

Meeting real needs with concrete solutions.





Every day, life presents new challenges and opportunities. Every day, we each have a new story to tell that involves tangible needs and requires clear answers.

In this year's annual report, we illustrate our way of banking with stories of the people, businesses and institutions who use our customized solutions. You will read stories about how we worked together to promote sports in schools and how we gave a boost to long-established industrial firms by enabling them to update their machinery. You will also learn about how we have supported the development of new computer systems and have provided broad support to the green economy.

These stories were built on entrepreneurship, courageous innovation, respect for tradition, and our strong bonds with local communities.

We strongly believe that being a bank today means making a concrete difference, day in and day out, for those who have chosen to do business with us. It means facing challenges together and creating a world of new opportunities.

These are true stories - snapshots of ordinary life that shape the mosaic of our daily work. At UniCredit, we are creating a world of relationships, where our stakeholders can best meet the changing needs of the times.



UniCredit Tiriac Bank at a Glance

Key figures

(Thousands of RON, unless otherwise stated)

	2011	2010	VARIANCE %
Net profit	159,430	171,218	-6.9%
Shareholder's equity (eop)	2,490,299	2,378,208	4.7%
Total assets (eop)	22,862,497	20,804,418	9.9%
Bank customer deposits (eop)	11,542,324	10,988,236	5.0%
Bank customer deposits (av.)	11,265,280	10,775,367	4.5%
Bank customer gross loans (eop)	15,926,554	13,590,629	17.2%
Bank customer gross loans (av.)	14,758,592	12,818,023	15.1%
Earnings per share (in RON)*	3.91	4.20	-6.9%

Income

Net interest income	784,465	915,220	-14.3%
Net fee and commission income	225,029	232,655	-3.3%
Net trading income**	208,858	196,381	6.4%
Operating Income	1,222,704	1,363,230	-10.3%
Net operating income	612,307	778,861	-21.4%

Expenses

Operating expenses	610,397	584,369	4.5%
Impairment losses and provisions	429,414	564,784	-24.0%
Income tax expense	27,648	32,984	-16.2%

Ratios (%)

Return on average assets (ROA)	0.7	0.8	-0.1pp
Return on average equity (ROE)	6.5	7.5	-1.0pp
Equity ratio***	10.9	11.4	-0.5pp
Capital adequacy ratio***** (eop)	11.4	12.9	-1.5pp
Tier 1 capital ratio**** (eop)	10.1	11.2	-1.1pp
Default over 90 days/Gross loans	11.7	10.8	0.9pp
Loan/Deposit ratio*****	138	123	14.7pp
Cost/Income ratio	49.9	42.5	7.5pp
Cost of Risk ratio*****	204 bp	294 bp	-91 bp

Resources (number) - (eop)

Bank Operating outlets	245	235	10
Employees	2,983	3,007	(24)
Foreign exchange rate at period-end (EUR/RON)	4.3197	4.2848	0.81%
Annual average foreign exchange rate (EUR/RON)	4.2383	4.2098	0.68%

* Net profit / no. of shares

** Including - Net income on foreign exchange and on derivatives held for risk management
- Net gains on financial assets available for sale

*** Equity ratio is calculated as shareholder's equity / Total assets (eop)

**** AikRs meaning Tier 1 Capital, Capital adequacy rate, RWA are shown as per NBR rules (RAS figures)

RWA is calculated according to NBR Basel II for 2010 and 2011 (including Credit Risk, Market Risk and Operational Risk)
In the calculation of Tier1 capital, respective Capital adequacy ratios, the 2010 own funds include the 2010 RAS profit, while 2011 own funds do not include the 2011 profit until approval of GSM. If 2011 profit was considered, the Capital adequacy ratio is 12.0% and the Tier1 capital ratio is 10.7%

***** Only the credit risk part is considered

***** Gross Loans not including accruals and deferred commissions/Deposits not including accruals

***** Cost of Risk calculated as P&L Credit Risk divided by On + Off BS Exposures for which credit risk provisions are calculated

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Making “Made in Italy” an international success.



Many Italian SMEs have expressed interest in participating in a series of workshops on internationalization. The *Export Business School* is a programme UniCredit developed to reinforce the competitiveness of companies in the international arena by means of in-depth coursework and creation of networking opportunities. In conjunction with this initiative, the bank also created the *East Gate Export* programme to promote the activities of Italian companies in Eastern Europe. And moving further eastward, a UniCredit project to promote Italian SMEs in China has drawn praise from entrepreneurs and managers from among a wide cross-section of Italian companies.

“Destinazione Cina 2011” project - October 26, 2011, Magnani Palace, Bologna

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD AND CEO

Dear Reader,

It is my honour to present to your attention the 2011 annual report of UniCredit Tiriac Bank.

2011 was a year when the Romanian economy exited recession registering a 2.5 % real GDP growth. It was driven by foreign demand, mainly net export on the demand side and industry on the supply side. Agriculture and construction (mainly infrastructure) marked a good contributing to the economic growth too. Private consumption remained stagnant yet on ascending trend at the end of the year. After the austerity measures implemented in 2010 the fiscal deficit was put under control down to 4.4% and public debt stayed below 40% of GDP. Amidst the new wave of the EU debt crisis the capital inflows dropped further with portfolio investments being in the lead and FDI falling to 1.4% of GDP. Romanian leu depreciated marginally and the base rate went down slightly against a still solid real interest rates in local currency.

The banking system remained well capitalised yet into red. Loans grew 6% versus last year mainly driven by commercial loans and mortgages, NPL reaching 14.1%. Deposits went up by 4.8% compared to 2010 driven by private individuals. The regulatory adjustments and liquidity tightening in the second half of the year brought about deleveraging and strong demand in deposits. All this along with dropping market rates put pressure on the interest margins, expected to stay in 2012. No particular improvement was observed on the risk profile.

For us this was a year of both consolidation and expansion targeting optimal return in the short and in the mid-term. The lack of stimuli from economy was somewhat counterbalanced by near disappearing competitive pressure on the lending side. On the liability side it was the other way round facing strong competition for customer money. The bank was one of the best performers in the Romanian banking market.

UniCredit Tiriac Bank registered a net profit of RON 159.4 million, down 6.9% compared to previous year. This was mainly driven by the 10% drop in operating income due to the effects of discontinued accruals on defaulted loans and regulatory tightening such as consumer protection measures. The bank well outperformed the market reporting a 17% year-on-year lending growth including 20% growth in corporate loans, 33% in small business loans and 21% in mortgages, while dropping in consumer lending. Customer deposits grew 5% year-on-year bringing gross loan-to-deposit ratio to 138%. The bank was balancing selective expansion and cost optimisation strategies, keeping a good efficiency level with cost-to-income ratio below 50%. Cost-of-risk dropped to 204bp of gross loans. Non-performing loans continued growing yet at much lower pace with 90+ default loans ratio reaching 11.7% of total. Net impairment losses fell 24% year-on-year.

On the lending side we laid particular emphasis on mid-corporate and small business, working capital facilities and mortgages. Good collateralisation and strong cash flows were critical selection criteria. EU funding support and related financing was a central point too. On the liability side the focus was put on stable funding on broader base going along with respective products and pricing. Inefficient outlets were closed while new ones were opened exploiting available business opportunities. A series of other cost optimisation actions were undertaken. We are close to completing the construction of our new head office which will let us merge all central functions thus improving efficiency. Customer satisfaction barometer was a yardstick for operational and service models' adjustments. CRM (customer relationship management) systems deployment was started. Employee satisfaction index was also a lead indicator for properly steering the human capital.

We do not expect an economic turnaround in 2012. Moreover, it will be a year of general and local elections which could pose extra uncertainty. Margin squeeze, limited growth opportunities and further regulatory tightening will probably put additional pressure on costs. We do not see fast improvement in asset quality and cost of risk next year. Our focus on the lending side will remain SME and EU funding projects yet not neglecting large projects. Structurally, we will encourage RON lending and will keep control on self funding. Value added, development and fair pricing will be critical business and return drivers. Contribution to society will remain high on the agenda with social enterprising being a focal point. Although on a lower level, investment in systems will continue paving the way for future development.

At the end I would like to express my gratitude to our customers and partners for trusting us. I would like to thank our shareholders for the support and our employees for their energy and dedication. Last, my thanks to the members of the Supervisory Board and my fellow members of the Management Board.

Răsvan Radu



Chairman of the Management Board and CEO
6 March 2012 , Bucharest

MEMBERS OF THE MANAGEMENT BOARD DURING 2011



Cătălin Răsvan Radu
Executive President



Daniela Bodirca
Executive Vice - President, CRO



Stanislav Georgiev
Executive Vice - President, CFO



Alina Drăgan
Executive Vice - President
Human Resources



Septimiu Postelnicu
Executive Vice - President
Global Banking Services



Emanuele Butta
Executive Vice - President
Retail



Marco Esposito
Executive Vice - President
Corporate Investment Banking &
Private Banking

Starting with the date of the National Bank of Romania's approval issued on 20th of October 2011

MEMBERS OF THE SUPERVISORY BOARD DURING 2011

Corneliu-Dan PASCARIU	Chairman of the Supervisory Board
Leonard Alexandru LECA	Member of the Supervisory Board
Petru Ion VADUVA	Member of the Supervisory Board
Stelian DRAGAN	Member of the Supervisory Board
Gianfranco BISAGNI	Member of the Supervisory Board
Heinz TSCHILTSCH	Member of the Supervisory Board
Heinz MEIDLINGER	Member of the Supervisory Board
Gianni Franco PAPA	Member of the Supervisory Board
Francesco GIORDANO	Member of the Supervisory Board

Rewarding talented young entrepreneurs.



As Italy's future relies on its young talents, *Il talento delle idee* (The Talent of Ideas), a contest involving UniCredit and the Young Entrepreneurs Association, provides a valuable challenge. Dedicated to entrepreneurs between the ages of 18 and 40, the contest identifies and promotes business ideas based on feasibility and innovation. Originators of the three best ideas are awarded with specialized financial support, entrepreneurial training, introductions to potential investors and mentoring from UniCredit. Financial awards go to selected projects at a national level. This is a concrete example of how real needs find clear answers at UniCredit.



Strategy and Results

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Highlights

UniCredit operates in 22 Countries with more than 160,000 employees and nearly 9,500 branches.

UniCredit benefits from a strong European identity, extensive international presence and broad customer base.

Its strategic position in Western and Eastern Europe gives the Group one of the region's highest market shares.

(currency amounts are shown in € million)

OPERATING INCOME	25,200
OPERATING PROFIT	9,740
NET PROFIT (LOSS)	(9,206)

SHAREHOLDERS' EQUITY	51,479
CORE TIER 1 RATIO	8.40%
TIER 1 RATIO	9.32%

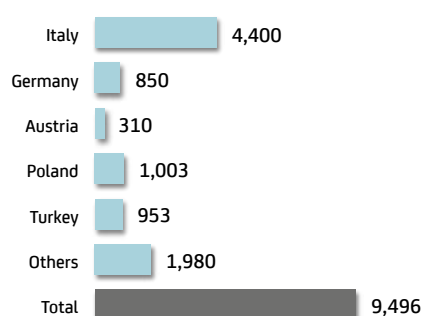
EMPLOYEES¹	over 160,000
BRANCHES²	nearly 9,500
TOTAL ASSETS	926,769

1. Data as at December 31, 2011. FTE = "Full Time Equivalent": number of employees counted for the rate of presence. Figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.

2. Figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.



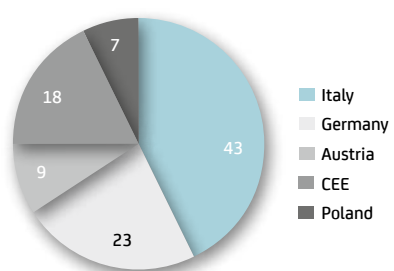
BRANCHES BY COUNTRY²



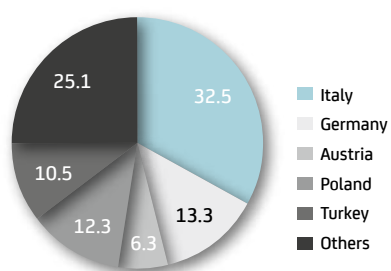
WHERE WE OPERATE

AUSTRIA
 AZERBAIJAN
 BOSNIA AND HERZEGOVINA
 BULGARIA
 CROATIA
 CZECH REPUBLIC
 ESTONIA
 GERMANY
 HUNGARY
 ITALY
 KAZAKHSTAN
 KYRGYZSTAN
 LATVIA
 LITHUANIA
 POLAND
 ROMANIA
 RUSSIA
 SERBIA
 SLOVAKIA
 SLOVENIA
 TURKEY
 UKRAINE

REVENUES BY REGION (%)



EMPLOYEES BY COUNTRY¹ (%)



Focus

AUSTRIA, GERMANY AND ITALY

UniCredit is strategically positioned in Italy, Germany and Austria. These three countries account for more than one-third of the combined GDP of the European Union and collectively represent one of the continent's wealthiest transnational regions.

GDP per capita in each of these countries is higher than the average for the EU as a whole. Moreover, Germany ranks first in terms of GDP per capita among the four largest EU economies, surpassing France, the United Kingdom and Italy.

UniCredit has one of the largest banking networks in all three of these core Western European countries and provides access to 310 branches in Austria, 850 in Germany and 4,400 in Italy. Each country is closely linked to the growing economies of Central and Eastern Europe.

In terms of economic performance, 2011 was another year of moderate expansion for these core countries. The first half of the year saw a growth in momentum that was sustained by healthy global demand. During the second half of the year, there was a marked slowdown in economic activity following the sovereign debt crisis, which took place during the summer. In particular, market repricing of risk premiums on Italy's sovereign debt took its toll, fueled by investor concerns about the sustainability of the country's public debt in the context of structurally low GDP growth. The response of the Italian government in terms of fiscal consolidation was impressive, although this likely contributed to dampen the country's growth prospects, at least in the short-term. As for Germany, market sentiment remained extremely positive with regard to the country's perceived health.

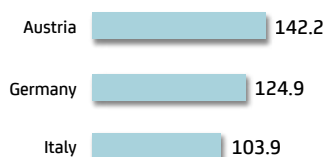
For the next two years, our three core markets will face challenges. These will be particularly acute in Italy.

Nevertheless, these three countries will continue to demonstrate their relative strength in comparison to the nations of southern Europe given their balanced growth model, relatively low level of private sector debt and continued prudent management of public finances.

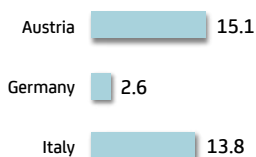
Italy and Germany possess the eurozone's largest manufacturing base, together generating more than 50 percent of the euro area's total nominal added value.

From 2011 to 2015, real economic growth is expected to continue at an average annual rate of roughly 2 percent in Austria and Germany, and nearly 0.5 percent in Italy. This is higher than the average rate achieved over the previous five-year period for the three countries. Moreover, while exports will certainly be an important factor behind the ongoing economic recovery, another favorable development will be seen in domestic demand, which will become an increasingly important engine of economic development. Particularly in Germany, this will result in a more sustainable pattern of growth that is not exclusively export-driven.

GDP PER CAPITA¹



MARKET SHARE² (%)



1. Nominal GDP per capita as at December 31, 2011 (EU27=100). Estimate of Nominal GDP per capita within the EU27 as at December 31, 2011 (last update April 13, 2012).

2. Market Share in terms of Total Customer Loans as at December 31, 2011.

Source: Eurostat, UniCredit Research.



CENTRAL AND EASTERN EUROPE

UniCredit is a market leader in Central and Eastern Europe, where it has a broad network of roughly 3,900 branches.

Its regional footprint is diverse, and includes a direct presence in 19 countries. It is ranked in the top five in 11 of these countries*. In fact, the CEE now accounts for 18 percent of the Group's revenues.

UniCredit has a long history in this dynamic region, from which nearly half of all its employees come. The Group is well positioned to benefit from the process of economic convergence that has been generating higher living standards and a better business environment in these countries.

UniCredit's market position in this region gives its local banks a substantial competitive advantage. This includes the sharing of best practices, significant economies of scale, access to international markets and strong brand recognition. Moreover, the bank's diversified portfolio in this region enables modular growth and increased market penetration for UniCredit's global product lines.

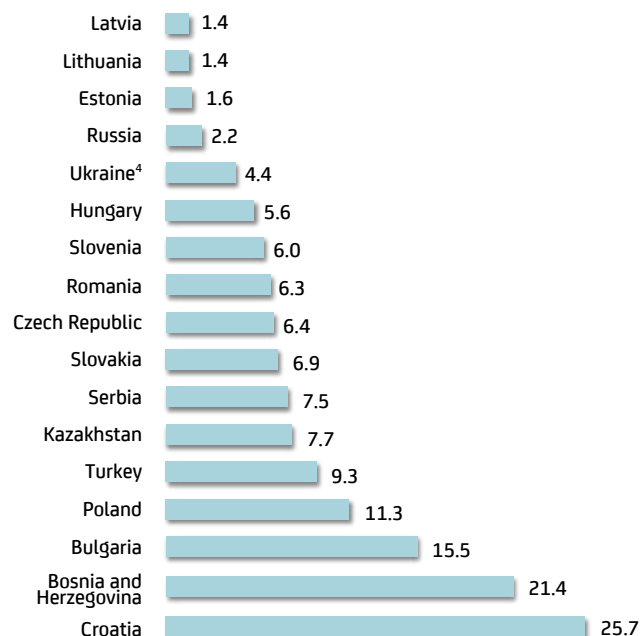
In the first three quarters of 2011, most countries in the region posted strong gains in economic activity, supported by robust external demand, favorable agricultural conditions and, in some cases, resilient domestic demand growth. To date, available data indicates some slowdown in economic activity in the fourth quarter, in part as a result of weaker external and industrial demand. Nevertheless, the region as a whole proved relatively resilient to the challenges of the EMU. The risks, if any, to UniCredit prediction of 4.7 percent GDP growth for the CEE in 2011** are to the upside.

In 2012, GDP growth for the region is forecast at 3.3 percent, assuming a broadly flat first half-year followed by an improved second half-year. Among the largest economies in the region, Russia is expected to lead, posting growth of almost 4 percent, while in Turkey and Poland GDP should post gains of approximately



3 percent. These economies will benefit from lower debt levels as well as a head start in fiscal consolidation relative to the EMU. Other economies in the region, including Croatia, Slovenia and Hungary, will struggle to post positive gains in GDP.

MARKET SHARE³ (%)



* as at September, 2011.

** GDP figures at December, 31 2011 are not yet final.

3. Market Share in terms of Total Assets as at December 31, 2011. Market Share in Azerbaijan and Kyrgyzstan not available.

4. Pro-forma (Ukrasotsbank + UniCredit Bank Ukraine).

Source: UniCredit Research, UniCredit CEE Strategic Analysis.

Business Model

This model focuses on four pillars:

Customer-centricity

This is the focus of the Business Divisions - *Families & Small-Medium sized Enterprises, Corporate & Investment Banking, Private Banking and Central Eastern Europe*.

With their highly specialized services, they offer clear and simple solutions to all customer segments, thereby maximizing long-term value and generating customer satisfaction.

A multi-local approach

UniCredit combines an international distribution network with deep local roots and close ties to its customers by leveraging the global product lines, like Leasing and Factoring, its global service lines and the local expertise of UniCredit's people operating in the local markets.

Global product lines

Each of the product lines is responsible for the centralized development of a complete portfolio of financial products and services suitable to the diverse needs of its customers. These product lines generate added value for customer segments in all countries and regions by leveraging also the specialized skills and knowledge of the Group's Banks/Companies (e.g. Fineco Bank).

Global service lines

UniCredit's service lines provide a broad range of specialized internal services such as information technologies, back-office activities, personnel administrative management, loan recovery, purchasing and the real estate management.

Organizational structure

UniCredit's organization reflects its divisional business model and geographic scope.

To meet customers' needs, UniCredit is divided into **specialized Business Divisions**, as follows:

- Three divisions - *Families & Small-Medium sized Enterprises, Corporate & Investment Banking, Private Banking* - manage the activities intended for their respective customer segments. These include marketing, defining service models and developing products, as well as overseeing and coordinating some specific businesses.
- The CEE Division serves to align the activities in 19 countries of Central and Eastern Europe to a single, comprehensive business vision.

In line with the multi-local approach, responsibility for individual countries is lodged with leadership roles - such as the Country Chairman in the four main markets of Austria, Germany, Italy and Poland and the Country CEO in the six divisionalized CEE countries. Their task is to combine the Group's strategic business vision with that of their country.

Lastly, the functions called **Competence Lines** oversee the guidance, coordination and control of UniCredit's activities and manage the related risks. These competence lines include Planning, Finance & Administration, Risk Management, Legal & Compliance, Internal Audit, Human Resources, Organization and Identity & Communications.

The UniCredit Strategic Plan

Clear goals, specific actions and a long-term vision are key elements of the UniCredit Strategic Plan that will be implemented through 2015. The strategic targets of the plan are related to commercial activity which meets real needs with concrete solutions, capital strength, operating efficiency, profitability and focus on Europe.

Commercial activity. Placing a renewed emphasis on the importance of being a commercial bank will put UniCredit at the center of the real economy. Customers primarily look to UniCredit to provide them with savings and loan services. Most importantly, the Group's return to traditional banking fundamentals means that it can provide tailored solutions to fit these needs.

Capital strength. UniCredit's position as one of the 29 global systematically important financial institutions (G-SIFIs) is official recognition that it is now one of the most secure banks in the world. However, it remains a priority to further improve its capital and liquidity positions, as well as its access to funding.

Operating efficiency. To be truly competitive in the years to come, UniCredit requires a simplified operating structure that is more customer-focused, efficient, cost-conscious and streamlined in terms of central functions.

Profitability. Profits must be sustainable. And only a strong, low-risk traditional business model can generate sustainable profits and a return on capital that is greater than its costs.

Focus on Europe. UniCredit's current orientation is towards Europe. Its geographic diversity is an unquestionable asset that will continue to serve the Group well into the future. In fact, its strong presence in Western Europe and in those CEE countries with high growth potential will strengthen UniCredit's relationships with strategic customers internationally.

The steps set forth in the UniCredit Strategic Plan to achieve these goals can be broken down into four areas of activity: use of capital; cost control and simplification; a business shift for CEE and CIB; and a resurgence in Italy.

Use of capital. This must be carefully addressed. Being a G-SIFI bank may mean that UniCredit is one of the 29 most secure banks in the world, but it also means it is one of the most regulated institutions. This is especially true

with regard to the subjects of capital endowment and risk profile. UniCredit's successful €7.5 billion capital increase was the first step towards strengthening its position, and, in 2012, it gave the bank a Common Equity Tier 1 Ratio of over 9 percent based on Basel 3 criteria. UniCredit's goal is to exceed 10 percent by 2015. As for the reduction of its risk profile, this will require the sale of €48 billion in non-strategic assets and greater selectivity in lending as compared to the past. These transactions will allow UniCredit to focus more on its traditional banking business by raising funds and providing loans on an ongoing basis and under attractive conditions.

Cost controls and simplification. UniCredit aims to be efficient, streamlined, fast and unified. To achieve this as quickly as possible and starting in 2012, the strategic plan calls for difficult decisions requiring it to break with the past. UniCredit's organizational model and several other components will change according to customer needs and will involve a downsizing of support functions plus a shift to centralized departments. At the same time, spending will be thoroughly reviewed to achieve overall savings of €440 million.

Business shift for CEE and CIB. Both of these business areas will be reviewed. On one hand, this will involve leveraging countries with the greatest growth potential - especially those where UniCredit is well-positioned in terms of risk/return (the Czech Republic, Poland, Russia and Turkey). On the other hand, it will involve a shift in lending to focus on more strategic customers in order to create additional loans.

Resurgence in Italy. While Italy is number one for UniCredit in terms of revenues and loans, the country's profitability must improve. To do this, UniCredit will adjust the risk profile of its loan portfolio to favor higher credit ratings, reduce the efficiency gap with its main competitors and to be more selective in its lending. These steps will allow UniCredit to provide new medium- and long-term credit lines totaling €33 billion to SMEs, and to extend new loans to households totaling more than €39 billion.

Romanian Economy

2011 Overview of the Economy

The macroeconomic environment was benign during the first half of 2011, improved internal and external conditions helping economic recovery, liquidity and risk assessments. The environment changed strongly in the second half of 2011, when risk aversion and contagion fears affected the Romanian economy through different channels: banking channel (because of exposure to euro area banking systems), economic channel (because the euro area remains the main trade partner with over 70% share of exports) and expectations channel (because of increasing risk aversion and rising liquidity and risk premia).

Selected economy indicators

	2011	2010	2009	2008	09/08 %, PP. #
Nominal GDP (€ bln)	136.5	124.1	118.3	139.8	10.0%
GDP per capita (€)	7,169.0	5,773.7	5,501.2	6,491.9	24.2%
Real GDP growth (%)	2.5	-1.7	-6.6	7.3	+4.2pp
Inflation (CPI) yoy, Dec	3.1	8.0	4.7	6.3	- 4.9 pp
Inflation (CPI) yoy, avg	5.8	6.1	5.6	7.9	- 0.3 pp
Unemployment rate (%)	7.4	7.3	6.9	5.8	+ 0.1 pp
Exchange rate / €, eop	4.32	4.3	4.2	3.99	0.8 %
Exchange rate / €, avg	4.24	4.2	4.2	3.68	0.7%
Intervention rate (Dec)	6.0	6.3	8.0	10.3	- 0.25 pp
Consolidated Gov.Balance / GDP (%)	-4.1	-6.4	-7.3	-4.8	+ 2.3 pp
Current account balance (€ mln)	-5,679.0	-5,518.0	-4,915.0	-16,157.0	2.9%
Current account / GDP (%)	-4.2	-4.4	-4.2	-11.6	+ 0.3 pp
FDI (€ mln)	1,916.0	2,238.0	3,554.0	9,310.0	- 14.4%
FDI/GDP	1.4	1.8	3.0	6.7	- 0.4 pp
External Public debt (€ mln)	32,521.0	27,635.0	19,347.0	10,749.2	17.7%
External Public debt % of GDP	24.28	22.7	16.3	8.32	+ 1.6 pp
Internal Public debt (€ mln)	16,161.5	15,025.5	19,949.2	15,437.9	7.6%
Trade Balance - Goods (€ mln)	-7,464.0	-7,602.0	-6,871.0	-19,109.0	-1.8%
International Reserves (of NBR, € mln)	37,251.8	35,950.7	30,858.6	28,269.9	3.6%
Number of banks	40	41	41	42	-1

Source: Central Bank, Statistical Office and UniCredit Tiriac Bank Macroeconomic Research Department

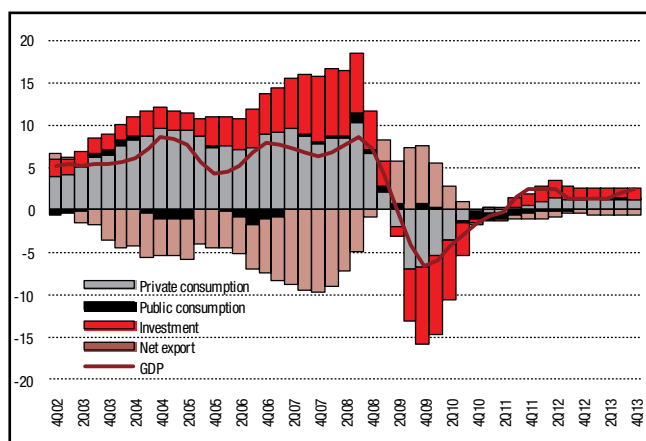
The Romanian economy grew 2.5% in 2011, exiting a two-year recession that reduced real GDP by a cumulated 8.1% at the end of 2010 versus 2008. The main growth driver shifted from foreign demand in H1 2011 to domestic demand in the second half of the year. During the first semester, industry (+11.6% yoy) and exports (+17.3% yoy) benefited from strong foreign demand amid accelerating growth in the euro area. During the summer, renewed debt woes in the euro zone curbed economic activity, resulting in weaker foreign orders for Romanian producers. Nevertheless, exports and production decelerated less than in the euro area, due to a sharp correction in labour costs since 2009 and on fast-growing exports to

non-EU countries (+24.9% yoy in 2011) amid low demand elasticity and RON depreciation versus the USD. Domestic demand sustained growth in H2 2011, expanding due to bumper crops (value added in agriculture was approximately 13.4% yoy higher in H2), a base effect from the comparison with austerity-stricken H2 2010 and stronger output in construction (+7.8% yoy in H2 2011) driven by household spending.

Romanian Economy (CONTINUED)

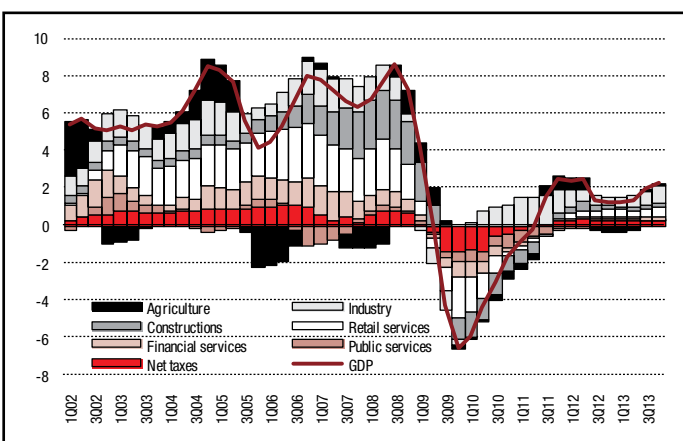
GDP – DEMAND SIDE

percent, yoy



GDP – SUPPLY SIDE

percent, yoy

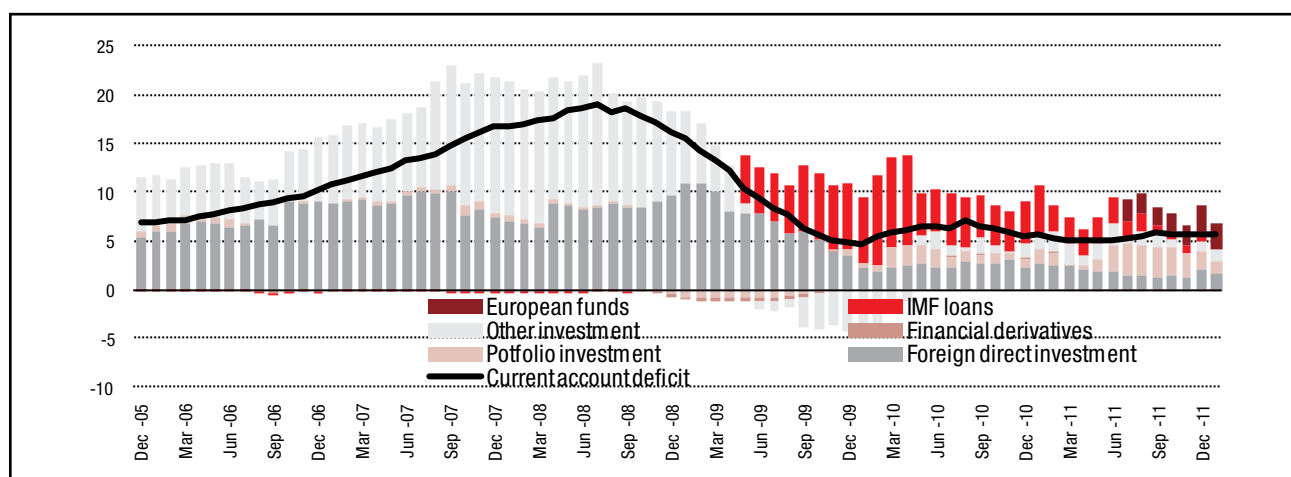


Data source: NIS, UniCredit Tiriac Bank

The adjustment of public and external disequilibria continued in 2011, the budget deficit falling to 4.35% of GDP from 6.5% of GDP in 2010, meeting the 4.4% target set through the IMF loan agreement. Budget revenues increased by 7.6% in 2011, mainly due to improved indirect tax collection (+17.3% yoy) and social security contributions (10.8% yoy), while budget expenditure increased by only 1.5% yoy, helped by decreasing personnel expenditure (-10.1% yoy). Co-financing for projects with EU backing has increased by 64.3% yoy, doubled by an 18.6% yoy increase in capital expenditure.

The current account deficit narrowed to 4.2% of GDP at the end of 2011, while the trade gap fell to 5.2% of GDP amid a sharp reduction of financial inflows. Portfolio investment remained the dominant form of financial flows (EUR 2.1 bn. in 2011) while foreign direct investment fell to EUR 1.9 bn in 2011. With the exception of bigger markets like Turkey, Russia and Poland, risk aversion and subdued growth expected over the medium term affect financial inflows all around Central and Eastern Europe.

WEAK INVESTMENT FLOWS TO ROMANIA

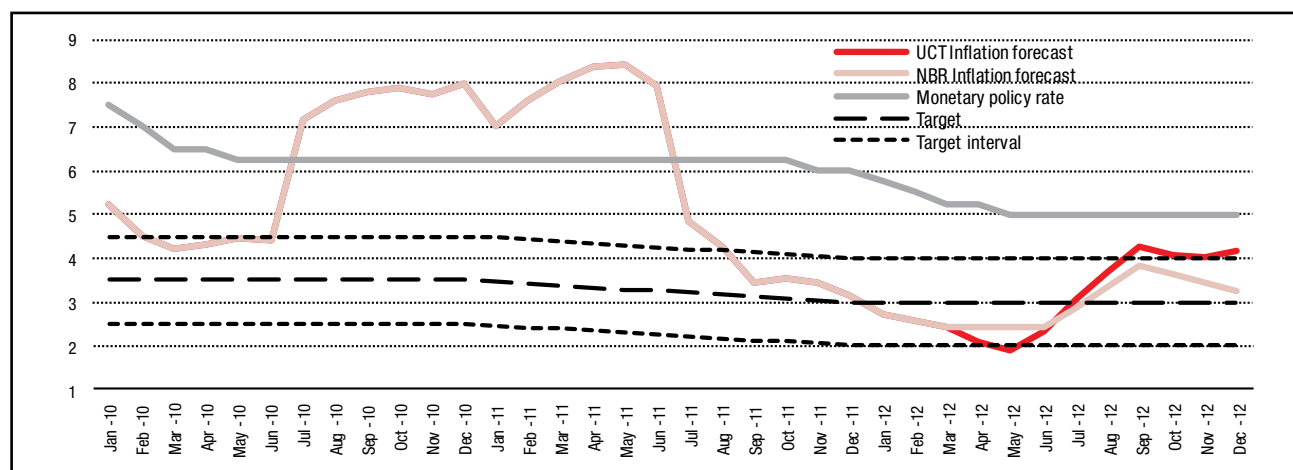


The RON appreciated close to 4.06 RON/EUR in late April, helped by inflows of EUR 2.55 bn from international financial institutions during the first half of 2011. It subsequently depreciated above 4.3 RON/EUR as debt woes in the euro zone took centre stage and risk aversion pushed CDS spreads above 450 bp for maturities longer than 3 years. In the final weeks of 2011, EUR/RON moved temporarily below 4.3 RON/EUR on better EUR supply on the FX market.

The inflation rate dropped to 3.1% at the end of 2011, the lowest level on record and close to the central target of 3%. The main reasons for sharp disinflation were supply-side factors: falling food

prices following bumper crops and less pressure from adjustments to administered prices. Core inflation (excluding administered, energy and volatile food prices) dropped to 2.4% in December 2011, showing structural rigidities rather than demand pressure on prices. The National Bank of Romania left the monetary policy rate unchanged until its November meeting, when it delivered a 0.25 pp cut to 6%, the first move in 17 months. The motivation was an improvement in inflation outlook, the NBR's inflation forecast showing headline inflation around 3% over the medium term. of 2009 (15.3%).

TAME INFLATION WARRANTED A LAXER MONETARY POLICY



The growth rate of resident non-government credit accelerated during 2011, helped by a base effect in H2 2011 and ending the year 6% higher (adjusted for FX moves). Mortgage lending rose 14.4% yoy, loans to companies were 10.6% higher, while consumer loans contracted by 3.5% on low demand and sizeable repayments (all FX adjusted). The cost of new RON loans and deposits reached an intra-year minimum in July and then rose 30-40 basis points as liquidity conditions deteriorated. Tighter liquidity conditions were mirrored on the money market and FX swap market, with short term interest rates peaking above 7% mid-November, when depreciation pressures prompted the NBR to mop up inter-bank liquidity. The pricing for FX loans and deposits has been constant, despite the rise in financing costs for European banks and higher CDS spreads for Romania. The banking system registered a loss of RON 434 mn at the end of 2011 (RAS), after a strong correction in provisions in 4Q2011. The net operating income declined 14.3% yoy, the net interest income declining 2.9% yoy, with non-interest income down by 20.3% yoy. The quality of the credit portfolio stabilized in the second half of 2011, the NPL ratio reaching 14.10% in December from 14.18% in September 2011. Interest margins adjusted for the opportunity cost of minimum reserve requirements did not cover provision making between July and November 2011.

World Economy

2012 Economic Outlook

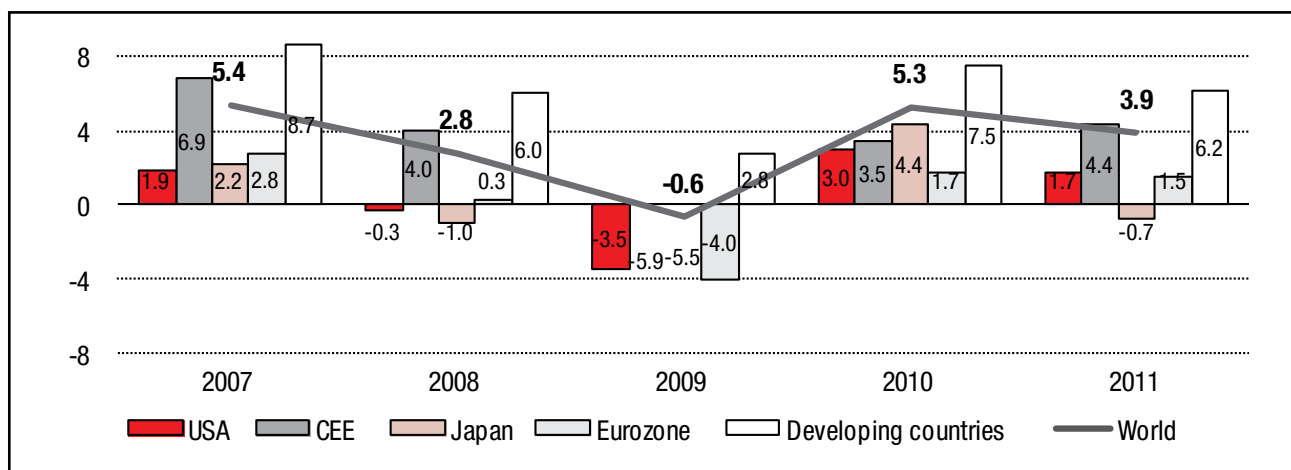
The Romanian economy could slow down in 2012 to 1.2% annual growth, with domestic demand becoming the main growth driver. Foreign demand weakened, affecting industrial production (+0.2% yoy in January – February 2012) and exports (+2.9% yoy over the same period). A likely wage hike in the public sector in June, ahead of local election, will probably boost consumption by 0.4%. The budget deficit target of 1.9% of GDP looks to ambitious given local and parliamentary elections, but we expect the final figure to remain inside the 3% of GDP European threshold. Public debt to GDP will probably peak below 40% in 2012, supporting yield reduction. The current account deficit will probably stay above 4% of GDP, in line with previous years, although foreign direct investment could fall to just 1% of GDP.

Liquidity conditions eased at the beginning of 2012 after the aggressive bidding for deposits at the end of 2011. The NBR cut the benchmark interest rate to 5.25% by March and is expected to end the easing cycle at 5%. The central bank also offered short term liquidity through its weekly repos effectively reducing the debt service for RON borrowers and improving the outlook for overall credit quality. Nevertheless, impairment costs and increasing premia paid for FX resources will affect profitability going further. Even if the Romanian economy avoids an outright recession in 2012, adverse economic conditions are likely to keep the pressure on the balance sheet of the private sector, postponing the rapid decrease of the

banking system's cost of risk. Hence, a marked improvement in profitability is difficult to forecast, amid little scope for further cost adjustments. The move to IFRS will reduce the pace of provision making, but will affect solvency ratios through a tougher treatment of reserves and assets at risk. Hence, the pressure on capital will persist, while attracting new capital will prove more expensive.

2011 Overview

The world economy grew strongly in the first quarter of 2011, but slowed down in the second quarter and deteriorated further in August due to increased tensions on the financial markets tied to a worsening of the Eurozone's sovereign debt crisis, with repercussions on confidence and the financing costs paid by businesses and consumers. The overall growth rate in the Eurozone for 2011 was 1.5%, as compared to 1.8% in 2010. The escalation of the debt crisis in subsequent months resulted in an agreement on a plan to recapitalize European banks, a new intergovernmental fiscal pact with more stringent fiscal rules, and a decision to advance the launching of the European Stability Mechanism (ESM). This was accompanied by significant measures of fiscal consolidation in those countries regarded as more vulnerable and by interventions of the European Central Bank aimed at supporting liquidity in the banking sector. The first signs of normalizing economic conditions emerged at the end of 2011. In the second half of the year, inflation stabilized in industrialized countries and disinflation accelerated in emerging markets.



Increased risk aversion drove the spreads between Italian and Spanish government bonds and German government bonds to record levels, forcing the respective governments to undertake significant fiscal consolidation and causing financing difficulties for the banking sector. Following higher tensions on the financial markets and deteriorating growth outlook, the European Central Bank lowered its reference rate by 25 basis points in November and December, bringing it from 1.50% to 1.00%. The ECB also announced the introduction of long-term refinancing operations with maturities of 1-3 years, a new program to acquire covered bonds, and a relaxation of the rules relating to collateral.

Private sector credit slowed down in the Eurozone in late 2011, consistent with weaker economic activity and with the sharp tightening of lending standards for households and businesses. The annual growth rate for loans exceeded 2.5% y/y for the whole year. In the United States, growth moderated in 2011 to 1.7% compared to 3.0% in 2010, hit by temporary factors such as the effect on the global distribution chain of the earthquake in Japan and the increase in commodities prices, leading to a fall in disposable household income. Along with the persistence of a high jobless rate, public debt continues to be one of the thorniest questions. In August, Standard and Poor's cut its sovereign debt rating from AAA to AA+, due to the lack of concrete measures to reduce the federal debt.

In light of a moderation in the pace of growth, the Federal Reserve in 2011 continued with a further relaxation of monetary policy.

After completing a program to acquire \$600 billion in long-term government securities started at the end of 2010, the central bank announced that it intends to hold the Fed funds rate steady until at least the end of 2014.

World Economy (CONTINUED)

2012 Economic Outlook

The world economy showed signs of stabilization in the first quarter of 2012 in a climate of improving conditions in the capital markets. Various factors contributed to weakening financial tensions, among them actions and policies undertaken by countries and institutions in the euro area to deal with the sovereign debt crisis (including actions taken by the ECB to support liquidity, the second aid plan for Greece, the increase in resources aimed at the euro area “firewall”, and a commitment by the countries deemed most vulnerable to continue working towards fiscal consolidation and structural reforms), better than expected data in the United States, and an environment in the emerging countries that continues to support global growth, though there were signs of a slowdown in China. The short-term outlook, however, continues to point to significant risks such as a rise in oil prices linked to tensions in the Middle East and a heightened debt crisis in the Euro area. As for the United States, GDP showed robust growth already in the last quarter of 2011, posting an annualized rate of 3%.

In this environment the European Central Bank maintained the benchmark rate at 1.0% and in February carried out the second, long-term, three-year refinancing transaction aimed at providing liquidity to the banking sector.

The slowdown in lending activity in the Euro area continued in the first quarter of 2012, bank loans to the private sector growing 0.7% yoy, the slowest pace since June 2010. At the beginning of 2012, UniCredit managed to increase its capital by EUR 7.5 billion, thus fulfilling the tougher capital requirements of European authorities while offering protection against eventual adverse conditions for the European banking system.



UniCredit Tiriac Bank activity review

Financial results

In 2011, UniCredit Tiriac Bank continued its growth and investments in development along with earning above market profitability and maintaining strong liquidity, solid capital position and high efficiency.

the central bank accounted for 5% of total interest income, down 64% year-on-year due to drop in volumes of both inter-bank deposits and minimum reserves. Interest income from Treasury securities soared 40% due to the increase in securities portfolio. Interest expenses on deposits more than halved due to market drop in external interest rates. Lending

Summary income statement

RON Millions

	2011	2010	VARIANCE (%)	VARIANCE (AMOUNT)
Net interest income	784.5	915.2	-14.3	-130.8
Net fees and commissions income	225.0	232.7	-3.3	-7.6
Dividends income	0.9	2.0	-55.9	-1.1
Net income on foreign exchange and on derivatives held for risk management	199.4	184.9	7.9	14.6
Net gains on financial assets available for sale	9.4	11.5	-18.1	-2.1
Other operating income	3.5	17.0	-79.5	-13.5
OPERATING INCOME	1,222.7	1,363.2	-10.3	-140.5
Operating Expenses	-610.4	-584.4	4.5	26.0
NET OPERATING INCOME	612.3	778.9	-21.4	-166.6
Net impairment loss on financial assets	-349.0	-495.2	-29.5	-146.3
Impairment of tangible and intangible assets	-1.5	-0.3	475.7	1.3
Net provision charges	-78.9	-69.3	13.9	9.7
Profit (loss) on associate investments at eq method	4.2	-9.9	-	-
PROFIT (LOSS) BEFORE TAXATION	187.1	204.2	-8.4	17.1
Tax expenses	-27.6	-33.0	-16.2	-5.3
NET PROFIT (LOSS) FOR THE YEAR	159.4	171.2	-6.9	-11.8

The bank reports a net profit of RON 159.4 million in 2011, down 6.9% as compared to the previous year mainly driven by the lower interest margins. Net operating income is down 21.4% to RON 612.3 million.

Profitability decreased yet above the market and at good comparative level considering the economic environment: Return-on-Asset is 0.7%, Return-on-Equity 6.5% and earnings per share RON 3.91. Cost-to-income ratio is 49.9%.

Operating income registers a 10.3% drop reaching RON 1,222.7 million driven by the decrease in net interest income. Net interest income reaches RON 784.5 million, 64.1% of total operating income, registering a 14.3% drop in nominal terms. Interest income was negatively influenced by the decrease of the average interest rates on assets. Lending interest income, representing 78% of total interest income, decreased by 2% in 2011 as compared to the previous year despite 15% growth in average loan portfolio due to lower margins. Interest income from inter-bank deposits and minimum reserves with the Central Bank accounted for only 4% of total interest income, down 35% year-on-year. Interest income from Treasury bills and bonds dropped 12%. Interest expenses on customer's deposits decreased by 15% due to drop in interest rates. Costs on external funding went up by over 10% due to the market liquidity squeeze in 2H 2011. Average 1-month EURIBOR went up from 0.57% in 2010 to 1.2% in 2011 and the average 1-month ROBOR was down from 5.93% in 2010 to 5.29% in 2011.

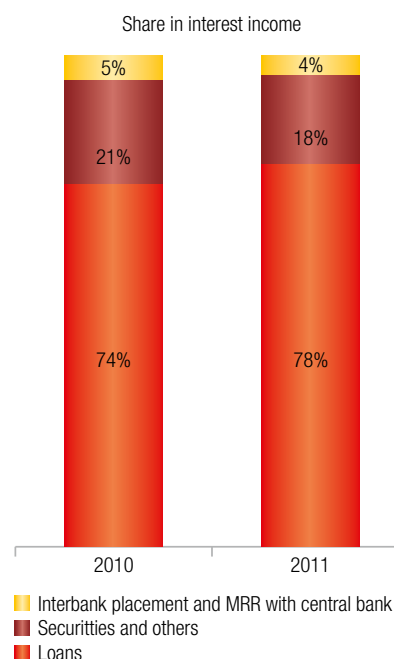
Interest income from inter-bank deposits and minimum reserves with

and deposit spreads for the year as a whole decreased in line with the market trends. Average 1-month EURIBOR went down from 0.9% in 2009 to 0.6% in 2010 and the average 1-month ROBOR from 11.76% to 5.76%.

Net fee and commission income decreased by 3.3% to RON 225

million, accounting for 18.4% of the operating income. Commissions from the risk participation on externalized loans with UniCredit Bank Austria decreased by 13%, same decrease being observed for loan administration fees (impacted by changes in the regulatory framework), while payment transactions increased by 10%.

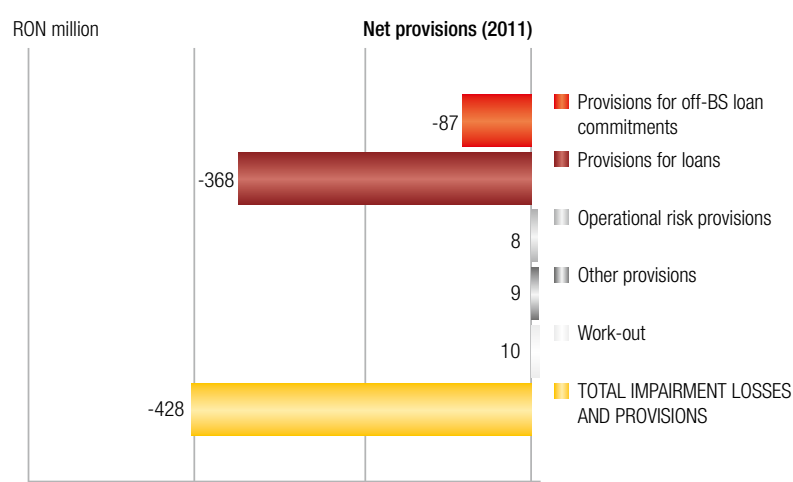
Total trading income increased by 6.4% to 17% of total operating income. Net income on foreign exchange and on derivatives held for



risk management increased by 7.9% and reached RON 199.4 million in nominal terms. The bank operated in strict compliance to the related market risk statutory standards and group policies.

Operating costs reached RON 610.4 million, up 4.5% year-on-year, below the average annual inflation rate. Personnel costs grew by 4.2% to RON 284.8 million or 46.6% of total operating expenses. Other administrative costs also increased by 4.2%. In 2011 the branch network was enlarged by 10 new units.

Net impairment losses on financial assets and provisions, mainly provisions on loans, decreased by almost 25% to RON 428 million. The decrease was mainly driven by provision charges on loans which reached RON 368 million (decrease by 25%). Provision charges for off-balance sheet loan commitments increased to 87 million, compared to 71 million in 2010 but is compensated by the recovery of Other provisions, mainly related to dormant current accounts. The total cost related to credit risk (including on- and off-balance-sheet provision charges, loans written off, recoveries and losses from debt sales is RON 436 million, representing 204bp, down 91bp compared to previous year. UniCredit Tiriak Bank continued pursuing a strict and prudent risk provisioning policy, thus adequately covering potential risks. Income tax is RON 27.6 million, down 16.2% year-on-year.



Balance sheet

The value of the balance sheet total reached RON 22.9 billion, up 9.9% as compared to the end of 2010. Interest-earning assets accounted for 96.2% of total assets.

Summary Balance Sheet*

RON Millions

	2011	2010	VARIANCE (%)	VARIANCE (AMOUNT)
Assets				
Cash and balances with Central Bank	2,956	2,968	-0.4	-12.2
Due from Banks (net)	1,351	734	83.9	616.5
Securities	3,424	3,891	-12.0	-467.3
Loans and Advances to customers (net)	14,499	12,661	14.5	1,838.7
Property, equipment and intangible assets	379	344	10.3	35
Other assets, net	253	206	22.9	47
Total assets	22,862	20,804	9.9	2,058
Liabilities and shareholders' equity				
Deposits from banks	3,661	3,229	13.4	432
Customer deposits	11,542	10,988	5.0	554
Long-term borrowings	4,527	3,756	20.5	771
Other liabilities	642	453	41.6	189
Total liabilities	20,372	18,426	10.6	1,946
Shareholders' equity	2,490	2,378	4.7	112
Total liabilities and shareholders' equity	22,862	20,804	9.9	2,058

* Balance Sheet Structure from the financial statements is adjusted for analytical purpose.

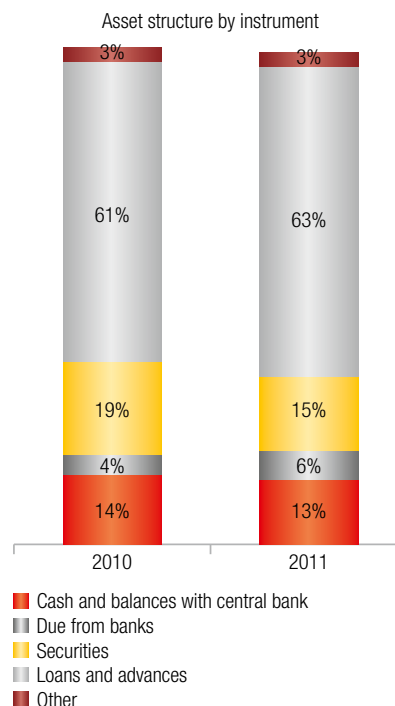
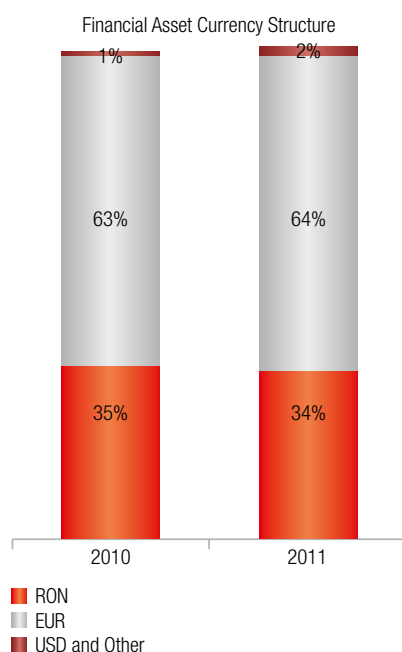
UniCredit Tiriac Bank activity review (CONTINUED)

In the currency structure of the financial assets, the RON denominated component represents 34% of total financial assets, dropping slightly by 1%. The loan portfolio weight increased to 63.4% of total assets against 60.9% for the previous year, reaching RON 15.9 billion in gross terms (up 17.2% year-on-year). Securities portfolio dropped by 12% to RON 3.4 billion mainly government securities, representing 15% of total assets. Cash and balances with the Central Bank are stable at RON 3 billion with a 13% share in assets. The minimum reserve requirements for eligible foreign currency denominated deposits decreased from 25% to 20% starting with April 2011 and remained stable at 15% for the ones denominated in local currency. Intangible assets increased by 15% reflecting the impact of the ongoing development expenditure.

UniCredit Tiriac Bank owned shares in 12 companies at the end of 2011 with a total carrying value of these investments in amount of RON 59.3 million. During the year, the bank participated in a share capital increase by RON 12.6 million in UniCredit Consumer Financing IFN S.A. (maintaining its share of 46.06%) in order to sustain the further development of the consumer finance business in Romania while the participation in UniCredit Leasing Corporation IFN S.A. remained unchanged (20%). The bank sold its small participations in Bursa Romana de Marfuri and Centrul de Afaceri Romania in 2011.

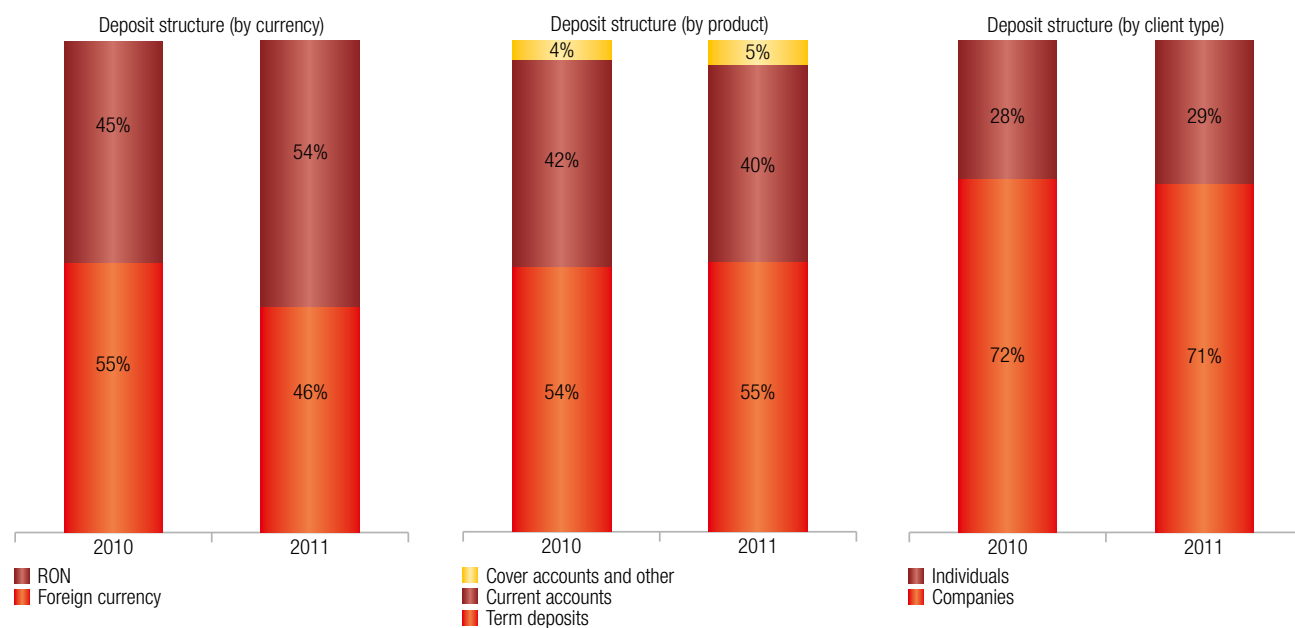
On the liability side the bank largely preserved its funding structure. Customer deposits increased in 2011 by 5% to RON 11.5 billion representing 50.5% of total liabilities. Loan (gross)-to-deposit ratio reached 138% at the end of 2011. Medium and long term funding from the mother company increased.

Shareholders' equity amounted to RON 2,490 million, up 4.7% for the year (RON 2,378 million in 2010). The equity ratio dropped to 10.9%, from 11.4% in 2010. Total capital adequacy ratio under statutory standards was 11.4% (12.0% including the profit for the period in own funds at the end of 2011 vs 12.9% in 2010), and Tier 1 ratio was 10.1% (10.7% including 2011 profit vs 11.2% in 2010). All indicators are above the regulatory norm.



Customer deposits

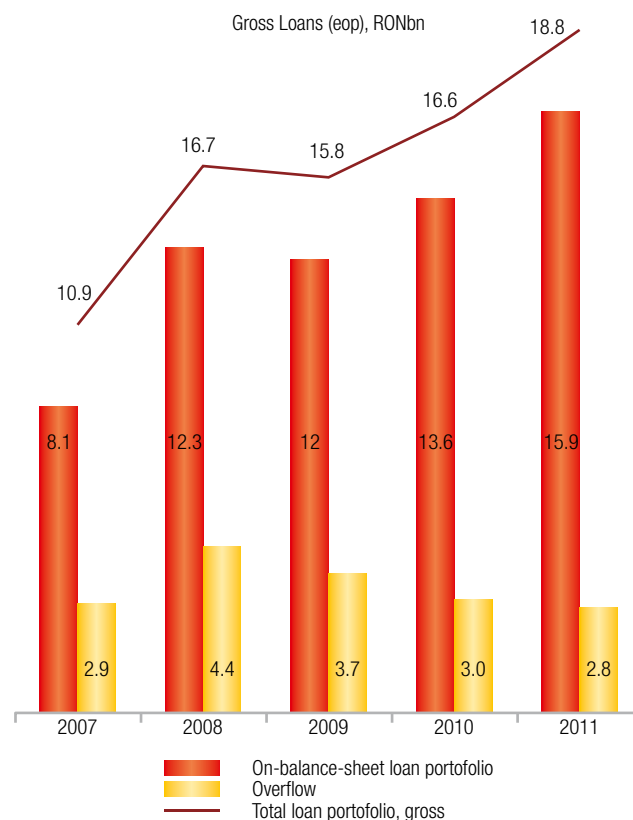
In 2011, customer deposits increased by 5% and reached RON 11.5 billion. In terms of currency split, RON denominated portion reached 54% of total vs 45% in 2010.



Companies' deposits increased 4% to RON 8.25 billion at the end of 2011, 71% of total. Individuals' deposits increased by 7.7% reaching RON 3.3 billion or 29% of total deposits. Current accounts share in total deposits is 40% of total.

Bank loan portfolio

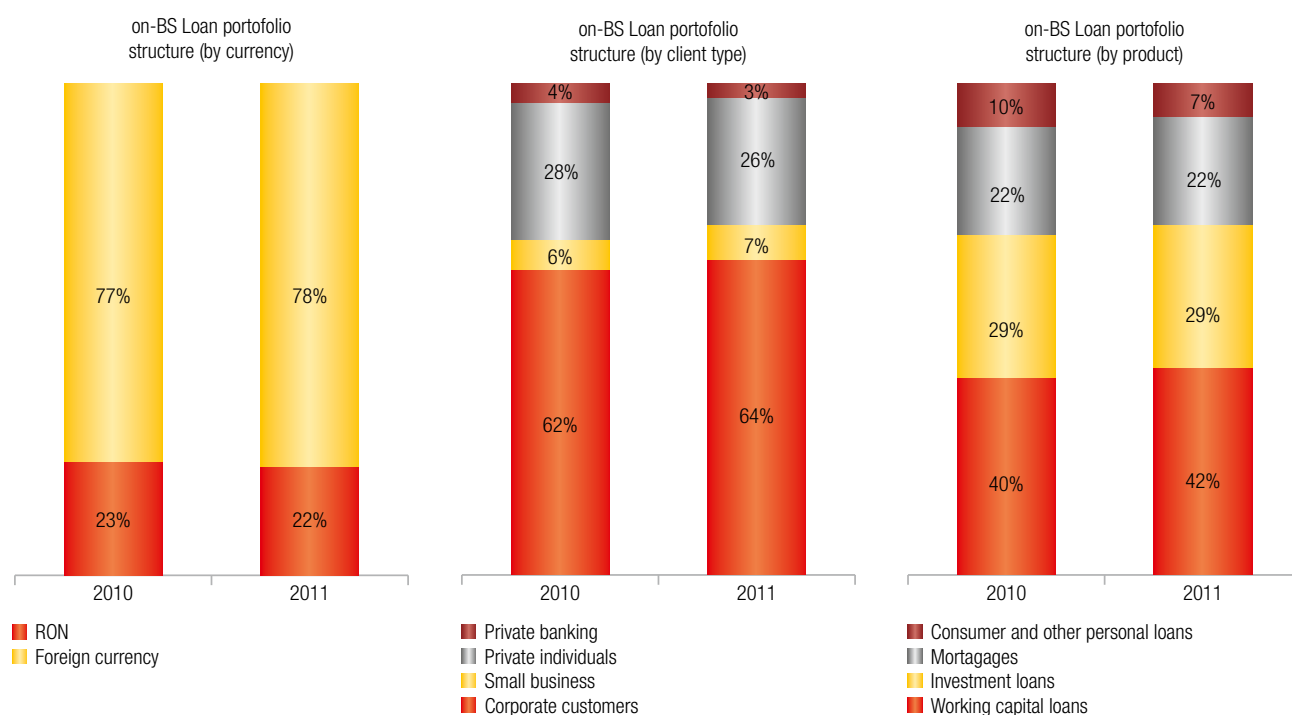
In 2011, the on-balance-sheet loan portfolio experienced a nominal increase of 17.2% to RON 15.9 billion on a gross basis from RON 13.6 billion last year. Adding the outstanding externalized loans to UniCredit Bank Austria, for which UniCredit Tiriac Bank is a party through a risk participation agreement and administration, the total amount of the gross loan portfolio is RON 18.8 billion, up 13.1% from RON 16.6 billion a year earlier. The average annual on-balance sheet loan portfolio was RON 14.7 billion in 2011, up 15.1% compared to 2010.



UniCredit Tiriac Bank activity review (CONTINUED)

The structure of the portfolio stayed relatively stable, reflecting the commercial activities during the year. Companies' loans increased 21.8% holding a 71% share in total portfolio vs 68% in 2010. Loans to individuals increased by 7.4% in nominal terms, reducing their share in total to 29% – including loans both to Individuals and Private Banking Clients. Small business portfolio slightly increased to 7% of total loans.

The proportion of foreign currency loans increased to 78% from 77% in the previous year. Investment loans and working capital loans held the highest portion of portfolio with 29% and 42% respectively. Mortgages and consumer loans (including also overdrafts, car loans and cards) represented overall 29% of total portfolio, having a stable share in total loans, compared to previous year. After opening of UniCredit Consumer Financing IFN S.A. (UCFin) at the end of 2008, the newly extended non-collateralized consumer loans are booked on UCFin accounts.



The industry structure of UCT loan portfolio was largely preserved with private individuals and commerce holding together near 47% of total net portfolio yet reducing concentration.

Net loan portfolio - Industry structure

RON Millions

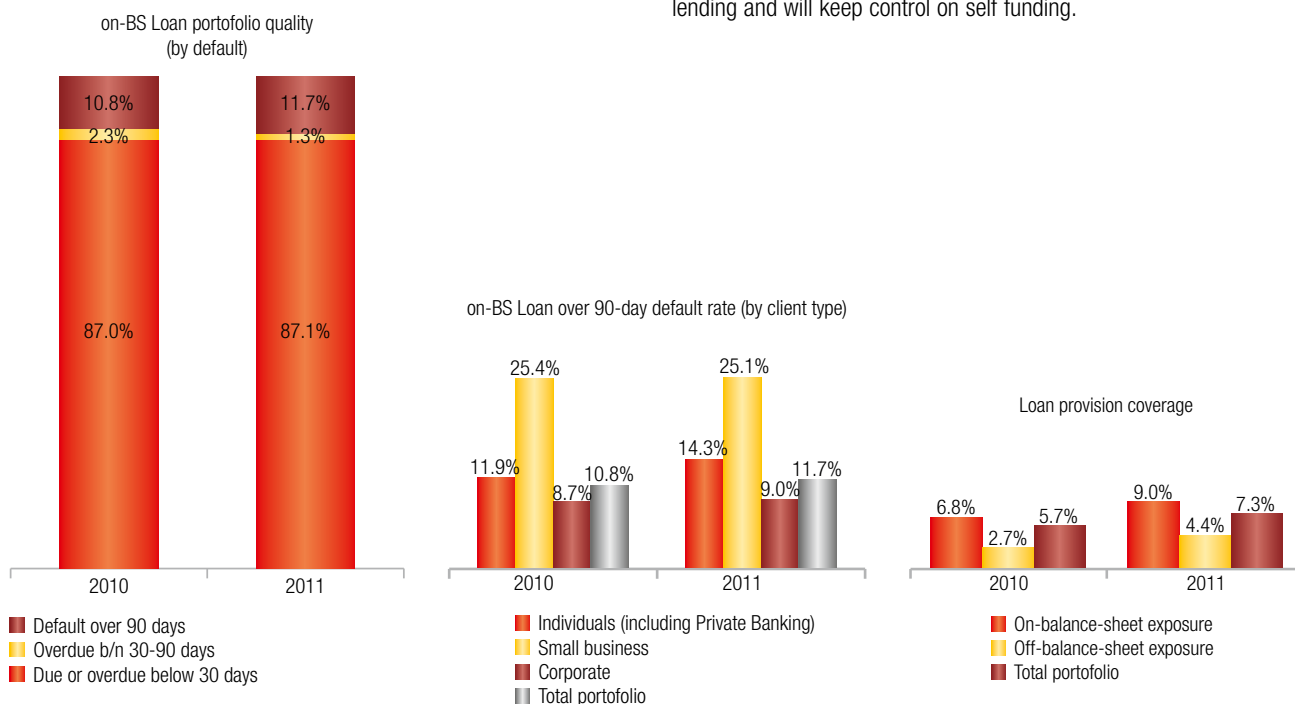
	2011		2010	
	Amount	Share	Amount	Share
Private entities (incl. private individuals)	4,009	28%	3,904	31%
Commercial, recovery and repair services	2,249	16%	2,038	16%
Real estate	1,721	12%	1,339	11%
Construction and civil engineering	610	4%	561	4%
Other seable services	722	5%	464	4%
Energy products	228	2%	413	3%
Foodstuffs, beverages and tobacco-based products	704	5%	550	4%
Inland transport services	303	2%	344	3%
Other	3,953	27%	3,048	24%
Total	14,499	100%	12,661	100%

The asset quality deterioration deteriorated somewhat yet at a much lower pace than previous years. Loans with over 90-day default reached 11.7% of total portfolio, up from 10.8% at 2010 end. The segments with highest default rate are small business with 25.1% and Private Banking with 25.4% default rate.

During the year, the bank continued adopting prudent policy of loan loss provisioning. Total on-balance-sheet portfolio provision coverage as of December 2011 was 9.0%, covering 76% of loans with more than 90 days overdue.

Outlook

No fast recovery of the Romanian economy in 2012 is expected having in mind the Eurozone economy slowdown and still low local demand. This will go along with liquidity and capital availability and pricing challenges. Credit risk growth and margin pressure without much growth opportunities will further squeeze the income and profitability of banks. Consolidation, deleveraging, foreclosure and optimisation will be key management levers. Yet some room for business growth in some areas is expected such as SME and EU funds supported projects. Structurally, the bank will encourage RON lending and will keep control on self funding.



UniCredit Tiriac Bank activity review

PRO-FORMA CONSOLIDATED FINANCIAL STANDING

UniCredit Tiriac Bank registers growth both in volumes and net profit for the year on pro-forma basis, fully consolidating UniCredit Leasing Corporation IFN S.A. and UniCredit Consumer Financing IFN S.A. on line-by-line basis.

The consolidated revenues registered an 8.2% drop to RON 1,413 million. Net interest income is down 11.3% year-on-year and accounts for 67.3% of operating income. Net operating income is down 18.6% year-on-year to RON 685 million, while net profit is up 8.8% to RON 158 million, driven by the impairment drop.

Summary Income Statement (RON Millions)

RON Millions

	2011	2010	VARIANCE (%)	VARIANCE (AMOUNT)
Net interest income	950	1,071	-11.3	-121
Net fees and commissions income	235	248	-5.1	-13
Net income on foreign exchange and on derivatives held for risk management	211	189	11.5	22
Other operating income	16	30	-47.5	-14
Operating Income	1,413	1,539	-8.2	-126
Operating Expenses	-727	-697	4.4	-31
Net Operating Income	685	842	-18.6	-156
Net impairment loss on financial assets	-421	-594	-29.2	173
Impairment on tangible and intangible assets	0	-3	-133.0	3
Net provision releases/(changes)	-79	-69	13.9	-10
Profit before tax	186	176	5.8	10
Income tax expenses	-28	-31	-8.3	3
Net profit for the year	158	145	8.8	13

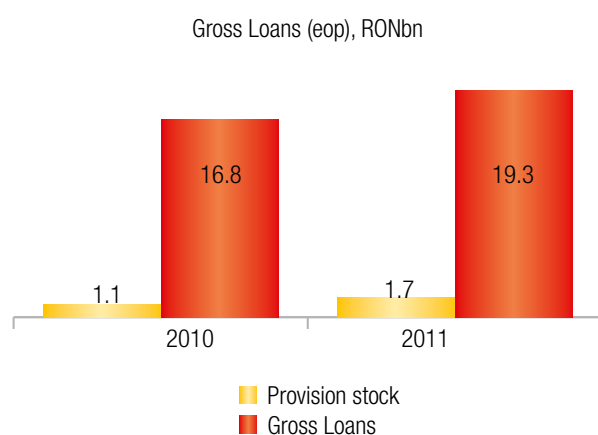
The consolidated total assets are up 9.7% to RON 26.15 billion at the end of 2011. Loans and advances to customers are RON 17.6 billion accounting for 67.4% of assets. Shareholders' equity is RON 2.5 billion, 9.7% of balance sheet total.

Summary Balance Sheet (RON Millions)

RON Millions

	2011	2010	VARIANCE (%)	VARIANCE (AMOUNT)
Assets				
Cash and balances with Central Bank	2,956	2,968	-0.4	-13
Due from Banks (net)	1,350	731	84.7	619
Securities	3,382	3,866	-12.5	-484
Loans and Advances to customers (net)	17,635	15,627	12.8	2,008
Property, equipment and intangible assets	390	355	9.7	34
Other assets, net	434	280	54.9	154
Total assets	26,146	23,828	9.7	2,318
Liabilities and shareholders' equity				
Deposits from banks	3,661	3,229	13.4	432
Customer deposits	10,897	10,170	7.2	727
Long-term borrowings	8,214	7,467	10.0	747
Other liabilities	834	557	49.6	277
Total liabilities	23,606	21,423	10.2	2,183
Shareholders' equity	2,539	2,405	5.6	134
Total liabilities and shareholders' equity	26,146	23,828	9.7	2,318

Gross loans and advances to customers increased by 15.2% to RON 19.3bn at the end of 2011. Loan provision coverage at the end of the year is 8.7% up from 6.8% in 2010.



Overview of the business segments

Retail division

Client focus and providing concrete answers to the challenges clients face in everyday life remained also in 2011 at the core of our Retail business. We continued to put a significant stress on flexibility, trying to support our clients by providing them with innovative and efficient channels for managing their banking operations.

The bank's activity on the **private individuals segment** resulted at the end of 2011 into an increase of 12% in loans portfolio, while the market growth was situated at 2%. The deposits portfolio grew 11%, while the market was up 8 %. The positive trend was present also in terms of number of clients, which reached a growth of 10% and in terms of number of Online B@nking users, with a growth of 24%. The bank's market share on the private individuals loans was situated at 5, 1 %, while reaching 2, 9% on deposits.

In terms of products and services and following the above mentioned stress on flexibility, UniCredit Tiriak Bank clients benefit from the Online B@nking optimization which facilitates access to the service via smartphones and the possibility to recharge their prepaid phone cards at the bank's ATMs and BNAs, the latter also permitting the payment of telephone bills, cash deposit (in RON) and EUR - RON exchange.

The bank continued to be present with social programs such as "Prima Casa" and the co-branded UNICEF card, launched back in 2010, and maintained the support for its clients by offering competitive refinancing products and deposits with 2, 5 and 7 years maturities.

2011 continued to be marked by challenges due to the economic context, influencing the business on all client segments approached by the bank. In what concerns **SME business**, UniCredit Tiriak Bank strengthened its focus on clients, being keen on understanding their needs and deliver concrete answers and real benefits. The bank's performance on the segment was positive in terms of volumes, reaching an increase yoy of 33% for loans volumes and 28% for deposits volumes, thus ensuring, at SME segment level, a balanced loan to deposit ratio. The number of SME clients went up 10%.

Last year also marked the implementation of a New Service Model dedicated to Small Business Clients, the aim of which is to ensure tailored delivery of products and services.

The proposition we are making to our clients is to use efficiently the banking products we offer them, by means of dedicated packages, and to increase their business by using online and other innovative channels, saving precious time and concentrating their efforts on growing their business.

Regarding the bank's activity on the **affluent segment**, our priority was to extend the service model previously implemented to new locations, reaching our objectives at the end of 2011 in terms of customer acquisition.

Among the main products dedicated to this segment, we can mention the Affluent package, which includes a careful selection of non-banking benefits according to clients' preferences. The package encourages the use of bank's products and services, the client being rewarded by partial or total reimbursement of the package monthly fee, depending on the frequency and volume of transactions.

Term deposits with a wide range of maturities with special focus on long term deposits were also available, as well as the benefits entailed by UniCredit Tiriak Bank's partnership with Pioneer Investments and ERGO. Through Pioneer Investments, our clients had access to a range of 12 local and international investment funds RON, EUR & USD denominated. The sales results in 2011 confirmed increasing clients' appetite for mutual funds investments, the volumes reaching over EUR 20 million, mainly invested through a special closed end fund with a targeted yield.

The partnership with ERGO focused on developing innovative products with guaranteed yields, attracting sales over EUR 4 million.

The Multichannel Management team continued to develop **alternative channels** to interact with customers, focusing on two main business areas: **call center** and **e-channels**.

The E-channels carried on their efforts towards developments and driving business related to the online environment and alternative channels terminals (ATM/POS/BNA), materializing in positive results. The number of Retail Online B@nking customers increased by 24% in 2011 compared to 2010, while SMS banking users increased by 62%. UniCredit Tiriak Bank registered a 20% growth of the total number of POS for Retail clients; the number of cash deposit machines reached 98 units, representing 18% out of the total number of our ATM network.

Search Engine Optimization activities on the bank's website increased the number of new visitors by 10% and decreased the bounce rate from 40% to 16%. Also, the conversion rate from lead to customer was increased with 10%.

Significant efforts were employed last year in order to implement the **Transaction Migration Project**. The challenge was to migrate high traffic branches transactions from the cashier to the multifunctional machine (BNA), starting in April with 12 branches and continuing with another 20 branches in November.

Transaction Migration Index at the end of 2011 was 55% and the customer satisfaction surveys revealed that 99% of the clients will continue to use the BNA, therefore benefiting from its diverse functionalities: cash out with card or barcode, cash in with card or barcode, invoice payment (by scanning the invoice or manually, with the card), Foreign Exchange, term deposits, payment orders.

As previously mentioned, in 2011 UniCredit Tiriak Bank finalized the **mobile optimization** for both OnlineB@nking (designed for private individuals) and BusinessNet (designed for business customers). The Internet Banking platform allows customers to access their accounts,

perform domestic payments, foreign currency payments, transfers between own accounts and currency exchange, opening and cancelling term deposits and reimbursement of credit cards. Mobile optimization was implemented, being now used by more than 5.000 clients.

In order to increase merchant card acceptance, we designed and distributed to our clients a catalogue with relevant instructions and information about card transactions at POS terminals. Also, in our constant search to provide more support to customers, a series of video tutorials were filmed, aiming to ease the learning process for the Online B@nking platform. Also, the online banking access page was redesigned and promoted to new customers. The success rate (from lead to customer) is at 30% and increasing.

The Call Center team increased its activity both on support and commercial activity. As in previous years, the focus was to continue to improve quality of service through well prepared consultants and efficient services available over the phone, the number of which was

increased, thus enabling the customer to activate these services directly.

Out of all the inbound calls, the abandon rate decreased to 9.29% in 2011 from 11% in 2010, while 89% of the answered calls were handled in less than 30 seconds. Average waiting time of customers calling in the Contact Center was 20 seconds and time to answer to emails from customers sent to the bank's contact address is less than 24 hours.

Overview of the business segments (CONTINUED)

Corporate Investment Banking and Private Banking

In a challenging economic year, our bank strongly focused on customer satisfaction in all activity areas. Therefore, a series of initiatives were developed with the purpose of better understanding and rapidly adjusting to our clients' changing needs.

These efforts translated in an increase of the customer satisfaction index: the CIB&PB achieved 4 points over the market average in TRIM INDEX.

The goals of the Customer Satisfaction initiatives were to simplify processes and speed up our response times. Setting high service standards for our employees and training them was a priority, so that they meet customers' expectations by promptly addressing any concerns.

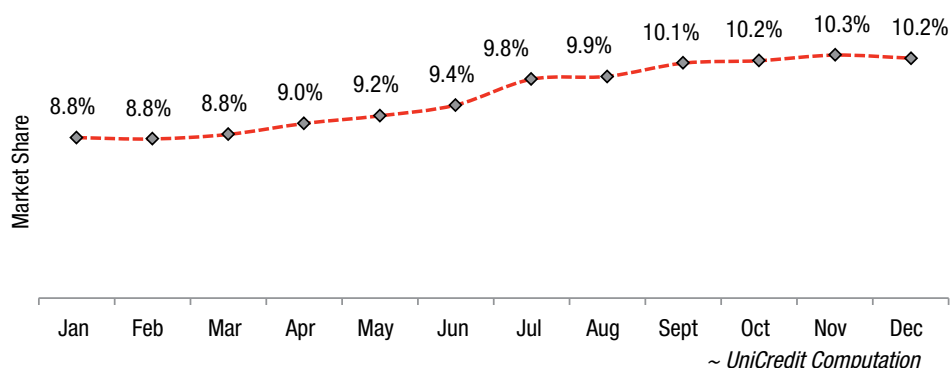
Sustained commercial efforts proved efficient and as a result, CIB loan growth in volumes exceeded market growth, while corporate revenues grew vs. 2010 with 2%, despite well known market difficulties that made 2011 a particularly challenging year, with multiple economical turbulences.

The market response to the unstable worldwide economic environment led to an unreasonable pricing increase for attracted liabilities, ratios such as L/D being difficult to be controlled. CIB&PB prompt reaction enabled a smooth solution and comfortable level of such ratios at year end and a good start maintained in 2012.

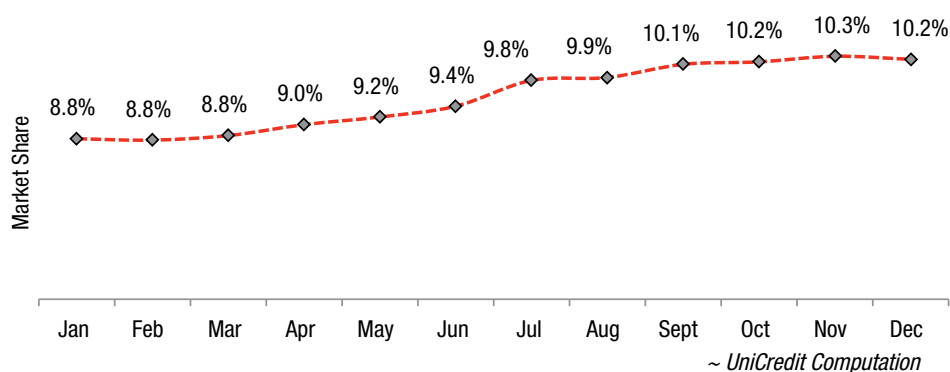
In terms of profitability UniCredit Tiriak Bank is among top 5 most efficient banks, CIB Division being the main contributor of Bank's profitability in 2011. Corporate growth on loans was of 21%, versus 10% market growth.

Market Share, at December 2011, for Corporate Loans is 10,2%, increasing from 8,8% at years' start and for Corporate Liabilities, the market share had a relatively steady evolution, with some normal fluctuations throughout the year reaching from 9,0% at beginning of the year to 11,5% at years' end.

Market Share Evolution: Loans



Market Share Evolution: Loans



Among the main **corporate achievements in 2011**, the highlights were:

- supporting the **growth of domestic “champions”** (leading private sector companies in their respective sectors), increasing the loans volume with 21% compared with 2010;
- substantially improvement in the L/D Ratio during the last quarter of 2011 insuring a good start for 2012 as well;
- increasing market shares;
- reaching top two best financing banks for companies implementing **EU Funds projects** in Romania, being one of the 3 banks in Romania selected for JEREMIE Initiative. 2011 was the best year for us from the point of view of project financing: projects value was of 360 million EUR, five times more than the amount reached in 2010.
- **supporting SMEs** with guaranteeing free of cost instrument;
- maintaining a leading position in **Factoring** - which confirmed its top position for the 4th year in a row, with a volume of 803 mil EUR and a market share of 31,12% - and in **Real Estate**.
- significant growth of Trade Finance market share (estimated to 14%, as per UCG GTB CEE source) by redefining the business model for **Trade Finance** to better serve the network and clients.

The success of the service model in Private Banking was reflected by the significant improvement of the results in the Customer Satisfaction Survey (2nd year of important increase).

The number of PB clients increased vs. previous year with 25%. Penetration rate of Investment products (mutual funds, government and corporate bonds, equities) increased vs. previous year, amounting 35% of the total financial assets managed by the PB business line. GIS concept as a foundation base for investment advisory dedicated to Private banking Clients, is offering the opportunity to invest in 5 types of portfolios which reflect the Group's strategy. The investment products offer was enlarged with a dedicated Private banking bank assurance product: ERGO Water. Offering full support for PB clients transactional purposes, PB Customer Support department exists assuring a dedicated attention towards clients day to day banking activity.

CIB&PB division has a matrix based structure comprising product expertise centers and coverage functions, where coverage split in segments is organized throughout a dedicated network including in 2011: 4 Commercial Groups divided in 11 Regions, where CIB & PB customers have dedicated 19 Corporate Branches and 20 Corporate sales points.

CIB & PB Division has the following sub-segments structure:

1. **Mid market customers:** domestic customers with Romanian capital majority, split between Lower Mid Market and Upper Mid Market;
2. **International customers:** companies with foreign capital more than 50%, which are not Multinationals;
3. **Large Corporate:** Large Companies with the following split: Romanian Companies; Multinational; Public Institutions;
4. **Financial Institutions Groups;**
5. **Real estate companies** (not only coverage, but also product expertise center);
6. **Private Banking Individuals**

Throughout 2011, all CIB & PB segments consolidated, attaining a very good evolution in what concerns their positions in the market. While Real Estate segment maintained a market top position, closely followed by Large Corporate sub-segments, the strong focus on International and Mid Market customers made possible improvement in their respective positions.

Risk Division

Throughout 2011, UniCredit Tiriac Bank increased the efforts to identify correctly the risks at individual level (a transaction/debtor) and global level (portfolio). They translated into taking all necessary actions to enhance awareness and to understand both existing and new risks that can appear in time, as activity is in progress, the macroeconomic environment is changing and new products and new business relations are being developed.

Risk assessment benefited from updated procedures and policies (detailed stipulations on lending and portfolio monitoring, replacement and workout) and from enhanced specialized tools for crediting. These have been developed and/ or implemented in order to better assess the risk of specific credit portfolios. Also, the bank proceeded to significantly improve control procedures in order to reduce the controllable risks, while maintaining an optimum level of cost-effect ratio and to take decisions to reduce the financial impact that uncontrolled risks could have.

During 2011, the bank performed stress tests as a diagnostic tool in order to dimension its risk appetite. These tests have also been used as an anticipative tool within the internal capital adequacy assessment process. Additional improvements have been done to the methodology, mechanisms and systems used for the detection and prevention of fraud risk.

From operational risk point of view, UniCredit Tiriac Bank was focused on increasing the risk culture at bank level. In this respect, trainings to banks' employees were delivered, followed by testing sessions and workshops to debate and find the best solutions to mitigate the operational risks.

Raising awareness was reflected in the substantial reduction of operational risk losses (losses recorded in 2011 were 70% lower than previous year).

The National Bank of Romania approved the use of the internal model to compute regulatory capital for operational risk (AMA).

In respect to market risk, the management reviewed and approved the underlying policy, including the bank's risk tolerance and risk profile. The policy defines the interest rate, the foreign exchange and the liquidity risk limits applied to the Bank. The liquidity risk management approach starts at the intraday level: managing the daily payments queue, forecasting cash flows and factoring in our access to Central Bank intraday facilities. It then covers short term liquidity risk management dealing with access to secure and unsecured funding sources.

Finally, the strategic perspective comprises the maturity profile of all assets and liabilities on our balance sheet. A contingency funding plan is constructed as part of liquidity management policy. The reporting system based on our cash flow provides daily liquidity risk

information to local management and the Group.

Interest rate reports are based on the re-pricing profile of our assets and liabilities. Value at Risk (VaR) is calculated on a daily basis at total balance sheet level, as well as separately for Banking Book and Trading Book incorporating interest rate risk, foreign exchange risk and credit spread component.

Stress testing and scenario analysis play a central role in our risk management framework. This also incorporates an assessment of the liquidity and cash horizon, of the impact of different interest rates and FX rate shocks on the economic value.

Global Banking Services Division

ICT DEPARTMENT

ICT mission is to act as a proactive business enabler, to be a champion of innovation and the unique provider of the best system support services, providing solidity and reliability in core banking day by day operations, all bundled under a center of excellence concept.

ICT strategy aligned with business expectations consists of:

- wide usage of existing and new electronic banking channels.
- Improvement and expansion of sales channels: physical channels (i.e. branch network & partner networks) and virtual channels (i.e. internet, mobile & contact center).
- Flexibility in implementing and moving points of sales (branches, BNA's, POS's, etc)
 - Flexibility in product proposals & management of different client segments, due to a very challenging market opportunities and for covering particular needs (i.e. liquidity increase – long term deposits. Etc)
 - The focus is on cost savings while gaining market share
 - Process based approach will bring us to setup, implement and monitor end to end processes through all the company
 - Compliance with obligatory reporting requirements and other regulations is a vital factor for the Bank and should be developed with the same priority as business lines. It becomes even more important due to the financial crisis.

To be aligned with the ICT mission a new internal organisational structure and a new definition of IT processes were designed.

Main projects in 2011:

Relocation of Data Center (Disaster Recovery) – Scope of the project was to create a safe environment datacenter operations with disaster recovery role configured according to the international standards

Relocation of UCBP - New first class office building for the location of the Unicredit Business Partner.

Safe environment datacenter operations with live role configured according to the international standards.

Relocation of Call Center Iasi - New office building for the location of the Unicredit Tiriac Call Center

OPERATIONS DEPARTMENT

The Operations Department has the mission to ensure a good performance of centralized activities, as well as operational support to Branches and to all other divisions/departments in order for the customers' instructions to be carried out in due time and at the established levels of quality. The department is also responsible for monitoring all operational activities of the above that have been outsourced to providers in the Group or external ones. This mission is carried out through the 6 (six) departments: Payments, Card Operations, Banking Operations Services, Treasury and Securities Services, Operations & Branches Support and Loan Administration.

Main achievements in 2011 are:

- Increase of operational Efficiency with 5%YOY
- Takeover of operational activities as a result of Branches restructuring
- Generate revenues for the bank from garnishment and cash operations activities
- Increase Straight Through Processing for payments with 15%
- Implement automatic solution for reconciliation

REAL ESTATE FACILITY MANAGEMENT DEPARTMENT

Real Estate & Facility Management Department comprises of three units and is responsible mainly for the following processes and activities:

Technical Unit

- Furbishing the new branches in accordance with the territorial expansion policy

-Refurbishment of existing branches in order to comply with the local and Group standards

-Implement the space optimization policies and observe that relevant benchmarks are met

Infrastructure Unit

-Elaborate and implement the maintenance policy, regarding the Bank's building, installations and equipments

-Supplies a variety of administrative service for supporting the functionality of the business departments: cleaning, car fleet, postal and courier services, service, logistic support

- responsible for the assets inventory, deposit, transfer

Commercial Unit

-Elaboration and implementation of Administrative budget, including cost saving measures

-Administration and approval of Purchase Requests; checking and cost-splitting for all invoices related to the managed budget

-Reporting, business case elaboration for various projects, market surveys and analyses

The main Real Estate projects in 2011 are:

- Head Office Optimization consisting in Phase 1- relocation of the Bank activities into a new Head Office building and Phase 2- creation of an UniCredit Campus

- furbishing of 12 new branches, in Bucharest and Eastern part of the country

- implementation of branch network optimization initiatives

SECURITY DEPARTMENT

Security department has the mission to protect the Bank's assets, values and information in order to prevent misappropriation of assets and values as well as information loss or alteration, to prevent operational frauds and to investigate all kind of frauds, to ensure the continuity of critical activities of the Bank in case of disrupting events and to provide a prompt response to emergency events and manage the crisis situations affecting the Bank, to ensure safety of Bank's personnel and of Bank's customers when on Bank's premises

MAIN SECURITY PROJECTS

a. Security Integration Project – this project brought in Security Department a new unit – Antifraud – responsible for preventing and investigating frauds including regional security officer, to cover all the topics in the network and to insure a faster response time to all kind of incidents.

b. Physical security – designing the security systems and concept for UniCredit Tower and for the 12 new branches, and upgrade the security systems on all offsite ATM (Automatic Teller Machine). Designing the concept for a new Security Operative Center in UniCredit Tower to centralize all the security systems for the entire UniCredit Tiriac Bank network;

c. Information Security –continued the Information Security Awareness Program through awareness messages and posters, implemented Data Loss Prevention System together with ICT Security Management, defined

and implemented security control measures according to Law 262 (Italy);

d. Business Continuity – performed the Business Impact Analyses for all the Bank's processes to identify the changes in the critical ones and defined the Business Continuity Strategy for all critical processes or to revise them according with the changes made.

PROCUREMENT

This unit has the mission to fully exploit savings of scope and scale in purchasing goods and services. The department aim is to achieve the maximum of potential synergies across the Group, serving the internal customers with the best combination of saving, quality and time improvement at delivery.

INNOVATION OFFICE

Innovation Office – has the mission to be the champion and promoter of innovation within UniCredit Tiriak Bank, enabling the organization's strategic goals to be achieved.

CIO acts as a laboratory for originating new ideas that could be sustained and transformed in innovation, covering the whole lifecycle from the idea origination to the final innovation products; monitors and rewards the actors contributing to the successful implementation of innovation.

In order to achieve its mission, CIO, covers several activities related to collecting, identifying and promoting innovation and management of the market intelligence information; creates the basis for the functioning of a Market and Competitive Intelligence function with a framework for the collection of market, technology and competitive information and for its distribution to the relevant structures across the bank.

Innovation is seen as a major bank function that requires rigorous and uniform management of processes and procedures, advising the Bank's management on topics that could be transformed in innovation; 2011 is the year for activity set-up of this new bank function (the Innovation office started operating in September 2011) and, even so, by end of 2011 has already proposed clear actions for 2012 in the area of non-cash payments: contactless and e-commerce

ORGANIZATION DEPARTMENT

Organization department has the mission of ensuring overall responsibility for the Bank's organizational scheme, providing an overall overview on the project portfolio of the bank, defining methods, standards and guidelines within process management in alignment with Group Guidelines and standards, overall responsibility for the map of processes and the process modeling and re-engineering support, providing of procedures and support for issuing rules and their database administration. The department is also responsible for monitoring the non-HR costs and investments, the effective operational expenditure process and identify and suggest ways in which potential cost economies can be done.

This mission is carried out through the following organizational structures: Organizational Models / Sizing, Change and Business Process Management, Operational Organization, Cost Management, Data Governance & Quality Manager.

2011 budget execution and cost optimization initiatives

Considering the macroeconomic environment and the negative impact of the exchange rate on the commercial side, the GBS Division of UniCredit Tiriak Bank has defined a set of measures and actions in order to reach

the budget targets. The initiatives carried out in 2011 were focused on improving the management accounting instruments and optimizing the forecast model for costs and investments.

Main projects:

UniCredit Tower

The project has as scope the creation of a unique, modern building that can accommodate all Head Office employees of UniCredit Tiriak Bank. Before the relocation the Head Office functions were performed from 5 different locations, which creates a lot of inefficiencies and barriers to an efficient communication.

CRM tools for Retail and Corporate

The projects have as scope the implementation of modern tools for managing the relationship with Retail and Corporate clients, helping the bank employees to better understand the needs of the customers and to react promptly to them.

Data Warehouse

The project has as scope the implementation of a Data Warehouse solution to better manage the needs of the bank for detailed and accurate financial and commercial information.

New SME Business Model

The project was established to sustain the business strategic priorities in terms of SME service model. The model was successfully implemented providing best practice for future projects on business models.

People Survey Program

The program intended to harvest the best solutions of moving forward from within the organization internal resources and to manage the relation between employees and the Bank in a consistent and relevant manner.

SEPA Program

The scope of the Program was to align the bank's payments system to SEPA requirements established at EU level. The Program involved close cooperation with Romanian Banking Associations and National Settlement Authority (Transfond) and brought security, speed and cost savings to the bank payment infrastructure.

Due to the local implementation results, UniCredit Tiriak Bank was appointed with increased responsibilities in the program group management structure.

Branch Expansion

The Branch Expansion project had the scope of increasing the bank network on efficiency basis. 12 branches were opened in locations where UniCredit Tiriak Bank considered that business potential will bring the bank the edge advantage over its competitors.

IFRS

The project scope was to comply with NBR Regulations of modifying financial statements to the IFRS templates. The huge challenge of 01.01.2012 deadline was overcome through exemplary team work and responsible approach to each task established by the IFRS specialists of the bank at the beginning of the project.

Partnering with clients to generate success.



One of Russia's largest soft drink companies, a longtime client of our bank, once used 6.7 million euros in UniCredit financing to modernize its production facilities. Through this partnership, concrete action was taken in three steps: the bank devised a five-year financing plan; it helped arrange export partnerships with other companies of the Group and it extended additional UniCredit resources, including those of UniCredit Leasing, which financed some of the plant's machinery. This example shows how our bank acts as a truly European commercial institution, with a truly global vision.

Old Spring Group, Stavropol Region, Russia

We, UniCredit people

Key Achievements

- Increase in employee motivation and engagement
- Strategic recruitment and training to meet business needs (special focus on and business model simplification in the Retail division)
- Integration of administrative services for all UniCredit entities in Romania within a single HR Shared Service Center
- Investment focused on developing leadership and top talent to support overall performance
- Complete implementation and adoption at bank level of the UniCredit Global Job Model, among the first countries in the UniCredit Group to do so

Executive summary

Following the medium term strategy of the bank and aiming to develop an organizational culture based on high performance, the Human Resources division focused in 2011 on further supporting business strategy implementation with dedicated processes and projects.

The most important ones included strategic recruitment and training to meet business needs (special focus on business model simplification in the Retail division), training and development programs of key employees in key areas, integration of administrative services for all UniCredit entities in Romania within a single HR Shared Service Center and pioneering the complete implementation of the framework of job roles common to the entire UniCredit Group. This, together with other actions and initiatives, yielded an overall increase in employee motivation and engagement.

Our strategy

Strategic partner for business needs

In order to meet business objectives, the strategic functions of the HR division offered support for business model simplification, integration of administrative services and implementation of the UniCredit Global Job Model.

The HR Business Partners worked closely together with the business divisions to provide appropriate recruitment, training and development support for the implementation of the strategy. In

this respect, the simplification of the Retail business model was supported with relevant assessment and trainings for newly created specialized positions.

The HR Shared Service Center integrated the administrative services of all UniCredit entities in Romania, facilitating all colleagues' access to consistent and dedicated HR processes and information. Furthermore, Romania was among the first countries in UniCredit to fully implement the Global Job Model, a common system of job roles and positions to better clarify responsibilities and create synergies among teams.

Support for employee performance

With the purpose of achieving business and professional performance, the HR division focused on strengthening relevant processes and programs for training and development, as well as a transparent and objective promotion system.

In this respect, the training and development strategy entailed the creation of new programs and the upgrade of existing ones for both technical and soft skills, aiming at personal, professional and managerial development of our colleagues, adapted to their positions, their potential and their needs. In keeping with the business strategy, special attention was given to customer centricity with a nation wide training for all our 3.000 employees.

Dedicated development programs on leadership and talent management continued, whereas the internal system of promotions was strengthened with the creation of a career map dedicated to network positions.

Increase in employee engagement

Colleagues' motivation to perform and their engagement with our company values are of the outmost importance in everything we do. This is the reason why special attention has always been given to our colleagues' feedback about the working environment and company culture.

In 2011, the Group wide survey on employee motivation accounted for a 7 point increase of our colleagues' engagement in UniCredit Tiriak Bank and a national record participation rate. The positive outcome we registered in 2011 came as a result of a specific action plan for improvement which had been implemented throughout the years 2010 and 2011.

For increased relevance and transparency, the HR division adopted a bottom-up approach and called upon colleagues from different levels to create and then help implement the desired actions for improvement of our working environment. The project enjoyed strong support from our Top Management team who became directly

involved in addressing the issues raised by our colleagues and traveled the country to discuss matters face to face with our teams.

Key Performance Indicators

- 7 point increase in overall employee engagement
- 70% of all promotions done from the internal talent pipeline
- Over 5.000 employees serviced by a single HR Shared Service Center
- Over 140 trainings and over 6.000 participations at bank level
- Over 800 job positions reorganized according to the Global Job Model

Awards & Recognition

UniCredit Tiriac Bank is ACCA Approved Employer and in 2011 it received several awards for achieving the highest standards in Human Resources policies and processes. Every year, the national HR Management Club association hosts the Gala of Excellence in Human Resources and recognizes outstanding achievements in the people management area.

In 2011, UniCredit Tiriac Bank was the most widely awarded company from all other participants at the Gala. Our company received awards such as: The Most Valuable Project for Compensation & Benefits (for the implementation of the Global Job Model), The Special Award for People Formation and Development (for the continuous training program School Branch), The Special Award for HR Strategy (for the integration of the HR Shared Service Center) and, for the second year in a row, the Award for Best Line Manager, showing the HR division's increased investment in dedicated programs for leadership and managerial development, targeting team motivation and growth.

Keeping careers on track during maternity leave.



In Hungary, our *Mum's Portal* provides mothers with up-to-date information on what's happening at UniCredit. There is an emphasis on conveying important news and recent developments to colleagues who, being on maternity leave, are temporarily away from their usual duties. This is a concrete answer to ensure Hungarian colleagues a rapid and smoother reintegration at work after their leave ends.

Henrietta Kónya-Halászi, HR office, with her daughter Gréta Kónya

Financial Statements

Prepared in accordance with IFRSs

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Statement of comprehensive income

for the year ended 31 December 2011

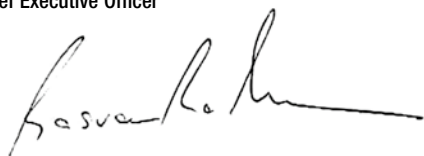
(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
Interest income		1,231,607,330	1,334,724,804
Interest expense		(548,056,097)	(578,112,378)
Interest related effect of swap transactions related to refinancing lines with Group companies*		100,913,551	158,607,848
Net interest income	7	784,464,784	915,220,274
Fee and commission income		276,601,504	276,536,736
Fee and commission expense		(51,572,933)	(43,881,697)
Net fee and commission income	8	225,028,571	232,655,039
Dividends income	9	868,364	1,967,047
Net income on foreign exchange and on derivatives held at fair value through profit and loss	10	199,437,316	184,872,051
Net gains on financial assets available for sale		9,420,316	11,509,010
Other operating income	11	3,484,939	17,006,944
Operating income		1,222,704,290	1,363,230,365
Personnel expenses	12	(284,829,851)	(273,473,832)
Depreciation and amortisation	13	(65,590,958)	(54,056,700)
Other administrative costs	14	(257,338,834)	(247,044,812)
Other operating costs		(2,637,386)	(9,793,544)
Operating expenses		(610,397,029)	(584,368,888)
Net impairment losses on financial assets	15	(348,952,291)	(495,235,602)
Impairment on tangible and intangible assets		(1,522,654)	(264,496)
Net provision charges	16	(78,939,235)	(69,284,309)
Gains / (Losses) on investments in associates		4,185,251	(9,875,024)
Profit before taxation		187,078,332	204,202,046
Income tax expense	17	(27,648,395)	(32,983,925)
Net profit for the year		159,429,937	171,218,121
Other comprehensive income, net income of tax			
Net change in reevaluation reserve for available-for-sale financial assets (net of deferred tax)		(25,022,030)	29,382,623
Revaluation of property, plant and equipment (net of deferred tax)		16,123,210	—
Net change in cash flow hedging reserve (net of deferred tax)		(38,569,855)	—
Share of other comprehensive income of associates		129,761	—
Other comprehensive income for the year, net of income tax		(47,338,914)	29,382,623
Total comprehensive income for the year		112,091,023	200,600,744


* See note 7.

The financial statements were approved by the Management Board on 6 March 2012 and were signed on its behalf by:

Mr. Răsvan Radu
Chief Executive Officer



Mr. Stanislav Georgiev
Chief Financial Officer



The accompanying notes from pages 69 to 133 form an integral part of these financial statements.

Statement of financial position

at 31 December 2011

Assets

(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
Cash and cash equivalents	18	2,956,144,324	2,968,321,117
Derivative assets at fair value through profit or loss	19	123,958,371	86,296,659
Loans and advances to banks	20	1,350,998,634	734,471,531
Loans and advances to customers	21	14,499,380,530	12,660,662,423
Investments in associates	22	42,278,937	25,332,586
Investment securities, available-for-sale	23	3,369,112,393	3,853,099,398
Equity investments, available for sale	24	3,523,009	3,882,905
Investments securities, held to maturity	25	9,109,414	9,010,918
Property and equipment	26	268,703,598	247,934,328
Intangible assets	27	110,464,175	95,955,157
Current tax asset		–	21,003,764
Deferred tax assets	28	50,981,681	29,660,743
Other assets	29	77,842,355	68,786,590
TOTAL ASSETS		22,862,497,421	20,804,418,119

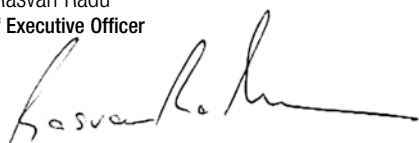
Liabilities and equities

(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
LIABILITIES			
Derivative liabilities at fair value through profit or loss	19	111,886,347	75,502,634
Derivatives financial instruments designated as hedging instruments	30	58,812,857	–
Deposits from banks	31	3,661,066,808	3,228,872,212
Loans from banks and other financial institutions	32	4,123,606,300	3,353,736,213
Deposits from customers	33	11,542,323,596	10,988,236,400
Subordinated liabilities	34	403,091,492	401,990,194
Provisions	35	244,068,534	158,588,186
Current tax liabilities		9,872,694	–
Deferred tax liabilities	28	94,058,666	86,285,836
Other liabilities	36	123,411,332	132,998,672
TOTAL LIABILITIES		20,372,198,626	18,426,210,347
EQUITY			
Share capital	37	1,101,604,066	1,101,604,066
Retained earnings		1,222,997,098	1,063,567,161
Reserve on available for sale financial assets		(25,559,008)	(536,978)
Cash flow hedging reserve		(38,569,855)	–
Other reserves	38	229,826,494	213,573,523
TOTAL EQUITY		2,490,298,795	2,378,207,772
TOTAL LIABILITIES AND EQUITY		22,862,497,421	20,804,418,119

The financial statements were approved by the Management Board on 6 March 2012 and were signed on its behalf by:

Mr. Răsvan Radu
Chief Executive Officer



Mr. Stanislav Georgiev
Chief Financial Officer



The accompanying notes from pages 69 to 133 form an integral part of these financial statements.

Statement of changes in equity

at 31 December 2011

(RON)

	SHARE CAPITAL	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGING RESERVE	REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	OTHER RESERVES	RETAINED EARNINGS*	TOTAL
Balance at 31 December 2010	1,101,604,066	(536,978)	–	–	213,573,523	1,063,567,161	2,378,207,772
Total comprehensive income for the year							
Net profit for the year	–	–			–	159,429,937	159,429,937
Other comprehensive income, net of income tax							
Net change in available-for-sale financial assets, net of tax	–	(25,022,030)	–	–	–	–	(25,022,030)
Net change in cash flow hedging reserve, net of tax	–	–	(38,569,855)		–	–	(38,569,855)
Revaluation of property, plant and equipment, net of tax	–	–	–	16,123,210	–	–	16,123,210
Share of other comprehensive income of associates	–	–	–	–	129,761	–	129,761
Total other comprehensive income	–	(25,022,030)	(38,569,855)	16,123,210	129,761	–	(47,338,914)
Total comprehensive income for the year	–	(25,022,030)	(38,569,855)	16,123,210	129,761	171,218,121	112,091,023
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,703,284	1,222,997,098	2,490,298,795

*) Retained earnings include merger premium based on statutory figures of RON 378,351,545 as at 31 December 2011 and as at 31 December 2010.

The accompanying notes from pages 69 to 133 form an integral part of these financial statements.

at 31 December 2010

(RON)

	SHARE CAPITAL	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGING RESERVE	REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	OTHER RESERVES	RETAINED EARNINGS*	TOTAL
Balance at 31 December 2009	1,101,604,066	(29,919,601)	–	–	213,573,523	892,349,040	2,177,607,028
Total comprehensive income for the year							
Net profit for the year	–	–			–	159,429,937	159,429,937
Other comprehensive income, net of income tax							
Net change in available-for-sale financial assets, net of tax	–	(29,382,623)	–	–	–	–	(29,382,623)
Net change in cash flow hedging reserve, net of tax	–	–	–	–	–	–	–
Revaluation of property, plant and equipment, net of tax	–	–	–	–	–	–	–
Share of other comprehensive income of associates	–	–	–	–	–	–	–
Total other comprehensive income	–	(29,382,623)	–	–	–	–	29,382,623
Total comprehensive income for the year	–	(29,382,623)	–	–	–	171,218,121	200,600,744
Balance at 31 December 2010	1,101,604,066	(536,978)	–	–	213,573,523	1,063,567,161	2,378,207,772

*) Retained earnings include merger premium based on statutory figures of RON 378,351,545 as at 31 December 2010 and as at 31 December 2009.

The accompanying notes from pages 69 to 133 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2011

(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
Operating activities			
Profit before taxation	17	187,078,332	204,202,046
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible and intangible assets	13	67,113,612	54,056,700
Net charge of provision for impairment on financial assets	15	358,934,268	491,782,512
Share of (gain) / loss from investments in associates	22	(4,185,251)	9,875,025
Change in fair value of derivatives at fair value through profit or loss		(1,277,999)	45,367,453
Other items for which the cash effects are investing or financing		(61,152)	(20,900,769)
Other non-cash items		82,124,315	(49,414,626)
Operating profit before changes in operating assets and liabilities		689,726,126	734,968,341
Change in operating assets:			
Increase in investment securities available-for-sale		465,091,957	(904,449,404)
(Increase)/decrease in loans and advances to banks		9,121,675	(23,505,988)
(Increase)/decrease in loans and advances to customers		(2,171,524,143)	(1,664,981,727)
(Increase)/decrease in other assets		(16,196,922)	(26,900,448)
Change in operating liabilities:			
Increase in deposits from banks		431,245,522	959,671,496
Increase in deposits from customers		546,882,199	451,983,281
Increase in other liabilities		(10,388,082)	4,808,957
Income tax paid		-	(38,660,820)
Cash flows generated from operating activities		(56,041,668)	(507,066,312)
Investing activities			
Proceeds from sale of property and equipment		4,284,226	-
Acquisition of property and equipment and intangible assets		(77,270,232)	(83,829,583)
Acquisition of equity investments		(13,447,979)	(18,707,206)
Proceeds from sale of equity investments		1,095,443	5,945,940
Dividends received	9	868,364	1,967,047
Cash flows used in investing activities		(84,470,178)	(94,623,802)

The accompanying notes from pages 69 to 133 form an integral part of these financial statements.

(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
Financing activities			
Payment of finance lease liability		(44,037)	(27,793)
Repayments of loans from financial institutions		(109,912,133)	(2,036,820,871)
Drawdowns from loans from financial institutions		863,940,000	768,057,000
Cash flows used in financing activities		753,983,830	(1,268,791,664)
Net (decrease)/ increase in cash and cash equivalents		613,471,984	(1,870,481,778)
Cash and cash equivalents at 1 January		3,667,955,177	5,538,436,955
Cash and cash equivalents at 31 December		4,281,427,161	3,667,955,177
Cash flow from operating activities include:			
Interest received		1,075,571,252	1,334,335,441
Interest paid		518,967,916	671,138,246

Analysis of cash and cash equivalents

(RON)

		31 DECEMBER 2011	31 DECEMBER 2010
Cash and cash equivalents comprise:			
Cash on hand and in ATM's	18	225,746,063	190,595,349
Current accounts held with banks	20	34,303,667	28,679,022
Current accounts held with the National Bank of Romania	18	2,730,398,262	2,777,725,768
Placements with NBR and other banks – less than 3 months		1,290,979,169	670,955,038
Cash and cash equivalents in the cash flow statement		4,281,427,161	3,667,955,177

The accompanying notes from pages 69 to 133 form an integral part of these financial statements.

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(1) Reporting entity

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

The Bank's current registered office is 23-25 Ghetarilor Street, District 1, Bucharest, Romania.

At December 2011, the Bank is member of the UniCredit Group, being directly controlled by UniCredit Bank Austria, with registered office in Vienna, Austria, Schottengasse 6 – 8, and having as ultimate parent UniCredit S.p.A., with registered office in Rome, Italy, Via Alessandro Specchi, 16.

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

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

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

The Bank operates through the Head Office located in Bucharest and through its network of 245 branches and agencies (31 December 2010: 235) located in Bucharest and in the country.

(2) Basis of preparation

a) Statement of compliance

At 31 December 2011 and 31 December 2010 the financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

Differences between IFRS as endorsed by European Union and statutory accounts

Adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements in line, in all material respects, with IFRS.

The major changes from the statutory financial statements prepared under domestic law are:

- grouping of numerous detailed items into broader captions;
- restatement adjustments required in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies;
- recognition of the investments in associate applying the equity method in accordance with IAS 28, Investments in Associates;
- fair value and impairment adjustments required in accordance with IAS 39, Financial Instruments: Recognition and Measurement;
- adjustments to the income statement to place certain revenues and expenses on an accruals basis; and
- the necessary additional disclosure requirements, including IFRS 7 requirements.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

e) Changes in accounting policies

Revaluation of land and buildings

In 2011 the Bank changed its accounting policy with respect to the measurement of land and buildings from the cost model to the revaluation model, with changes on fair values being recognized in equity. At the revaluation of property and equipment, the accumulated depreciation at the revaluation date was subtracted from the gross book value of the asset, so that the net book value of the assets after deducting all value adjustments is recomputed based on the revaluated amount. The revaluation was performed by an independent professional certified valuator, S.C. Colliers International S.R.L., as at 30 December 2011. At this date all the tangible assets classified as buildings and land owned have been revaluated. In estimating the fair value of the Bank's land and buildings the independent valuator used two alternative methods and chose the most appropriate one, depending on the nature and destination of each element.

This change in accounting policy was applied prospectively and had an impact on property, plant and equipment of RON 19,194,298 (increase) and on equity of RON 16,123,210 (net of deferred tax). The net book value of land and buildings carried under the cost model was RON 140,225,751 as at 31 December 2011 (net book value of land and buildings carried under revaluation model was RON 159,420,049 as at 31 December 2011).

Interest income on impaired loans

Due to the fact that starting with 1 January 2012 the Bank applies IFRS as endorsed by the European Union as the statutory reporting framework, the Bank better aligned in 2011 its accounting policies for the interest income recognition, mainly in relation to the unwinding of the discount effect of the impaired loans. In this respect, the Bank refined the interest income recognition policy previously effective (stop accrual of penalties) to ensure compliance with interest income on impaired loans recognition policy (please refer to note 3 d)). This change in accounting policy produced a net increase in profit in 2011 of ap. RON 23 million (composed of decrease in interest income and decrease in impairment losses on loans).

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Bank, except as explained in the note 2(e), which describes the changes in accounting policies.

a) Basis of consolidation

Subsidiaries

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

As at 31 December 2011, and respectively as at 31 December 2010, the Bank had no subsidiary as it had no power to govern the financial and operating policies of its equity investments.

Associates

Associates are those entities in which the Bank has significant influence, but no control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The financial statements include the Bank's share of the income and expenses and other comprehensive income of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

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

b) Foreign currency

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

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

The exchange rates of major foreign currencies were:

CURRENCIES	31 DECEMBER 2011	31 DECEMBER 2010	%
Euro (EUR)	1: RON 4.317	1: RON 4.2848	0.81
US Dollar (USD)	1: RON 3.3393	1: RON 3.2045	3.69

c) Accounting for the effect of hyperinflation

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

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

(3) Significant accounting policies (CONTINUED)

d) Interest

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

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

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

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest related effect of Swap transactions regarding refinancing lines with Group Companies - the Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Bank's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in net income on foreign exchange and on derivatives held for risk management;
- interest on financial assets and financial liabilities measured at fair value, calculated on an effective interest basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income/expense.

e) Fees and commissions

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

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

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

f) Dividends

Dividend income is recognised in the income statement on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues. Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders. The only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these financial statements, prepared in accordance with IFRS, due to the differences between the applicable Romanian Accounting Standards and IFRS.

g) Net income on foreign exchange and on derivatives at fair value through profit and loss

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

h) Lease payments

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

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

i) Income tax expense

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

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

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

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

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

The tax rate used to calculate the current and deferred tax position at 31 December 2011 is 16% (2010: 16%).

(3) Significant accounting policies (CONTINUED)

j) Financial assets and liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

Financial assets

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

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

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

Financial liabilities

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

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

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

(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In addition, any cumulative gain or loss that had been recognised in other comprehensive income was also recognised in profit or loss.

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

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

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

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

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

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

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

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

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

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

(vii) Identification and measurement of impairment

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

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

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

(3) Significant accounting policies (CONTINUED)

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.

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

Individual assessment

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

The main criteria for determining whether a specific exposure is individually significant is a threshold estimated based on UniCredit Group experience or the specific risk profile (in terms of potential credit loss), but validated by the Bank depending on local economical environment. The threshold for determining whether a specific exposure is significant or not, is locally established at the amount of EUR 250,000 for retail loans and respectively at the amount of EUR 1 million for corporate loans.

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

Collective assessment

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

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

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

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

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

Available for sale financial assets

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

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

(3) Significant accounting policies (CONTINUED)

Financial assets carried at cost

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

k) Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand, balances held with central banks, 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.

For the purposes of the statement of cash flows, cash and cash equivalents comprise: cash balances on hand, cash deposited with central banks, nostro accounts with banks, placements with banks with less than 90 days original maturity.

l) Trading assets and liabilities

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

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

The Bank does not have any trading instruments at 31 December 2011 and 31 December 2010 except for derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back-to-back transactions within UniCredit Group.

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

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

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

(i) Other non-trading derivatives

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

(ii) Embedded derivatives

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

(iii) Cash flow hedges

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

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

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

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

For hedge accounting purposes, only instruments that involve an external party to the Bank (or intra-group transactions directly replicated with third parties outside the Group) are designated as hedging instruments. Intra-group instruments for which the Bank did not receive confirmation that they are replicated with third parties do not qualify for hedge accounting.

(3) Significant accounting policies (CONTINUED)

n) Loans and advances

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

o) Investment securities

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

(i) Held-to-maturity

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

(ii) Available-for-sale

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

p) Property and equipment

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

Since 1 January 2011 the Bank started to apply the revaluation model for lands and buildings. The effect of the change was recognized in the revaluation reserve. The opening balance of equity was not adjusted and comparatives were not restated.

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

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

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

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.

(iii) 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 useful lives are as follows:

Buildings	
- property	2% - 3.66 % per year
- improvements (rentals)	6.67% - 100 % per year
Office equipment and furniture	3.33% - 50% per year
Motor vehicles	11.76 - 25% per year
Computer equipment	7.84% - 50% per year

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

(v) Leased assets-lessee

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

q) Intangible assets

(i) Recognition

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

(3) Significant accounting policies (CONTINUED)

r) Impairment of non-financial assets

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

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

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

s) Deposits, borrowings from banks and subordinated liabilities

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

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

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

t) Provisions

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

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

u) Financial guarantees

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

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

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

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

(3) Significant accounting policies (CONTINUED)

v) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

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

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

(iii) Defined benefit plans

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

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

(iv) Share - based payment transactions

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

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

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

w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these financial statements:

1. *IFRS 9 Financial Instruments (effective for annual period beginning on or after 1 January 2013)* – This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets and liabilities, and derecognition of financial assets and liabilities. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.
Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (“OCI”). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9, “Reassessment of Embedded Derivatives”. It is expected that the new standard, when initially applied, will have a significant impact on the financial statements, since it will be required to be retrospectively applied. This standard has not been endorsed by the European Union.
The Bank is currently in the process of evaluating the potential effect of IFRS 9 Financial Instruments on the financial statements, including the latest amendments. The Bank has not decided on the date it will initially apply the new standard.
2. *Amendments to IFRS 7, “Disclosures - Transfers of Financial Assets” (effective for annual periods beginning on or after 1 July 2011; to be applied prospectively, earlier application permitted)* – The Amendments require disclosure of information that enables users of financial statements: to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. The Amendments define “continuing involvement” for the purposes of applying the disclosure requirements. When applied, it is expected that the amendments to IFRS 7 will increase the level of disclosure relating to certain derecognised or partial derecognised financial assets. This Amendment has been endorsed by the European Union.

Standards which have not been endorsed by the European Union

3. *IFRS 12 Disclosure of Interests in Other Entities – (effective for annual period beginning on or after 1 January 2013; earlier application is permitted)* – IFRS 12 sets out the disclosure requirements for subsidiaries, joint ventures, associates and “structured entities.” IFRS 12 replaces the requirements previously included in IAS 27, IAS 31, and IAS 28 Investments in Associates. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirement in IFRS 12 is more expansive than the requirement in IAS 27, which only required entities to disclose circumstances where: (1) a subsidiary was consolidated and the parent owned less than a majority of voting rights; and (2) an investee was not consolidated, and the investor owned more than a majority of voting rights. This change in the disclosure requirements reflects the degree of judgement that is now required to determine whether an entity is controlled, and, therefore, consolidated. IFRS 12 expands the disclosure requirements for subsidiaries with non-controlling interests (NCI), joint arrangements and associates that are individually material.
The Bank is currently in the process of evaluating the potential effect of IFRS 12 Disclosure of Interests in Other Entities on the financial statements in respect of its associated entities.
4. *IFRS 13 Fair Value Measurement (effective for annual period beginning on or after 1 January 2013)* – IFRS 13 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, describes how to measure fair value under IFRS when it is required or permitted by IFRS. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.
The Bank does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

5. *Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (Effective for annual periods beginning on or after 1 July 2012)* -The standard requires that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application. The Bank is currently in the process of evaluating the potential effects of the amendments to IAS 1 on the financial statements.

6. *IAS 19 (2011) Employee Benefits (Effective for annual periods beginning on or after 1 January 2013)* – The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The Bank is currently in the process of evaluating the potential effects of the amendments to IAS 19 on the financial statements.

7. *IAS 28 (2011) Investments in Associates and Joint Ventures (Amendments effective for annual periods beginning on or after 1 January 2013)* –
 - *Associates and joint ventures held for sale.* IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
 - *Changes in interests held in associates and joint ventures.* Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured. The Bank is currently in the process of evaluating the potential effect of IAS 28 on the financial statements.

(4) Financial risk management

a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks

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

b) Risk management framework

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

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

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

(4) Financial risk management (CONTINUED)

c) Credit risk

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

(i) Management of credit risk

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

The functions of the Risk Management Committee:

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

The functions of the Credit Committee:

- Evaluating the creditworthiness of the clients, in compliance with the criteria and methods defined;
- Monitoring of the Bank's risk positions, in accordance with the methods defined in agreement with the Bank, verifying the results of actions undertaken on deteriorating positions and defining the necessary corrective actions;
- Defining watch list and non-performing loans, in compliance with the criteria defined by the Parent, suggesting necessary provisions and appropriate credit recovery activities;
- Managing the credit activity according to Credit Policy and ensuring the maintaining of sound standards of lending, monitoring and control the risk credit, the appropriate evaluation of new business opportunities and early identification and administering the bad loans;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business units Credit Officers. Larger facilities require approval by Credit Risk Management (CRM), Head of CRM, Chief Risk Officer, Credit Committee, Directorate or the Supervisory Board as appropriate.
- Assuring integration with UniCredit Group credit policies;
- Defining limits by significant clusters like sector, area, concentration risk and product, given the Group risk appetite which has been defined, and cooperating with the CFO in strategic and operational planning and capital management/allocation processes in terms of credit risk;
- Defining operating policies and procedures on credit activities and related products;
- Regular audits of the Bank's credit processes are undertaken by Internal Audit.

(ii) Exposure to credit risk

Loans and advances to customers

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Individually impaired/Non performing loans		
Grade 9: Impaired	1,064,302,128	586,031,668
Grade 10: Impaired	506,741,975	434,224,635
Gross amount	1,571,044,103	1,020,256,303
Allowance for impairment	(618,124,152)	(467,598,759)
Carrying amount	952,919,951	552,657,544
Fair value of collateral	773,792,801	879,603,361
Property	682,289,483	754,936,200
Goods	62,416,791	70,549,577
Assignment of receivables	11,018,969	41,014,707
Other*	18,067,558	13,102,877
Past due but not individually impaired		
Grade 8-	581,892,565	470,802,954
Grade 9	596,545	25,699
Grade 10	158,967,818	74,195,065
Other impaired**	226,499,057	104,244,562
Gross amount	967,955,985	649,268,280
Allowance for impairment	(590,756,316)	(265,787,393)
Carrying amount	377,199,669	383,480,887
Neither past due nor individually impaired		
Grade 1 – 8	9,610,679,083	8,220,599,784
Private individuals less than 90 overdue days	3,741,440,749	3,641,869,374
Private individuals more than 90 overdue days	35,434,239	58,635,555
Gross amount	13,387,554,071	11,921,104,713
Allowance for impairment	(218,293,161)	(196,580,721)
Carrying amount	13,169,260,910	11,724,523,992
Total carrying amount	14,499,380,530	12,660,662,423

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

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

In accordance with UniCredit Group instructions and internal risk management policies, impaired assets comprise beside clients (including private individuals) who are defaulted according to Basel II and rated 8-, 9 and 10, also non-defaulted clients classified as Restructured or Doubtful as per Bank of Italy risk classes. The reporting approach was implemented starting with the first quarter of 2011 and a restatement on 31 December 2010 figures has been performed.

(4) Financial risk management (CONTINUED)

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

Restructured loans are as follows:

Neither past due nor individually impaired	31 DECEMBER 2011	31 DECEMBER 2010
Grade 1 – 8	1,125,779,708	1,401,292,636
Private individuals less than 90 overdue days	355,548,852	523,107,592

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

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

Impaired loans and securities

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

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

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

Past due but not individually impaired loans

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

Past due and not individually impaired loans includes all private individuals exposures which are more than 90 days overdue and corporate & business clients exposures with grade 8-, 9 and 10 which are collectively assessed. Grade 9 and 10 are individually assessed only for significant exposures (more than EUR 250,000) for the retail portfolio, while on corporate portfolio all significant exposures are individually assessed (more than EUR 1.0 mil).

Neither past due nor individually impaired

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

Allowances for impairment

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

Write-off policy

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

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

(RON)

	GROSS AMOUNTS	NET AMOUNTS
31 December 2011		
Grade 9: Impaired	974,101,530	682,904,593
Grade 10: Impaired	320,594,056	151,224,280
Private Individuals	276,348,517	118,791,078
Total	1,571,044,103	952,919,951
31 December 2010		
Grade 9: Impaired	483,700,578	357,708,238
Grade 10: Impaired	346,002,124	117,293,366
Private Individuals	190,553,601	77,655,940
Total	1,020,256,303	552,657,544

Collateral

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

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

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

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

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

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

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

(4) Financial risk management (CONTINUED)

Concentration of credit risk

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

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Private entities (including individuals)	4,008,482,658	3,904,305,444
Commercial, recovery and repair services	2,248,864,804	2,037,610,419
Real estate	1,721,422,230	1,338,916,853
Other saleable services	721,817,150	464,439,366
Other public entities	705,057,868	880,716,898
Foodstuffs, beverages and tobacco-based products	704,028,848	550,484,613
Construction and civil engineering	609,979,061	560,596,672
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	539,287,890	232,554,659
Agriculture - forestry - fisheries	532,873,934	311,948,586
Inland transport services	302,580,652	344,031,612
Metal products except cars and means of transport	294,093,604	254,046,721
Communications services	269,599,582	110,123,165
Other industrial products	231,950,793	175,990,736
Rubber and plastic products	230,805,851	222,942,684
Energy products	228,465,282	412,667,758
Financial companies	203,259,568	158,187,799
Ores and non-metal ore products	174,648,812	110,932,264
Hotel and public commercial concern services	145,323,195	57,054,483
Transport-related services	140,857,719	116,902,421
Paper, paper products, printing and publishing	118,978,119	94,276,522
Textiles, leather and footwear and clothing products	98,432,034	64,389,846
Means of transport	96,173,787	63,490,478
Farming and industrial machinery	86,711,090	66,477,387
Chemicals	42,958,163	66,465,444
Office machines, data processing machines, precision	35,822,758	38,650,574
Sea and air transport services	6,905,078	22,459,019
Total	14,499,380,530	12,660,662,423

(RON)

	31 DECEMBER 2010	31 DECEMBER 2009
Loans and advances to customers	14,499,380,530	12,660,662,423
Loan related commitments and contingencies (Refer to note 40)	6,744,324,224	6,003,956,695
	21,243,704,754	18,664,619,118

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

d) Liquidity risk

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

Liquidity risk has the following subtypes:

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

Management of liquidity risk

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

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

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

Regarding structural liquidity, the Bank pursues the following goals:

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

Exposure to liquidity risk

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

- the daily short-term liquidity report, in which, starting from maturities of inter-bank assets and liabilities, a daily liquidity profile is estimated for the coming 3 months. In addition to the interbank assets and liabilities, the bank considers also other potential short-term outflows coming from the commercial book (such as deposits, cash, and loan commitments). The limits checked in this report are the ones imposed by UniCredit Bank Austria AG, through the Bank short term liquidity strategy, and represent the arithmetical difference between inflows and outflows separately, by each major currency, and in total (for all currencies cumulated).
- the weekly indicator on immediate liquidity. Every week, based on the statement of financial position data (static), a ratio between immediate assets and drawn sources is calculated. Immediate assets include: cash, current account with National Bank of Romania, nostro accounts, deposits with banks, T-bills not serving as collateral;
- daily projection of treasury cash-flows the next 30 days – represents an estimation of cash flows generated by treasury transactions.
- liquidity indicators by time buckets (similar computation to the indicator described above), as established by the Bank's lead regulator (National Bank of Romania) plus indicators set at UniCredit Bank Austria AG level (for example, we have to comply with structural liquidity limits required by the Group policy that are determined as total liquidity outflows divided by total inflows with minimum 1, 2, 3, 4 and respectively 5 years maturity. These limits are to be respected separately for all major currencies - domestic currency, RON, and the following foreign currencies: EUR, USD, CHF, GBP and JPY.
- other key indicators for the management of liquidity and funding needs as Liquid assets/Total assets (%), Liquid assets/Deposits (%), Liquid assets /Deposits of top 30 deponents (%), Total funds raised from an economic group (clients)/Total on balance-sheet liabilities (%), Loans outstanding / Client deposits (%), Immediate liabilities (below 1M)/Total liabilities (%), target and alert levels are set for each indicator.

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

The ratio of net liquid assets to deposits to customers is 31.25% as at 31 December 2011 (31 December 2010: 37.01 %)

(4) Financial risk management (CONTINUED)

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

(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
31 December 2011							
Financial assets							
Cash and cash equivalents	2,956,144,324	–	–	–	–	2,956,144,324	2,956,144,324
Derivative assets held for risk management	40,322,335	7,978,690	14,397,444	61,259,902	–	123,958,371	123,958,371
Loans and advances to banks	1,349,394,835	1,603,799	–	–	–	1,350,998,634	1,350,998,634
Loans and advances to customers	2,222,126,435	5,430,811,125	3,651,277,562	3,295,341,800	–	14,599,556,922	14,499,380,530
Investments in associate	–	–	–	–	42,278,937	42,278,937	42,278,937
Investment securities, available for sale	610,269,377	1,206,408,628	1,402,079,926	150,354,462	–	3,369,112,393	3,369,112,393
Equity investments, available for sale	–	–	–	–	3,523,009	3,523,009	3,523,009
Investment securities, held-to-maturity	–	9,109,414	–	–	–	9,109,414	9,109,414
Total financial assets	7,178,257,306	6,655,911,656	5,067,754,932	3,506,956,164	45,801,946	22,454,682,004	22,354,505,612
Financial liabilities							
Derivative liabilities held for risk management	10,094,500	5,006,173	35,525,772	61,259,902	–	111,886,347	111,886,347
Derivatives designated as hedging instruments	–	–	8,649,118	50,163,739	–	58,812,857	58,812,857
Loans & deposits from banks and subordinated liabilities	3,301,939,391	681,956,450	2,689,930,070	1,514,054,850	–	8,187,880,761	8,187,764,600
Deposits from customers	10,500,175,839	935,841,117	105,951,080	355,560	–	11,542,323,596	11,542,323,596
Total financial liabilities	13,812,209,730	1,622,803,740	2,840,056,040	1,625,834,051	–	19,900,903,561	19,900,787,400
Liquidity surplus/(shortfall)	(6,633,952,424)	5,033,107,916	2,227,698,892	1,881,122,113	45,801,946	2,553,778,443	2,453,718,212
Adjustment for investment securities available for refinancing*	2,758,843,016	(1,206,408,628)	(1,402,079,926)	(150,354,462)	–	–	–
Liquidity surplus/(shortfall) adjusted	(3,875,109,408)	3,826,699,288	825,618,966	1,730,767,651	45,801,946	2,553,778,443	2,453,718,212

*) As part of its liquidity management the Bank holds treasury bills and bonds available for refinancing in order to ensure quick access to funds, in case of increasing liquidity risk. A liquidity reserve must be maintained permanently in order to cover the short term liquidity needs during crisis conditions. The liquidity reserve is composed of cash and highly liquid assets even in crisis conditions that Bank can sell or pledge without affecting the market trust or to generate losses.

(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)
31 December 2011						
Contingent assets & liabilities**)						
Irrevocable commitments given outflow	(1,213,143,490)	–	–	–	–	(1,213,143,490)
Irrevocable commitments taken inflow	863,940,000	–	–	–	–	863,940,000
Issued financial guarantees outflow	–	(5,733,154,329)	–	–	–	(5,733,154,329)
Future lease obligations outflow	–	(71,995,554)	(124,545,347)	(33,297,241)	–	(229,838,142)
Future interest on long-term borrowings outflow	(49,185,000)	(195,845,000)	–	–	–	(245,030,000)
Future interest on deposits from banks & customers outflow	(78,731,000)	(255,002,000)	(1,334,932,000)	–	–	(1,668,665,000)
Contingent assets & liabilities surplus/ (shortfall)	(477,119,490)	(6,255,996,883)	(1,459,477,347)	(33,297,241)	–	(8,225,890,961)

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

(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
31 December 2010							
Financial assets							
Cash and cash equivalents	2,968,321,117	–	–	–	–	2,968,321,117	2,968,321,117
Derivative assets held for risk management	23,169,260	16,477,934	14,269,776	32,379,689	–	86,296,659	86,296,659
Loans and advances to banks	734,471,531	–	–	–	–	734,471,531	734,471,531
Loans and advances to customers	2,423,061,976	3,837,942,269	3,533,500,425	3,002,422,583	–	12,796,927,253	12,660,662,423
Investments in associate	–	–	–	–	25,332,586	25,332,586	25,332,586
Investment securities, available for sale	1,075,046,085	1,848,253,931	781,412,936	148,386,446	–	3,853,099,398	3,853,099,398
Equity investments, available for sale	–	–	–	–	3,882,905	3,882,905	3,882,905
Investment securities, held-to-maturity	–	474,967	8,535,951	–	–	9,010,918	9,010,918
Total financial assets	7,224,069,969	5,703,149,101	4,337,719,088	3,183,188,718	29,215,491	20,477,342,367	20,341,077,537
Financial liabilities							
Derivative liabilities held for risk management	8,948,766	9,842,282	24,386,071	32,325,515	–	75,502,634	75,502,634
Loans & deposits from banks and subordinated liabilities	2,092,923,489	100,422,071	2,984,871,230	1,807,063,390	–	6,985,280,180	6,984,598,619
Deposits from customers	10,360,532,159	626,964,256	566,687	173,298	–	10,988,236,400	10,988,236,400
Total financial liabilities	12,462,404,414	737,228,609	3,009,823,988	1,839,562,203	–	18,049,019,214	18,048,337,653
Liquidity surplus/ (shortfall)	(5,238,334,445)	4,965,920,492	1,327,895,100	1,343,626,515	29,215,491	2,428,323,153	2,292,739,884
Adjustment for investment securities available for refinancing*	2,778,053,313	(1,848,253,931)	(781,412,936)	(148,386,446)	–	–	–
Liquidity surplus/ (shortfall) adjusted	(2,460,281,132)	3,117,666,561	546,482,164	1,195,240,069	29,215,491	2,428,323,153	2,292,739,884

*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.

(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)
31 December 2010						
Contingent assets & liabilities**)						
Irrevocable commitments given outflow	(1,189,037,097)	–	–	–	–	(1,189,037,097)
Irrevocable commitments taken inflow	856,960,000	–	–	–	–	856,960,000
Issued financial guarantees outflow	–	(4,814,919,598)	–	–	–	(4,814,919,598)
Future lease obligations outflow	–	(73,266,233)	(161,130,194)	(68,664,399)	–	(303,060,826)
Future interest on borrowings outflow	(31,572,896)	(96,243,259)	(196,179,983)	(5,119,782)	–	(329,115,920)
Future interest on deposits from banks & customers outflow	(77,395,724)	(232,187,171)	(1,327,225,237)	–	–	(1,636,808,132)
Contingent assets & liabilities surplus/(shortfall)	(441,045,717)	(5,216,616,261)	(1,684,535,414)	(73,784,181)	–	(7,415,981,573)

**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.

(4) Financial risk management (CONTINUED)

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

(RON)

	CARRYING AMOUNT	GROSS NOMINAL INFLOW / (OUTFLOW)	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	MORE THAN 5 YEARS
31 December 2011							
Derivative assets	123,958,371	(29,965,288)	21,344,712	9,997,740	11,209,883	14,370,015	(86,887,638)
Outflow		(3,402,844,256)	(2,506,485,780)	(584,518,445)	(115,859,386)	(4,078,533)	(191,902,112)
Inflow		3,372,878,968	2,527,830,492	594,516,185	127,069,269	18,448,548	105,014,474
Derivative liabilities	(170,699,204)	(16,775,545)	(3,970,271)	(1,139,845)	(3,706,558)	103,750,991	(111,709,862)
Outflow		(2,005,106,950)	(1,026,963,418)	(473,070,201)	(94,568,521)	(173,007,652)	(237,497,158)
Inflow		1,988,331,405	1,022,993,147	471,930,356	90,861,963	276,758,643	125,787,296
31 December 2010							
Derivative assets	86,296,659	82,110,260	13,446,293	3,154,965	17,805,463	12,864,536	34,839,003
Outflow		5,367,913,123	(2,953,906,621)	(1,549,899,044)	(782,744,158)	(53,265,954)	(28,097,346)
Inflow		5,450,023,384	2,967,352,915	1,553,054,009	800,549,621	66,130,491	62,936,349
Derivative liabilities	(75,502,634)	(71,316,236)	(4,145,320)	141,799	(9,621,181)	(22,890,114)	(34,801,420)
Outflow		(1,896,480,211)	(941,518,251)	(226,540,170)	(584,898,102)	(80,625,123)	(62,898,565)
Inflow		1,825,163,975	937,372,931	226,681,969	575,276,921	57,735,009	28,097,145

e) Market Risk

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

Management of market risks

Organizational structure

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

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

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

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

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

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

Exposure to market risks – Value at Risk Tool

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

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

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

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

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

(4) Financial risk management (CONTINUED)

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

(RON)

	AT 31 DECEMBER	AVERAGE	MAXIMUM	MINIMUM
2011				
Foreign currency risk	28,424	70,185	272,403	1,676
Interest rate risk	708,844	1,018,260	1,683,806	368,961
Credit Spread Risk	3,204,082	2,810,947	4,720,137	1,625,235
Overall	3,511,997	3,116,384	4,602,047	2,142,806
2010				
Foreign currency risk	13,980	106,099	495,805	3,698
Interest rate risk	1,204,645	1,302,332	3,170,519	540,726
Credit Spread Risk	2,477,214	1,763,320	3,001,731	618,405
Overall	2,422,400	2,294,826	3,898,964	1,101,482

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

Foreign exchange (FX) Sensitivity analysis

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

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

The table shows the average usage of the limits during 2010 and 2011, which correlate also with the stable FX VaR figure.

Foreign exchange (FX) Open Position

CURRENCY	LIMITS (EUR EQUIVALENT)	AVERAGE USAGE 2010	LIMITS (EUR EQUIVALENT)	AVERAGE USAGE 2011
AUD	1,000,000	2.39%	1,000,000	1.10%
BGN	100,000	10.91%	100,000	5.38%
CAD	1,000,000	6.35%	1,000,000	4.57%
CHF	1,000,000	5.47%	1,000,000	4.13%
CZK	100,000	11.42%	100,000	8.09%
DKK	1,000,000	1.11%	1,000,000	1.15%
EUR	40,000,000	27.36%	40,000,000	21.82%
GBP	1,000,000	5.88%	1,000,000	3.39%
HUF	250,000	13.61%	1,000,000	4.49%
JPY	1,000,000	2.31%	1,000,000	1.60%
NOK	1,000,000	0.96%	1,000,000	1.99%
PLN	100,000	18.92%	1,000,000	5.59%
RON	40,000,000	27.00%	40,000,000	21.85%
RUB	500,000	65.08%	500,000	1.50%
SEK	1,000,000	1.26%	1,000,000	1.03%
TRY	100,000	0.84%	100,000	2.03%
USD	5,000,000	7.34%	5,000,000	3.07%
ZAR	-	-	100,000	0.52%

Exposure to market risks – Interest Rate Gap tool

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

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

(RON)

31 DECEMBER 2011	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL AMOUNT	TOTAL CARRYING AMOUNT
Cash and cash equivalents	2,956,144,324	–	–	–	2,956,144,324	2,956,144,324
Derivative assets held for risk management	80,865,101	7,779,591	3,064,790	32,248,889	123,958,371	123,958,371
Placements with banks	1,348,735,089	2,263,545	–	–	1,350,998,634	1,350,998,634
Loans and advances to customers	10,594,348,003	3,176,255,247	451,734,639	377,219,033	14,599,556,922	14,499,380,530
Investment securities, available for sale	610,269,377	1,206,408,628	1,402,079,926	150,354,462	3,369,112,393	3,369,112,393
Investment securities, held-to-maturity	–	9,109,414	–	–	9,109,414	9,109,414
Total	15,590,361,894	4,401,816,425	1,856,879,355	559,822,384	22,408,880,058	22,308,703,666
Derivative liabilities held for risk management	48,473,360	28,099,308	3,064,790	32,248,889	111,886,347	111,886,347
Derivatives designated as hedging instruments	1,051,937	57,760,920	–	–	58,812,857	58,812,857
Loans and deposits from banks	8,090,467,016	97,413,745	–	–	8,187,880,761	8,187,764,600
Deposits from customers	10,500,147,532	935,845,703	105,951,327	379,034	11,542,323,596	11,542,323,596
Total	18,640,139,845	1,119,119,676	109,016,117	32,627,923	19,900,903,561	19,900,787,400
Interest sensitivity surplus / (shortfall)	(3,049,777,951)	3,282,696,749	1,747,863,238	527,194,461	2,507,976,497	2,407,916,266

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities is as at 31 December 2010:

31 DECEMBER 2010	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	2,968,321,117	–	–	–	2,968,321,117	2,968,321,117
Derivative assets held for risk management	23,169,817	16,539,737	14,207,417	32,379,688	86,296,659	86,296,659
Placements with banks	734,471,531	–	–	–	734,471,531	734,471,531
Loans and advances to customers	8,669,326,447	2,950,934,294	507,485,720	669,180,792	12,796,927,253	12,660,662,423
Investment securities, available for sale	1,075,046,085	1,848,253,931	781,412,936	148,386,446	3,853,099,398	3,853,099,398
Investment securities, held-to-maturity	–	474,967	8,535,951	–	9,010,918	9,010,918
Total	13,470,334,997	4,816,202,929	1,311,642,024	849,946,926	20,448,126,876	20,311,862,046
Derivative liabilities held for risk management	8,948,766	9,842,282	24,386,071	32,325,515	75,502,634	75,502,634
Loans and deposits from banks	6,805,278,272	180,001,908	–	–	6,985,280,180	6,984,598,619
Deposits from customers	10,360,542,158	626,989,750	566,724	137,768	10,988,236,400	10,988,236,400
Total	17,174,769,196	816,833,940	24,952,795	32,463,283	18,049,019,214	18,048,337,653
Interest sensitivity surplus / (shortfall)	(3,704,434,199)	3,999,368,989	1,286,689,229	817,483,643	2,399,107,662	2,263,524,393

(4) Financial risk management (CONTINUED)

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2011 for its interest-bearing assets and liabilities:

(RON)

	RON RANGE		EUR RANGE		USD RANGE	
	MIN	MAX	MIN	MAX	MIN	MAX
Assets						
Current accounts with the National Bank of Romania	1.29%	1.86%	0.69%	0.96%	N/A	N/A
Placements with banks	2.25%	9.25%	0.15%	3.25%	0.00%	1.75%
Investment securities	5.84%	11.00%	4.13%	8.50%	N/A	N/A
Loans and advances to customers	1.75%	29.07%	0.89%	20.61%	1.05%	28.83%
Liabilities						
Deposits from banks	1.00%	8.75%	0.25%	3.49%	0.05%	1.00%
Deposits from customers	0.00%	15.00%	0.00%	9.00%	0.01%	8.00%
Loans from banks	3.92%	7.55%	1.20%	4.76%	1.23%	1.42%

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2010 for its interest-bearing assets and liabilities:

(RON)

	RON RANGE		EUR RANGE		USD RANGE	
	MIN	MAX	MIN	MAX	MIN	MAX
Assets						
Current accounts with the National Bank of Romania	1.57%	3.38%	0.96%	1.27%	0.46%	1.24%
Placements with banks	2.25%	12.00%	0.20%	2.75%	0.00%	1.50%
Investment securities	6.00%	13.00%	4.13%	8.50%	N/A	N/A
Loans and advances to customers	0.68%	36.04%	0.20%	20.06%	0.25%	16.96%
Liabilities						
Deposits from banks	2.00%	6.35%	1.00%	2.96%	0.40%	0.70%
Deposits from customers	0.10%	18.30%	0.10%	9.85%	0.10%	7.00%
Loans from banks	4.09%	5.63%	1.20%	3.06%	1.25%	1.25%

The interest rates related to the local currency and the major foreign currencies as at 31 December 2011 and 2010 were as follows:

(RON)

CURRENCIES	INTEREST RATE	31 DECEMBER 2011	31 DECEMBER 2010
RON	Robor 3 months	6.05%	6.17%
EUR	Euribor 3 months	1.36%	1.01%
EUR	Euribor 6 months	1.62%	1.23%
USD	Libor 6 months	0.81%	0.46%

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

	RON	USD	EUR	OTHER	TOTAL
Financial assets					
Cash and cash equivalents	1,733,973,559	6,996,040	1,211,835,869	3,338,856	2,956,144,324
Derivative assets held for risk management	708,087	87	75,642,982	–	76,351,156
Loans and advances to banks	606,743,779	12,116,254	725,489,473	6,649,128	1,350,998,634
Loans and advances to customers	3,179,760,580	357,866,010	10,957,712,709	5,261,174	14,500,600,473
Investments in associate	42,278,937	–	–	–	42,278,937
Investment securities, available-for-sale	1,973,713,717	–	1,395,398,676	–	3,369,112,393
Equity investments, available for sale	3,522,972	–	37	–	3,523,009
Investment securities, held-to-maturity	–	–	9,109,414	–	9,109,414
Total financial assets	7,540,701,631	376,978,391	14,375,189,160	15,249,158	22,308,118,340
Financial liabilities					
Derivative liabilities held for risk management	517,640	39,634	97,812,816	376	98,370,466
Derivatives designated as hedging instruments	–	974,880	56,786,040	–	57,760,920
Loans & deposits from banks and subordinated liabilities	3,410,310,447	82,567,139	4,650,412,998	44,474,016	8,187,764,600
Deposits from customers	6,228,596,371	547,285,614	4,724,910,222	41,531,389	11,542,323,596
Total financial liabilities	9,639,424,458	630,867,267	9,529,922,076	86,005,781	19,886,219,582
Net financial assets / (liabilities)	(2,098,722,827)	(253,888,876)	4,845,267,084	(70,756,623)	2,421,898,758
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	5,725,803,894	393,945,926	1,586,942,364	96,585,223	7,803,277,407
Cash Outflow	1,591,386,863	138,585,659	5,999,244,341	25,549,920	7,754,766,783
Net effect of derivatives at fair value through profit or loss	4,134,417,031	255,360,267	(4,412,301,977)	71,035,303	48,510,624
Net foreign currency position	2,035,694,204	1,471,391	432,965,107	278,680	2,470,409,382

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2009 can be analysed as follows:

	RON	USD	EUR	OTHER	TOTAL
Financial assets					
Cash and cash equivalents	1,283,855,376	5,691,365	1,676,162,731	2,611,644	2,968,321,116
Derivative assets held for risk management	18,299,547	–	33,196,924	–	51,496,471
Loans and advances to banks	286,851,182	4,434,949	429,478,451	13,706,949	734,471,531
Loans and advances to customers	2,931,074,442	254,465,508	9,473,020,492	2,101,981	12,660,662,423
Investments in associate	25,332,586	–	–	–	25,332,586
Investment securities, available-for-sale	2,626,033,586	–	1,227,065,812	–	3,853,099,398
Equity investments, available for sale	3,369,275	–	513,630	–	3,882,905
Investment securities, held-to-maturity	–	–	9,010,918	–	9,010,918
Total financial assets	7,174,815,994	264,591,822	12,848,448,958	18,420,574	20,306,277,348
Financial liabilities					
Derivative liabilities held for risk management	26,651,320	–	33,091,691	–	59,743,011
Loans & deposits from banks and subordinated liabilities	3,843,727,441	120,543,269	3,014,546,710	5,781,199	6,984,598,619
Deposits from customers	4,990,797,139	577,044,868	5,387,309,344	33,085,049	10,988,236,400
Total financial liabilities	8,861,175,900	697,588,137	8,434,947,745	38,866,248	18,032,578,030
Net financial assets / (liabilities)	(1,686,359,906)	(432,996,315)	4,413,501,213	(20,445,674)	2,273,699,318
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	5,996,647,537	528,705,562	2,503,974,084	20,862,660	9,050,189,843
Cash Outflow	2,445,621,165	90,949,248	6,480,360,982	511,016	9,017,442,411
Net effect of derivatives at fair value through profit or loss	3,551,026,372	437,756,314	(3,976,386,898)	20,351,644	32,747,432
Net foreign currency position	1,864,666,466	4,759,999	437,114,315	(94,030)	2,306,446,750

(4) Financial risk management (CONTINUED)

f) Taxation risk

The Bank strictly observes and implements tax legislation in force for all taxes and is focused on identifying and evaluating tax risks. In this regard, tax risk management is an integral part of decision-making and business processes. Reducing exposure to risk related to taxation is achieved through constant monitoring the adequacy of documentation and information systems to the legal regulations in force.

The tax framework in Romania is subject to frequent changes, resulting from Romania's obligations as an EU Member State or from domestic fiscal policy, and may sometimes have retroactive application. For these reasons, government agencies authorized to conduct tax inspections seem to be exposed to tax law interpretation of the law and adopt a different position from the Bank's.

Tax obligations of the bank are opened to tax audit for a period of five years.

We believe that the Bank has been strictly compliant with the acting tax regulations.

g) Operating environment

The improvement of domestic and foreign conditions, of the risk perception and of liquidity have favoured the economic growth during the first half of 2011. The environment changed strongly in the second half of 2011, when risk aversion and contagion fears affected the Romanian economy through different channels: banking channel (because of exposure to Euro area banking systems), economic channel (because the euro area remains the main trade partner with over 70% share of exports) and expectations channel (because of increasing risk aversion and rising liquidity and risk premium).

Tighter liquidity conditions are likely to persist at the beginning of 2012 after the aggressive bidding for deposits at the end of 2011. The National Bank of Romania cuts lowered benchmark interest rates, effectively reducing the debt service for RON borrowers and improving the outlook for overall credit quality.

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

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

h) Capital management

Regulatory capital

Risk capital measurement and allocation mechanism

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

Capital at risk is calculated at a confidence level of 99.90% on the overall loss distribution for regulatory purposes. For economic capital purpose, the confidence level is currently set up at 99.7%.

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

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

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

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

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

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

(4) Financial risk management (CONTINUED)

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

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

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

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Tier 1 capital		
Ordinary share capital	379,075,291	379,075,291
Share premium	378,351,545	378,351,545
Retained earnings	1,181,053,378	1,118,251,003
Less intangible assets	(110,686,064)	(99,819,696)
Other regulatory adjustments (including equity investments)	(31,562,147)	(21,807,011)
Total	1,796,232,003	1,754,051,132
Tier 2 capital		
Revaluation reserve (fixed assets)	91,154,956	93,420,074
Qualifying subordinated liabilities	165,413,083	202,158,645
Other regulatory adjustments (equity investments)	(28,518,358)	(31,562,147)
Total	228,049,681	273,771,708
Total regulatory capital	2,024,281,684	2,027,822,840
Capital requirements for credit risk	1,239,478,263	1,142,457,997
Capital requirements for market risk	–	–
Capital requirements for operational risk	177,395,216	156,791,952
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	11.43%	12.49%
Total tier 1 capital expressed as a percentage of risk-weighted assets	10.14%	10.80%

*) This calculation is based on statutory figures. Please refer to note 41 and 42 reconciliation profit and of equity reported under statutory accounts/IFRSs

Capital allocation

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

(5) Use of estimates and judgements

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

a) Key sources of estimation uncertainty

Allowances for loan losses

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

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

To the extent that the probability of default parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 25,534 thousand higher (31 December 2010: RON 23,300 thousand) or RON 25,358 thousand lower (31 December 2010: RON 23,290 thousand).

To the extent that the degree of collateral recognition parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 49,902 thousand higher (31 December 2010: RON 46,200 thousand) or RON 25,699 thousand lower (31 December 2010: RON 53,190 thousand).

(5) Use of estimates and judgements (CONTINUED)

Sensitivity analysis for available-for-sale

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

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

(RON)

	MARKET YIELD – 10%	MARKET YIELD + 10%
Available-for-sale denominated in RON	11,938,772	(11,984,151)
Available-for-sale denominated in EUR	4,682,942	(28,494,203)
Available-for-sale Total	16,621,714	(40,478,353)

In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2010 on available for sale financial assets would vary as follows:

(RON)

	MARKET YIELD – 10%	MARKET YIELD + 10%
Available-for-sale denominated in RON	14,214,890	(16,498,536)
Available-for-sale denominated in EUR	12,846,315	(4,740,256)
Available-for-sale Total	27,061,205	(21,238,792)

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

Financial assets and liability classification

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

- In classifying financial assets or liabilities as "derivative assets / liabilities held for risk management", the Bank has determined that it meets the description set out in accounting policy 3(m).
- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(o)(i).

Qualifying hedge relationships

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

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

Determining fair values

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

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

(RON)

Financial assets			
31 December 2011	Listed	Unlisted	Total
Investment securities, available-for-sale	397,622,130	2,971,490,263	3,369,112,393
Equity investments, available for sale	–	3,523,009	3,523,009
Investment securities, held to maturity	–	9,109,414	9,109,414

31 December 2010	Listed	Unlisted	Total
Investment securities, available-for-sale	359,461,157	3,497,151,260	3,856,612,417
Equity investments, available for sale	–	3,882,905	3,882,905
Investment securities, held to maturity	–	9,561,828	9,561,828

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

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

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

				(RON)
31 December 2011	Level 1	Level 2	Level 3	Total
Trading assets				
Derivative assets at fair value through profit and loss	–	123,086,854	871,517	123,958,371
Investment securities	–	3,369,112,393	–	3,369,112,393
Equity investments, available for sale	–	–	3,523,009	3,523,009
Total trading assets	–	3,492,199,247	4,394,526	3,496,593,773
Trading liabilities				
Derivative liabilities at fair value through profit and loss	–	111,015,751	870,596	111,886,347
Total trading liabilities	–	111,015,751	870,596	111,886,347

				(RON)
31 December 2010	Level 1	Level 2	Level 3	Total
Trading assets				
Derivative assets at fair value through profit and loss	–	83,714,532	2,582,127	86,296,659
Investment securities	–	3,853,099,398	–	3,853,099,398
Equity investments, available for sale	–	–	3,882,905	3,882,905
Total trading assets	–	3,936,813,930	6,465,032	3,943,278,962
Trading liabilities				
Derivative liabilities at fair value through profit and loss	–	72,960,377	2,542,257	75,502,634
Total trading liabilities	–	72,960,377	2,542,257	75,502,634

Derivatives designated as hedging instruments amounting RON 58,812,857 (2010: nil) are measured at fair value level 2.

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

Notes to the financial statement

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

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

(RON)

31 DECEMBER 2011	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT	HELD-TO- MATURITY	LOANS AND RECEIVABLES	AVAILABLE- FOR-SALE	OTHER AMOUNTS	TOTAL CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	18	–	–	2,956,144,324	–	–	2,956,144,324	2,956,144,324
Derivative assets held for risk management	19	123,958,371	–	–	–	–	123,958,371	123,958,371
Loans and advances to banks	20	–	–	1,350,998,634	–	–	1,350,998,634	1,350,998,634
Loans and advances to customers	21	–	–	14,499,380,530	–	–	14,499,380,530	14,683,547,293
Investment in associate	22	–	–	–	–	42,278,937	42,278,937	42,278,937
Investment securities, available for sale	23	–	–	–	3,369,112,393	–	3,369,112,393	3,369,112,393
Equity investments, available for sale	24	–	–	–	3,523,009	–	3,523,009	3,523,009
Investment securities, held to maturity	25	–	9,109,414	–	–	–	9,109,414	9,223,524
		123,958,371	9,109,414	18,806,523,488	3,372,635,402	42,278,937	22,354,505,612	22,538,786,485
Derivative liabilities held for risk management	19	111,886,347	–	–	–	–	111,886,347	111,886,347
Derivatives designated as hedging instruments*		–	–	–	–	–	111,886,347	111,886,347
Deposits from banks	31	–	–	–	–	58,812,857	58,812,857	58,812,857
Loans from banks and other financial institutions, including subordinated liabilities	32	–	–	–	–	3,661,066,808	3,661,066,808	3,661,066,808
Deposits from customers	33	–	–	–	–	4,526,697,792	4,526,697,792	4,490,088,709
		111,886,347	–	–	–	19,788,901,053	19,900,787,400	19,897,518,063

*Derivatives designated as hedging instruments are measured at fair value.

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

(RON)

31 DECEMBER 2010	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT	HELD-TO- MATURITY	LOANS AND RECEIVABLES	AVAILABLE- FOR-SALE	OTHER AMOUNTS	TOTAL CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	18	–	–	2,968,321,117	–	–	2,968,321,117	2,968,321,117
Derivative assets held for risk management	19	86,296,659	–	–	–	–	86,296,659	86,296,659
Loans and advances to banks	20	–	–	734,471,531	–	–	734,471,531	734,471,531
Loans and advances to customers	21	–	–	12,660,662,423	–	–	12,660,662,423	12,511,001,694
Investment in associate	22	–	–	–	–	25,332,586	25,332,586	25,332,586
Investment securities, available for sale	23	–	–	–	3,853,099,398	–	3,853,099,398	3,853,099,398
Equity investments, available for sale	24	–	–	–	3,882,905	–	3,882,905	3,882,905
Investment securities, held to maturity	25	–	9,010,918	–	–	–	9,010,918	9,561,828
		86,296,659	9,010,918	16,363,455,071	3,856,982,303	25,332,586	20,341,077,537	20,191,967,718
Derivative liabilities held for risk management	19	75,502,634	–	–	–	–	75,502,634	75,502,634
Deposits from banks	31	–	–	–	–	3,228,872,212	3,228,872,212	3,228,872,212
Loans from banks and other financial institutions, including subordinated liabilities	32	–	–	–	–	3,755,726,407	3,755,726,407	3,545,925,240
Deposits from customers	33	–	–	–	–	10,988,236,400	10,988,236,400	10,978,543,412
		75,502,634	–	–	–	17,972,835,019	18,048,337,653	17,828,843,498

(7) Net interest income

(RON)

	2011	2010
Interest income		
Interest and similar income arising from:		
Loans and advances to customers*	964,613,853	984,035,919
Treasury bills and bonds	214,963,934	244,957,023
Current accounts and placements with banks	45,982,491	70,532,338
Others (including derivatives) **	6,047,052	35,199,524
Total interest income	1,231,607,330	1,334,724,804
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers**	238,114,180	264,522,628
Loans from banks and other financial institutions	194,157,042	211,913,967
Deposits from banks	104,130,811	67,283,681
Others (including derivatives)	1,247,636	33,732,168
Repurchase agreements	10,406,428	659,934
Total interest expense	548,056,097	578,112,378
Interest related effect of Swap transactions regarding refinancing lines with Group Companies***	100,913,551	158,607,848
Net interest income	784,464,784	915,220,274

*) For details please see note 21. Included in interest income for the year ended 31 December 2011 is the total of RON 64,320,072 relating to impaired financial assets. Interest income and expense for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

**) During the year ended 31 December 2011 gains of RON 188,284 and losses of RON 12,983,061 relating to cash flow hedges were recognized in profit or loss and are reflected in interest income / expenses.

***) The Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Bank's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in net income on foreign exchange and on derivatives held for risk management.

(8) Net fees and commissions income

(RON)

	2011	2010
Fees and commissions income		
Payments transactions	142,129,664	129,280,068
Risk participation fee (refer to Note 41)	44,317,614	50,846,420
Loan administration	32,297,018	37,080,467
Guarantees and letters of credit	19,715,950	16,530,935
Other	38,141,258	42,798,846
Total fees and commission income	276,601,504	276,536,736
Fees and commissions expense		
Inter-banking fees	26,398,047	24,205,895
Payments transactions	11,580,828	8,570,722
Commitments and similar fees	5,841,824	6,356,827
Intermediary agents fees	2,523,273	2,683,521
Other	5,228,961	2,064,732
Total fees and commissions expense	51,572,933	43,881,697
Net fees and commissions income	225,028,571	232,655,039

Notes to the financial statement (CONTINUED)

(9) Dividends income

The Bank received dividends income from the following companies:

(RON)

	2011	2010
Transfond SA	784,939	1,634,303
Romcard SA	-	259,364
Biroul de Credit SA	83,425	73,380
Total dividend income	868,364	1,967,047

(10) Net income on foreign exchange and on derivatives at fair value through profit or loss

(RON)

	2011	2010
Net foreign exchange gain from foreign exchange transactions	146,343,142	150,307,016
Net foreign exchange gain from revaluation of foreign currency denominated assets and liabilities and from FX derivatives at fair value through profit or loss	56,355,536	18,922,152
Other foreign exchange items	7,997,844	10,398,133
Net income/(loss) from interest derivatives at fair value through profit or loss	(11,259,206)	5,244,750
Net income on foreign exchange and on derivative at fair value through profit or loss	199,437,316	184,872,051

(11) Other operating income

(RON)

	2011	2010
Revenues/(losses) from sales of financial investments*	285,336	5,961,200
Other operating revenues	3,199,603	11,045,744
Total	3,484,939	17,006,944

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

The net revenue on disposals of investments for the year ended 31 December 2010 contains the effect of selling the participation in Romcard SA.

(12) Personnel expenses

(RON)

	2011	2010
Wages and salaries	229,578,640	213,898,237
Social security charges	61,843,400	60,948,436
Equity settled share-based payments	305,791	(56,788)
Other (income)/costs	(6,897,980)	(1,316,053)
Total	284,829,851	273,473,832

The number of employees at 31 December 2011 was 2,983 (31 December 2010: 3,007). Remuneration of Supervisory Board's and Directorate's members for 2011 was RON 9,548,057 (2010: RON 12,691,350). The Bank has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is incurred by the Bank and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 v (iii)).

(13) Depreciation and amortisation

(RON)

	2011	2010
Depreciation on property and equipment	36,647,551	32,068,086
Amortisation on intangible assets	28,943,407	21,988,614
Total	65,590,958	54,056,700

(14) Other administrative costs

(RON)

	2011	2010
Office space expenses (rental, maintenance, other)	97,179,350	98,764,726
IT services	51,781,291	50,999,688
Other taxes and duties	24,931,012	14,332,754
Communication expenses	20,678,059	24,861,245
Advertising and promotional expenses	19,259,952	17,815,667
Consultancy, legal and other professional services	9,450,294	10,093,909
Materials and consumables	8,264,993	8,182,290
Personnel training & recruiting	3,738,333	1,827,112
Insurance expenses	2,607,349	2,575,995
Other	19,448,201	17,591,426
Total	257,338,834	247,044,812

Notes to the financial statement (CONTINUED)

(15) Net impairment losses on financial assets

(RON)

	2011	2010
Net charge of provision for loans and advances to customers	(356,764,252)	(487,554,855)
Loans written-off*	(10,939,872)	(430,861)
Losses on disposals on loans and receivables**	(201,135)	(5,633,512)
Net release of provisions for equity investments	257,345	2,116,665
Net release / (charge) of provision for debit balances of customers' current accounts (including for dormant current accounts)	8,769,856	(5,913,461)
Recoveries from loans previously written-off	9,925,767	2,180,422
Net impairment losses on financial assets	(348,952,291)	(495,235,602)

* In 2011, the Bank has written off corporate loans with a total net loss in amount of RON 1,014,105.

** In 2010, the Bank has sold a portfolio of impaired retail loans with a nominal value of RON 177,624,275 and following this transaction it has made a net loss in amount of RON 5,633,512.

(16) Net provisions charges

(RON)

	2011	2010
Net provision (charges)/release for off-balance loan commitments and contingencies	(86,793,074)	(70,817,536)
Net provision (charges)/release for litigations	4,169,948	(4,459,624)
Other release/(charges) provisions	3,683,891	5,992,851
Net provisions charges	(78,939,235)	(69,284,309)

(17) Taxation

(RON)

	2011	2010
Direct taxes at 16% (2010: 16%) of taxable profits determined in accordance with Romanian law	30,529,973	10,000,636
Correction of current income tax arising from previous year	346,484	(447,624)
Deferred tax expense /(income)	(3,228,062)	23,430,913
Total tax expense	27,648,395	32,983,925

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

(RON)

	2011	2010
Profit before tax	187,078,332	204,202,046
Taxation at statutory rate of 16%	29,932,533	32,672,327
Non-deductible expenses	28,915,316	18,767,365
Non-taxable revenues	(10,394,656)	(19,470,520)
Tax effect of other non-temporary differences	(3,015,735)	(2,996,692)
Origination and reversal of temporary differences	(14,862,796)	5,628,402
Fiscal credit	(2,926,267)	(1,616,957)
Taxation in the income statement	27,648,395	32,983,925

(18) Cash and cash equivalents

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Balances with National Bank of Romania	2,730,398,261	2,777,725,768
Cash	140,752,383	120,825,037
Cash in ATMs	84,993,680	69,770,312
Total	2,956,144,324	2,968,321,117

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 2011, the minimum reserve level was settled as 15% (31 December 2010: 15%) for liabilities to customers in RON and 20% (31 December 2010: 25%) 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 financial statement (CONTINUED)

(19) Derivative assets/liabilities at fair value through profit or loss

(RON)

	2011						2010
	NOTIONAL	PRESENT VALUE		NOTIONAL	PRESENT VALUE		
		ASSETS	LIABILITIES		ASSETS	LIABILITIES	
Foreign currency derivatives							
Forward contracts	6,505,269,277	47,607,215	13,515,881	6,714,152,148	34,800,188	15,759,623	
Purchased Options	126,796,040	875,614	—	421,726,649	2,692,436	—	
Sold Options	125,717,655	—	874,684	422,015,046	—	2,696,821	
Total foreign currency derivatives	6,757,782,972	48,482,829	14,390,565	7,557,893,843	37,492,624	18,456,444	
Interest rates derivatives							
Interest Rate Swap	1,828,270,105	40,059,928	62,165,979	1,166,414,466	16,872,205	25,222,954	
Purchased Options	1,261,684,546	35,415,614	85,081	1,296,861,223	31,931,830	—	
Sold Options	1,261,684,675	—	35,244,722	1,305,930,716	—	31,823,236	
Total interest rate derivatives	4,351,639,326	75,475,542	97,495,782	3,769,206,405	48,804,035	57,046,190	
Total	11,109,422,298	123,958,371	111,886,347	11,327,100,248	86,296,659	75,502,634	

As at 31 December 2011, the Bank has non-matured SPOT foreign currency transactions as follows: assets notional amount RON 1,254,508,131 (as at 31 December 2010: RON 2,336,037,691), asset present value RON 4,684,691 (as at 31 December 2010: RON 0) and liabilities notional amount RON 1,251,571,079, liability present value RON 1,749,875 (as at 31 December 2010: RON 101,787).

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

(20) Loans and advances to banks

(RON)

	31 DECEMBER 2010	31 DECEMBER 2009
Current accounts with other banks	54,178,401	28,679,022
Sight deposits with other banks	428,952,800	346,365,259
Term deposits with other banks	862,138,529	353,537,095
Loans to banks	615,067	56,396
Other advances to banks	5,113,837	5,833,759
Total	1,350,998,634	734,471,531

Current accounts, sight and term deposits with banks are at immediate disposal of the Bank and are not pledged as at 31 December 2011 and 31 December 2010.

(21) Loans and advances to customers

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

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Corporate loans	4,204,752,281	3,560,875,755
Revolving credit lines*	3,351,936,056	2,920,244,914
Credit cards and personal loans	532,178,741	777,670,263
Mortgages	4,543,381,623	3,704,464,021
Factoring	755,305,370	957,849,761
Impaired assets**	2,539,000,088	1,669,524,582
Loans and advances to customers before provisions	15,926,554,159	13,590,629,296
Less provision for impairment losses on loans	(1,427,173,629)	(929,966,873)
Net loans and advances to customers	14,499,380,530	12,660,662,423

*This category comprises credit lines for corporate customers and current account overdrafts for individuals

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

The movements in loan allowances for impairment could be summarized as follows:

Specific allowances for impairment

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Balance at 1 January	736,486,896	447,713,149
Net impairment charge for the year	321,995,268	279,581,968
Foreign currency exchange effect	(14,998,231)	9,191,779
Impact from recognition of interest income on impaired loans	135,400,073	–
Balance at 31 December	1,208,880,468	736,486,896

Collective allowances for impairment

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Balance at 1 January	193,479,977	147,878,212
Net impairment charge / (release) for the year	25,999,128	207,972,887
Foreign Currency Exchange Effect	(1,387,079)	2,537,114
Disposal of impaired loans	201,135	(164,908,236)
Balance at 31 December	218,293,161	193,479,977
Total opening balance	929,966,873	595,591,361
Total closing balance	1,427,173,629	929,966,873

Notes to the financial statement (CONTINUED)

(22) Investment in associates

(RON)

	NATURE OF BUSINESS	COUNTRY OF INCORPORATION	31 DECEMBER 2011 % INTEREST HELD	31 DECEMBER 2011 CARRYING AMOUNT	31 DECEMBER 2010 % INTEREST HELD	31 DECEMBER 2010 CARRYING AMOUNT
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	20%	4,251,880	20%	3,478,947
UniCredit Consumer Finance IFN S.A.	Consumer finance	Romania	46.06%	38,027,057	46.06%	21,853,639
Total				42,278,937		25,332,586

The following information is relevant and is related to the figures reported based on Group Accounting Policies derived from IFRS as endorsed by the European Union by the associated companies:

(RON)

	OWNERSHIP	TOTAL ASSETS	TOTAL LIABILITIES	REVENUES	PROFIT (LOSS)
2011					
UniCredit Leasing Corporation IFN S.A.	20%	2,952,925,146	2,931,665,501	117,620,860	3,215,859
UniCredit Consumer Finance IFN S.A.	46.06%	1,193,141,756	1,110,373,725	67,058,536	7,690,141
2010					
UniCredit Leasing Corporation IFN S.A.	20%	3,425,687,062	3,408,292,084	91,671,963	(21,283,952)
UniCredit Consumer Finance IFN S.A.	46.06%	571,480,136	524,034,116	50,848,351	(6,484,163)

(23) Investment securities, available-for-sale

As at 31 December 2011, the Bank included in investment securities, available for sale bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON 3,369,112,393 (31 December 2010: RON 3,853,099,398).

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

(RON)

	2011	2010
At 1 of January	3,853,099,398	2,883,625,003
Additions	6,207,961,949	6,048,497,606
Disposals/ redemption	(6,662,160,823)	(5,113,730,594)
Positive changes in fair value	10,247,123	51,414,518
Negative changes in fair value	(40,035,254)	(16,707,135)
At 31 December	3,369,112,393	3,853,099,398

As at 31 December 2011, the investment securities available for sale are pledged in amount of RON 35,320,979 (31 December 2010: RON 34,821,815) and the securities pledged for the repurchase transaction with the National Bank of Romania were nil as at 31 December 2011 (31 December 2010: RON: nil).

(24) Equity investments, available-for-sale

The Bank held the following unlisted equity investments, available-for-sale as at 31 December 2011 and 31 December 2010:

(RON)

31 DECEMBER 2010	NATURE OF BUSINESS	% INTEREST HELD	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Biroul de Credit SA	financial activities	4.23	187,635	–	187,635
Casa de Compensare (SNCDD SA)	other financial services	0.11	46,975	39,486	7,489
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 Managent (CAIB Asset Management S.A.I.)	financial activities	2.57	194,560	–	47,481
Transfond SA	other financial services	8.04	1,164,862	147,079	1,164,862
UniCredit CAIB Securities Romania SA	financial activities	19.97	1,314,465	–	1,289,180
UniCredit Leasing Romania SA	leasing services	0.00002	14	25,285	14
VISA Europe Limited	Cards	0.01	37	–	37
Total			4,695,112	1,172,103	3,523,009

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

(RON)

31 DECEMBER 2010	NATURE OF BUSINESS	% INTEREST HELD	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Argus SA	oil manufacturing for food industry	1.32	1,211,167	384,697	826,470
Auto Mondo Company SA	car spare and accessories	20.00	382,959	382,959	0
Biroul de Credit SA	financial activities	4.23	187,635	–	187,635
Bursa Romana de Marfuri SA	commodity exchange	0.54	56,989	56,989	0
Casa de Compensare (SNCDD SA)	other financial services	0.11	46,975	26,498	20,477
Centrul de Afaceri Roman SA	tourism activities	0.32	460	460	0
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	other credit activities	3.10	1,786,564	795,540	991,024
Pioneer Asset Management (CAIB Asset Management S.A.I.)	financial activities	2.57	194,560	–	194,560
Pirelli Re Romania	real estate	20.00	168,000	168,000	0
Transfond SA	other financial services	8.04	1,164,862	–	1,164,862
UniCredit CAIB Securities Romania SA	financial activities	19.97	497,826	–	497,826
UniCredit Leasing Romania SA	leasing services	0.00002	14	–	14
VISA Europe Limited	Cards	0.01	37	–	37
Total			5,698,048	1,815,143	3,882,905

The movements in the provisions for participations are presented below:

	2011	2010
At 1 of January	1,815,143	4,203,735
Increases	350,062	–
Releases	(993,105)	(2,388,592)
At 31 December	1,172,100	1,815,143

Notes to the financial statement (CONTINUED)

(25) Investment securities, held-to-maturity

At 31 December 2011, the Bank included in investment securities, held-to-maturity bonds issued by Ministry of Public Finance in amount of RON 9,109,414 (31 December 2010: RON 9,010,918 bonds issued by Ministry of Public Finance).

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

	(RON)	
	2011	2010
At 1 of January	9,010,918	8,867,304
Additions	—	—
Disposals (redemption)	—	—
Effect of foreign exchange rate	98,496	143,614
At 31 December	9,109,414	9,010,918

The investments securities held to maturity were not pledged as at 31 December 2011 and 31 December 2010.

(26) Property and equipment

(RON)

	LAND AND BUILDINGS	COMPUTERS AND EQUIPMENT	MOTOR VEHICLES	FURNITURE AND OTHER ASSETS	ASSETS IN COURSE OF CONSTRUCTION	TOTAL
Cost						
Balance at 1 January 2011	256,611,253	90,678,068	649,031	88,493,217	24,410,537	460,842,106
Additions	8,022,199	13,497,671	–	4,540,303	17,660,984	43,721,157
Disposals	(8,328,789)	(67,787)	(45,916)	(441,591)	–	(8,884,083)
Increase due to revaluation	19,194,298	–	–	–	–	19,194,298
Decrease due to revaluation	(108,743,628)	–	–	–	–	(108,743,628)
Balance at 31 December 2011	166,755,333	104,107,952	603,115	92,591,929	42,071,521	406,129,850
Depreciation and impairment losses						
Balance at 1 January 2011	(102,786,390)	(68,513,583)	(521,815)	(39,939,902)	(1,146,086)	(212,907,776)
Charge for the year	(15,144,652)	(12,698,534)	(57,497)	(8,746,869)	–	(36,647,552)
Impairment	1,522,654	–	–	–	–	1,522,654
Other movements	(1,146,086)	–	–	–	1,146,086	–
Disposals	1,475,562	–	11,479	375,753	–	1,862,794
Decrease due to revaluation	108,743,628	–	–	–	–	108,743,628
Balance at 31 December 2011	(7,335,284)	(81,212,117)	(567,833)	(48,311,018)	–	(137,426,252)
Carrying amounts						
At 1 January 2011	153,824,863	22,164,485	127,216	48,553,315	23,264,451	247,934,328
At 31 December 2011	159,420,049	22,895,835	35,282	44,280,911	42,071,521	268,703,598

(RON)

	LAND AND BUILDINGS	COMPUTERS AND EQUIPMENT	MOTOR VEHICLES	FURNITURE AND OTHER ASSETS	ASSETS IN COURSE OF CONSTRUCTION	TOTAL
Cost						
Balance at 1 January 2010	255,952,163	76,487,721	643,705	83,594,427	14,320,640	430,998,656
Additions	2,521,211	14,533,377	5,326	6,179,030	32,757,060	55,996,004
Disposals	(1,862,121)	(343,030)	–	(1,280,240)	(22,667,163)	(26,152,554)
Balance at 31 December 2010	256,611,253	90,678,068	649,031	88,493,217	24,410,537	460,842,106
Depreciation and impairment losses						
Balance at 1 January 2010	(89,532,205)	(62,235,859)	(458,886)	(33,838,975)	(1,146,086)	(187,212,011)
Charge for the year	(14,682,269)	(6,491,743)	(62,929)	(10,831,145)	–	(32,068,086)
Other movements	1,341,242	–	–	–	–	1,341,242
Disposals	86,842	214,019	–	4,730,216	–	5,031,077
Balance at 31 December 2010	(102,786,390)	(68,513,583)	(521,815)	(39,939,904)	(1,146,086)	(212,907,778)
Carrying amounts						
At 1 January 2010	166,419,958	14,251,862	184,819	49,755,452	13,174,554	243,786,645
At 31 December 2010	153,824,863	22,164,485	127,216	48,553,313	23,264,451	247,934,328

Contingent operating lease (rentals)

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Amounts payable under operational leases		
Up to twelve months	71,995,553	73,266,233
From one to five years	124,545,347	161,130,194
Over five years	33,297,241	68,664,399
Total future lease obligations	229,838,141	303,060,826

Notes to the financial statement (CONTINUED)

(27) Intangible assets

(RON)

	INTANGIBLE ASSETS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Cost			
Balance at 1 January 2011	159,158,133	55,258,551	214,416,683
Additions	27,274,785	16,177,640	43,452,426
Balance at 31 December 2011	186,432,918	71,436,191	257,869,109
Amortisation and impairment losses			
Balance at 1 January 2011	(118,461,527)	–	(118,461,527)
Amortisation for the year	(28,943,407)	–	(28,943,407)
Balance at 31 December 2011	(147,404,934)	–	(147,404,934)
Carrying amounts			
At 1 January 2011	40,696,606	55,258,551	95,955,157
At 31 December 2011	39,027,984	71,436,191	110,464,175

(RON)

	INTANGIBLE ASSETS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Cost			
Balance at 1 January 2010	119,470,043	47,369,128	166,839,171
Additions	39,688,090	7,889,423	47,577,513
Balance at 31 December 2010	159,158,133	55,258,551	214,416,684
Amortisation and impairment losses			
Balance at 1 January 2010	(96,472,913)	–	(96,472,913)
Amortisation for the year	(21,988,614)	–	(21,988,614)
Balance at 31 December 2010	(118,461,527)	–	(118,461,527)
Carrying amounts			
At 1 January 2010	22,960,829	47,369,128	70,329,957
At 31 December 2010	40,696,606	55,258,551	95,955,157

(28) Deferred tax assets and liabilities

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

(RON)

	ASSETS	LIABILITIES
31 December 2011		
Loans and advances to customers	–	90,434,212
Property, equipment and intangible assets	–	3,246,860
Held to maturity investment securities	–	316,509
Available-for-sale equity investments	–	61,085
Available for sale investment securities	2,436,974	–
Other assets	349,104	–
Derivative financial instruments held for trading	90,456	–
Derivative financial instruments used for hedging	7,346,639	–
Provisions	40,758,508	–
Deferred tax balance at 16%	50,981,681	94,058,666

Deferred tax assets and deferred tax liabilities at 31 December 2009 are attributable to the items detailed in the table below:

(RON)

	ASSETS	LIABILITIES
31 December 2010		
Loans and advances to customers	–	80,913,474
Property, equipment and intangible assets	1,449,448	431,006
Available-for-sale equity investments	562,083	–
Available for sale investment securities	–	3,404,346
Provisions, other liabilities, accruals	27,649,212	1,537,010
Deferred tax balance at 16%	29,660,743	86,285,836

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

(RON)

	BEFORE TAX	TAX EXPENSE / (BENEFIT)	NET OF TAX	BEFORE TAX	TAX EXPENSE / (BENEFIT)	NET OF TAX
Available-for-sale financial assets	(29,788,131)	4,766,101	(25,022,030)	34,979,313	(5,596,690)	29,382,623
Cash flow hedging reserve	(45,916,494)	7,346,639	(38,569,855)	–	–	–
Revaluation of property, plant and equipment	19,194,298	(3,071,088)	16,123,210	–	–	–
Share of other comprehensive income of associates	129,761	–	–	–	–	–

Notes to the financial statement (CONTINUED)

(29) Other assets

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Sundry debtors (gross amounts)	46,666,806	40,727,752
Other	32,112,401	13,820,326
Prepayments	24,320,843	34,639,886
Inventories	2,600,133	2,225,019
Amounts in transit	275,486	538,527
Total gross amounts	105,975,669	91,951,510
Less impairment for sundry debtors	(28,133,314)	(23,164,920)
Total	77,842,355	68,786,590

The Bank booked as prepayments, during 2011 and 2010: premises rents, local taxes, guarantee fund, premises insurance, bankers blanket bond, subscriptions for several publications.

(30) Derivatives designated as hedging instruments

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

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

(RON)

	NOTIONAL AMOUNT 2011	LIABILITIES 2011	NOTIONAL AMOUNT 2010	LIABILITIES 2010
Instrument type:				
Interest rate	514,282,448	57,760,921	–	–
Cross currency swap	43,197,000	1,051,936	–	–
Total	557,479,448	58,812,857	–	–

The time periods in which the hedged cash flows are expected to occur and affect the consolidated statement of comprehensive income are as follows:

(RON)

	WITHIN 1 YEAR	1-5 YEARS	OVER 5 YEARS
31 December 2011			
Cash inflow	106,246,362	124,522,404	47,283,841
Cash outflow	(38,847,238)	(76,301,997)	(74,379,568)

(31) Deposits from banks

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Sight deposits	517,569,216	801,190,589
Term deposits	2,989,135,621	2,332,045,588
Amounts in transit	154,361,971	95,636,035
Total	3,661,066,808	3,228,872,212

(32) Loans from banks and other financial institutions

The caption Loans from banks comprises the following:

- UniCredit Bank Austria AG : loans facilities in amount of EUR 367,261,948, USD 2,278,281, RON 2,446,481,766 and SEK 17,861 in total amount of RON equivalent 4,040,559,706 (31 December 2010: RON equivalent 3,233,091,306).
- Kreditanstalt für Wiederaufbau Germany: loan facilities in amount of EUR 10,775,166 in total amount of RON equivalent 46,545,483, maturing on 16 June 2014 (31 December 2010: RON equivalent 64,272,004).
- B.E.R.D.: loan facilities in amount of EUR 5,515,221 in total amount of RON equivalent 23,824,101, maturing on 19 May 2017 (31 December 2010: RON equivalent 27,851,200).
- BANQUE EUROPEENNE D'INVESTISSEMENT-BEI: loan facilities in amount of EUR 2,934,652 (RON equivalent 12,676,815), maturing on 15 June 2016 (31 December 2010: RON equivalent 16,859,990).

Loans from banks and other financial institutions in balance as at 31 December 2011 were bearing interest rates which ranged between 1.445% and 4.696% p.a. for EURO denominated loans and respectively from 6.330% up to 7.350% p.a. for RON denominated loans. For USD loan, interest rate at 31 December 2011 is 1.429% p.a. As at 31 December 2011, the final maturity of loans varies from January 2012 to August 2017. The maximum percentage of the interest derives from one of the loans granted by UniCredit Bank Austria AG.

Notes to the financial statement (CONTINUED)

(33) Deposits from customers

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Payable on demand	4,605,471,459	4,610,445,051
Term deposits	6,348,745,383	5,902,054,187
Certificates of deposits	1,514,854	526,888
Collateral deposits	525,036,405	461,547,245
Amounts in transit	61,555,495	13,663,029
Total	11,542,323,596	10,988,236,400

(34) Subordinated loans

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
UniCredit Bank Austria AG	14,744,053	14,629,924
UniCredit Bank Austria AG	21,636,896	21,444,276
UniCredit Bank Austria AG	15,197,580	15,073,825
UniCredit Bank Austria AG	216,089,190	215,758,864
UniCredit Bank Austria AG	70,438,955	70,649,168
UniCredit Bank Ireland PLC	64,984,818	64,434,137
Total	403,091,492	401,990,194

At 31 December 2011, the following agreements were outstanding:

- Subordinated loans from UniCredit Banca Austria AG are as follows: five facilities in amount of EUR 5,000,000, EUR 3,517,824, EUR 3,407,155, RON 215,730,000 and respectively RON 70,400,000 in total amount of RON equivalent 337,226,149 principal, maturing on September 2012, outstanding September 2012, August 2012, July 2014 and August 2012 respectively (31 December 2010: the same facilities were in place: five facilities in amount of EUR 5,000,000, EUR 3,517,824, EUR 3,407,155, RON 215,730,000 and respectively RON 70,400,000 in total amount of RON 337,226,149 principal, maturing on September 2012, September 2012, August 2012, July 2013 and August 2012 respectively). The interest rates for the above-mentioned loans during 2011 and 2010 years ranged between ROBOR + 0.5% and ROBOR + 0.53% p.a. and respectively EURIBOR + 0.5% p.a. The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.
- UniCredit Ireland: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON equivalent 64,272,000, maturing on 30 November 2015 (the same facility in 2010: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON 64,272,000, maturing on 30 November 2015). The interest rate for the above-mentioned loan is EURIBOR 3M + 0.81 %. The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

(35) Provisions

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Provision for financial guarantees (refer to Note 40)	227,674,202	131,711,625
Provision for off-balance commitments and contingencies	10,996,190	17,458,363
Provision for legal disputes	2,851,653	7,134,972
Other provisions	2,546,489	2,283,226
Total	244,068,534	158,588,186

As of 31 December 2011, the Bank calculated provisions for off balance sheet commitments and contingencies in amount of RON 10,996,190 (2010: RON 17,458,363) both for undrawn lines and for other off balance sheet credit related commitments items.

The movements in provisions during the year were as follows:

(RON)

	2011	2010
Balance at 31 December	158,588,186	90,150,747
Provision charge	112,373,246	108,571,205
Release	(33,434,011)	(39,286,897)
FX effect related to off-balance commitments	6,541,113	(846,869)
Balance at 31 December	244,068,534	158,588,186

Notes to the financial statement (CONTINUED)

(36) Other liabilities

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Employee related accrual	15,071,618	20,752,894
Payable to state budget	20,257,865	23,010,729
Accruals for third party services	32,381,224	31,235,748
Amounts payable to suppliers	23,087,327	33,780,423
Lease liabilities (i)	45,444	89,481
Other	32,567,854	24,129,397
Total	123,411,332	132,998,672

(i) Lease liability

As at 31 December 2011, the Bank had leasing liabilities in amount of RON 45,444 (31 December 2010: RON 89,481), agreement concluded with UniCredit Leasing Corporation IFN S.A. representing financial leasing for tangible assets acquisition.

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Amounts payable under finance leases		
Up to twelve months	45,629	42,215
From one to five years	-	51,225
Less: future interest payments	(185)	(3,959)
Present value of lease obligations	45,444	89,481

(37) Issued capital

The statutory share capital of the Bank as at 31 December 2011 is represented by 40,760,784 ordinary shares (31 December 2010: 40,760,784 ordinary shares) having a face value of RON 9.30 each. The shareholders of the Bank are as follows:

	31 DECEMBER 2011 %	31 DECEMBER 2010 %
UniCredit Bank Austria AG	50.55884	50.55884
Redrum International Investments B.V	24.83104	24.83104
Vesanio Trading Ltd	20.22869	20.22869
Bank Austria – CEE BeteiligungsgmbH	0.01329	0.01329
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders	4.32826	4.32826
Total	100.00	100.00

The reconciliation of share capital under IFRS and Romanian Accounting Standards is presented below:

	31 DECEMBER 2011	31 DECEMBER 2010
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
Share capital under IFRS	1,101,604,066	1,101,604,066

Notes to the financial statement (CONTINUED)

(38) Other reserves

The breakdown of reserves is presented below:

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,495	19,064,495
Revaluation of property, plant and equipment	16,123,210	–
Share of other comprehensive income of associates	129,761	–
Total	229,826,494	213,573,523

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

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

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

(39) Related party transactions

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

(RON)

31 DECEMBER 2011	PARENT COMPANY	ASSOCIATES	OTHER RELATED PARTIES
Financial assets held for trading on derivative contracts	–	1,474,187	33,210,703
Current accounts and deposits to banks	622,840,581	–	3,410,912
Loans to banks	–	–	1,448,241
Loans to customers	–	160,375,972	22,983,107
Other assets	4,820,306	47,600,464	15,976,016
Outstanding receivables	627,660,887	209,450,623	77,028,979
Financial liabilities held for trading on derivative contracts	1,795,056	–	96,095,403
Derivatives used for hedging	–	–	58,812,857
Current accounts	15,570,119	4,888,059	81,259,000
Deposit attracted	2,731,985,281	822,064,396	352,854,008
Loans received	4,040,559,708	–	–
Subordinated liabilities	338,106,674	–	64,984,818
Other liabilities	–	–	14,484,326
Outstanding payables	7,128,016,838	826,952,455	668,490,412
Interest and similar income	8,645,166	15,714,040	4,558,491
Interest income and similar revenues on derivative instruments	–	59,694	217,091
Interest income and similar revenues on hedging derivatives	–	–	57,639
Interest expenses and similar charges	–	–	(14,090,145)
Interest expense and similar charges	(262,646,991)	(15,121,312)	(881,197)
Interest expense and similar charges on derivative instruments	–	–	(12,954,002)
Interest expense and similar charges on hedging derivatives	–	–	557,944
Commission income	39,026,118	12,032,553	(13,595,401)
Commission expense	(2,649,945)	(866,106)	(5,209,345)
Management fees	(846,137)	–	4,158,700
Other operating income	4,820,306	–	(33,176,136)
Administration costs: general and administrative expenses - other	–	–	(33,176,136)
Net expense	(213,651,483)	11,818,869	(70,356,361)
Commitments	530,165,905	9,194,056	687,135,454

Notes to the financial statement (CONTINUED)

31 DECEMBER 2010	PARENT COMPANY	ASSOCIATES	OTHER RELATED PARTIES
Financial assets held for trading on derivative contracts	–	–	32,966,411
Current accounts and deposits to banks	17,998,421	–	5,083,683
Loans to banks	–	–	312,253
Loans to customers	–	116,374,379	23,663,457
Other assets	1,386,296	36,009,942	18,623,008
Outstanding receivables	19,384,717	152,384,321	80,648,812
Financial liabilities held for trading on derivative contracts	–	–	48,105,981
Current accounts	5,922,663	11,674,078	42,153,103
Deposit attracted	1,934,259,898	806,483,388	330,515,503
Loans received	3,244,287,805	–	115,438
Subordinated liabilities	337,556,057	–	64,434,137
Other liabilities	–	–	1,870,251
Outstanding payables	5,522,026,423	818,157,466	487,194,413
Interest and similar income	252,832	18,263,493	8,098,378
Interest income and similar revenues on derivative instruments	–	434,133	5,022,890
Interest expenses and similar charges	(235,848,038)	(14,354,618)	(11,860,981)
Interest expense and similar charges on derivative instruments	–	(101,662)	(23,075,701)
Commission income	44,324,711	179,876	11,527,263
Commission expense	(2,644,562)	(1,212)	(460,992)
Management fees	761,789	–	2,537,545
Other operating income	1,386,296	–	12,235,959
Administration costs: general and administrative expenses - other	–	–	(33,764,350)
Net expense	(191,766,972)	4,420,010	(29,739,989)
Commitments	32,646,526	859,842	492,034,883

Net gain from derivatives held for risk management concluded with UniCredit Group entities amounts to RON equivalent 54,704,485 during 2011 (RON equivalent 158,623,530 during 2010).

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:

(RON)		
Balance at 31 December	2011	2010
Loans	1,309,259	2,455,090
Current accounts and deposits	6,289,078	6,339,164
Interest and similar income	104,029	74,600
Interest expenses and similar charges	(137,382)	(168,181)
Total	7,564,984	8,700,673

No provisions have been recognised in respect of loans given to related parties (2009: nil)

(RON)		
	2011	2010
Key management compensation	9,548,057	12,691,350
Total	9,548,057	12,691,350

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

(40) Commitments and contingencies

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

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

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

	(RON)	
	31 DECEMBER 2011	31 DECEMBER 2010
Loan commitments	1,132,124,703	1,111,929,167
Letters of credit	70,022,597	59,948,972
Guarantees issued	5,542,176,924	4,832,078,556
Total	6,744,324,224	6,003,956,695

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG. The total amount of such risk participation agreements in force as at 31 December 2011 is EUR 641,820,778, USD 50,000,000 and CHF 5,310,236 (31 December 2010 is EUR 751,260,133, USD 88,333,333 and CHF 6,195,275).

The Bank concluded with UniCredit Bank Austria AG a series of novation contracts through which loan contracts initially concluded by the Bank with Romanian companies were transferred to UniCredit Bank Austria AG in exchange for full reimbursement of borrowers' due to the Bank. According to these novation contracts the Bank is still engaged as security agent and payment agent until the borrower will repay his debt. For each of these novation contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG (refer to Note 3(j)(iii)).

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 21,869,103 (31 December 2010: EUR 28,857,177).

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

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

As at 31 December 2011 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 5,830,863 (31 December 2010: RON 19,913,905). The Bank, based upon legal advice, has assessed that a provision amounting to RON 2,851,653 as at 31 December 2011 (2010: RON 7,134,972) is necessary to be booked for these claims.

Notes to the financial statement (CONTINUED)

(41) Reconciliation of profit under IFRS and Romanian Accounting Standards as stipulated in Order 13/2008

The financial statements of the Bank prepared in accordance with NBR Order 13/2008 have been approved today together with IFRS financial statements.

	(RON)	
	2011	2010
Net profit under Romanian Accounting Standards	103,062,227	57,169,053
Cancellation of statutory impairment on AFS investment securities	6,326,966	(27,964,891)
IFRS impairment losses on loans	242,254,644	256,516,333
IFRS provisions for off-balance sheet contingent items	(81,334,635)	(53,027,555)
HTM foreign currency revaluation	75,281	(117,980)
Deferred tax impact during the period	2,881,578	(24,362,913)
Gain/(loss) on associate investment – IAS 28, Investments in Associates	4,185,251	(9,875,025)
Impairment on buildings	(1,522,654)	(44,373)
Impact from recognition of interest income on impaired loans*	(108,898,293)	(24,872,535)
Other IFRS adjustments	(7,600,428)	(2,201,993)
Net profit after tax under IFRS	159,429,937	171,218,121

(42) Reconciliation of equity under IFRS and Romanian Accounting Standards

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Equity under Romanian Accounting Standards	2,164,815,492	2,059,097,575
Effect of hyperinflation on share capital – IAS 29, Financial Reporting in Hyperinflationary Economies	722,528,774	722,528,774
Effect of hyperinflation on reserves – IAS 29, Financial Reporting in Hyperinflationary Economies	19,064,495	19,064,495
Fair value adjustments of available-for-sale on reserve	(30,427,390)	(639,259)
Cash Flow Hedge reserve	(45,916,494)	–
Revaluation of property, plant and equipment	13,467,520	–
Deferred tax effect recognised in equity	12,215,021	102,281
Accounting for investment in associates impact on retained earnings – IAS 28, Investments in Associates	(17,653,849)	(17,783,610)
All IFRS adjustments impact on retained earnings, including IAS 29, Financial Reporting in Hyperinflationary Economies hyperinflation	(404,162,484)	(528,086,576)
IFRS adjustments impact on net profit for the year	56,367,710	123,924,092
Equity under IFRS	2,490,298,795	2,378,207,772

(43) Subsequent events

As of 1 January 2012, the Bank has discontinued the Romanian accounting framework under the National Bank of Romania Order 13/2008 and converted to IFRS as adopted by the European Union as their basis for statutory accounting and sole financial reporting framework.

Proforma Consolidated Financial Information

prepared based on the requirements of the IFRS

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Proforma consolidated statement of comprehensive income

for the year ended 31 December 2011

(RON)

	NOTE	2011	2010
Interest income		1,501,444,990	1,574,690,783
Interest expense		(651,877,413)	(662,294,579)
Interest related effect of swap transactions related to refinancing lines with Group companies		100,913,551	158,607,848
Net interest income	3	950,481,128	1,071,004,052
Fee and commission income		286,765,394	292,723,111
Fee and commission expense		(51,369,516)	(44,668,439)
Net fee and commission income	4	235,395,878	248,054,672
Dividends income		868,364	1,967,047
Net income on foreign exchange and on derivatives at fair value through profit and loss		210,742,833	189,005,857
Net gains on financial assets available for sale		10,253,302	11,463,892
Other operating income		4,862,753	17,013,704
Operating income		1,412,604,258	1,538,509,224
Personnel expenses	5	(325,631,796)	(308,195,823)
Depreciation and amortisation	6	(71,513,621)	(57,533,970)
Other administrative costs	7	(295,228,022)	(281,639,115)
Other operating costs		(35,051,742)	(49,507,503)
Operating expenses		(727,425,181)	(696,876,411)
Net impairment loss on financial assets		(420,505,963)	(593,565,615)
Impairment on tangible and intangible assets		382,181	(2,945,602)
Net provision (charges)/release		(78,939,235)	(69,284,309)
Profit before taxation		186,116,060	175,837,287

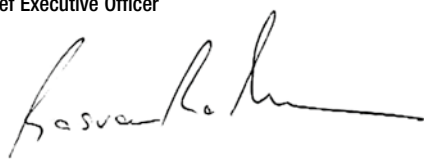
The accompanying notes from pages 143 to 157 form an integral part of the proforma consolidated financial information.

(RON)

	NOTE	2011	2010
Income tax expense		(28,261,118)	(30,808,002)
Net profit for the year		157,854,942	145,029,285
Other comprehensive income			
Net change in reevaluation reserve for available-for-sale financial assets (net of deferred tax)		(25,022,030)	29,382,623
Net change in cash flow hedge reserve, net of tax		(38,569,855)	–
Revaluation of property, plant and equipment (net of deferred tax)		16,123,210	–
Other reserves		203,733	–
Other comprehensive income for the year, net of income tax		(47,264,942)	29,382,623
Total comprehensive income for the year		110,590,000	174,411,908
Profit attributable to:			
Equity holders of the Bank		155,608,917	170,028,730
Non-controlling interest		2,246,025	(24,999,445)
Total net profit		157,854,942	145,029,285
Total comprehensive income attributable to:			
Equity holders of the Bank		108,343,975	199,411,353
Non-controlling interest		2,246,025	(24,999,445)
Total comprehensive income		110,590,000	174,411,908

The proforma consolidated financial information was acknowledged by the Management Board on 6 March 2012 and were signed on its behalf by:

Mr. Răsvan Radu
Chief Executive Officer



Mr. Stanislav Georgiev
Chief Financial Officer



Proforma consolidated statement of financial position

at 31 December 2011

Assets

(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
Cash and cash equivalents		2,956,148,538	2,968,329,398
Derivative assets at fair value through profit and loss		124,099,400	86,296,659
Loans and advances to banks	8	1,350,998,634	730,764,387
Loans and advances to customers	9	17,633,601,342	15,627,303,665
Investment securities, available-for-sale		3,369,112,393	3,853,099,398
Equity investments, available for sale		3,523,009	3,882,905
Investments securities, held to maturity		9,109,414	9,010,918
Property and equipment		271,109,961	250,003,135
Intangible assets		118,666,150	105,416,641
Current tax asset		-	21,003,763
Deferred tax assets		59,929,699	34,921,792
Other assets		251,053,527	137,814,636
TOTAL ASSETS		26,147,352,067	23,827,847,297

Liabilities

(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
Derivative liabilities at fair value through profit and loss		111,904,252	75,502,634
Derivatives used as hedging instruments		58,812,857	-
Deposits from banks	10	3,661,066,808	3,228,872,212
Loans from banks and other financial institutions	11	7,716,254,780	6,971,177,367
Deposits from customers	12	10,899,128,569	10,170,100,207
Subordinated liabilities		498,124,892	495,754,194
Provisions	13	244,068,534	158,588,186
Current tax liabilities		9,916,593	92,708
Deferred tax liabilities		94,058,666	86,285,836
Other liabilities		314,786,481	236,575,667
TOTAL LIABILITIES		23,608,122,432	21,422,949,011

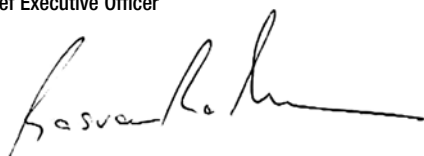
Equity

(RON)

	NOTE	31 DECEMBER 2011	31 DECEMBER 2010
Share capital	14	1,101,604,066	1,101,604,066
Retained earnings		1,210,174,627	1,060,626,528
Reserve on available for sale financial assets		(25,559,008)	(536,978)
Cash flow hedge reserve		(38,569,855)	-
Other reserves		229,923,485	213,596,542
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		2,477,573,315	2,375,290,158
Non-controlling interest		61,656,320	29,608,128
TOTAL EQUITY		2,539,229,635	2,404,898,286
TOTAL LIABILITIES AND EQUITY		26,147,352,067	23,827,847,297

The proforma consolidated financial information was acknowledged by the Management Board on 6 March 2012 and were signed on its behalf by:

Mr. Răsvan Radu
Chief Executive Officer



Mr. Stanislav Georgiev
Chief Financial Officer



Proforma consolidated statement

for the year ended 31 December 2011

(RON)

	SHARE CAPITAL	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGING RESERVE	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	OTHER RESERVES	RETAINED EARNINGS*	TOTAL PARENT EQUITY	NON- CONTROLLING INTEREST	TOTAL EQUITY
Balance at 31 December 2010	1,101,604,066	(536,978)	–	–	213,596,542	1,060,626,528	2,375,290,158	29,608,128	2,404,890,286
Total comprehensive income for the period									
Net profit for the year	–	–	–	–	–	155,608,917	155,608,917	2,246,025	157,854,942
Other comprehensive income, net of income tax									
Net change in available-for-sale financial assets, net of tax	–	(25,022,030)	–	–	–	–	(25,022,030)	–	(25,022,030)
Revaluation of property, plant and equipment, net of tax	–	–	–	16,123,210	–	–	16,123,210	–	16,123,210
Other reserves	–	–	–	–	203,733	–	203,733	–	203,733
Net change in cash flow hedging reserve, net of tax	–	–	(38,569,855)	–	–	–	(38,569,855)	–	(38,569,855)
Total comprehensive income for the period	–	(25,022,030)	(38,569,855)	16,123,210	203,733	155,608,917	108,343,975	(24,999,445)	110,590,000
Transactions with owners, recorded directly in equity									
Net increase in equity attributable to non- controlling interest	–	–	–	–	–	(6,060,818)	(6,060,818)	18,511,407	23,741,349
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,800,275	1,210,174,627	2,477,573,315	29,608,128	2,539,229,635

Proforma consolidated statement

for the year ended 31 December 2011

(RON)

	SHARE CAPITAL	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGING RESERVE	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	RETAINED EARNINGS*	TOTAL PARENT EQUITY	NON- CONTROLLING INTEREST	TOTAL EQUITY
Balance at 31 December 2009	1,101,604,066	(29,919,601)	—	—	213,596,542	890,597,798	2,175,878,805	36,096,166	2,211,974,971
Total comprehensive income for the period									
Net profit for the year	—	—	—	—	—	170,028,730	170,028,730	(24,999,445)	145,029,285
Other comprehensive income, net of income tax									
Net change in available-for-sale financial assets, net of tax	—	29,382,623	—	—	—	—	29,382,623	—	29,382,623
Total comprehensive income for the period	—	29,382,623	—	—	—	170,028,730	199,411,353	(24,999,445)	174,411,908
Transactions with owners, recorded directly in equity									
Net increase in equity attributable to non- controlling interest	—	—	—	—	—	—	—	18,511,407	18,511,407
Balance at 31 December 2010	1,101,604,066	(536,978)	—	—	213,596,542	1,060,626,528	2,375,290,158	29,608,128	2,404,890,286

Proforma consolidated statement of cash flows

for the year ended 31 December 2011

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Operating activities		
Profit before taxation	186,116,060	175,837,286
Adjustments for non-cash items:		
Depreciation and amortisation and impairment on tangible and intangible assets	71,380,033	57,819,584
Net charge of provision for impairment on financial assets	539,791,839	629,541,775
Change in fair value of derivatives at fair value through profit and loss	(1,277,999)	9,875,025
Other items for which the cash effects are investing or financing and non-cash items	81,714,802	(6,044,355)
Operating profit before changes in operating assets and liabilities	877,724,735	867,029,315
Change in operating assets:		
(Increase)/decrease in investment securities available-for-sale	465,091,957	(904,449,404)
(Increase)/decrease in loans and advances to banks	(55,915,399)	235,078,336
(Increase) in loans and advances to customers	(2,753,307,300)	(2,230,698,843)
(Increase)/decrease in other assets	10,012,391	(7,923,051)
Change in operating liabilities:		
Increase in deposits from banks	1,059,205,856	1,266,514,149
Increase in deposits from customers	371,941,033	250,684,715
Increase in other liabilities	10,249,491	14,328,795
Income tax paid	(43,000)	(38,703,820)
Cash flows generated from operating activities	(15,040,236)	(548,139,808)
Investing activities		
Acquisition of property and equipment	(76,646,652)	(86,948,361)
Acquisition in equity investments available for sale	(815,471)	(2,446,246)
Proceeds from sale of equity investments available for sale	1,095,443	5,945,940
Dividends received	868,364	1,967,047
Cash flows used in investing activities	(75,498,316)	(81,481,620)

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Financing activities		
Repayments of loans from financial institutions	(292,155,578)	(2,216,698,147)
Drawdowns from loans from financial institutions	1,729,488,128	1,675,021,841
Cash flows used in financing activities	1,437,332,550	(541,676,306)
Net increase/(decrease) in cash and cash equivalents	1,346,793,998	(1,171,297,734)
Cash and cash equivalents at 1 January	4,367,762,369	5,539,060,103
Cash and cash equivalents at 31 December	5,714,556,367	4,367,762,369
Cash flow from operating activities include:	2011	2010
Interest received	1,364,736,705	1,584,811,865
Interest paid	652,744,203	545,373,469

Notes to the Proforma Consolidated Financial Information

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(1) Reporting entity

The UniCredit Tiriatic Bank Group (the "Group") for the purpose of this proforma consolidated financial information consists of UniCredit Tiriatic Bank S.A. (the "Bank"), UniCredit Leasing Corporation IFN S.A. ("UCLC") and UniCredit Consumer Financing IFN S.A. ("UCFIN").

UniCredit Tiriatic Bank S.A. (the "Bank"), having its current registered office at 23-25 Ghetarilor Street, District 1, Bucharest, Romania, was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriatic S.A. (the absorbing bank) and is licensed by the National Bank of Romania to conduct banking activities.

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

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

UniCredit Leasing Corporation IFN S.A., having its current registered office at 25, Nicolae Caramfil Street, District 1, Bucharest, Romania, provides financial lease services to corporate and individual clients and is controlled by UniCredit Leasing S.p.A (Italy).

UniCredit Consumer Financing IFN S.A., having its current registered office at 59, Gr Alexandrescu Street, District 1, Bucharest, Romania, provides consumer finance loans to individual clients and is controlled by UniCredit S.p.A. (Italy).

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(2) Basis of preparation

The Bank holds a 20% investment in UniCredit Leasing Corporation IFN S.A. as at 31 December 2011 and 31 December 2010. UniCredit Tiriak Bank S.A. holds a 46.06% investment in UniCredit Consumer Financing IFN S.A. as at 31 December 2011 and at 31 December 2010.

In order to provide an enhanced understanding of the financial position and performance of its operations for the Romanian market, the Group has prepared the proforma consolidated financial information, using the line-by-line consolidation of:

- the financial statements prepared by UniCredit Tiriak Bank S.A. as at 31 December 2011 and 31 December 2010 in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by EU legislation.
- the group reporting package prepared by UniCredit Leasing Corporation IFN S.A. as at 31 December 2011 and 31 December 2010 in conformity with the International Financial Reporting Standards as endorsed by EU legislation as illustrated in the UniCredit accounting policies and instructions.
- the group reporting package prepared by UniCredit Consumer Financing IFN S.A. as at 31 December 2011 and 31 December 2010 in conformity with the International Financial Reporting Standards as endorsed by EU legislation as illustrated in the UniCredit accounting policies and instructions.

In its separate IFRS financial statements, UniCredit Tiriak Bank S.A. treated UCLC and UCFIN as associated entities using the equity method in accordance with IAS 28, Investments in associates.

Each company included in the proforma consolidation has prepared its financial information and has applied them consistently to all periods presented in accordance with accounting policies based on International Financial Reporting Standards as endorsed by EU legislation.

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

3) Net interest income

(RON)

	2011	2010
Interest income		
Loans and advances to customers	1,231,382,652	1,236,722,791
Treasury bills and bonds	214,963,934	244,957,023
Current accounts and placements with banks	49,051,352	57,811,445
Others (including derivatives)	6,047,052	35,199,524
Total interest income	1,501,444,990	1,574,690,783
Interest expense		
Loans from banks and other financial institutions	(299,850,779)	(295,921,465)
Deposits from customers	(228,544,383)	(264,522,628)
Deposits from banks	(104,130,811)	(67,283,681)
Treasury bills and bonds	(10,406,428)	(659,934)
Others (including derivatives)	(8,945,012)	(33,906,871)
Total interest expense	(651,877,413)	(662,294,579)
Interest related effect of Swap transactions regarding refinancing lines with Group Companies	100,913,551	158,607,848
Net interest income	950,481,128	1,071,004,052

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 recognised in net income on foreign exchange and on derivatives at fair value through profit and loss.

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(4) Net fees and commissions income

(RON)

	2011	2010
Fees and commissions income		
Payments transactions	142,129,664	129,100,192
Risk participation fee	44,317,614	50,846,420
Loan administration	38,582,041	45,563,709
Guarantees and letters of credit	19,715,950	16,530,935
Other	42,020,125	50,681,855
Total fees and commission income	286,765,394	292,723,111
Fees and commissions expense		
Payments transactions	(11,632,060)	(9,135,608)
Other	(39,737,456)	(35,532,831)
Total fees and commissions expense	(51,369,516)	(44,668,439)
Net fees and commissions income	235,395,878	248,054,672

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(5) Personnel expenses

(RON)

	2011	2010
Wages and salaries	258,327,668	238,481,796
Social security charges	69,755,062	68,537,417
Equity settled share-based payments	459,075	(29,181)
Other costs / (income)	(2,910,009)	1,205,791
Total	325,631,796	308,195,823

The number of employees of the Group at 31 December 2011 was 3,317 (31 December 2010: 3,285).

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(6) Depreciation and amortisation

(RON)

	2011	2010
Depreciation on property and equipment	39,955,420	33,397,925
Amortisation on intangible assets	31,558,201	24,136,045
Total	71,513,621	57,533,970

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(7) Other administrative costs

(RON)

	2011	2010
Office space expenses (rental, maintenance, other)	103,620,025	105,840,035
IT services	55,261,599	54,927,107
Other	29,888,749	23,002,514
Other taxes and duties	24,931,012	14,332,754
Advertising and promotional expenses	24,181,611	23,425,907
Communication expenses	22,018,728	26,103,142
Consultancy, legal and other professional services	18,638,641	19,016,339
Materials and consumables	9,011,500	8,805,141
Personnel training & recruiting	4,855,859	3,123,893
Insurance expenses	2,820,298	2,871,705
Total	295,228,022	281,639,115

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(8) Loans and advances to banks

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Current accounts with other banks	54,178,401	28,679,022
Sight deposits with other banks	428,952,800	346,365,259
Term deposits with other banks	862,138,529	349,829,951
Loans to banks	615,067	56,396
Other advances to banks	5,113,837	5,833,759
Total	1,350,998,634	730,764,387

Current accounts, sight and term deposits with banks are at immediate disposal of the Group and are not pledged as at 31 December 2011 and 31 December 2010.

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(9) Loans and advances to customers

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

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Corporate loans	4,031,558,902	3,431,686,406
Revolving credit lines *	3,351,936,056	2,920,244,914
Credit cards and personal loans	1,305,466,597	1,460,000,114
Financial leases	2,787,761,792	2,742,070,774
Mortgages	4,543,381,623	3,704,464,021
Factoring	755,305,370	957,849,761
Impaired assets **	2,539,000,088	1,543,144,828
Loans and advances to customers before provisions	19,314,410,428	16,759,460,818
Less provision for impairment losses on loans	(1,680,809,086)	(1,132,157,153)
Net loans and advances to customers	17,633,601,342	15,627,303,665

* This category comprises credit lines for corporate customers and current account overdrafts for individuals

**Impaired assets are defined as loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s).

The movements in loan allowances for impairment could be summarized as follows:

Specific allowances for impairment

(RON)

	2011	2010
Balance at 1 January	898,182,490	528,831,543
Net impairment for the year	514,545,516	360,003,768
Foreign exchange effect	2,490,580	9,347,179
Balance at 31 December	1,435,668,306	898,182,490

Collective allowances for impairment

(RON)

	2011	2010
Balance at 1 January	233,974,663	170,431,786
Net impairment charge for the year	21,308,236	225,862,839
Foreign exchange effect	10,106,467	2,588,274
Debt sales	201,135	(164,908,236)
Balance at 31 December	265,590,501	233,974,663
Total opening balance	1,132,157,153	699,263,329
Total closing balance	1,680,809,086	1,132,157,153

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(10) Deposits from banks

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Sight deposits	517,569,216	801,190,589
Term deposits	2,989,135,621	2,332,045,588
Amounts in transit	154,361,971	95,636,035
Total	3,661,066,808	3,228,872,212

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(11) Loans from banks and other financial institutions

The caption Loans from banks and other financial institutions comprises the following:

(i) for the loans borrowed by the Bank:

- a) UniCredit Bank Austria AG : loans facilities in amount of EUR 367,261,948, USD 2,278,281, RON 2,446,481,766 and SEK 17,861 in total amount of RON equivalent 4,040,559,706 (31 December 2010: RON equivalent 3,233,091,306).
- b) Kreditanstalt für Wiederaufbau Germany: loan facilities in amount of EUR 10,775,166 in total amount of RON equivalent 46,545,483, maturing on 16 June 2014 (31 December 2010: RON equivalent 64,272,004).
- c) B.E.R.D.: loan facilities in amount of EUR 5,515,221 in total amount of RON equivalent 23,824,101, maturing on 19 May 2017 (31 December 2010: RON equivalent 27,851,200).
- d) BANQUE EUROPEENNE D'INVESTISSEMENT-BEI: loan facilities in amount of EUR 2,934,652 (RON equivalent 12,676,815), maturing on 15 June 2016 (31 December 2010: RON equivalent 16,859,990).

(ii) for the loans borrowed by the UCLC:

- a) UniCredit Bank Austria AG: loans facilities in amount of EUR 452,026,865 out of which 60.7% maturing in 2013; USD 38,590,088 out of which USD 16,873,252 maturing in 2019 and USD 13,383,109 maturing in 2012, the rest maturing between 2013 and 2018. Also UCLC has a subordinated loan amount of EUR 22,000,000.
- b) European Investment Bank: loan facilities in amount of EUR 31,666,667, last repayment date November 2014. (31 December 2010: EUR 42,555,555).
- c) Central European Bank: loan facilities in amount of EUR 100,074,626, out of which EUR 15,107,485 maturing till 2014, EUR 49,673,670 maturing till 2017 and EUR 35,293,471 maturing till 2019.

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(iii) for the loans borrowed by the UCFIN:

- a) Credit line from UniCredit S.p.A: loan facilities in amount of RON 648,126,689 (31 December 2010: RON 223,297,955).
- b) UniCredit Bank Austria AG: loans facilities in amount of RON 292,146,492 (31 December 2010: 178,473,328 RON).

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(12) Deposits from customers

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Payable on demand	4,605,471,459	4,552,910,679
Term deposits	5,705,550,356	5,141,452,366
Certificates of deposits	1,514,854	526,888
Collateral deposits	525,036,405	461,547,245
Amounts in transit	61,555,495	13,663,029
Total	10,899,128,569	10,170,100,207

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(13) Provisions

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Provision for financial guarantees	227,674,202	131,711,625
Provision for off-balance commitments and contingencies	10,996,190	17,458,363
Provision for litigations	2,851,653	7,134,972
Other provisions	2,546,489	2,283,226
Total	244,068,534	158,588,186

The movements in provisions during the year was as follows:

(RON)

	2011	2010
Balance at 1 January	158,588,186	90,150,747
Provision charge for the year	112,373,246	108,571,205
Release for the year	(33,434,011)	(39,286,897)
FX effect related to off-balance commitments	6,541,113	(846,869)
Balance at 31 December	244,068,534	158,588,186

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(14) Share capital

The issued capital consists of the share capital of the Bank. The statutory share capital of the Bank as at 31 December 2011 is represented by 40,760,784 ordinary shares (31 December 2010: 40,760,784 ordinary shares) having a face value of RON 9.30 each.

The shareholders of the Bank are as follows:

	31 DECEMBER 2011 %	31 DECEMBER 2010 %
UniCredit Bank Austria AG	50.55884	50.55884
Redrum International Investments B.V	24.83104	24.83104
Vesanio Trading Ltd	20.22869	20.22869
Bank Austria – CEE BeteiligungsgmbH	0.01329	0.01329
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders with holdings below 1%	4.32826	4.32826
Total	100.00	100.00

The reconciliation of share capital under IFRS and Romanian Accounting Standards is presented below:

(RON)

	31 DECEMBER 2010	31 DECEMBER 2009
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
Share capital under IFRS	1,101,604,066	1,101,604,066

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

(15) Related party transactions

The Group entered into a number of banking transactions with UniCredit Italiano S.p.A and with members of the UniCredit Group (UniCredit Bank Austria AG, HVB Bank, UniCredit Leasing S.A., Istraturist UMAG, Unicredit Produzioni Accentrate, Bulbank A.D., UniCredito Italiano Ireland, Bank Pekao, Kocbank, Yapi Kredi Bankas ASI in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

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

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Derivative assets at fair value through profit and loss	33,210,703	32,966,411
Current accounts and deposits to banks	627,699,734	23,082,104
Loans to customers	22,983,107	23,663,457
Other assets	20,796,322	22,340,480
Total assets	704,689,866	102,052,452
Derivative liabilities at fair value through profit and loss	99,832,352	48,105,981
Derivatives used for hedging	58,812,857	-
Current accounts	96,829,119	48,075,766
Deposits attracted	3,084,839,289	2,666,546,684
Loans received	7,500,461,670	6,369,764,302
Subordinated liabilities	498,124,892	402,197,075
Other liabilities	14,767,868	1,939,366
Total liabilities	11,353,668,047	9,536,629,174

(RON)

	31 DECEMBER 2011	31 DECEMBER 2010
Interest income	13,203,657	8,425,810
Interest income and similar revenues on derivative instruments	274,730	5,022,890
Interest expense	(384,379,224)	(260,438,016)
Interest expense and similar charges on derivative instruments	(13,835,199)	(23,075,701)
Fees and commission income	39,584,062	55,852,923
Fees and commission expense	(16,245,346)	(3,105,554)
Management fees	(6,055,482)	(3,299,334)
Other operating income	8,979,006	13,622,255
Administration costs	(33,176,136)	(33,764,350)
Net expense	(391,649,932)	(240,759,077)

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG. The total amount of such risk participation agreements in force as at 31 December 2011 is EUR 641,820,778, USD 50,000,000 and CHF 5,310,236 (31 December 2010 is EUR 751,260,133, USD 88,333,333 and CHF 6,195,275).

The accompanying notes from pages 140 to 155 form an integral part of the proforma consolidated financial information.

