financial liabilities	1,263,640	32,091,538	48,541	73,585,535	106,989,254
Total financial liabilities	12,545,324,533	1,428,024,099	13,189,130,854	178,045,015	27,340,524,501
Net financial assets/(liabilities)	2,142,753,277	321,420,857	501,904,286	(98,680,798)	2,867,397,622



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

e) Market Risk (continued)

<i>In RON</i>	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	3,010,638,695	190,789,293	1,087,062,641	91,104,740	4,379,595,369
Cash Outflow	(410,691,208)	(552,981,834)	(3,467,927,978)	(31,658,494)	(4,463,259,514)
Net effect of derivatives at fair value through profit or loss	2,599,947,487	(362,192,541)	(2,380,865,337)	59,446,246	(83,664,145)
Net foreign currency position	4,742,700,764	(40,771,684)	(1,878,961,051)	(39,234,552)	2,783,733,477

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2014 can be analysed as follows:

<i>In RON</i>	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	2,341,658,010	26,651,912	1,933,013,865	54,289,470	4,355,613,257
Financial assets at fair value through profit or loss	115,235,576	1,114	141,501,882	-	256,738,572
Derivatives designated as hedging instruments	10,233,183	1,808	2,198,486	-	12,433,477
Loans and advances to banks	516,910,421	21,319	17,182,448	11,189	534,125,377
Loans and advances to customers	5,781,522,141	565,751,273	10,616,204,536	6,802,909	16,970,280,859
Investments in subsidiaries	135,753,337	-	-	-	135,753,337
Investment securities, available for sale	3,624,932,550	-	2,321,220,665	-	5,946,153,215
Other assets - other financial assets	18,255,635	340,049	33,027,056	39,032	51,661,772
Total financial assets	12,544,500,853	592,767,475	15,064,348,938	61,142,600	28,262,759,866

Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

e) Market Risk (continued)

<i>In RON</i>	RON	USD	EUR	Other	Total
Financial liabilities					
Financial liabilities at fair value through profit or loss	79,034,001	4,270	36,285,218	428	115,323,917
Derivatives designated as hedging instruments	83,948,555	158,696	10,767,535	-	94,874,786
Deposits from banks	384,847,210	22,722,699	3,180,919,201	7,598,316	3,596,087,426
Loans from banks and subordinated liabilities	457,996,332	184,765,362	4,160,460,034	-	4,803,221,728
Deposits from customers	10,092,126,283	747,006,552	5,342,255,092	59,357,383	16,240,745,310
Debt securities issued	550,317,133	-	-	-	550,317,133
Other liabilities - other financial liabilities	101,137,836	848,970	16,508,637	211,565	118,707,008
Total financial liabilities	11,749,407,350	955,506,549	12,747,195,717	67,167,692	25,519,277,308
Net financial assets/(liabilities)	795,093,503	(362,739,074)	2,317,153,221	(6,025,092)	2,743,482,558
<i>In RON</i>	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	3,421,992,456	444,138,718	750,011,892	5,737,553	4,621,880,619
Cash Outflow	(303,239,295)	(807,221,715)	(3,598,857,275)	(1,587,181)	(4,710,905,466)
Net effect of derivatives at fair value through profit or loss	3,118,753,161	(363,082,997)	(2,848,845,383)	4,150,372	(89,024,847)
Net foreign currency position	3,913,846,664	(725,822,071)	(531,692,162)	(1,874,720)	2,654,457,711

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Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

f) Strategic risk

Strategic risk is part of the risks which are evaluated qualitatively within the evaluation process of risks initiated by UniCredit Group and by the Bank.

Strategic risk is analysed taking into account the following:

- Risk of changes in the business environment
- Risk of unsatisfactory implementation of decision
- Risk of lack of reaction

For the risks mentioned, there are three parameters analysed: probability, severity and exposure.

The Bank has implemented the internal regulations and mechanisms specific for management of strategic risk.

g) Compliance risk

In accordance with the legal provisions and UniCredit Group policies, the management of compliance risks is performed by Compliance Function within UniCredit Bank SA through:

- providing advice on the provisions of the legal and regulatory framework and on the standards the Bank needs to meet;
- assessing the possible impact of any changes of the legal and regulatory framework on the Bank's activities;
- verifying that new products and procedures are in compliance with the regulatory framework;
- performing second level controls in the areas under Compliance Function's competence, based on specific control methodologies;
- evaluating, measuring and monitoring of compliance risk in the areas under Compliance Function's competence, as well as through appropriate reporting to the governing bodies of the Bank
- evaluation, measurement and monitoring the compliance risk in the areas under the Compliance Function competence, as well as appropriate reporting to the governing body of the Bank;
- managing the relationship with regulatory authorities, either directly by Compliance Function, or together with other functions within the Bank.

h) 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 deferred tax effects in the financial statements.

The Bank is focused permanently on monitoring the price transfer risks, including on proper documentation of intragroup transactions through a proactive approach.

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 2015***4. RISK MANAGEMENT (continued)****i) Operating environment**

The Romanian economy expanded by 3.7% year on year (“yoy”) in 9 months 2015, driven mainly by the ample private consumption which benefitted from high nominal wage growth, low or negative inflation and all-time low interest rates on local-currency lending.

The EURRON continued to trade within the 4.40-4.50 preferred range for most of 2015, as capital flows and fundamentals supported the RON. However, the RON faced temporary depreciation pressures and exited the above-mentioned interval due to political instability episodes and external events which contributed to increased volatility on global markets, such as: resurfacing Greek debt issues, the Russia-Ukraine conflict and tensions in the Middle East, worries regarding a Chinese slowdown and the contrast between the Fed’s and the ECB’s monetary policies. Escalating external worries could lead to temporary depreciation pressures throughout 2016 as well, but we expect the EURRON to trade mostly in the 4.40-4.50 range.

Annual inflation ended 2015 at -0.9% yoy after having stayed in negative territory since June 2015 due to a VAT cut for food products from 24% to 9%. At the same time, downside pressures to inflation persisted during the year as the oil price continued to drop, while food prices remained low due to the ban on European imports. The low inflation has enabled the NBR to reduce the monetary policy rate by a cumulated 1 percentage point to 1.75% up until May. Although the ECB and the regional central banks kept an easing bias throughout the year, the NBR was forced to adopt a prudent stance starting with June and keep the key rate unchanged in order to counterbalance the effects of the pro-cyclical fiscal policy and wage hikes at a time when consumption is growing well above potential.

During 2015, the NBR cut the minimum reserve requirements for RON-denominated liabilities by 2pp to 8% releasing liquidity of around RON 2.8bn in the interbank market and kept the ones for FCY-denominated liabilities unchanged at 14%.

The credit stock changed its currency structure, with the local currency stock outstripping the stock in foreign currency for the first time in eight years in September and reaching 50.7% at the end of 2015, up from a minimum of 35.6% in May 2012. During 2015, 75% of the new loans granted were in local currency.

These changes will strengthen the transmission mechanism of the monetary policy and were driven by the central bank’s efforts and regulations to protect customers against depreciation risks together with the market interest rates slipping to historical lows, thus reducing the spreads between local and foreign currency interest rates.

Banks continued to clean up their loan portfolios in 2015 via sales of portfolio of nonperforming loans, thus lowering the NPL ratio to 11.65% in November 2015 from 13.94% at the end of 2014. However, 2014 was the worst year in terms of loans loss provisions (LLPs). Consequently, the profitability of the banking system recovered during 2015 after 5 years of losses in light of lower LLPs, despite the lower interest rates environment and the keen competition which continue to put pressure on revenue margins. The banking system remained well capitalized, with a solvency ratio of 18.69% in September 2015.

The “giving in payment” law stipulates the debtor’s right to terminate the debt and accessories resulted from a mortgage loan contract, by transferring to the creditor the ownership right over the mortgaged immovable. The initiative is currently undergoing parliamentary procedures, following the re-examination request formulated by the Romanian President back in December 2015. The provisions of the law will be finalized only after the legislative process in the Senate and Chamber of Deputies is complete. Given its envisaged impact on the banking system, the adoption process is closely monitored.



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT *(continued)*

i) Operating environment *(continued)*

The local currency component registered a 19.7% yoy growth at the end 2015, while the foreign currency component registered a decline of -10.8% yoy (FCY-adjusted). Lending to households picked up on increased consumer confidence, but companies are still reluctant to taking on more loans from banks.

The stock of deposits was 8.3%yoy higher (FX-adjusted) at the end of 2015, as the banking system absorbed RON 16bn in the last month of the year. The high excess liquidity in the market can be connected to the budget spending estimated in December at around 2.2% of GDP (RON 1.6bn). As a result, the loans-to-deposits ratio slid to a record low of 86% down from 90.5% at the end of 2014, making space for new lending to advance.

j) 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.

Starting with January 2014, Romanian banking system has applied the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and the provisions of Regulation no 5/2013 regarding prudential requirements for the credit institutions issued by National Bank of Romania.

By application of the above mentioned requirements, the structure of own funds is redefined, as well as the eligibility criteria for the equity instruments must met in order to be included in the Level 1 Own Funds – Base, Supplementary and Level 2 Own funds. New liquidity and capital indicators are defined which have to be monitored above the minimum capital requirements specified by the respective regulations.

The application of capital buffer will be made gradually. There have not been applied capital buffers for 2015.

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.



Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT (continued)

Market Risk

The Bank calculates the capital requirements for market risk for the held for trading portfolio using the standard method in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

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.

In 2013, UniCredit Group has updated, based on the Bank of Italy recommendations, the internal model for capital requirements for operational risk. The model enhancement has consisted in:

- the increase of model granularity for the calculus of operational risk;
- review of the allocation method of capital for operational risk among the UniCredit Group entities;
- emphasis on forward-looking component by high weight of operational risk scenarios within the internal calculation model for capital requirements;
- the extension from 5 to 10 years of the operational risk data base perimeter for UniCredit Bank in respect of using the new internal model has been approved by National Bank of Romania in June 2014.

Own Funds

- Level 1 own funds includes: equity instruments, share premiums, retained earnings, other items of comprehensive income, other reserves and a series of deductions (losses of the financial period, intangible assets, deferred tax asset which is based on future profits, negative amounts which results from the calculus of expected values and other adjustments required by laws).
- Level 2 own funds includes subordinated loans.

The Bank's capital positions was:

<i>In RON</i>	31 December 2015	31 December 2014
Tier 1 capital	2,598,639,886	2,452,124,183
Tier 2 capital	115,172,101	109,357,711
Total own funds	2,713,811,987	2,561,481,894
Risk exposure amounts for credit risk, counterparty risk and receivables value decrease risk and free deliveries	17,605,652,231	17,185,647,217
Total risk exposure amount for position, foreign exchange and commodities' risks	94,930,411	36,596,487
Total risk exposure amount for operational risk	1,700,536,227	1,889,701,118
Total risk exposure amount for credit value adjustment	2,988,500	2,313,438
Total requirements for own funds	19,404,107,369	19,114,258,260
Capital indicators		
Total capital ratio	14.00%	13.40%
Tier 1 capital ratio	13.40%	12.83%

* In accordance with local regulations, net profit for the year is not included in the own funds calculations until it is distributed in accordance with General Shareholders' Meeting decision.

Notes to the separate financial statements for the year ended 31 December 2015

4. RISK MANAGEMENT *(continued)*

j) Capital management *(continued)*

(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).

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

Adjustments 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.

Notes to the separate financial statements for the year ended 31 December 2015

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

a) Key sources of estimation uncertainty (continued)

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 9,177 thousand higher (31 December 2014: 9,637 thousand) or RON 9,177 thousand lower (31 December 2014: RON 9,637 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 37,329 thousand higher (31 December 2014: RON 40,121 thousand) or RON 22,337 thousand lower (31 December 2014: RON 26,179 thousand).

Sensitivity analysis for assets available for sale

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

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2015 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	17,501,600	(17,159,197)
Available for sale denominated in EUR	8,760,923	(8,637,597)
Available for sale denominated in USD	18,660,746	(18,211,000)
Available for sale Total	44,923,269	(44,007,794)

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2014 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	18,836,585	(18,458,826)
Available for sale denominated in EUR	7,592,777	(7,524,454)
Available for sale Total	26,429,362	(25,983,280)



Notes to the separate financial statements for the year ended 31 December 2015

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

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(k).

Qualifying hedge relationships

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

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

Determining fair 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 2015	Listed*	Unlisted	Total
<i>In RON</i>			
Investment securities, available for sale	4,924,145,120	1,387,687,767	6,311,832,887
Equity investments, available for sale	-	47,909,125	47,909,125
31 December 2014			
<i>In RON</i>			
Investment securities, available for sale	3,094,830,538	2,848,639,381	5,943,469,919
Equity investments, available for sale	-	2,683,296	2,683,296

**) Listed financial instruments are those quoted on organized and regulated capital market*



Notes to the separate financial statements for the year ended 31 December 2015

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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

Determining fair value (continued)

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

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument to which the Bank has access at the measurement date.
A quoted price on an active market provides the most reliable evidence (as for example the price) or indirect without other adjustments in determining the fair value anytime available.
- **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.
- **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.



Notes to the separate financial statements for the year ended 31 December 2015

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 by the level in the fair value hierarchy into which the fair value measurement is categorised as of 31 December 2015:

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Assets held for trading and for hedging					
Financial assets held for trading at fair value through profit or loss	197,229,594	92,494,331	2,202,095	291,926,020	291,926,020
Derivatives financial instruments designated as hedging instruments	-	-	16,477,513	16,477,513	16,477,513
Total trading assets	197,229,594	92,494,331	18,679,608	308,403,533	308,403,533
Available for sale assets					
Investment available for sale	4,988,723,318	1,323,109,569	47,909,125	6,359,742,012	6,359,742,012
Total available for sale assets	4,988,723,318	1,323,109,569	47,909,125	6,359,742,012	6,359,742,012
Trading liabilities					
Derivative liabilities at fair value through profit or loss	-	84,445,905	937,529	85,383,434	85,383,434
Derivatives financial instruments designated as hedging instruments	-	81,900,959	-	81,900,959	81,900,959
Total trading liabilities	-	166,346,864	937,529	167,284,393	167,284,393



Notes to the separate financial statements for the year ended 31 December 2015

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 by the level in the fair value hierarchy into which the fair value measurement is categorised as of 31 December 2014:

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
Assets held for trading and for hedging					
Financial assets held for trading at fair value through profit or loss	150,873,020	105,741,384	124,168	256,738,572	256,738,572
Derivatives financial instruments designated as hedging instruments	-	-	12,433,477	12,433,477	12,433,477
Total trading assets	150,873,020	105,741,384	12,557,645	269,172,049	269,172,049
Available for sale assets					
Investment available for sale	2,480,872,446	3,462,597,473	2,683,296	5,946,153,215	5,946,153,215
Total available for sale assets	2,480,872,446	3,462,597,473	2,683,296	5,946,153,215	5,946,153,215
Trading liabilities					
Derivative liabilities at fair value through profit or loss	-	113,553,222	1,770,695	115,323,917	115,323,917
Derivatives financial instruments designated as hedging instruments	-	92,730,962	2,143,824	94,874,786	94,874,786
Total trading liabilities	-	206,284,184	3,914,519	210,198,703	210,198,703



Notes to the separate financial statements for the year ended 31 December 2015

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.

	Note	Financial instruments at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
31 December 2015							
Cash and cash equivalents	18	-	4,594,558,795	-	-	4,594,558,795	4,594,558,795
Financial assets at fair value through profit or loss	19	291,926,020	-	-	-	291,926,020	291,926,020
Derivatives assets designated as hedging instruments	29	-	-	-	16,477,513	16,477,513	16,477,513
Loans and advances to banks	20	-	849,887,971	-	-	849,887,971	823,132,370
Loans and advances to customers	21	-	17,913,642,488	-	-	17,913,642,488	18,858,758,455
Investment securities, available for sale	23	-	-	6,359,742,012	-	6,359,742,012	6,359,742,012
Investments in subsidiaries	22	-	-	-	143,115,683	143,115,683	143,115,683
Total financial assets		291,926,020	23,358,089,254	6,359,742,012	159,593,196	30,169,350,482	31,087,710,848
Financial liabilities at fair value through profit or loss	19	85,383,434	-	-	-	85,383,434	85,383,434
Derivatives liabilities designated as hedging instruments	29	-	-	-	81,900,959	81,900,959	81,900,959
Deposits from banks	30	-	-	-	4,748,273,443	4,748,273,443	4,664,841,918
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	3,655,943,098	3,655,943,098	3,570,965,223
Debt securities issued	33	-	-	-	550,659,161	550,659,161	601,870,463
Deposits from customers	32	-	-	-	18,111,375,152	18,111,375,152	18,145,063,148
Total financial liabilities		85,383,434	-	-	27,148,151,813	27,233,535,347	27,150,025,146

*) In respect of the comparison of fair value against carrying value of the loans and advances to clients as of 31 December 2015, we briefly present below the factors that have led to such a difference (105.3%):

- for the fixed interest rate loans (for the entire loan period or for the first three years of the loan period), their fair value is greater since it was calculated using a smaller actual interest rate;
- for the variable interest rate loans, their margins are higher than those loans granted in present moment, which has led to an increase of fair value for the loans granted in the past;
- due to the Romania country risk rating improvement and excess liquidity in the market, interest rates for financing/lending have decreased in the banking sector, which has resulted to use a smaller interest rate for calculation of fair value as of 31 December 2015.



Notes to the separate financial statements for the year ended 31 December 2015

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 2014	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	-	4,355,613,257	-	-	4,355,613,257	4,355,613,257
Financial assets at fair value through profit or loss	19	256,738,572	-	-	-	256,738,572	256,738,572
Derivatives assets designated as hedging instruments	29	-	-	-	12,433,477	12,433,477	12,433,477
Loans and advances to banks	20	-	534,125,377	-	-	534,125,377	538,276,112
Loans and advances to customers*	21	-	16,970,280,859	-	-	16,970,280,859	18,316,897,713
Investment securities, available for sale	23	-	-	5,946,153,215	-	5,946,153,215	5,946,153,215
Investments in associated entities and in subsidiaries	22	-	-	-	135,753,337	135,753,337	135,753,337
Total financial assets		256,738,572	21,860,019,493	5,946,153,215	148,186,814	28,211,098,094	29,561,865,683
Financial liabilities at fair value through profit or loss	19	115,323,917	-	-	-	115,323,917	115,323,917
Derivatives liabilities designated as hedging instruments	29	-	-	-	94,874,786	94,874,786	94,874,786
Deposits from banks	30	-	-	-	3,596,087,426	3,596,087,426	3,548,722,436
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	4,803,221,728	4,803,221,728	4,716,378,862
Debt securities issued	33	-	-	-	550,317,133	550,317,133	594,892,821
Deposits from customers	32	-	-	-	16,240,745,310	16,240,745,310	16,281,881,968
Total financial liabilities		115,323,917	-	-	25,285,246,383	25,400,570,300	25,352,074,790

* In respect of the comparison of fair value against carrying value of the loans and advances to clients as of 31 December 2014, we briefly present below the factors that have led to such a significant difference;

- for the fixed interest rate loans (for the entire loan period or for the first three years of the loan period), their fair value is significantly greater since it was calculated using a smaller actual interest rate;
- for the variable interest rate loans, their margins are much higher than those loans granted in present moment (31 December 2014), which has led to an increase of fair value for the loans granted in the past;
- due to the Romania country risk rating improvement, interest rates for financing/lending have decreased in the banking sector, which has resulted to use a smaller interest rate for calculation of fair value as of 31 December 2014.



Notes to the separate financial statements for the year ended 31 December 2015

7. NET INTEREST INCOME

<i>In RON</i>	2015	2014
Interest income		
Interest and similar income arising from:		
Loans and advances to customers*	779,288,313	879,499,117
Treasury bills and bonds	125,861,008	162,219,855
Current accounts and placements with banks	27,825,165	31,120,498
Derivatives used for hedging	-	509,473
Others (including derivatives)	19,204,189	1,011,660
Total interest income	952,178,675	1,074,360,603
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers	94,262,273	194,831,975
Loans from banks and other financial institutions	118,417,022	137,775,548
Deposits from banks	43,675,650	44,473,327
Debts securities issued	35,272,207	35,243,683
Repurchase agreements	1,469,319	706,080
Others (including derivatives)	16,879,183	14,323,230
Hedging derivatives	1,957,029	-
Total interest expense	311,932,683	427,353,843
Net interest related effect of Swap transactions regarding refinancing lines with Group Companies**	3,823,851	12,167,903
Net interest income	644,069,843	659,174,663

*) Interest income as at December 2015 includes interest income on impaired loans of RON 42,849,856 (31 December 2014: RON 66,063,994). 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.



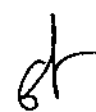
Notes to the separate financial statements for the year ended 31 December 2015

8. NET FEES AND COMMISSIONS INCOME

<i>In RON</i>	2015	2014
Fees and commissions income		
Payments transactions	241,289,082	223,093,867
Risk participation fee (refer to <i>Note 40</i>)	18,086,256	25,469,497
Guarantees and letters of credit	28,097,249	25,184,774
Loan administration	11,967,447	17,384,240
Other	62,912,223	63,994,129
Total fees and commission income	362,352,257	355,126,507
Fees and commissions expense		
Inter-banking fees	47,327,585	41,373,314
Payments transactions	20,637,781	18,640,929
Commitments and similar fees	3,174,239	5,380,177
Intermediary agents fees	2,514,277	2,713,404
Other	4,533,102	2,529,230
Total fees and commissions expense	78,186,984	70,637,054
Net fees and commissions income	284,165,273	284,489,453

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

<i>In RON</i>	2015	2014
Net gains from foreign exchange operations (including FX derivatives)	240,127,698	220,577,086
Net gains / (losses) from interest derivatives	1,401,670	19,157,030
Net income from trading bonds	8,589,411	7,805,848
Net gains / (losses) from commodities	232,260	601,911
Net income on foreign exchange and on derivative at fair value through profit or loss	250,351,039	248,141,875



Notes to the separate financial statements for the year ended 31 December 2015

10. NET INCOME ON DISPOSALS OF FINANCIAL ASSETS AND LIABILITIES WHICH ARE NOT AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>In RON</i>	<u>2015</u>	<u>2014</u>
Net income from sale of assets available for sale	89,071,260	98,719,886
Net Profit / (Loss) from derecognition of assets measured at amortised cost	<u>(18,475,431)</u>	<u>4,949,973</u>
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss	<u>70,595,829</u>	<u>103,669,859</u>

11. DIVIDENDS INCOME

The Bank received dividends from the following companies:

<i>In RON</i>	<u>2015</u>	<u>2014</u>
Transfond SA	7,022,048	850,703
Biroul de Credit SA	<u>298,848</u>	<u>186,271</u>
Total dividend income	<u>7,320,896</u>	<u>1,036,974</u>

12. PERSONNEL EXPENSES

<i>In RON</i>	<u>2015</u>	<u>2014</u>
Wages and salaries	255,686,201	249,063,819
Social security charges, unemployment fund and health fund	56,349,858	63,224,587
Other (income)/costs	<u>(5,516,202)</u>	<u>(2,183,991)</u>
Total	<u>306,519,857</u>	<u>310,104,415</u>

The number of employees at 31 December 2015 was 2,917 (31 December 2014: 2,932). Remuneration of Board's members for 2015 was RON 11,516,715 (2014: RON 11,622,829).

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 x (iv)). In 2015 the Bank paid in RON equivalent 1,727,093 (2014: RON equivalent 777,290).



Notes to the separate financial statements for the year ended 31 December 2015

13. DEPRECIATION AND AMORTISATION

In RON

	2015	2014
Depreciation on property and equipment	32,137,341	37,656,215
Write-off of property and equipment	1,468,139	850,819
Amortisation on intangible assets	45,761,032	33,042,019
Total	79,366,512	71,549,053

14. OTHER ADMINISTRATIVE COSTS

In RON

	2015	2014
Office space expenses (rental, maintenance, other)	97,040,068	104,141,870
IT services	59,030,712	70,123,992
Other taxes and duties	47,978,004	46,527,152
Communication expenses	9,559,339	21,101,232
Advertising and promotional expenses	14,625,872	14,367,295
Consultancy, legal and other professional services	4,866,496	8,312,334
Materials and consumables	8,035,138	9,720,713
Personnel training and recruiting	3,104,536	2,977,513
Insurance expenses	2,776,719	2,871,214
Other	22,624,456	19,858,958
Total	269,641,340	300,002,273

15. OTHER OPERATING COSTS

In RON

	2015	2014
Expenses related to revaluation of tangible assets	-	3,414,076
Losses from sundry debtors	104,113	554,902
Net gains / (losses) on impairment of inventories	1,473,455	(277,996)
Other operating expenses	9,074,568	6,794,668
Total	10,652,136	10,485,650

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Notes to the separate financial statements for the year ended 31 December 2015

16. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

<i>In RON</i>	2015	2014*
Net provision charges for loans and advances to customers	330,005,730	528,747,431
Loans written-off	806,904	2,513,446
Recoveries from loans previously written-off	(20,712,889)	(5,409,274)
Net impairment losses on other financial assets	14,423,654	7,467,668
Reversal of impairment on investment in associates	(7,362,346)	-
Net impairment losses on financial assets	317,161,053	533,319,271

)See details presented in note 4 c) (ii) **

17. NET PROVISIONS LOSSES

<i>In RON</i>	2015	2014*
Net provision charges/(release) for off-balance loan commitments and contingencies	13,580,719	(1,665,737)
Net provision charges/(release) for litigations	(2,699,066)	1,406,333
Other net charges /(release) of provisions	(1,902,764)	4,553,834
Net provisions losses	8,978,889	4,294,430*

)See details presented in note 4 c) (ii) **

18. NET GAINS / (LOSSES) ON OTHER INVESTMENTS

<i>In RON</i>	2015	2014**
Gains/(losses) from corporate loan portfolio acquisition of The Royal Bank of Scotland plc, Edinburgh, Romania Branch ("RBS Romania")	(2,750,085)	21,566,136
Gains/(losses) on disposals groups held for sale assets	(3,290,384)	1,514,924
Net gains / (losses) on other investments	(6,040,469)	23,081,060

*** - some income/expense items have been reclassified in 2014 into "other operating income/expense" categories to align to the new mapping used in 2015 (gains on equity liquidation amounting to RON 715,258).*

19. TAXATION

<i>In RON</i>	2015	2014
Direct taxes at 16% (2014: 16%) of taxable profits determined in accordance with Romanian law	(18,895,925)	(4,626,588)
Correction of current income tax arising from previous year	(3,571,968)	254,341
Deferred tax income	(19,337,268)	(13,568,197)
Total tax expense	(41,805,161)	(17,940,444)

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

Convenience translation in English of the original Romanian version.

Notes to the separate financial statements for the year ended 31 December 2015

19. TAXATION (continued)

<i>In RON</i>	2015	2014
Profit / (Loss) before tax	263,860,139	98,233,765
Taxation at statutory rate of 16%	(42,217,622)	(15,717,402)
Non-deductible expenses	(23,796,371)	(23,140,745)
Non-taxable revenues	39,507,210	24,551,717
Origination and reversal of temporary differences	(19,337,268)	(13,568,197)
Fiscal credit	4,038,890	1,156,647
Previous year fiscal loss	-	8,777,536
Taxation in the income statement	(41,805,161)	(17,940,444)

20. CASH AND CASH EQUIVALENTS

<i>In RON</i>	31 December 2015	31 December 2014
Balances with National Bank of Romania	3,677,913,781	3,444,348,687
Cash (including cash in ATMs)	697,891,916	591,758,899
Short term Money Market placements	165,633,495	267,343,907
Current balances with other banks	53,119,603	52,161,764
Total	4,594,558,795	4,355,613,257

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 2014, the minimum reserve level was settled as 8% (31 December 2014: 10%) for liabilities to customers in RON and 14% (31 December 2014: 14%) 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.



Notes to the separate financial statements for the year ended 31 December 2015
21. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
(i) Financial assets at fair value through profit or loss

<i>In RON</i>	31 December 2015	31 December 2014
Derivatives	88,822,062	105,865,553
Investment securities held for trading*	203,103,958	150,873,019
Total	291,926,020	256,738,572

*) bonds issued by Ministry of Public Finance of Romania and local Romanian authorities

(ii) Derivative assets / liabilities

<i>(RON)</i>	31 December 2015		
	Notional	Present value	
		Assets	Liabilities
Foreign currency derivatives			
Forward contracts	3,377,514,851	9,048,570	11,954,727
Purchased Options	117,604,940	770,874	31,021
Sold Options	113,438,571	-	754,682
Total foreign currency derivatives	3,608,558,362	9,819,444	12,740,430
Interest rates derivatives			
Interest Rate Swaps	2,819,673,024	49,416,929	43,393,947
<i>of which: derivatives for risk management</i>	<i>1,046,301,500</i>	<i>2,330,156</i>	<i>4,989,216</i>
Purchased Options	768,634,765	28,758,206	-
Sold Options	768,634,758	-	28,492,722
Total interest rate derivatives	4,356,942,547	78,175,135	71,886,669
Others (Precious metals and Commodities)	11,584,585	827,483	756,335
Total	7,977,085,494	88,822,062	85,383,434

(iii) Derivative assets / liabilities

<i>(RON)</i>	31 December 2014		
	Notional	Present value	
		Assets	Liabilities
Foreign currency derivatives			
Forward contracts	2,980,201,360	5,888,227	13,277,409
Purchased Options	83,373,366	126,374	-
Sold Options	72,458,517	-	143,293
Total foreign currency derivatives	3,136,033,243	6,014,601	13,420,702
Interest rates derivatives			
Interest Rate Swaps	2,050,558,267	60,793,258	63,323,067
<i>of which: derivatives for risk management</i>	<i>445,799,500</i>	<i>-</i>	<i>1,674,282</i>
Purchased Options	1,181,891,166	34,026,536	33,399,270
Sold Options	537,392,744	198	373,194
Total interest rate derivatives	3,769,842,177	94,819,992	97,095,531
Others (Precious metals and Commodities)	42,206,486	5,030,960	4,807,684
Total	6,948,081,906	105,865,553	115,323,917

Notes to the separate financial statements for the year ended 31 December 2015

21. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
(continued)

(ii) *Derivative assets/ liabilities (continued)*

As at 31 December 2015, the Bank has non-matured SPOT foreign currency transactions, as follows: assets notional amount RON 793,045,262 (as at 31 December 2014: RON 1,061,281,542), asset present value RON 852,046 (as at 31 December 2014: RON 581,792) and liabilities notional amount RON 793,367,782 (as at 31 December 2014: RON 1,061,345,440), liability present value RON 1,174,566 (as at 31 December 2014: RON 645,690).

22. LOANS AND ADVANCES TO BANKS

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Loans to banks	809,250,906	511,159,208
Suspense accounts	40,637,065	22,966,169
Total	<u>849,887,971</u>	<u>534,125,377</u>

Placement with banks includes deposits with local and international commercial banks. These exposures with rating grades from 1 to 7 (31 December 2014: from 1 to 7) are considered performing in accordance with internal rating models of the Bank as of 31 December 2015 and 31 December 2014.

23. 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 loans was as follows:

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014**</u>
Mortgages	8,207,984,993	7,683,742,431
Corporate loans	5,300,242,662	4,047,055,289
Revolving credit lines	1,884,980,099	2,301,754,695
Factoring	424,018,547	568,643,793
Credit cards and personal loans	289,073,969	361,538,186
Impaired assets*	3,546,037,634	3,922,642,193
Loans and advances to customers before provisions	<u>19,652,337,904</u>	<u>18,885,376,587</u>
Less provision for impairment losses on loans	(1,738,695,416)	(1,915,095,728)
Net loans and advances to customers	<u>17,913,642,488</u>	<u>16,970,280,859</u>

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



Notes to the separate financial statements for the year ended 31 December 2015

23. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

Specific adjustments for impaired assets	2015	2014
Balance at 1 January	1,826,383,276	1,762,477,171
Net impairment charge for the year	332,480,694	497,366,995
Foreign currency exchange effect	6,042,373	(1,995,689)
Release of allowance for impairment of loans written-off and loans sold	(613,499,011)	(510,672,350)
Unwinding effect on provisions	100,761,131	79,207,148
Balance at 31 December	1,652,168,463	1,826,383,276
Collective adjustments for incurred but not reported losses	2015	2014
Balance at 1 January	88,712,453	57,229,471
Net impairment charge / (release) for the year	(2,474,964)	37,239,196
Foreign Currency Exchange Effect and other adjustments	289,465	(5,756,214)
Balance at 31 December	86,526,953	88,712,453
Total opening balance	1,915,095,728	1,819,706,642
Total closing balance	1,738,695,416	1,915,095,728



Notes to the separate financial statements for the year ended 31 December 2015

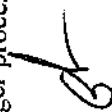
24. INVESTMENT IN SUBSIDIARIES

In RON	Nature of business	Country of incorporation	31 December 2015		31 December 2014	
			% interest held	Carrying amount	% interest held	Carrying amount
UniCredit Consumer Financing IFN S.A.	Consumer finance	Romania	50.10%	64,767,136	50.10%	64,767,136
UniCredit Leasing Corporation IFN S.A.*	Leasing services	Romania	99.98%	78,348,547	99.90%	4,114,881
UniCredit Leasing Romania S.A.*	Leasing services	Romania	-	-	99.99%	66,871,320
Total				143,115,683		135,753,337

The following information is taken from the 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	Profit / (Loss)	
				Operating income	Profit / (Loss)
2015					
UniCredit Consumer Financing IFN S.A.	50.10%	1,369,903,821	1,154,125,058	120,060,668	34,869,341
UniCredit Leasing Corporation IFN S.A	99.98%	3,082,103,666	2,937,434,280	172,758,573	58,775,912
In RON					
2014					
UniCredit Consumer Financing IFN S.A.	50.10%	1,336,828,615	1,155,920,130	93,835,536	51,516,918
UniCredit Leasing Corporation IFN S.A	99.90%	2,838,268,731	2,831,998,462	41,242,569	2,423,764
UniCredit Leasing Romania S.A	99.99%	116,643,067	36,796,822	929,293	172,073

*) Starting with June 2015, UniCredit Leasing Romania SA was fully absorbed by UniCredit Leasing IFN SA as a result of the completion of their merger process.



Notes to the separate financial statements for the year ended 31 December 2015

25. FINANCIAL ASSETS AVAILABLE FOR SALE

a) Investment securities available for sale

As at 31 December 2015, the Bank included in investment securities available for sale bonds issued by the Ministry of Public Finance and bonds issued by the municipality of Bucharest in amount of RON 6,311,832,887 (31 December 2014: RON 5,943,469,919).

As at 31 December 2015, the investment securities available for sale are pledged in amount of RON 508,515,105 (31 December 2014: RON 177,821,025).

The Bank transferred to profit or loss during 2015 an amount of RON 89,071,260 (2014: RON 98,003,881) representing net gain from disposal of available for sale investment securities. Net change in fair value booked in other comprehensive income was a decrease of RON 62,045,595 before tax (31 December 2014: an increase of RON 63,741,099), respective RON 52,118,299 net of tax (31 December 2014: RON 53,542,523).

b) Equity investments available for sale

The Bank held the following unlisted equity investments, available for sale as at 31 December 2015:

31 December 2015	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA	Financial activities	6.80	645,525	-	645,525
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Financial activities	2.57	194,560	155,496	39,064
Casa de Compensare Bucuresti SA	Other financial services	0.91	46,980	39,483	7,497
VISA Europe Limited*)	Cards	0.01	45,225,866	-	45,225,866
Total			49,064,357	1,155,232	47,909,125

*) The fair value of the VISA Europe Ltd share has been made based on the estimated proceeds consisting in cash and preferred shares to be received by the Bank from Visa Inc following to the transaction made publicly on 2nd of November 2015 by Visa Inc. ("VInc") and Visa Europe Ltd ("VE"). Due to the restrictions imposed by VISA Inc on conversion of preferred shares into common stock quoted on stock exchange and their future trading for a period of 12 years since closing as well as potential impact from existing litigation and future obligations, a reliable fair value for the preferred shares proceeds cannot be established based on actual limited available information. The transaction mainly consists of upfront consideration of €16.5 billion, consisting of €11.5 billion of cash and preferred stock convertible into Visa Inc. class A common stock valued at €5 billion, where the upfront consideration has been distributed to all Visa Europe members in accordance with the methodology set up by VE management. The transaction is subject to regulatory approvals and is estimated to be closed by end of 2nd quarter of 2016.

Notes to the separate financial statements for the year ended 31 December 2015

25. FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

b) Equity investments available for sale (continued)

The Bank held the following unlisted equity investments, available for sale as at 31 December 2014:

31 December 2014	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
	Other financial services	8.04	1,164,862	-	1,164,862
Transfond SA					
Biroul de Credit SA	Financial activities	6.80	645,525	-	645,525
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Financial activities	2.57	194,560	155,496	39,064
Casa de Compensare Bucuresti SA	Other financial services	0.91	46,980	39,483	7,497
VISA Europe Limited	Cards	0.01	37	-	37
Total			3,838,528	1,155,232	2,683,296

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 2015

26. PROPERTY AND EQUIPMENT

<i>In RON</i>	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Balance at 1 January 2015	106,377,607	128,170,555	603,115	115,806,646	36,041,939	386,999,862
Additions	5,688,917	3,005,278	-	3,623,732	31,487,358	43,805,285
Disposals	(172,886)	(22,550,316)	(344,819)	(14,898,111)	-	(37,966,132)
Balance at 31 December 2015	111,893,638	108,625,517	258,296	104,532,267	67,529,297	392,839,015
Depreciation and impairment losses						
Balance at 1 January 2015	-	(102,938,708)	(603,115)	(75,871,243)	-	(179,413,066)
Charge for the year	(10,977,165)	(11,042,510)	-	(10,117,666)	-	(32,137,341)
Disposals	46,725	22,348,123	344,819	13,744,027	-	36,483,694
Balance at 31 December 2015	(10,930,440)	(91,633,095)	(258,296)	(72,244,882)	-	(175,066,713)
Carrying amounts						
At 1 January 2015	106,377,607	25,231,847	-	39,935,403	36,041,939	207,586,796
At 31 December 2015	100,963,198	16,992,422	-	32,287,385	67,529,297	217,772,302



Notes to the separate financial statements for the year ended 31 December 2015

26. PROPERTY AND EQUIPMENT (continued)

<i>In RON</i>	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Cost						
Balance at 1 January 2014	153,288,240	116,975,729	603,115	110,570,990	21,441,464	402,879,538
Additions	3,981,077	11,887,157	-	5,793,016	14,606,519	36,267,769
Revaluation*	(42,647,695)	-	-	-	-	(42,647,695)
Disposals	(1,789,170)	(692,331)	-	(557,360)	(6,044)	(3,044,905)
Reclassification to investment properties	(6,454,845)	-	-	-	-	(6,454,845)
Balance at 31 December 2014	106,377,607	128,170,555	603,115	115,806,646	36,041,939	386,999,862
Depreciation and impairment losses						
Balance at 1 January 2014	(23,996,682)	(88,270,162)	(603,115)	(65,809,702)	-	(178,679,661)
Charge for the year	(12,521,211)	(15,347,820)	-	(10,625,915)	-	(38,494,946)
Revaluation*	34,645,203	-	-	-	-	34,645,203
Disposals	1,789,169	679,274	-	564,374	-	3,032,818
Reclassification to investment properties	83,521	-	-	-	-	83,521
Balance at 31 December 2014	-	(102,938,708)	(603,115)	(75,871,243)	-	(179,413,066)
Carrying amounts						
At 1 January 2014	129,291,558	28,705,567	-	44,761,288	21,441,464	224,199,877
At 31 December 2014	106,377,607	25,231,847	-	39,935,403	36,041,939	207,586,796

* The last revaluation of land and buildings category has been performed by SC Colliers International S.R.L. as at 31 December 2014. According to International Evaluation Standards, for estimation of fair value, the evaluator had used two alternative methods, income approach and market approach, choosing the most appropriate one, depending on nature and destination of each element.

No revaluation was necessary to be performed as at 31 December 2015.

The Bank did a revaluation in 2014 when it booked a decrease of the net value of land and buildings in amount of RON 8,002,492 in 2014, out of which:

- RON 3,420,533 for land and buildings for which the fair value at the revaluation date was lower than the cost
- a gross decrease in revaluation reserve of RON 4,581,959, booked in the situation of comprehensive income.

The net carrying value of Land and Buildings before revaluation was in amount of RON 114,380,099.



Notes to the separate financial statements for the year ended 31 December 2015

26. PROPERTY AND EQUIPMENT (continued)

Contingent operating lease (rentals)

<i>In RON</i>	31 December 2015	31 December 2014
Amounts payable under operational leases		
Up to twelve months	71,590,368	73,908,361
From one to five years	181,959,263	207,846,893
Over five years	42,261,031	70,816,905
Total future lease obligations	295,810,662	352,572,159

27. INTANGIBLE ASSETS

In RON

	Intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2015	296,825,048	33,961,033	330,786,081
Additions	24,658,891	53,387,304	78,046,195
Disposals	(56,438,178)	(26,763,571)	(83,201,749)
Balance at 31 December 2015	265,045,761	60,584,766	325,630,527
Amortisation and impairment losses			
Balance at 1 January 2015	(187,790,838)	-	(187,790,838)
Amortisation for the year	(45,562,676)	-	(45,562,676)
Disposals	56,239,823	-	56,239,823
Balance at 31 December 2015	(177,113,691)	-	(177,113,691)
Carrying amounts			
At 1 January 2015	109,034,210	33,961,033	142,995,243
At 31 December 2015	87,932,070	60,584,766	148,516,836



Notes to the separate financial statements for the year ended 31 December 2015

27. INTANGIBLE ASSETS (continued)

In RON

	<u>Intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
Cost			
Balance at 1 January 2014	233,691,000	47,767,703	281,458,703
Additions*	63,137,784	49,481,496	112,619,280
Disposals	(3,736)	(63,288,166)	(63,291,902)
Balance at 31 December 2014	296,825,048	33,961,033	330,786,081
Amortisation and impairment losses			
Balance at 1 January 2014	(154,752,554)	-	(154,752,554)
Amortisation for the year	(33,042,020)	-	(33,042,020)
Disposals	3,736	-	3,736
Balance at 31 December 2014	(187,790,838)	-	(187,790,838)
Carrying amounts			
At 1 January 2014	78,938,446	47,767,703	126,706,149
At 31 December 2014	109,034,210	33,961,033	142,995,243

**) In 2014, following the acquisition of the RBS portfolio of Corporate clients, the Bank has booked intangible fixed assets of RON 15,647,916, representing the value of customer relationship transferred.*



Notes to the separate financial statements for the year ended 31 December 2015

28. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2015 are attributable to the items detailed in the table below:

<i>In RON</i>	31 December 2015	31 December 2015	31 December 2015
	Assets	Liabilities	Net
Property, equipment and intangible assets	-	1,527,832	(1,527,832)
Available for sale equity investments	-	24,518	(24,518)
Provisions, other debts, forecasted expenses	19,404,629	-	19,404,629
Deferred tax asset/ (liability) at 16% through profit and loss account	19,404,629	1,552,350	17,852,279
Available for sale investment securities	-	15,388,834	(15,388,834)
Derivative financial instruments held for hedging	8,881,667	-	8,881,667
Tangible fixed assets revaluation reserve	-	1,761,338	(1,761,338)
Deferred tax asset/ (liability) at 16% through equity	8,881,667	17,150,172	(8,268,505)
Deferred tax asset / (liability) at 16%	28,286,296	18,702,522	9,583,774

Deferred tax assets and deferred tax liabilities at 31 December 2014 are attributable to the items detailed in the table below:

<i>In RON</i>	31 December 2014	31 December 2014	31 December 2014
	Assets	Liabilities	Net
Property, equipment and intangible assets	193,597	-	193,597
Available for sale equity investments	-	24,518	(24,518)
Provisions, other debts, forecasted expenses	37,020,468	-	37,020,468
Deferred tax asset/ (liability) at 16% through profit and loss account	37,214,065	24,518	37,189,547
Available for sale investment securities	-	18,079,995	(18,079,995)
Derivative financial instruments held for hedging	11,967,670	-	11,967,670
Tangible fixed assets revaluation reserve	-	1,854,632	(1,854,632)
Deferred tax asset/ (liability) at 16% through equity	11,967,670	19,934,627	(7,966,957)
Deferred tax asset / (liability) at 16%	49,181,735	19,959,145	29,222,590



Notes to the separate financial statements for the year ended 31 December 2015

28. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

In RON	2015			2014		
	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
Available for sale financial assets	96,180,211	(15,388,834)	80,791,377	112,999,976	(18,079,996)	94,919,980
Cash flow hedging reserve	(55,510,418)	8,881,667	(46,628,751)	(74,797,942)	11,967,671	(62,830,271)
Revaluation of property, plant and equipment	12,910,606	(2,065,697)	10,844,909	12,606,247	(1,854,632)	10,751,615*

*) The amount of RON 434,573 has been transferred from tangible fixed assets revaluation reserve in retained earnings, at the date of derecognition of those tangible fixed assets.

The movements in the Reserve on available for sale financial assets is presented below:

In RON	2015			2014		
	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	112,999,976	(18,079,996)	94,919,980	49,258,877	(7,881,420)	41,377,457
Transfer to profit and loss	(89,071,260)	14,251,402	(74,819,858)	(98,004,627)	15,680,740	(82,323,887)
Net change in in OCI	72,251,495	(11,560,240)	60,691,255	161,745,726	(25,879,316)	135,866,410
31 December	96,180,211	(15,388,834)	80,791,377	112,999,976	(18,079,996)	94,919,980

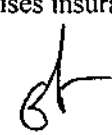
The movements in the Cash flow hedging reserve is presented below:

In RON	2015			2014		
	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
1 January	(74,797,942)	11,967,671	(62,830,271)	(37,621,204)	6,019,393	(31,601,811)
Transfer to profit and loss	(1,630,352)	260,856	(1,369,496)	3,261,295	(521,807)	2,739,488
Net change in OCI	20,917,876	(3,346,860)	17,571,016	(40,438,033)	6,470,085	(33,967,948)
31 December	(55,510,418)	8,881,667	(46,628,751)	(74,797,942)	11,967,671	(62,830,271)

29. OTHER ASSETS

In RON	31 December 2015	31 December 2014
Other financial assets		
Sundry debtors (gross amounts)	48,400,606	46,692,926
Amounts receivable	9,843,871	14,513,126
Total gross amounts	58,244,477	61,206,052
Less impairment for sundry debtors	(19,672,836)	(9,544,280)
Total other financial assets	38,571,641	51,661,772
Other non-financial assets		
Prepayments	19,154,451	24,784,782
Inventories	6,814,296	7,857,754
Other	1,092,089	933,826
Total other non-financial assets	27,060,836	33,576,362
Total other assets	65,632,477	85,238,134

The Bank booked as prepayments, during 2015 and 2014: premises rents, local taxes, premises insurance and bankers blanket bond.



Notes to the separate financial statements for the year ended 31 December 2015

30. 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 2015	Assets 2015	Liabilities 2015	Notional amount 2014	Assets 2014	Liabilities 2014
Instrument type:						
Interest rate swap	407,746,333	-	81,900,959	444,229,143	-	92,730,965
Cross currency swap	294,997,400	16,477,513	-	381,874,920	12,433,477	2,143,821
Total	702,743,733	16,477,513	81,900,959	826,104,063	12,433,477	94,874,786

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 2015	31 December 2015	31 December 2015	31 December 2014	31 December 2014	31 December 2014
	Within 1 year	1-5 years	Over 5 years	Within 1 year	1-5 years	Over 5 years
Cash inflow	-	22,901,180	310,615,035	87,428,866	22,029,107	305,226,890
Cash outflow	(1,113,390)	(92,309,523)	(308,689,678)	(90,638,867)	(103,795,210)	(307,250,300)

As at 31 December 2015, all cash flow hedge relationships have been assessed as highly effective.

During 2015 the Bank transferred from cash flow hedge reserve an amount of RON (1,630,352) (31 December 2014: RON 3,261,295) to profit or loss representing credit value adjustment and foreign currency difference for the hedging items. The net change in fair value during 2015 was a decrease of RON 6,214,149 before tax (31 December 2014: an increase of RON 33,915,443), and respective a decrease of RON 5,219,885 net of tax (31 December 2014: increase of RON 28,488,972).

31. DEPOSITS FROM BANKS

<i>In RON</i>	31 December 2015	31 December 2014
Term deposits	4,085,692,405	3,125,064,217
Sight deposits	538,674,162	354,785,681
Amounts in transit	123,906,876	116,237,528
Total	4,748,273,443	3,596,087,426



Notes to the separate financial statements for the year ended 31 December 2015

32. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Commercial Banks	2,952,479,321	4,004,047,425
Multilateral development banks	40,456,685	21,580,210
International financial institutions	440,473,152	489,706,216
Total	<u>3,433,409,158</u>	<u>4,515,333,851</u>

As at 31 December 2015, the final maturity of loans varies from June 2016 to July 2022.

33. DEPOSITS FROM CUSTOMERS

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Term deposits	5,299,261,677	5,933,492,001
Payable on demand	11,947,047,534	9,386,971,446
Collateral deposits	819,424,056	858,667,787
Amounts in transit	45,523,769	61,521,523
Certificates of deposits	118,116	92,553
Total	<u>18,111,375,152</u>	<u>16,240,745,310</u>

As of 31 December 2015, retail clients (individuals and small and medium companies) represents 41% of the portfolio, while corporate clients (including private banking clients) represent 59% of the portfolio (31 December 2014: retail clients 31%, corporate clients 69%).

34. DEBT SECURITIES ISSUED

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Debt securities issued	550,659,161	550,317,133
Total	<u>550,659,161</u>	<u>550,317,133</u>

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 2015

35. SUBORDINATED LOANS

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
UniCredit Bank Austria AG (i)	222,533,940	220,536,242
UniCredit Bank Ireland PLC (ii)	-	67,351,635
Total	<u>222,533,940</u>	<u>287,887,877</u>

At 31 December 2015, the following agreements were outstanding:

- (i) Subordinated loan from UniCredit Bank Austria AG in total amount of RON equivalent 219,438,250 principal, maturing on July 2022 (31 December 2014: RON equivalent 217,381,850 principal, maturing on July 2022).

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 in total amount of RON equivalent 66,690,000 was reimbursed in November 2015 (2014: subordinated loan facility in total amount of RON 67,231,500, 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.

36. PROVISIONS

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Provision for financial guarantees (refer to Note 41)	64,109,938	200,836,352
Provision for legal disputes	1,143,161	3,842,227
Provision for off-balance commitments	909,504	1,589,000
Other provisions	1,878,632	6,479,219
Total	<u>68,041,235</u>	<u>212,746,798</u>



Notes to the separate financial statements for the year ended 31 December 2015

36. PROVISIONS (continued)

The movements in provisions during the year were as follows:

<i>In RON</i>	<u>2015</u>	<u>2014</u>
Balance at 1 January	212,746,798	227,239,331
Provision set up during the year	33,621,317	90,537,705
Provision used during the year	(5,831,923)	(19,468,735)
Provision reversed during the year	(173,979,819)	(85,754,356)
FX effect related to off-balance exposure (financial guarantees and commitments)	1,484,862	(366,972)
Balance at 31 December	68,041,235	212,746,798

37. OTHER LIABILITIES

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
<i>Other financial liabilities</i>		
Accruals for third party services	19,387,421	57,830,553
Amounts payable to suppliers	56,375,688	34,397,654
Accrual of employee bonus	27,087,559	23,522,513
Sundry creditors	4,138,586	2,956,288
Total other financial liabilities	106,989,254	118,707,008
<i>Other non-financial liabilities</i>		
Deferred income	20,481,301	19,586,935
Payable to state budget	20,262,970	19,644,699
Other	1,987,722	2,017,714
Total other non-financial liabilities	42,731,993	41,249,348
Other liabilities	149,721,247	159,956,356



Notes to the separate financial statements for the year ended 31 December 2015

38. ISSUED CAPITAL

The statutory share capital of the Bank as at 31 December 2015 is represented by 40,760,784 ordinary shares (31 December 2014: 40,760,784 ordinary shares) having a face value of RON 9.30 each. The shareholders of the Bank are as follows:

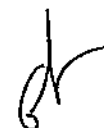
	<u>31 December 2015</u>
	%
UniCredit Bank Austria AG*)	95.6185
Bank Austria – CEE BeteiligungsgmbH	0.0133
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.0133
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.0133
Bank Austria Creditanstalt Leasing GmbH	0.0133
UniCredit Leasing Corporation IFN SA	0.0001
Other shareholders	4.3282
Total	<u>100.00</u>

	<u>31 December 2014</u>
	%
UniCredit Bank Austria AG	50.5588
Tiriac Holdings Limited*)	45.0597
Bank Austria – CEE BeteiligungsgmbH	0.0133
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.0133
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.0133
Bank Austria Creditanstalt Leasing GmbH	0.0133
UniCredit Leasing Romania SA	0.0001
Other shareholders	4.3282
Total	<u>100.00</u>

*) *UniCredit Bank Austria AG purchased in June 2015 the stake held by Tiriac Holdings Limited.*

The share capital comprises of the following:

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
Share capital under IFRS	<u>1,101,604,066</u>	<u>1,101,604,066</u>



Notes to the separate financial statements for the year ended 31 December 2015

39. OTHER RESERVES

The breakdown of other reserves is presented below:

<i>In RON</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
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
Other reserves	26,961,090	26,961,090
Total	<u>240,534,612</u>	<u>240,534,612</u>

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

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

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.

40. 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, 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.



Notes to the separate financial statements for the year ended 31 December 2015

40. RELATED PARTY TRANSACTIONS (continued)

The following transactions were carried out with UniCredit Italiano S.p.A, UniCredit Bank Austria AG and its subsidiaries:

In RON

	31 December 2015		
	Parent Company	Subsidiary	Other related parties
Derivative assets at fair value through profit or loss	-	329,571	4,132,040
Derivatives assets designated as hedging instruments	4,608,251	-	11,869,262
Current accounts and deposits at banks	822,355,218	-	4,733,957
Loans and advances to banks	-	-	583,671
Loans and advances to customers	-	84,452,633	28,475,538
Other assets	12,227,659	2,550,541	29,063,261
Outstanding receivables	839,191,128	87,332,745	78,857,729
Derivative liabilities at fair value through profit or loss	5,295,967	-	70,840,912
Derivatives liabilities designated as hedging instruments	-	-	81,900,958
Current accounts	21,235,737	10,249,798	158,779,224
Deposit attracted	3,884,795,660	215,681,601	222,374,301
Loans received	2,952,479,322	-	-
Debts securities issued	20,634,701	-	-
Subordinated liabilities	222,588,286	-	-
Other liabilities	369,454	-	32,310,296
Outstanding payables	7,107,399,127	225,931,399	566,205,691
Interest income	22,007,139	3,465,532	360,268
Interest expense	(144,896,958)	(97,734)	(22,160,678)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group companies	3,823,851	-	-
Fee and commission income	26,611,427	24,982,589	3,308,606
Fee and commission expense	(3,022,157)	603,775	(4,354,878)
Operating income	12,227,659	-	4,850,906
Operating expenses	-	-	(40,669,754)
Net revenue / (expense)	(83,249,039)	28,954,162	(58,665,530)
Commitments	925,044,952	161,658,344	471,837,547



Notes to the separate financial statements for the year ended 31 December 2015

40. RELATED PARTY TRANSACTIONS (continued)

In RON

	31 December 2014		
	Parent Company	Subsidiary	Other related parties
Derivative assets at fair value through profit or loss	-	567,833	1,012,527
Derivatives assets designated as hedging instruments	3,640,139	-	8,793,338
Current accounts and deposits at banks	524,788,559	-	15,418,409
Loans and advances to banks	-	-	37,445
Loans and advances to customers	-	63,710,927	27,038,564
Other assets	8,833,093	2,220,226	14,466,007
Outstanding receivables	537,261,791	66,498,986	66,766,290
Derivative liabilities at fair value through profit or loss	10,302,938	-	92,494,040
Derivatives liabilities designated as hedging instruments	-	-	94,874,783
Current accounts	68,150,940	7,022,915	15,881,436
Deposit attracted	3,065,324,896	359,407,343	30,726,297
Loans received	4,030,830,213	-	-
Debts securities issued	20,619,628	-	-
Subordinated liabilities	220,536,242	-	67,351,635
Other liabilities	16,463,609	-	24,270,422
Outstanding payables	7,432,228,466	366,430,258	325,598,613
Interest income	20,891,091	6,598,460	572,963
Interest expense	(165,274,651)	(4,379,125)	(17,712,172)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group companies	12,167,903	-	-
Fee and commission income	27,798,654	20,301,475	5,267,338
Fee and commission expense	(682,951)	(40,753)	(103,923)
Operating expenses	8,120,823	-	(40,885,731)
Net revenue / (expense)	(96,979,131)	22,480,057	(52,861,525)
Commitments	1,153,720,483	152,827,827	617,746,112



Notes to the separate financial statements for the year ended 31 December 2015

40. 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 2015	31 December 2014
Loans	4,463,162	565,193
Current accounts and deposits	5,149,334	4,927,777
Interest and similar income	19,193	42,839
Interest expenses and similar charges	(6,379)	(156,032)
	2015	2014
<i>In RON</i>		
Key management compensation	11,516,715	11,622,829
Total	11,516,715	11,622,829

41. COMMITMENTS AND CONTINGENCIES

i) Off balance sheet commitments

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

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

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

<i>In RON</i>	31 December 2015	31 December 2014
Loan commitments	1,515,390,601	1,749,629,012
Letters of credit	147,785,582	185,347,664
Guarantees issued	3,839,743,984	4,405,476,200
Total	5,502,920,167	6,340,452,876

Notes to the separate financial statements for the year ended 31 December 2015

41. COMMITMENTS AND CONTINGENCIES (continued)

i) Off balance sheet commitments (continued)

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank 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 2015 is EUR 199,060,407 and CHF 1,770,079.

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.

The Bank concluded with UniCredit Bank Austria AG a series of novation contracts through which loan contracts initially concluded by UniCredit Bank Austria with Romanian companies were transferred to the Bank in exchange for full reimbursement of borrowers' exposure towards UniCredit Bank Austria AG. Subsequent to the signing of the novation contracts, the Bank becomes lender of record while related the risk participation agreement is cancelled.

The novation contracts concluded with UniCredit Bank Austria AG in 2015 relate to 5 legal entities and their total value is EUR 47,382,131 as at 31 December 2015.

ii) Contingent assets

The contingent assets of the Bank are :

- The Bank's contingent assets at 31 December 2015 refer to a selling transaction of an exposure in 2014 of EUR 18,448,861 (RON 81,826,233 equivalent at 31.12.2014), out of which EUR 12,377,902 (RON 56,003,818 equivalent at 31.12.2015) and calculated interest EUR 347,865(RON 1,573,915 equivalent at 31.12.2015) is less probable to be recovered, as the cashing of that amount is conditioned by many contractual clauses related to third parties which are out of the control of the Bank. According to IAS 37, this contingent asset is not booked in the balance sheet of the Bank.
- In December 2015, UniCredit Bank Romania SA signed a Receivables Assignment Agreement with Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. (a subsidiary of Kredyt Inkaso Spółka Akcyjna listed on Warsaw Stock Exchange) for a non-performing portfolio of medium and large private companies with a total outstanding of EUR 336 million. The price to be paid is EUR 28 million and the closing will take place no later than end of first quarter in 2016.

iii) Contingent liabilities

As at 31 December 2015, the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 5,141,129. The Bank, based upon legal advice, has assessed that a provision amounting to RON 1,143,161 as at 31 December 2015 is necessary to be booked for these claims (31 December 2014: total claims estimated amounted to RON 11,285,588 for which a provision of RON 3,842,227 was booked) .

42. OPERATING SEGMENTS

The segment report format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank. (Please refer to Note 3y).

Notes to the separate financial statements for the year ended 31 December 2015

42. OPERATING SEGMENTS (continued)

Segment reporting on income statements as of 31 December 2015:

<i>In RON</i>	CIB and PB	Retail	Other	Total
Net interest income	401,142,747	262,657,593	(19,730,497)	644,069,843
Net fee and commission income	134,274,277	149,773,701	117,295	284,165,273
Net income from trading and other financial instruments at fair value through profit or loss	214,573,029	51,556,782	(17,409,124)	248,720,687
Net gains on financial assets available for sale	89,827,806	-	(19,231,977)	70,595,829
Dividend income	-	-	7,320,896	7,320,896
Other operating income	2,974,475	2,330,464	2,042,928	7,347,867
Operating income	842,792,333	466,318,540	(46,890,478)	1,262,220,395
Operating expenses	(252,347,127)	(396,117,119)	(17,715,599)	(666,179,845)
Net operating income	590,445,206	70,201,421	(64,606,077)	596,040,550
Net impairment losses on financial assets	(234,723,777)	(95,281,954)	12,844,678	(317,161,053)
Net impairment losses and provision charges	-	-	(8,978,889)	(8,978,889)
Gains on disposals of equity investments	-	-	(6,040,469)	(6,040,469)
Profit before taxation	355,721,429	(25,080,533)	(66,780,757)	263,860,139
Income tax	-	-	(41,805,161)	(41,805,161)
Net profit for the year	355,721,429	(25,080,533)	(108,585,918)	222,054,978



Notes to the separate financial statements for the year ended 31 December 2015

42. OPERATING SEGMENTS (continued)

Segment reporting on income statements as of 31 December 2014:

<i>In RON</i>	CIB and PB	Retail	Other	Total
Net interest income	419,797,022	282,899,078	(43,521,437)	659,174,663
Net fee and commission income	147,178,967	138,520,321	(1,209,835)	284,489,453
Net income from trading and other financial instruments at fair value through profit or loss	207,814,172	46,480,018	(2,891,020)	251,403,170
Net gains on financial assets available for sale	98,141,087	-	5,528,772	103,669,859
Dividend income	-	-	1,036,974	1,036,974
Other operating income	4,504,324	2,216,203	(1,586,849)	5,133,678
Operating income	877,435,572	470,115,620	(42,643,395)	1,304,907,797
Operating expenses	(268,345,061)	(425,592,953)	1,796,623	(692,141,391)
Net operating income	609,090,511	44,522,667	(40,846,772)	612,766,406
Net impairment losses on financial assets	(396,886,648)	(136,432,623)	-	(533,319,271)
Net impairment losses and provision charges	-	-	(4,294,430)	(4,294,430)
Gains on disposals of equity investments	-	-	23,081,060	23,081,060
Profit before taxation	212,203,863	(91,909,956)	(22,060,142)	98,233,765
Income tax	-	-	(17,940,444)	(17,940,444)
Net profit for the year	212,203,863	(91,909,956)	(40,000,586)	80,293,321



Notes to the separate financial statements for the year ended 31 December 2015

42. OPERATING SEGMENTS (continued)

Segment reporting on statement of financial position as of 31 December 2015:

<i>In RON</i>	CIB and PB	Retail	Other	Total
Total assets	15,925,364,737	5,840,806,606	8,845,644,852	30,611,816,195
Total liabilities	13,373,405,886	7,331,442,979	6,757,624,639	27,462,473,504
Total equity	-	-	3,149,342,691	3,149,342,691
Total liabilities and equity	13,373,405,886	7,331,442,979	9,906,967,330	30,611,816,195

Segment reporting on statement of financial position as of 31 December 2014:

<i>In RON</i>	CIB and PB	Retail	Other	Total
Total assets	15,418,254,590	5,464,523,609	7,815,616,757	28,698,394,956
Total liabilities	12,286,010,309	4,961,359,931	8,525,903,214	25,773,273,454
Total equity	-	-	2,925,121,502	2,925,121,502
Total liabilities and equity	12,286,010,309	4,961,359,931	11,451,024,716	28,698,394,956



Notes to the separate financial statements for the year ended 31 December 2015

43. SUBSEQUENT EVENTS

There is no significant subsequent event after the end of reporting period.

The separate financial statements were approved by the Management Board on 23 February 2016, and were signed on its behalf by:



Mr. Catalin Rasvan Radu
Chief Executive Officer



Mrs. Mihaela Alina Lupu
Chief Financial Officer

