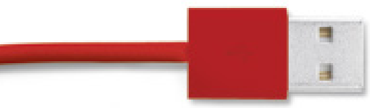
UniCredit Ţiriac Bank

Clear answers for real benefits.

2012 Consolidated Reports and Accounts



Customer testimonials are the common thread of this year's annual report to illustrate the concrete solutions we provide every day. These true stories were told first-hand and collected by the colleagues who worked with them to offer real benefits.

Each story lends an authentic voice to how we are having a positive impact on our stakeholders. We are making a difference by recognizing everyday challenges and opportunities, and by contributing to the economic, social and cultural well-being of the communities we serve.

This report's creative concept reflects our commitment by displaying two pieces that fit together. This represents the union between the real-life needs of our clients and the practical solutions that we offer.

Above all, we believe that being a commercial bank means engaging in meaningful dialogue with those with whom we come into contact.

This enables us to provide simple, quick and effective responses that perfectly meet customer needs.

Inside you will find some of these stories. We hope the next one will be yours.

2012 Consolidated Reports and Accounts

UniCredit Tiriac Bank at a Glance

Key figures

(Thousands of RON, unless otherwise stated)

	2011	2012	VARIANCE %
Net profit	159,430	177,382	11.30%
Total comprehensive income for the year[1]	112,091	203,228	81.30%
Shareholder's equity (eop)	2,491,862	2,695,089	8.20%
Total assets (eop)	22,811,516	25,053,424	9.80%
Bank customer deposits (eop)	11,542,324	13,839,475	19.90%
Bank customer deposits (av.)[2]	9,508,117	11,774,029	23.80%
Bank customer gross loans (eop)	15,804,990	17,257,370	9.20%
Bank customer gross loans (av.)[2]	14,387,489	16,766,854	16.50%
Earnings per share (in RON)[3]	3.91	4.35	11.30%
Income			
Net interest income	784,465	689,369	-12.10%
Net fee and commission income	225,029	249,766	11.00%
Dividends income	868	636	-26.70%
Net trading income[4]	208,858	293,038	40.30%
Other operating income	3,485	15,824	354.10%
Operating Income	1,222,704	1,248,633	2.10%
Net operating income	610,785	614,695	0.60%
Expenses			
Operating expenses	611,920	633,938	3.60%
Staff costs	284,830	292,850	2.80%
Non-staff costs	257,339	265,977	3.40%
Depreciation	65,591	69,981	6.70%
Other operating expenses	4,160	5,130	23.30%
Impairment losses and provisions	427,892	409,818	-4.20%
Integration costs	-	-	0.00%
Profit/Loss on associative investments	4,185	4,253	1.60%
Income tax expense	27,648	31,748	14.80%
Ratios (%)			
Return on average assets (ROA)	0.7	0.7	0,0pp
Return on average equity (ROE)	6.5	6.8	0,3pp
Equity ratio[5]	10.9	10.8	-0,2pp
Capital adequacy ratio (eop)[6]	12	14.5	2,5pp
Tier 1 capital ratio (eop)[6]	10.7	13.5	2,8pp
Risk weighted assets[7]/Total assets ratio	67.9	62.6	-5,4pp
Default over 90 days/Gross loans	11.7	12.2	0,5pp
Loan/Deposit ratio[8]	137	125	-12,2pp
Cost/Income ratio	50	50.8	0,7pp
Cost of Risk ratio[9]	221 bp	188 bp	-32 bp
Resources (number) - (eop)			
Bank Operating outlets	245	208	-37
Employees	2,983	2,799	-184
Foreign exchange rate at period-end (EUR/RON)	4.3197	4.4287	2.52%
Annual average foreign exchange rate (EUR/RON)	4.2383	4.4557	5.13%

1 Total Comprehensive Income for the Year as Net Profit for the year and Net change in revaluation reserve for available-for-sale financial assets, Revaluation of property, plant and equipment, Net change in cash flow hedging reserve and Share of other comprehensive income of associates.
2 Yearly Average based on UCT managerial accounts daily balances
3 Net profit / no. of shares
4 Including - Net income on foreign exchange and on derivatives held for risk management
- Net gains on financial assets available for sale
5 Equity ratio is calculated as shareholder's equity/Total assets (eop)
6 All KPIs meaning Tier 1 Capital, Capital adequacy rate, RWA are shown as per NBR rules.
RWA is calculated according to NBR Basel II for 2011 and 2012 (including Credit Risk, Market Risk and Operational Risk)
7 Only the credit risk part is considered
8 Cost of Risk calculated as P&L Credit Risk divided by Average Net On + Off BS Exposures for which credit risk provisions are calculated

Contents

PROTECTION

Supporting communities in critical times

“After one of our town’s largest employers closed its doors, our local communities went through a very tough time. UniCredit worked closely with government officials on an innovative initiative that helped those who had lost their jobs, like me, gain prompt access to unemployment benefits. The bank quickly facilitated funding for entitlements, protecting families from collapse.”

Franco F., customer of UniCredit in Italy

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD AND CEO

Dear Reader,

It is my pleasure to present the 2012 annual report of UniCredit Tiriac Bank.

2012 did not prove to bring an economic turnaround yet further continuing the rebalancing trend. Eurozone area registered another economic drop while Romania reported a real economic growth despite poor agricultural crop. Private consumptions and investments were the growth drivers on the demand side while services on the supply side. FDIs registered another year of drop down to 1.3% of GDP. Adjustment of macro disequilibria continued: current account-to-GDP falling further to 3.9%, budget deficit was almost halved to 2.9% of GDP, public debt-to-GDP was kept to comfortable levels below 38%. In a turbulent political year the Romanian leu depreciated 5.1% on average, recovering somewhat at the end of the year. Romanian sovereign risk improved with the 5Y USD CDS going half way down to 215bp.

The banking system in the country stayed comfortably capitalised yet into red for another year. Deleveraging trend continued. Loans decreased in real terms due to low demand, balance sheet cleaning and rigid underwriting standards. NPLs reached 18%. Naturally deposits continued growing in real terms driven by private individuals. Drop in benchmark rates, competition for deposits, low credit demand and still high credit risk put pressure on the revenues and the bottom line. This was somewhat mitigated by cost cutting measures yet far from enough to compensate for the system as a whole. The differentiation between banks' performance deepened further signalling more restructuring actions to come.

UniCredit Tiriac Bank demonstrated a good amount of resilience to adverse factors. For another year the bank qualified for the best performers' league well outpacing the market both in terms of growth and profitability. It registered a net profit of RON 177 million, up 11% compared to previous year. Return-on-equity further improved to 6.8%, far from pre-crisis years yet well above average market in the current context and on a growing path. Solvency ratio reached historical high at 14.5% at the end of the year providing for a very comfortable cushion for further business growth and market stress absorption. Particular emphasis was laid on a healthy balance sheet restructuring improving loan-to-deposit ratio to 125% and stable ratio below 110%. As a result customer deposits increased 20% year-on-year at the end of the year and 24% on average. Efficiency was another focal area triggering a series of optimisation actions keeping the cost-to-income ratio at close to 50%. Strict liquidity management provided for a comfortable funding of operations and maturity match of assets and liabilities. Loan portfolio grew near 10% driven by the SME segments. NPL ratio continued growing yet at a slowing down trend reaching 12.2%. Cost-of-risk of the portfolio, both on- and off-balance-sheet, stayed close to 2%. The bank further improved its market share adding 60bp on loans and 70bp on deposits, reaching near 7% of the system's balance sheet total.

We expect 2013 to be a growth year for the economy laying the ground for a soon bottoming-out. The year started on a positive note with unprecedented investors' interest in the Romanian sovereign debt after entering two international EM global sovereign indeces. There are strong signals for a possible monetary easing which would stimulate the demand. We plan to capitalise on our strong financial, market and service quality positioning and make best use of the opportunities to grow and improve profitability. We will complete the consolidation of UniCredit business in Romania acquiring the majority shareholding in the leasing companies and UCFin allowing for better services, administration, effectiveness and efficiency of the operations while preserving the business lines legal independence. Continuing optimisation and revamping initiatives is aimed to increase efficiency. Further enhancement of the self funding capacity will stay high on the agenda targeting diversification of funding sources. Developing and maintaining an effective Internal Control System is continuously in our attention. Key pillars in the Bank strategy are Risk Management and Compliance. We see ourselves as a responsible member of the society and will continue our community service also developing our social and environmental standards. Keeping high level of customer and employee satisfaction is a fundament for our success.

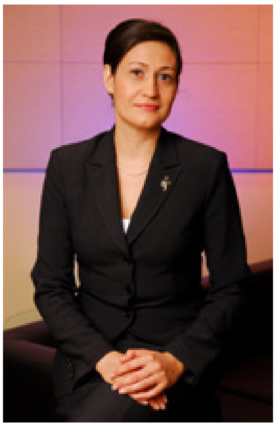
I would like to take the chance to thank our customers and partners for keeping their relations with us. I would like to thank our shareholders and the Supervisory Board for their support. I would like to express my wholehearted gratitude to all the members of our bank's family for their unparalleled efforts, constructive attitude and discipline.

Răsvan Radu

Chairman of the Management Board and CEO
5 March 2013, Bucharest

MEMBERS OF THE MANAGEMENT BOARD DURING 2012

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 (until 15.07.2012)

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

MEMBERS OF THE SUPERVISORY BOARD DURING 2012

Corneliu-Dan PASCARIU	Chairman of the Supervisory Board
Leonard Alexandru LECA	Member of the Supervisory Board
Petru Ion VADUVA	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
Stefano COTINI	Member of the Supervisory Board
Paolo TRIPODI	Member of the Supervisory Board

PLANNING

Customer care that crosses national boundaries

"UniCredit Bank Hungary's products and services have had a strong impact on our business. And their representatives always demonstrate a keen interest in meeting our needs – delivering solutions with a high level of flexibility and professionalism. Their tailored solutions are priced appropriately and applied quickly and easily to our business. UniCredit's presence throughout numerous countries also makes the bank a reliable partner in internationalizing our business."

Carlo Innocenti, CEO of Serioplast,
customer of UniCredit Bank in Hungary

LISTENING

Making a difference from anywhere, even in a taxi

"One day while driving my taxi, I struck up conversation with my passengers and found out they worked at UniCredit.
I told them that I was one of their customers and that I owned a fleet of taxis.
I also explained that I was trying to expand my business and had asked for a loan, but had yet to learn if my request was successful.
The next day one of them called me to follow up with the information I needed. She cared about helping me solve my problem, and I could not have been more satisfied with her support.
I thanked her and said that if she ever needed a taxi in Vienna - even to Milan - I would be there for her, as she was for me."

Taxi driver, customer of UniCredit Bank in Vienna

Strategy and Results

Highlights

UniCredit operates in 22 Countries with more than 156,000 employees and more than 9,300 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.

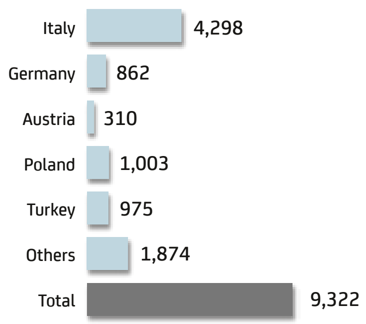
EMPLOYEES[1]

over 156,000

BRANCHES[2]

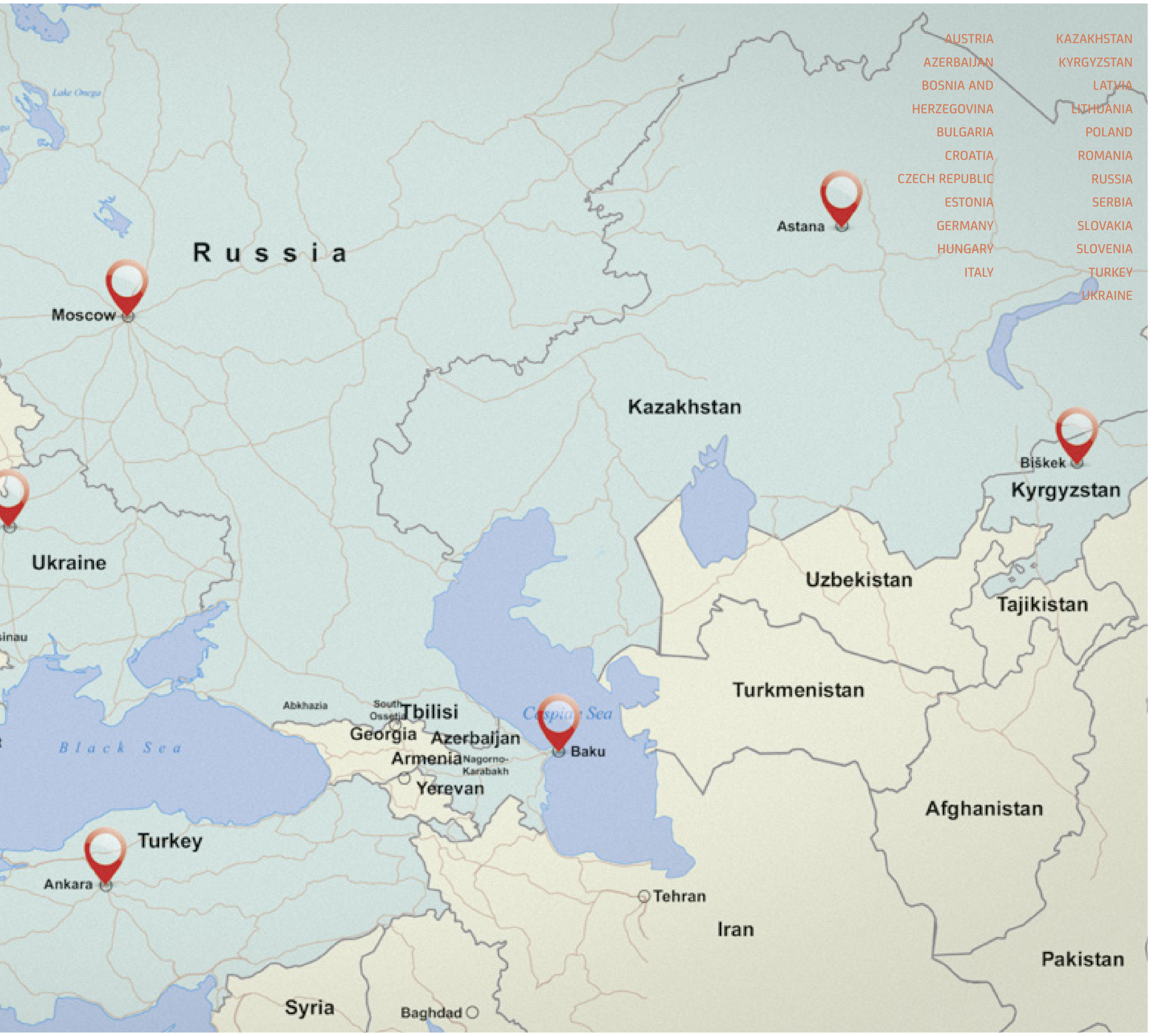
more than 9,300

BRANCHES BY COUNTRY[2]

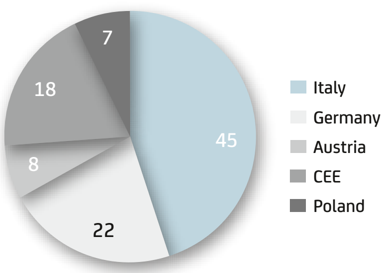


1. Data as at December 31, 2012. FTE = "Full Time Equivalent": number of employees counted for the rate of presence. Figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.
2. Figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.

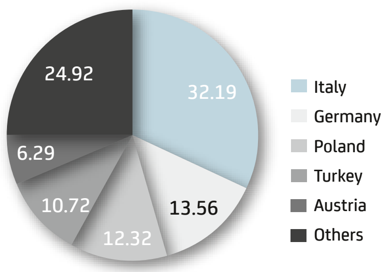
* Data as at December 31, 2012.



REVENUES BY REGION* (%)



EMPLOYEES BY COUNTRY[1] (%)



Focus

AUSTRIA, GERMANY AND ITALY

UniCredit occupies a strategic position in Italy, Germany and Austria. With about 310 branches in Austria, 860 in Germany and 4,300 in Italy, UniCredit comprises one of the largest banking networks in the heart of Europe. Accounting for more than one-third of the GDP of the European Union, these three countries benefit from their close ties to the growing economies of Central and Eastern Europe.

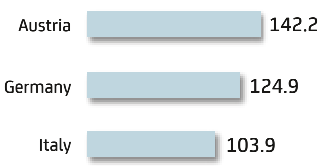
While 2013 may prove to be another challenging year for this region, sequential economic growth is projected to accelerate gradually. The ECB's announcement of the Outright Monetary Transactions (OMT) bond purchase program has significantly diminished tail risks in the eurozone, and the outlook has improved in tandem with market sentiment since August 2012. With the ECB providing an effective and credible backstop, financial markets are increasingly likely to reflect fundamentals. Italy's economy is projected to modestly expand in the second half of 2013. The factors underpinning these expectations are namely the lesser drag from fiscal consolidation in 2013 compared to the 2012, the gradual improvement in financial market conditions, which should soon start to positively affect sentiment and, most importantly, financing conditions for the private sector, which posed particular challenges to Italy in 2012.

Finally, the third factor is the projected re-acceleration in global trade which is likely to be a key driver of economic growth for all euro area countries. It will also result in a moderate upward trend in consumption, thanks to rising wages and a solid labor market. In Austria, stronger trade and the international competitiveness of its industrial sector will likely foster an upswing in 2013, boosted by a slight increase in investment.

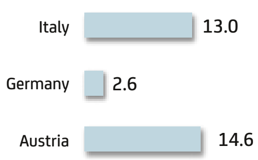
In the medium and long term, the OMT has helped to create a more favorable environment for politicians to implement structural reforms. These remain essential to achieving a sufficient degree of macroeconomic and fiscal convergence across the eurozone, while efforts continue to shape a credible pan-European architecture. This process is vital to making the eurozone stronger and more competitive moving forward. In Italy, the sustainability of the recovery will largely depend on the quick and effective implementation of reforms to restore long-term competitiveness and reduce public debt.

Taking into account the reforms that have already been implemented in Italy, we expect real economic growth to continue at an average annual rate of roughly 1% in Italy and 1.8% in Austria and Germany from 2014 to 2017.

GDP PER CAPITA[1]



MARKET SHARE[2] (%)



1. 1. Market Share in terms of Total Customer Loans as at December 31, 2012.
Source: Eurostat, UniCredit Research.

CENTRAL AND EASTERN EUROPE

UniCredit is a market leader in Central and Eastern Europe, it has a broad network of roughly 3,800 branches.

Its regional footprint is diverse, and include a direct presence in 19 countries. It is ranked in the top five in 11 of these counties*. In fact the CEE now accounts for 26 percent of the Group's revenues.

The region's economic environment is expected to improve, with GDP growth forecast to rise from 2.5 percent in 2012 to 2.9 percent in 2013 and to 3.4 percent in 2014. With Q4 2012 representing the bottom of the cycle, a sequential improvement in the numbers should be evident by Q1 2013.

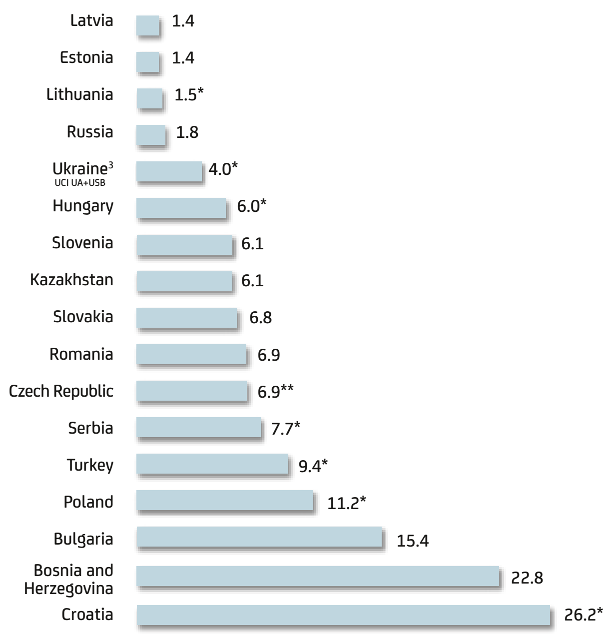
Among the factors expected to aid recovery following a weak 2012, is a gradual improvement in external demand, with the potential to drive an increase in industrial production and exports across the region. Domestic demand should be supported by easier financing conditions, as central banks have cut interest rates and governments now have ample access to external financing.

It is not forecast an increase in interest rates in any CEE country for 2013. At the same time, lower inflation in some countries will boost purchasing power, and the positive trend in private credit should support an increase in activity in comparison with 2012. The region will also benefit from significant recent progress in narrowing budget deficits and stabilizing the ratio of public debt to GDP at relatively low levels.

In most cases, the turnaround will rely initially on strong external demand, with domestic demand to follow. Turkey is an exception, with domestic demand already showing signs of recovery. In Russia, domestic demand, which has lagged behind the rest of the region, remained relatively strong for much of 2012, but is at risk of a moderate slowdown in 2013.

From a medium- to long- term perspective, we believe that the majority of Central and Eastern Europe economies will continue to see an increase in living standards as growth is supported by competitive labor costs, flexible labor markets and a gradual recovery in foreign direct investment. Nevertheless, the primary challenge for the region remains a structural shortfall in savings, with the exception of Russia.

MARKET SHARE[2] (%)



* as at 30 September, 2012.

** as at 31 December 2011.

2. Market Share in terms of Total Assets as at December 31, 2012. Market Share in Azerbaijan and Kyrgyzstan not available.

3. Pro-forma (Ukrsotsbank + UniCredit Bank Ukraine).

Source: UniCredit Research, UniCredit CEE Strategic Analysis.

Business Model

The UniCredit business model is based on the following principles:

- maintaining the so-called "global" Divisions / functions (Corporate Investment Banking (CIB)/ Global Banking Services (GBS)/ Central and Eastern Europe (CEE)) which allow the Group to maintain and increase a competitive advantage in terms of costs and competencies, while envisaging the refocusing of CIB Division on selected customers with a strong demand for "Investment Banking" products;
- higher responsibility of the Countries/ local Banks, through increased autonomy and decision levers, in order to guarantee increased proximity to the client and faster decision processes (direct management of marketing activities and of certain businesses);
- confirmation of the steering, coordination and control role of the Holding Company, in particular through a focus on internal control topics, a supervision of Group key processes and a global coordination of some functions (Planning, Finance & Administration, Risk Management and Legal & Compliance).

Organizational Structure

UniCredit Group organization reflects an organizational and business model which maintains a divisional structure for the government of the Corporate Investment Banking business/products and the business in the CEE Countries, as well as a global control over the Global Banking Services functions, while ensuring the autonomy of the Countries/Banks on specific activities, in order to guarantee increased proximity to the client and faster decision processes:

- the **Chief Executive Officer (CEO)**, while maintaining the overall responsibility on all regional businesses reporting to him (Italy, Germany, Austria, Poland and CEE), oversees directly the Italian business and delegates the supervision of Austria, Poland and CEE Division to the General Manager and the supervision of Germany to the Deputy General Manager responsible for the CIB Division.

- The **CIB Division**, which maintains the role as a Global Division, with a coverage role for the multinational customers ("Multinational"), for selected "Large corporate" clients with a strong potential demand for investment banking products, for the Financial and Institutional Groups (FIG) customers and for the Global Lines "Global Transaction Banking (GTB)", "Global Financing & Advisory (F&A)" and "Markets".

- The **General Manager** is responsible for some cross-Group topics/ areas such as: i) managing strategic marketing activities ii) assisting the Chief Executive Officer in the Internal Control System ("ICS System") management, in order to ensure its effective functioning and iii) fostering, also through the other competent functions, an ongoing dialogue and relationship with the Group regulators.

- The **CEE Division** coordinates the Group activities in 19 countries of Central and Eastern Europe, aligning them to a single comprehensive business vision in the area.

- The **Chief Operating Officer ("COO")** concentrates under a sole responsibility all the managerial levers regarding the organizational, operational and service functions (included HR Management) – such as Organization, ICT, Operations, Workout, Security – responsible for supporting, also through the Group Global Service Factories, the sustainable business growth of the Group, ensuring the utmost quality of services provided and optimizing cost structures and Group's internal processes.

- As far as the Italian perimeter is concerned, within the major responsibility and autonomy of the local countries/banks, the **Country Chairman Italy** is responsible for all the coordination, control and development activities of the segments so called "Individuals" (Mass Market, Personal Banking and Private Banking), Small Business and Corporate segments (now including the former segment Medium Enterprises) of the Italian perimeter, leveraging on a Network breaking down into 7 "Regions", a "Direzione Network Real Estate" and a Network dedicated to the Private Banking segment.

- The **Asset Management** Product Line is responsible for the development of asset management in all geographic areas by guiding, coordinating and monitoring the development of business activities on a global level.

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

Romanian Economy

2012 Overview of the Economy

After three years of successful fiscal adjustment, growth remains Romania's biggest challenge. With domestic demand hit by austerity, a poor harvest and faltering exports amid weak economic activity in the EU, the country faced a meagre growth in 2012. Capital outflows started to be seen from the beginning of the year, but the year ended on a positive note, after the parliament elections cleared the political risks and Romania became eligible for inclusion in international bond indices.

The Romanian economy grew by 0.7%yoy in 2012, less than in 2011 (2.2%), as the unfavourable base effect from a very good agricultural year in 2011 corroborated with a weak crop in 2012 induced more than 1pp negative contribution to the GDP dynamics. Self-consumption most probably declined in this context, inducing a pickup in retail food sales. The economy was also affected by the euro zone recession via the trade channel, exports being hit along with the industrial sector. Constructions stayed almost flat in 2012 as the budgetary restrictions and EU funds' payments suspension (followed by corrections) affected the public investment projects in the second part of the year. The main positive contribution to growth in 2012 came from services, especially in IT and communication, domestic trade and real estate transactions.

Selected economic indicators

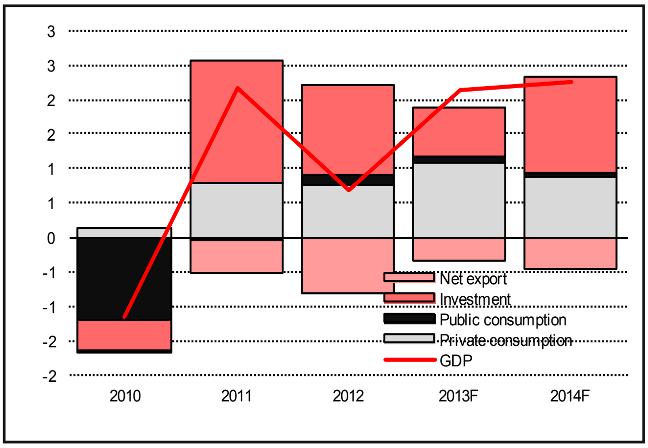
	2012	2011	2010	2009	2008	12/11 %, PP. #
Nominal GDP (€ bln)	131.8	131.4	124.4	118.3	139.8	0.4%
GDP per capita (€)	6,161.0	6,138.5	5,786.2	5,501.2	6,491.9	0.4%
Real GDP growth (%)	0.7	2.2	-1.1	-6.6	7.4	-1.5 pp
Inflation (CPI) yoy, Dec	5.0	3.1	8.0	4.7	6.3	+1.8 pp
Inflation (CPI) yoy, avg	3.3	5.8	6.1	5.6	7.9	-2.5 pp
Unemployment rate (%)	7.0	7.4	7.3	6.9	5.8	-0.4 pp
Exchange rate /€, eop	4.43	4.32	4.28	4.23	3.99	2.5%
Exchange rate /€, avg	4.46	4.24	4.21	4.24	3.68	5.1%
Intervention rate (Dec)	5.25	6.00	6.25	8.0	10.25	-0.75 pp
Consolidated Gov. Balance / GDP(%)	-2.9	-5.6	-6.8	-9.0	-5.7	+2.70 pp
Current account balance (€ mln)	-5,151.0	-5,937.2	-5,492.9	-4,905.0	-16,153.0	-13.2%
Current account/ GDP (%)	-3.9	-4.5	-4.4	-4.1	-11.6	+0.6 pp
FDI (€ mln)	1,714.4	1,837.9	2,236.1	3,554.0	9,309.0	-6.7%
FDI/GDP	1.3	1.4	1.8	3.0	6.7	-0.1 pp
External Public debt (€ mln)	24,672.9	22,430.4	18,469.8	13,556.4	11,190.6	10.0%
External Public debt % of GDP	18.60	17.07	14.85	11.46	8.01	+1.5 pp
Internal Public Debt (€ mln)	25,468.8	22,707.8	19,080.1	14,423.5	6,978.0	12.2%
Trade Balance-Goods (€ mln)	-7,373.7	-7,408.1	-7,576.7	-6,870.0	-19,109.0	-0.5%
International Reserves (of NBR, € mln)	35,413.0	37,251.8	35,950.7	30,858.6	28,269.9	-4.9%
Number of banks	39	40	41	41	42	-1

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

Romanian Economy (Continued)

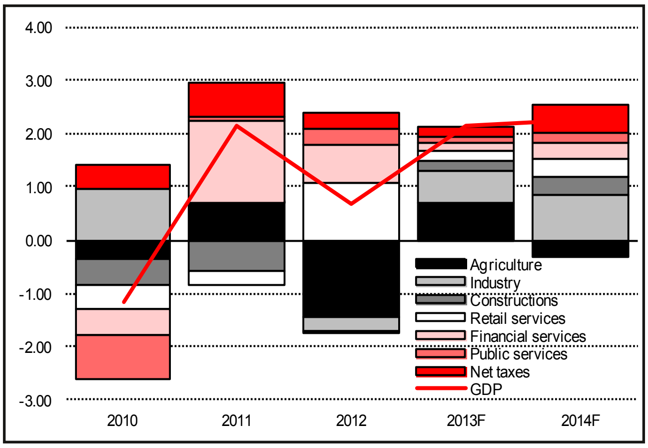
GDP – DEMAND SIDE

percent, yoy



GDP – SUPPLY SIDE

percent, yoy

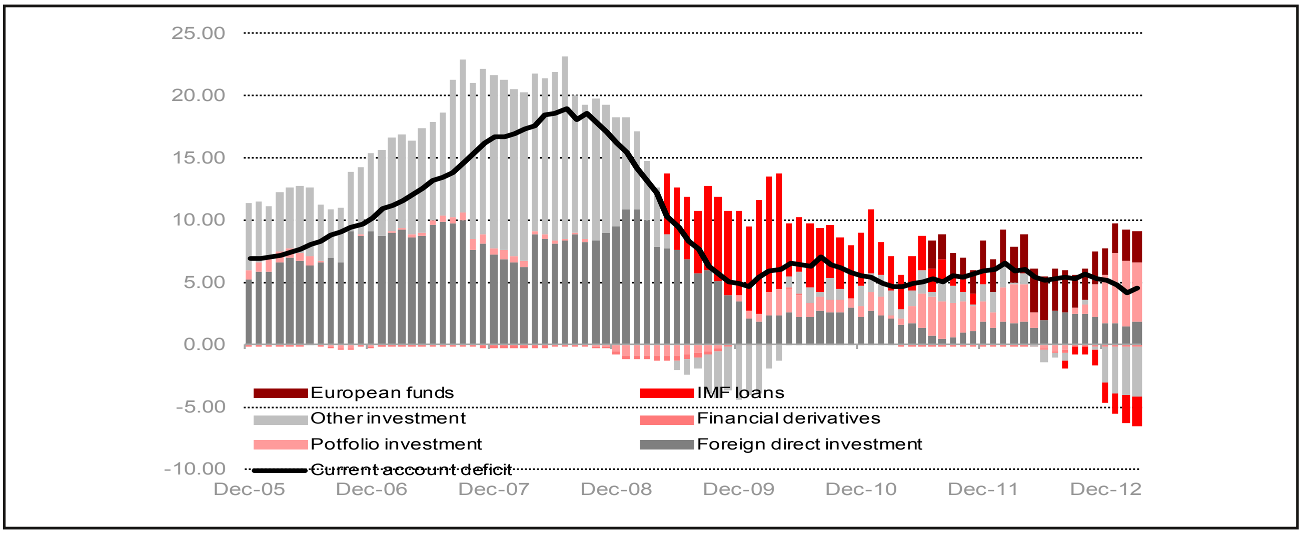


Data source: NIS, UniCredit Țiriac Bank

The adjustment of public and external disequilibria continued in 2012. The budget deficit reached 2.5% of GDP in cash terms (slightly missing the IMF target), but stood below 3% of GDP under ESA 95 providing the prerequisites for Romania exiting the Excessive Deficit Procedure. The correction in deficit was quite important, from 5.2% of GDP (ESA) in 2011. The public debt remained below 40% of GDP (ESA 95).
Although Romania's current account deficit has fallen to 3.9% of GDP in 2012 from 4.5% of GDP in 2011, the trade deficit has been quite resilient. While external demand has weakened, the increased exports price competitiveness via currency depreciation was not sufficient to adjust the trade deficit (it remained almost flat). The impact of drought on agriculture and energy production definitely had an unfavourable impact on trade balance. The low price elasticity of fuel and food imports and the higher commodity prices during 2012 are also two factors that could partially explain the resilience of imports. Moreover, the high content of imports for Romanian exports is a drag for the trade deficit adjustment.

INVESTMENT FLOWS TO ROMANIA

EUR bn, 12-month cumulative



Data source: NBR, UniCredit Țiriac Bank

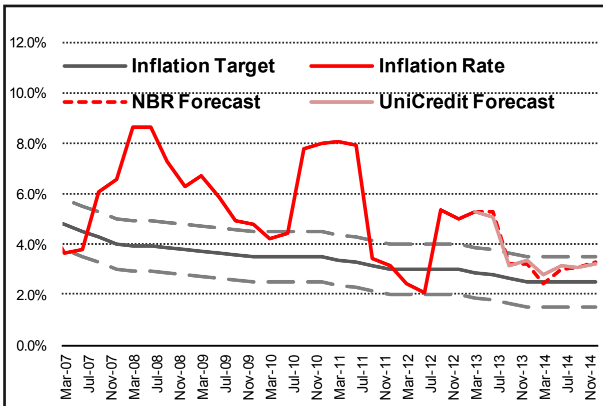
The RON constantly depreciated against EUR until August 2012, from an entry level close to 4.30 up to a temporary high of 4.65. Capital outflows started to be seen already from the beginning of 2012 and the intensification of the political crisis in Romania took its toll on the RON from 3Q12. Tensions remained in the FX market until mid-December. The appetite of nonresidents for Romanian bonds increased immediately after elections under the assumptions of a more stable political environment along with the confirmed perspective of Romania being included in the international bond indices. The EURRON returned to 4.40 by year-end, the RON average depreciation over 2012 reaching 5%. CDS 5Y spreads moved from a top level close to 480bps in the most tensioned periods, down to almost 200bps.

Inflation accelerated to a high of 5.3% in September (from 1.8% in May) and ended the year at 5% (missing the target of 3% +/-1pp). The inflationary shocks were caused by a spike in food prices as well as unexpected regulated price increases under a volatile exchange rate environment. The average inflation was 3.3% in 2012, while core inflation stood at 2.5%, the lowest levels seen since 1990.

The inflationary process in Romania is reflecting some structural problems - a significant part of inflation is influenced by food prices (with high volatility due to weather dependency) and regulated prices (subject to liberalisation process). In addition, the high degree of euroization is limiting the transmission mechanism of the monetary

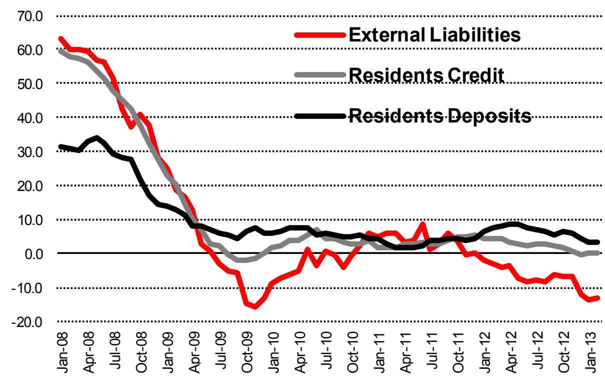
INFLATION TRENDS

percent, yoy



BANKING ACTIVITY

percent, yoy, FX-adjusted terms



Data Source: NIS, NBR, UniCredit Țiriac Bank

policy. NBR decided to stop the easing cycle in May 2012 when tensions started to accumulate externally and internally, the key rate remaining at 5.25% throughout the rest of the year. The MRR ratios remained unchanged as well to 15% and 20% for the RON and FX-liabilities, respectively. During 2012 central bank has used intensively the liquidity control instruments in order to adjust the monetary conditions (either to leave more liquidity in the market when the tensions in the financial market were easing, or to become more restrictive when tensions were accumulating). Therefore the money market rates continued to present high volatility during the year, with 3M ROBOR varying between 4.2% and 6.3% (the higher values being seen towards year-end). Overall, on average the 3M ROBOR was 50bps lower in 2012 compared to 2011.

With credit activity on a downsizing trend especially in the second part of the year and banks competing for deposits, the process of banks' balance-sheet rebalancing took place with credit to depo ratio declining from 1.21 in June to 1.17 in December. A switch between FX credit and RON credit (the latter being favoured) took place in 2012 because the supply of FX credit diminished under the deleveraging process (EUR 3bn outflows from banks' external liabilities), but also due to a more restrictive FX-lending regulatory framework for consumption loans. The local currency loans gained weight in total credit stock (+1pps to 37.5%), mainly based on corporate activity and RON mortgages. But overall, credit growth slowed down during 2012, from 5.7%yoy in January to 0%yoy in December (FX-adjusted terms). In this context the financial intermediation rate (non-government credit per GDP) declined from 40% to 38%.

Although the IFRS accounting standards became the sole reporting framework as of January 2012 (less restrictive versus RAS) the loan loss provisions continued to accumulate relatively fast. The NPL ratio[1] increased to 18% by year end (+4pps up from 2011-end).The banking sector remained on loss for the third consecutive year in 2012. Additional provisioning was triggered by a special audit in mid-2012 as the value of collateral needed to be revised downwards (the asset prices have been on a descending path during 2008-2012) – with impact on both 2012 and 2013. Romanian banking sector continued to have a high capital adequacy ratio – 15% at the end of 2012 (similar to 2011-end). The minimum threshold asked by the NBR under the IMF programme is 10%.

1 NBR definition: Gross exposure of non-bank loans and interest classified under "loss 2" that are overdue more than 90 days and/or for which legal proceedings were initiated against the debtor or against the operation / Total classified loans and interest related to non-bank loans, excluding off-balance-sheet items –

World Economy

2013 Economic Outlook

With (i) a more benign foreign exchange environment under a better perception of foreigners about Romanian assets (bonds in particular), (ii) an improvement of the trade balance (based on new car models at Dacia, increasing production in Ford engines, new entries as DeLonghi and Bosh), (iii) one normal agricultural year, (iv) a lower fiscal drag on growth as the budget adjustment softens, but (v) still under a recession scenario in the euro area, we see Romania growing by 2.1% in 2013. Further structural reforms might be expected under the IMF umbrella, very much needed to improve growth perspectives and fiscal stability.

Our baseline scenario involves EURRON staying close to an average of 4.4000 in 2013, trading most of the year in the interval 4.30-4.50 and some chances to breach temporarily this interval(the risks being related to some seasonal factors specific to the last quarter and to investors' reactions against the Fed's QE exit that might generate a redistribution of capital flows from emerging markets). Most part of the impact from capital inflows driven by Romania's inclusion in the bond indices already took place. The deficits are expected to further correct, albeit at a slower rate, the current account deficit reaching 3% of GDP in 2013, vs. 3.9% in 2012, while the fiscal deficit staying close to 3% in GDP under ESA 95.

We expect higher inflows of EU funds as we approach the end of the allocation period and projects go deeper into implementation (2013 being the last year for projects submission, and 2016 the last year for payments), yet an improvement in the administration process is very important to avoid pre-suspension episodes. The increase in wages and pensions in 2013 might give some support to consumption, yet the higher inflation environment in 1H13 (above 5%) is limiting temporarily the impact. Inflation is expected to go lower towards year-end (3.3% is the current forecast) and we might see inflation staying around 3% on average in 2014. Given this context, under better fundamental developments (in terms of deficit adjustments in particular) with a persistent negative output gap and a sluggish credit activity, the room for manoeuvre in case of the central bank to cut the rates has enlarged. Therefore we expect a monetary easing cycle to start, via an eventual combination of interest rate cuts and minimum required reserve ratios reduction. The deleveraging process is expected to continue, but to a lesser extent than in 2012. The cost of risk is expected to remain high (3.7% in 2013), yet slightly lower than in 2012 given the clean up process in credit portfolio in some banks and a more benign EURRON.

World Economy

2012 Overview

After showing signs of improvement in early 2012, the global economic recovery weakened in the second half due to increased tensions in financial markets tied to the sovereign debt crisis in the euro area and the slowdown in growth in some emerging countries. Overall 2012, the world economic output has grown by 3.2%, slower than in 2011 (4%). The falling global activity was mirrored in a slowdown in world trade growth: 2.5% in 2012 compared to 6% in 2011.

Since the LTROs were allotted back in December 2011 and March 2012, market conditions in the euro area have improved significantly (although with a lot of volatility in between). However, the measures taken in the summer by the European authorities, in particular by the European Central Bank (rate cut, Outright Monetary Transaction (OMT) bond purchase programme), eliminated the risk of extreme scenarios for the euro area, thus contributing to a significant improvement in financial market sentiment. In this context the 3M EURIBOR declined from 1.4% at the end of 2011 to 0.19% at the end of 2012.

In terms of growth, the euro zone GDP contracted in all quarters of the year except for the first, which was characterized by stagnation. Besides the factors mentioned above, the impact of fiscal consolidation in the countries on the eurozone's periphery was an important factor explaining the regions' weak performance (overall the economic activity contracted by 0.6% in 2012).

An important step forward in ensuring economic and financial stability of the euro area was taken when the heads of state and government of the EU countries signed an agreement on banking supervision: as from March 1, 2014, the ECB will be responsible for overseeing all banks in the eurozone – and in the countries outside the eurozone that will join the EU – whose assets are worth at least €30 billion or represent no less than 20% of the country's GDP.

In the United States, the economy expanded by 2.2% in 2012 as against 1.8% in 2011. A significant boost to the economy came from the real estate market. The Federal Reserve, however, in the light of a worse than expected improvement in the labor market, decided to provide additional stimulus to the economy through the purchase of securities. At its September meeting, the Fed announced a new round of purchases of MBS (mortgage-backed securities) at a pace of $40 billion per month, while at the December meeting it announced that as from January 2013 it will buy an initial $45 billion of long-term Treasury bonds each month, thus bringing the total purchases of securities to $85 billion a month.

The contrast between the FED's and the ECB's policies, and the alleviation of worries about any eventual euro area extreme scenario offered some support to the euro against the dollar. While the year-end EUR-USD quotations were not so different (1.32 in 2012 compared to 1.30 in 2011), on average the pair was traded at 1.29 in 2012 versus 1.39 in 2011.

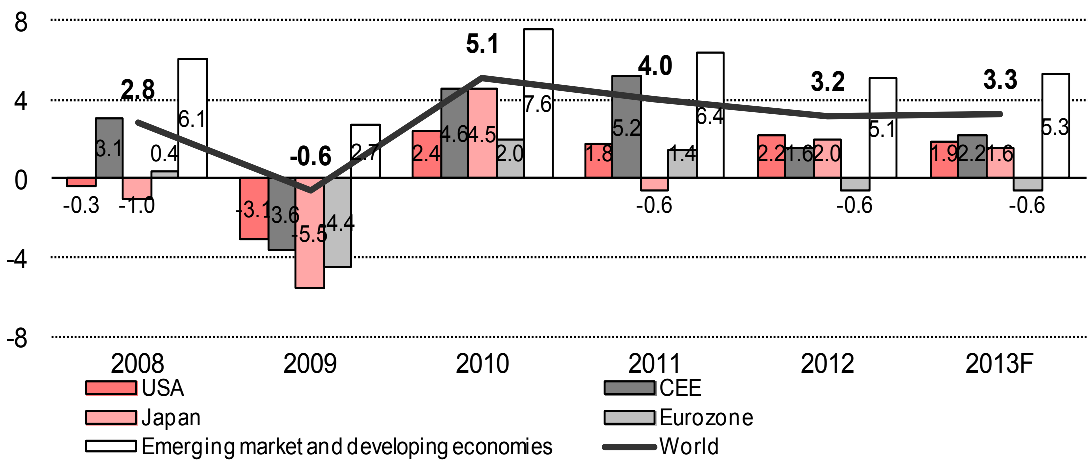
Toward the end of the year a last-minute agreement was signed to avert the so-called "fiscal cliff" in the United States, eliminating a further risk to the global economy, and the first signs of stabilisation were seen in some of the major emerging economies such as China.

2013 Economic Outlook

2013 may prove to be another challenging year for the euro area, under the baseline scenario the economic activity's growth being expected to stay in the negative territory (any eventual recovery might be seen later in the year). With the ECB providing an effective and credible backstop, financial markets are increasingly likely to reflect fundamentals. Global trade is projected to re-accelerate (to 3.6% according to the IMF projections) and is likely to be a driver of growth in the euro area.

In the medium and long term, the ECB's Outright Monetary Transaction (OMT) bond purchase programme has helped to create a more favorable environment for politicians to implement structural reforms. These remain essential to achieving a sufficient degree of macroeconomic and fiscal convergence across the eurozone, while efforts continue to shape a credible pan-European architecture. This process is vital to making the euro zone stronger and more competitive moving forward.

GDP GROWTH AROUND THE WORLD



Data source: IMF World Economic Outlook, April 2013, UniCredit Group for the euro area GDP forecast

UniCredit Tiriac Bank activity review

COUNTERPARTY CREDIT RATING (Fitch Ratings) as the end of 2012

Foreign Currency Long-term IDR	BBB+
Foreign Currency Short-term IDR	F2
Viability rating	bb-
Support rating	2
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

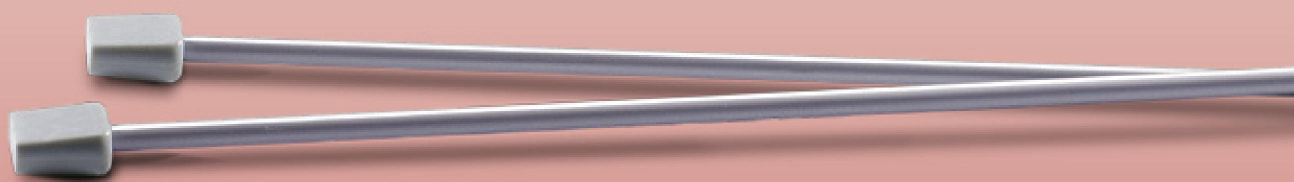
According to recent developments, in March 2013, Fitch assigned BBB foreign currency long-term IDR to the Bank as a result of downgrading UniCredit S.p.A. Fitch Rating has aligned UniCredit SpA's ratings with that of the recently downgraded sovereign Italy due to political instability and weak macroeconomic evolutions. In the same context, the Foreign Currency Short Term IDR was changed from F2 to F3.

Meeting customers’ specific needs with flat fee

CUSTOMIZED

“Even when it comes to fairly simple banking transactions like payments, we know that UniCredit Bank finds solutions that are mutually beneficial. Their customized payment system, flat fee, not only helps us to understand and plan our monthly expenses but also saves our accountant’s time.”

Pauls Ābele, Head of Finance, Accounting and IT Board Member of AS “Latvijas Finieris,” customer of UniCredit Bank in Baltics



UniCredit Tiriac Bank activity review

Financial results

In 2012, 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.

Summary income statement

RON Millions

	2012	2011	VARIANCE (%)	VARIANCE (AMOUNT)
Net interest income	689.4	784.5	-12.1	-95.1
Net fees and commissions income	249.8	225	11	24.7
Dividends income	0.6	0.9	-26.7	-0.2
Net income on foreign exchange and on derivatives held for risk management	263.8	199.4	32.3	64.4
Net gains on financial assets available for sale	29.2	9.4	210.3	19.8
Other operating income	15.8	3.5	354.1	12.3
OPERATING INCOME	**1,248.60**	**1,222.70**	**2.1**	**25.9**
Operating Expenses	-633.9	-611.9	3.6	-22
NET OPERATING INCOME	**614.7**	**610.8**	**0.6**	**3.9**
Net inpairment loss on financial assets	-317.1	-349	-9.1	31.9
Impairment of tangible and intangible assets	0	0	0	0
Net provision charges	-92.8	-78.9	17.5	-13.8
Profit (loss) on associate investments at eq method	4.3	4.2	1.6	0.1
PROFIT (LOSS) BEFORE TAXATION	**209.1**	**187.1**	**11.8**	**22.1**
Tax expenses	-31.7	-27.6	14.8	-4.1
NET PROFIT (LOSS) FOR THE YEAR	**177.4**	**159.4**	**11.3**	**18**

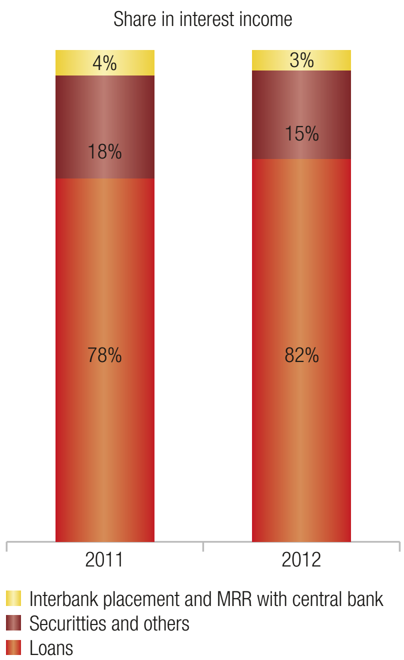
The bank reports a net profit of RON 177 million in 2012, up 11.3% as compared to the previous year mainly driven by better trading and fees income. Net operating income is up 0.6% to RON 615 million. Total comprehensive income for the reported year (net profit and market reevaluation of AFS, Cash Flow Hedging and Fixed Assets reserve) is RON 203 million, up 81.3% year-on-year.

The Bank records a strong and balanced financial position in 2012 despite the macroeconomic stagnation. Profitability is above the market in a year when the banking system reported the biggest loss to date. Return-on-Asset is 0.7%, Return-on-Equity 6.8% and earnings per share RON 4.35. Cost-to-income ratio is 50.8%.

Operating income grew 2.1% year-on-year reaching RON 1,249 million.

Net interest income generated RON 689 million, 55% of total operating income, down 12.1% year-on-year. The interest margins went down due to an adverse impact both on the asset side (low market demand along with severe drop in base rates) and on the liabilities side (high market competition driving prices up and increase in the bank's deposit volumes in a rebalancing move). Interest income was negatively influenced by the decrease of the average interest rates on assets. Average 1-month EURIBOR dropped from 1.2% in 2011 to 0.33% in 2012 and the average 1-month ROBOR was down from 5.29% in 2011 to 5.24% in 2012. Nevertheless, the lending interest income, representing 82% of total interest income, increased by 6% in 2012 as compared to the previous year due to the 16.5% growth in average loan portfolio. Interest income from inter-bank deposits and minimum reserves with the Central Bank accounted for 3% of total interest income, down 16% year-on-year. Interest income from Treasury bills and bonds dropped 15% year-on-year. Interest expenses on customer's deposits increased 45% year-on-year due to higher volumes and higher price. Interest expenses related to loans and deposits from banks went down by over 8% due to drop in market rates.

Net fee and commission income increased by 11% year-on-year to RON 250 million, accounting for 20% of total operating income. This growth was due to payment transactions (up by 17%) and trade finance on ascending trend. Commissions from risk participation on externalized loans with UniCredit Bank Austria dropped due to lower volumes.



Total trading income increased its share in total operating income from 17% to 24% in 2012. Net income on foreign exchange and on derivatives held for risk management increased 32.3% and reached RON 264 million in nominal terms. The bank operated in strict compliance with the related market risk statutory standards and group policies.

Operating costs reached RON 634 million, up 3.6% year-on-year, close to the average annual inflation rate (3.3%). Personnel costs grew 2.8% year-on-year to RON 293 million, corresponding to 46% of total operating expenses. Other administrative costs increased 3%. During 2012 active cost optimization measures were undertaken based on thorough revenue generation capacity, efficiency and potential analysis basis, having as a result reduction of the bank's branch network by 37 units and number of staff by 184 people both from head office and network.

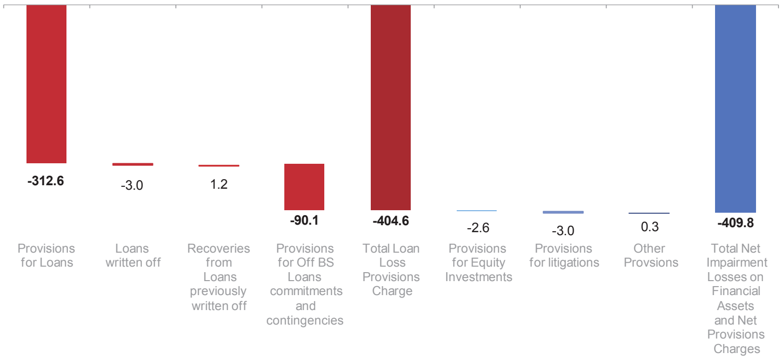
Net impairment losses on financial assets and provisions, mainly provisions on loans, went down by 4% to RON 410 million without any compromise with the rigid bank's provisioning standards. The drop was due to adjustment in loss confirmation period for performing loans in line with the ruling principle of the Group. Thus the provision charges on loans reached RON 314 million, down 10% year-on-year. Provision charges for off-balance sheet loan commitments went up to RON 90 million, versus RON 87 million in 2011. Total expenses related to credit risk (including on- and off-balance-sheet provision charges, write-offs, recoveries and losses from debt sales) are RON 405 million, representing 188bp of average net exposure (down 32bp compared to previous year). UniCredit Tiriac Bank continued pursuing a strict and prudent risk provisioning policy, thus adequately covering potential risks.

Income tax is RON 32 million, up 14.8% year-on-year.

Balance sheet

The value of the balance sheet total reached RON 25.1 billion, up 9.8% as compared to the end of 2011. Interest-earning assets accounted for 97.4% of total assets.

In the currency structure of the financial assets, the RON denominated component represent 37% of total financial assets, increasing 3pp. The loan portfolio amounts 63% of total assets reaching RON 17.3 billion in gross terms (up 9.2% year-on-year). Securities portfolio increased by 17% to RON 4 billion mainly government securities, representing 16% of total assets. Cash and balances with the Central Bank is up to RON 4.4 billion with a 18% share in assets, driven mainly by the minimum reserves with the Central Bank. The minimum reserve requirements for eligible foreign currency denominated deposits remained unchanged at 20% and 15% for the ones denominated in local currency. Intangible assets increased by 9.5% reflecting the impact of the ongoing business driven projects.



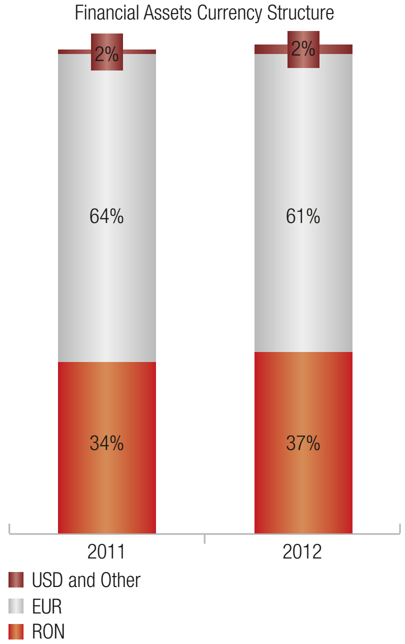
Summary Balance Sheet*

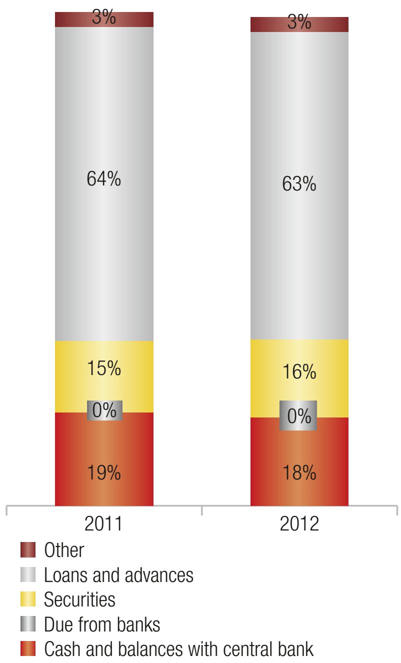
RON Millions

	2012	2011	VARIANCE (%)	VARIANCE (AMOUNT)
Assets				
Cash and balances with Central Bank	4,430	4,283	3.4	147.1
Due from Banks (net)	51	25	109.5	26.9
Securities	4,006	3,424	17	582
Loans and Advances to customers (net)	15,904	14,499	9.7	1,404.90
Property, equipment and intangible assets	383	379	1	3.7
Other assets, net	279	202	38.3	77.3
Total assets	**25,053**	**22,812**	**9.8**	**2,241.90**
Liabilities and shareholders' equity				
Deposits from banks	2,611	3,661	-28.7	-1,049.90
Customer deposits	13,839	11,542	19.9	2,297.20
Long-term borrowings	5,204	4,527	15	677.2
Other liabilities	704	590	19.4	114.2
Total liabilities	**22,358**	**20,320**	**10**	**2,038.70**
Shareholders' equity	**2,695**	**2,492**	**8.2**	**203.2**
Total liabilities and shareholders' equity	**25,053**	**22,812**	**9.8**	**2,241.90**

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

UniCredit Tiriac Bank activity review (Continued)





UniCredit Tiriac Bank owned shares in 11 companies at the end of 2012 with a total carrying value of these investments in amount of RON 69.5 million, mainly associated companies.

The Bank holds a 20% equity stake in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to resident and non-resident customers (equity investment amounted to RON 8.2 million). It holds 46.06% stake in UniCredit Consumer Financing IFN S.A. a company providing consumer financing loans to individuals (equity investment amounted to RON 59 million).

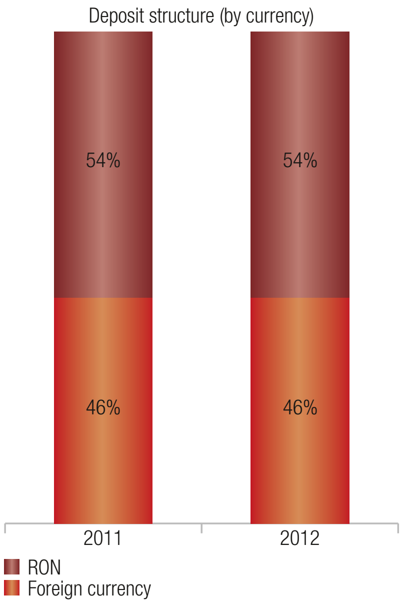
On the liability side the bank increased the share of customer deposits in its funding structure. Deposits increased in 2012 by 20% to RON 13.8 billion representing 55% of total liabilities. Gross loan–to-deposit ratio reached 125% at the end of 2012. Medium and long term funding from the mother company slightly increased.

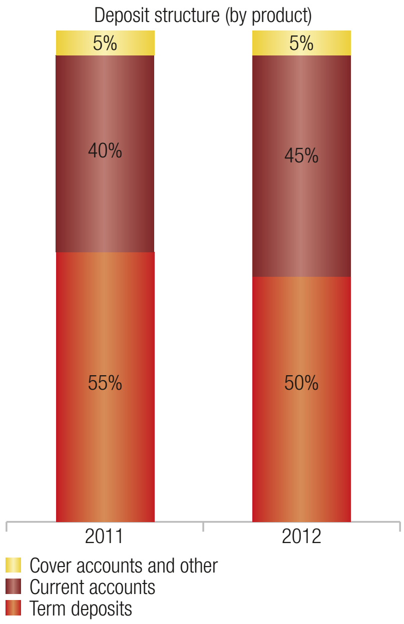
Shareholders' equity amounted to RON 2,695 million, up 8.2% for the year (RON 2,492 million in 2011). The equity ratio slightly dropped to 10.8%, from 10.9% in 2011. Total capital adequacy ratio under statutory standards was 14.5% including the profit for the period in own funds at the end of 2012 vs. 12.0% in 2011, and Tier 1 ratio was 13.5% including 2012 profit vs. 10.7% in 2011. All ratios in 2012 are calculated under IFRS Standards. Starting with July 2012 the Bank calculates the credit risk capital requirement under Foundation IRB Approach for the following categories of clients: corporate (except for real estate clients), multinationals, banks and securities industries. For the rest of the portfolios, the Bank is still applying the Standardized Approach. All indicators are above the regulatory norm.

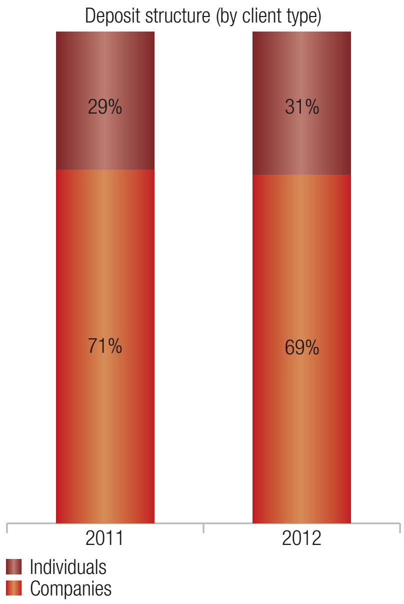
Customer deposits

In 2012, customer deposits increased by 20% (24% on average) and reached RON 13.8 billion, being a strategic target for the bank. In terms of currency split, RON denominated portion reached 54% of total, similar to 2011.

Companies' deposits increased 16.5% to RON 9.6 billion at the end of 2012, 69% of total customers' deposits. Individuals' deposits increased by 28.4% reaching RON 4.2 billion or 31% of total deposits with focus on further growth due to high level of stickiness. Current accounts share in total deposits increased 5pp to 55%of total.





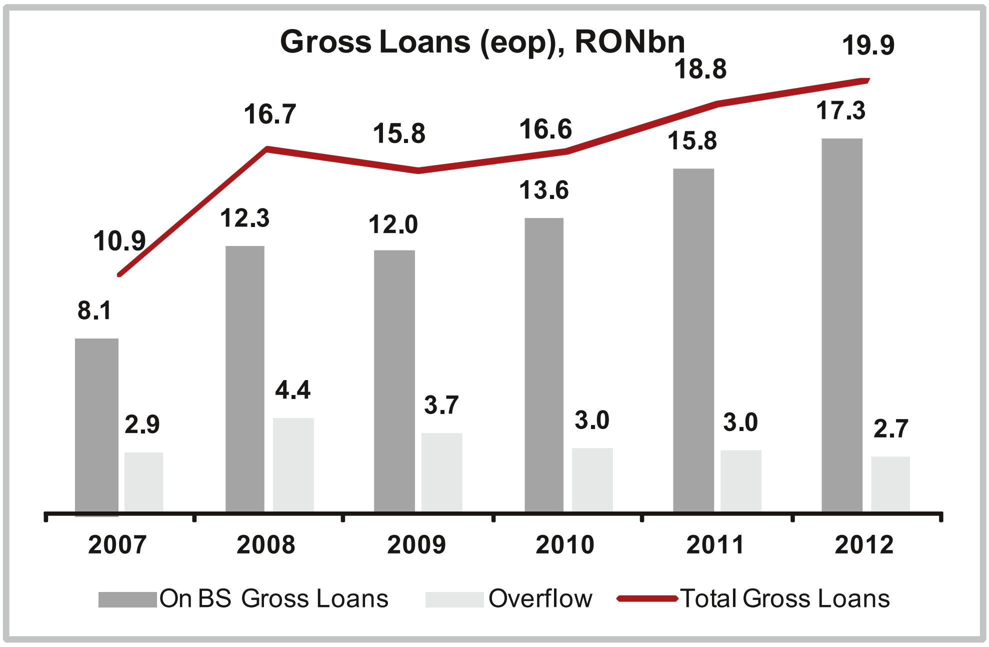


Bank loan portfolio

In 2012, the on-balance-sheet loan portfolio experienced a nominal increase of 9.2% to RON 17.3 billion on a gross basis from RON 15.8 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 19.9 billion, up 6% from RON 18.8 billion a year earlier. The average annual on-balance sheet loan portfolio was RON 16.8 billion in 2012, up 16.5% compared to 2011.

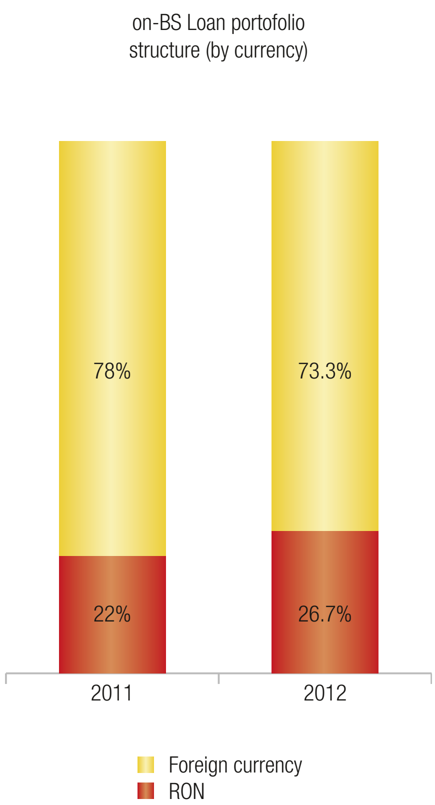
The structure of the portfolio stayed relatively stable, reflecting the commercial activities during the year. Companies'[1] loans increased 15.5% holding a 75% share in total portfolio vs 71% in 2011. Loans to individuals decreased by 6.2% in nominal terms, reducing their share in total to 25% – including loans both to Individuals and Private Banking Clients. Small business portfolio slightly increased to 10% share of total loans.

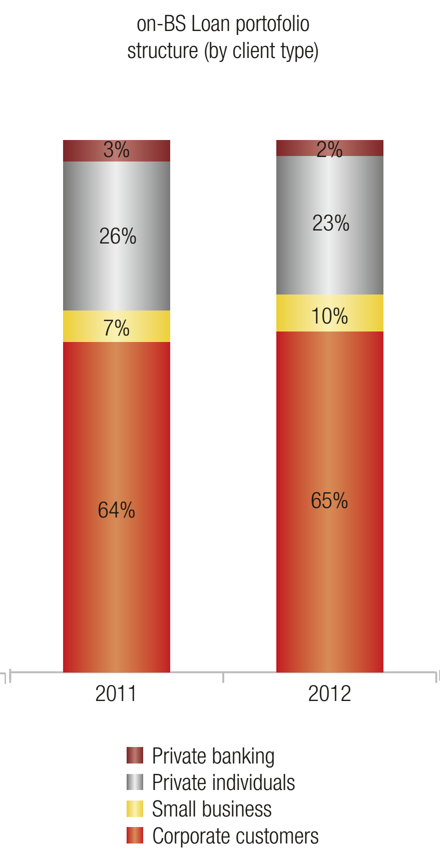
The proportion of foreign currency net loans dropped to 73% from 78% previous year. Investment loans and working capital loans held the highest portion of portfolio with 29% and 46% respectively. Mortgages and consumer loans (including also overdrafts, car loans and cards) represented overall 25% of total portfolio, reducing its 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. UCFIN loans (cash loans not granted by the bank) increased 21.9% in 2012, compared to previous year.

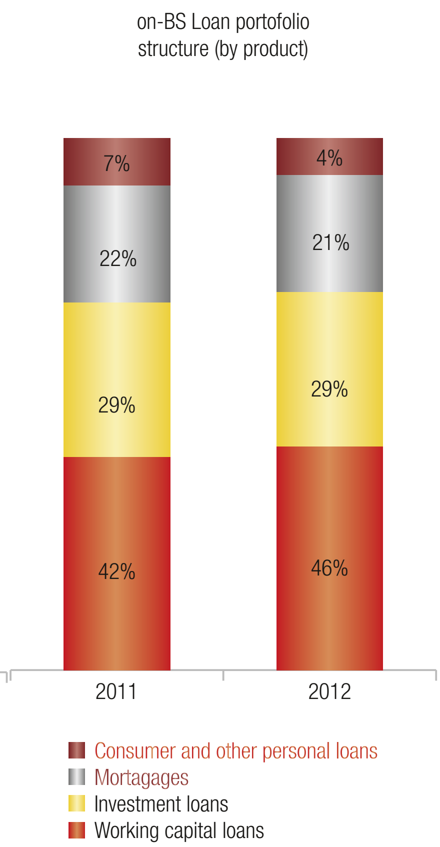


1 Including corporate and SME customers.

UniCredit Tiriac Bank activity review (Continued)







The industry structure of UCT loan portfolio was largely preserved with private individuals and commerce holding together near 42% of total net portfolio yet reducing concentration.

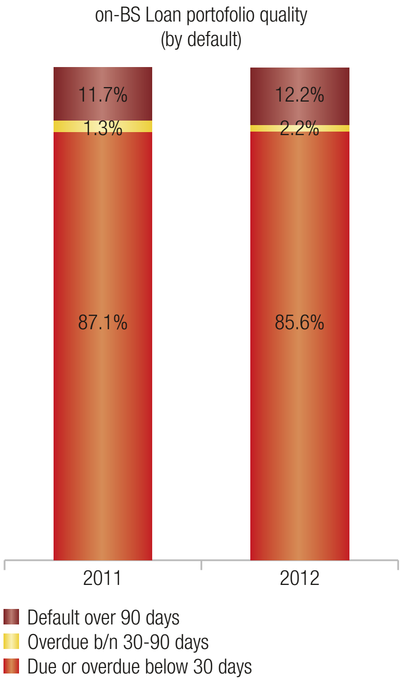
The asset quality deteriorated somewhat, yet at a lower pace than previous years. Loans with over 90-day default reached 12.2% of total portfolio, up from 11.7% at 2011 end. The segments with highest default rate are small business with 17.1% and Individuals (including Private Banking) with 14.8% default rate.

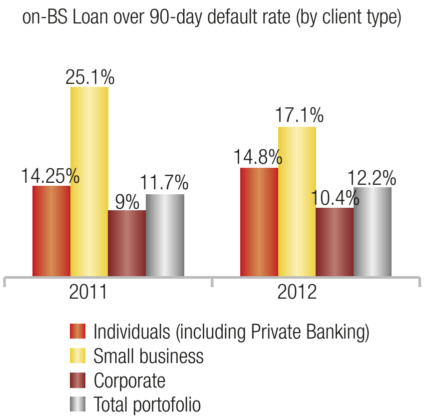
During the year, the bank continued adopting prudent policy of loan loss provisioning. Total on-balance-sheet portfolio provision coverage as of December 2012 was 7.8%, covering 64% of loans with more than 90 days overdue.

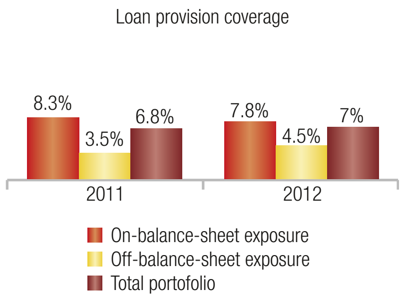
Net loan portfolio - Industry structure

RON Millions

	2012		2011	
	Amount	Share	Amount	Share
Private entities (incl. private individuals)	3,880	24%	4,008	28%
Commercial, recovery and repair services	2,861	18%	2,249	16%
Real estate	1,864	12%	1,721	12%
Construction and civil engeneering	860	5%	610	4%
Other seleable services	796	5%	722	5%
Energy products	364	2%	228	2%
Foodstuffs, beverages and tobacco-based products	821	5%	704	5%
Inland transport services	295	2%	303	2%
Other	4,164	26%	3,954	27%
Total	**15,904**	**100%**	**14,499**	**100%**







Outlook

The 2.1% real growth forecast of the Romanian economy in 2013 seems quite positive against another recessionary year expected in the Euro zone. Yet this can hardly be viewed as a strong evidence for a sustainable recovery path but rather as a good signal for an upcoming gradual crisis cycle exit. Private consumption and investment are still expected to remain subdued. Banking credit seems to stay flat and its quality will probably continue deteriorating hopefully reaching its bottom. Profitability of the banking system will remain under pressure which will probably trigger some systematic restructuring. However we see the banking system in Romania remaining solid.

UniCredit Tiriac Bank will continue its policies of a profitable growth above system average along with maintaining a solid capital base, strong liquidity and improving efficiency. The process of enhancing self-funding capacity will continue focusing on further improvement of loan-to-deposit ratio (with particular emphasis on retail deposits), increase of supra-national funding and possibly testing the capital market with a bond issue. SME and niche retail products are expected to hold the lead in the commercial banking growth. Any opportunities for a profitable business growth in line with the bank's strategy will be analyzed and exploited. The bank will consolidate its shareholding in the main UniCredit Group business entities operating on the Romanian market (leasing related and consumer finance businesses) acquiring majority shareholding, thus improving value proposition to customers and ensuring efficient administration. Cost optimization actions will continue with close watch of outlets' and business lines profitability, revamping actions and other restructuring and saving initiatives. As part of internal control system, risk management, compliance and related internal controls are of high importance on the agenda of the bank. All these will be carried out in a responsible way towards our customers, broader society, environment, employees and shareholders.

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. Both UniCredit Consumer Financing and UniCredit Leasing Corporation are on profit in 2012.

The consolidated revenues registered an 1.1% growth to RON 1,431 million. Net interest income is down 10.2% year-on-year and accounts for 60% of operating income. Net operating income is up 1.4% year-on-year to RON 697 million, while net profit is up 9.1% to RON 175 million, driven by the impairment drop.

Summary Income Statement (RON Millions)

RON Millions

	2011	2012	VARIANCE (%)	VARIANCE (AMOUNT)
Net interest income	955	857	-10.2	-98
Net fees and commissions income	234	258	10.5	24.7
Net income on foreign exchange and on derivatives held for risk management	211	275	30.4	64
Other operating income	16	41	156	24.9
OPERATING INCOME	**1,415**	**1,431**	**1.1**	**16**
Operating Expenses	-727	-734	0.9	-6.5
NET OPERATING INCOME	**688**	**697**	**1.4**	**9.5**
Net impairment loss on financial assets	-421	-392	-6.7	28.2
Impairment on tangible and intangible assets	0	-5	-1301	-5
Net provision releases/(changes)	-79	-93	17.5	-13.8
PROFIT BEFORE TAX	**189**	**208**	**10**	**18.9**
Income tax expenses	-28	-33	15.5	-4.4
NET PROFIT FOR THE YEAR	**160**	**175**	**9.1**	**14.5**
Other comprehensive income for the year, net of income tax	**-48**	**26**	**-154.9**	**73.6**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**113**	**201**	**78.1**	**88.1**

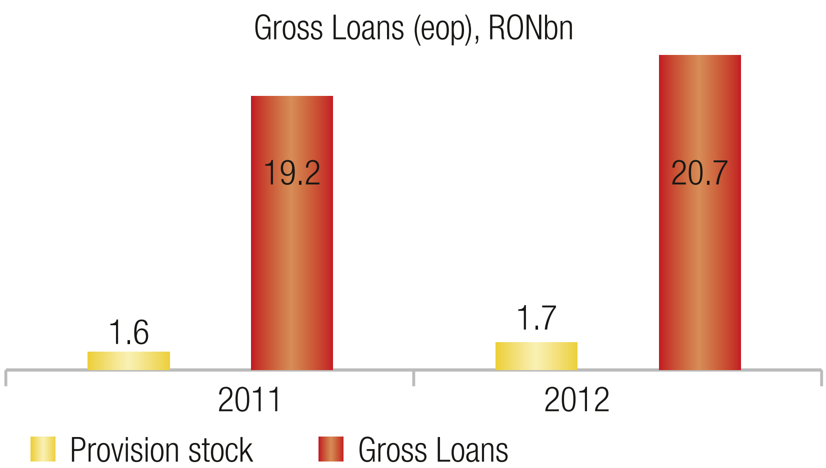
The consolidated total assets are up 8.2% to RON 28.23 billion at the end of 2012. Loans and advances to customers are RON 19.0 billion accounting for 67.3% of assets. Shareholders' equity is RON 2.7 billion, 9.7% of balance sheet total.

Gross loans and advances to customers increased by 7.7% to RON 20.7bn at the end of 2012. Loan provision coverage at the end of the year is 8%, down from 8.1% in 2011.

Summary Balance Sheet[1] (RON Millions)

RON Millions

	2011	2012	VARIANCE (%)	VARIANCE (AMOUNT)
Assets				
Cash and balances with Central Bank	4,283	4,430	3.4	148
Due from Banks (net)	25	51	109.5	27
Securities	3,382	3,948	16.7	566
Loans and Advances to customers (net)	17,628	18,999	7.8	1,371
Property, equipment and intangible assets	390	392	0.6	2
Other assets, net	384	411	7.0	27
Total assets	**26,091**	**28,232**	**8.2**	**2,141**
Liabilities and shareholders' equity				
Deposits from banks	3,661	2,611	(28.7)	(1,050)
Customer deposits	10,899	13,233	21.4	2,334
Long-term borrowings	8,214	8,774	6.8	560
Other liabilities	782	864	10.6	82
Total liabilities	**23,556**	**25,483**	**8.2**	**1,927**
Shareholders' equity	**2,534**	**2,749**	**8.5**	**214**
Total liabilities and shareholders' equity	**26,091**	**28,232**	**8.2**	**2,141**



(1) Balance Sheet Structure from the financial statements is adjusted for analytical purpose

UniCredit Tiriac Bank activity review

FINANCIAL HIGHLIGHTS 5Y					
Key figures	**2008**	**2009**	**2010**	**2011**	**2012**
Shareholder's equity (eop)	1,815,983	2,177,607	2,378,208	2,491,862	2,695,089
Total assets (eop)	17,450,958	20,434,779	20,804,418	22,811,516	25,053,424
Bank customer deposits (eop)	8,649,217	10,562,497	10,988,236	11,542,324	13,839,475
Bank customer gross loans (eop)	12,298,904	12,045,417	13,590,629	15,804,990	17,257,370
Income					
Net interest income	605,616	641,999	915,220	784,465	689,369
Net fee and commissions income	228,652	246,310	232,655	225,029	249,766
Dividents income	4,411	1,931	1,967	868	636
Net trading income[1]	301,048	359,532	196,381	208,858	293,038
Other operating income	23,399	13,024	17,007	3,485	15,824
Operating income	1,163,127	1,262,796	1,363,230	1,222,704	1,248,633
Expenses					
Operating expences	560,740	594,814	584,369	611,920	633,938
Staff costs	267,806	271,547	273,474	284,830	292,850
Non-staff costs	241,138	249,490	247,045	257,339	265,977
Depreciation	44,360	51,100	54,057	65,591	69,981
Other operating expenses	7,437	22,677	9,794	4,160	5,130
Impairment losses and provisions	169,009	276,495	564,784	427,892	409,818
Loss on associate investments	(1,857)	(6,414)	(9,875)	4,185	4,253
Net operating income	602,387	667,982	778,861	610,785	614,695
Income tax expense	73,218	56,392	32,984	27,648	31,748
Net profit	358,302	328,681	171,218	159,430	177,382
Total comprehensive income of for the year	304,523	361,624	200,601	112,091	203,228
Ratios (%)					
Return on average assets (ROA)	2.4	1.7	0.8	0.7	0.7
Return on average equity (ROE)	21.5	16.5	7.5	6.5	6.8
Equity ratio (eop)[2]	10.4	10.7	11.4	10.9	10.8
Capital adequacy ratio(eop)[3]	11.4	13.1	12.9	12	14.5
Tier 1 capital ratio (eop)[3]	9.1	10.9	11.2	10.7	13.5
Loan/Deposit ratio	142	114	124	137	125
Cost/Income ratio	48.2	47.1	42.9	50	50.8
Resources (number) - (eop)					
Bank Operating outlets	242	241	235	245	208
Employees	3,236	2,967	3,007	2,983	2,799
Foreign exchange rate at period-end (EUR/RON)	3.9852	4.2282	4.2848	4.3197	4.4287
Annual average foreign exchange rate (EUR/RON)	3.6811	4.2364	4.2098	4.2383	4.4557

1 Including – Net income on foreign exchange and on derivatives held for risk management
– Net gains on financial assets available for sale
2. Equity ratio is calculated as shareholder's equity/ Total assets (eop)
3. All KPIs meaning Tier 1 Capital, Capital adequacy rate, RWA are shown as per NBR rules.
RWA is calculated according to NBR BaselII for 2011 and 2012 (including Credit Risk, Market Risk and Operational Risk)

A bank account that's always within a reach

FREEDOM

"The Pekao24Mobile app is user-friendly, quick and efficient. It's particularly handy when it comes to managing my account, such as checking my balance, following specific transactions and managing transfers or deposits. And its wheel-type interface is modern, eye-catching and very functional. I would say the app meets all my needs."

Daniel Lipski, customer of Bank Pekao in Poland

Overview of the business segments

Retail division

In 2012, the Multichannel Department, within the Retail Division, carried on 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 users increased by 20% in 2012 and the number of SMS Banking clients increased by75%. UniCredit Țiriac Bank registered a 28% growth in the total number of POS for Retail clients. With regards to ATMs and BNAs (cash deposit machines), the bank currently has a stable number of 441 ATM with a market share of 4% and 99 additional BNAs. BNA machines represent 18% of the total number of cash machines (ATM and BNA) and generate 36% out of the total revenues leading to a high revenue per BNA. The number of ATM transactions per quarter increased from Q1 to Q4 2012 by19% and for BNAs by 35%.

In September 2012 a new product for private individuals was launched: Mobile B@nking. The application can be downloaded directly to the client's mobile phone and is compatible to all operating systems: Java, BB, Android, Iphone and IPAD. The platform allows customers to access their accounts, perform domestic payments and transfers between their own accounts. Sales reached aprox 3500 clients at EOY 2012 and a second release is being planned for Q3 2013.

During 2012 significant efforts were made in order to increase the Transaction Migration Index, a project which eliminates the operational transaction workload from branches by encouraging clients to use the multifunctional acceptance machines (BNA) instead of cask desk, for transactions. As a result, the Transaction Migration Index increased from 48% in Q1 to 56% in Q4 2012. The main benefits include the possibility for branches to have a higher active sales force and transformation of the Cashiers into Assistants Multichannel (30 persons).

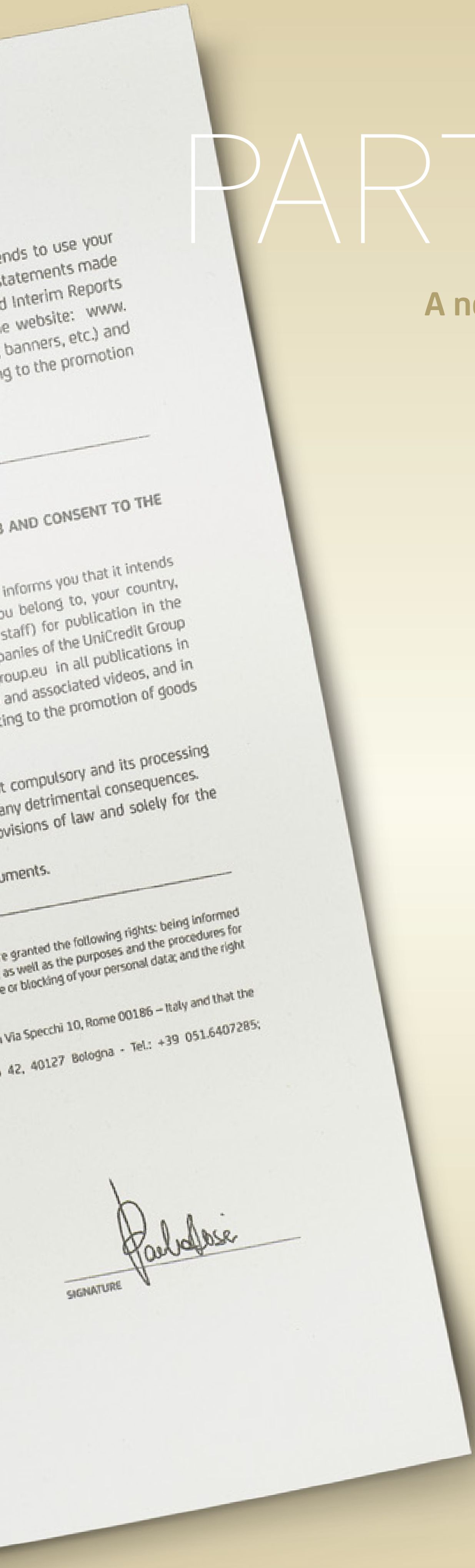
With regards to SME business, 2012 marked the reshape of the service model and the launch of the newly designed SME packages, custom-tailored to our clients' needs. UniCredit Țiriac Bank focused on the hunter channel acquisition of Prime clients, increasing lending volumes and tackling the challenges associated with takeovers The implementation and efficient communication of SME packages yielded an outstanding increase in revenues, reaching RON 17.7M in December, a 71% increase compared to January while banking services rose to 37% (avg Q4 2012 vs. avg Q4 2011). These outcomes are a direct result of the high level of innovation employed in designing the new generation of SME packages.

The bank increased its share of the SME lending market reaching 43.000 SME clients (companies < EUR 3M, freelancers and non-profit organizations). Lending volumes have grown by 58% in 12 months to RON 1.6M.

The bank's activity in what concerns the private individuals segment was mainly characterized by:

- Continuous focus on customer acquisition in particular in the payroll sector;
- Long term deposit acquisition;
- Stimulating the lending in LCY with special product with 3y fixed interest rate+ variable from the 4th year onwards;
- Improvement in L/D ratio;
- Proactive approach to salary package customer in x-selling within the main bank service concept;
- Increase sales productivity in consumer lending leveraging on product and process excellence and dedicated sales force- pilot of "cash loan corner project".

In 2012, the CRM platform Group solution for CEE countries was implemented, resulting in a better client management and an increase in satisfaction (operational CRM platform only for individuals). The initiatives focused on data base clean up, proper allocation of clients to their branch of use and the implementation of "moment of Truth" via Clintelica platform".



PARTNERSHIP

A new, versatile and flexible, investment concept

HVB Private Banking Vermögensportfolio Flex Select is a new kind of joint investment with a long-term investment horizon. It is based on the idea that the customer and the Bank invest together in an investment fund ("Private Banking Vermögensportfolio Flex Select 70 PI"; launched by the capital investment company, Pioneer Investments KAG mbH, Munich). The Bank has injected €20 million of its own capital in the fund and through the joint investment both the Bank and its customers participate in the performance of the respective unit classes.

*Only the sales prospectus is binding, as well as the Key Investor Document, which you can receive free of charge in German from UniCredit Bank AG, Arabellastrasse 12, Munich.

Overview of the business segments (CONTINUED)

Corporate Investment Banking and Private Banking

2012: Focus on real Economy, with a special attention to Medium sized companies

"Our mission is to be a trusted partner for our corporate clients in good and in bad times: when they develop their business, conquer new markets, enjoy a victory, but also when they face difficulties in a demanding environment. We accomplish all these by means of our dedicated specialist in areas such as structured finance, capital markets and investment products, as well as in corporate banking and transaction services." Marco Esposito, Executive Vice-President UniCredit Corporate Investment Banking and Private Banking Division. Despite the hostile economic environment marked by a major downturn of the consumption appetite and sectors facing serious hits, such as agriculture, 2012 has brought the confirmation of CIB & PB Division's **growth potential in terms of financing.** Thus, while the overall Corporate Banking Sector[1] loan increase reached 2% yoy, UCT CIB&PB Division loan volume increased 12% yoy.

The main drivers of growth were the Corporate Medium Sized Companies, increasing their loan portfolio by 20% during the year, and the Corporate International Companies, with an increase of more than 30% on the same indicator, while Large Romanian and Multinational Companies consolidated their key positioning on the market, maintaining UniCredit amongst the top Corporate Banks serving Large Corporate Clients. The total Corporate Loan volume amounts to RON 11, 3 BLN eoy, on Local facilities, on top of which. The overflow financing came to approximately RON 3 BLN eoy.

On December 2012 the Loans Market Share[1] reached 10.7%, slightly increasing from 10.0% at beginning of the year, showing a constant and sustainable growth attained by CIB & PB Division, over the last period.

The overall increase in number of new clients was of 1.471, 74% of the new acquired clients are Corporate Medium Sized & International companies.

A parallel direction traced during 2012, within an increasingly competitive environment with banks struggling for liquidity, was maintaining the Loan to Deposits Ratio at sustainable levels.

Corporate Liabilities Market Share has recorded a growth of 2% compared to Jan 2012, reaching 10,2%.

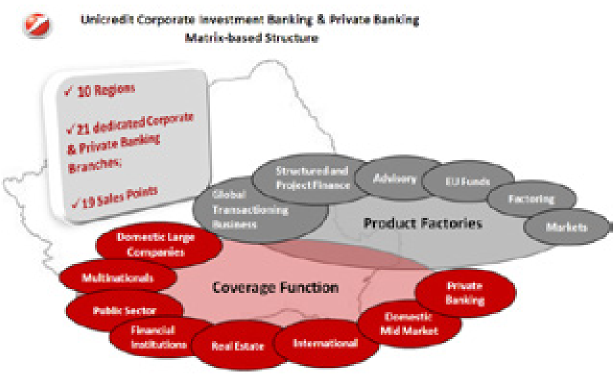
Among 2012's strategic initiatives, leveraging the existing relationships of the Bank concluded in a better interaction among the local entities of the Group: UniCredit Leasing, UniCredit Insurance Broker, UniCredit Consumer Finance or Retail Division, fostering customer's satisfaction through comprehensive services and protection of a long-lasting client relationship with the bank.

During 2012, CIB & PB Division's focus on increasing the customer satisfaction has been perpetuated at a higher pace, maintaining the orientation towards: high quality services, simplified processes and shorter response time. The outcome of the combined efforts places UniCredit with 6 points over the market average, increasing by 2% the proportion of loyal & satisfied customers, in a market scenario decreasing by 3% compared to the previous year.

In the same respect, CIB & PB Division's organizational setup has been perfected in order to ensure the best customer serving. Thus, the integration of the Finance & Advisory team (former CAIB Romania) within CIB &PB Division proves the increasing attention towards client advisory activity.

Corroborated with the international know-how and access to other European markets, this new function will enable the Bank to support its partners in expanding their business and developing new opportunities beyond the country's borders.

The Regional Coverage Function of CIB & PB business has been additionally fine-tuned, following 2011's major reshaping, reinforcing the already demonstrated high potential of the dedicated organizational setup.



The CIB & PB Division has a matrix-based structure that enables the offering of the right mix of servicing, through Relationship Managers' specialization and instruments, based on customized products portfolio, supported by the existing dedicated Product Factories.

Main functionalities, products and contribution to UniCredit CIB & PB Division.

I. Coverage Function

MULTINATIONAL COMPANIES: Fast-Moving Consumer Goods, Pharmacy, Equipment, Retail, Resources, Agribusiness, Energy,

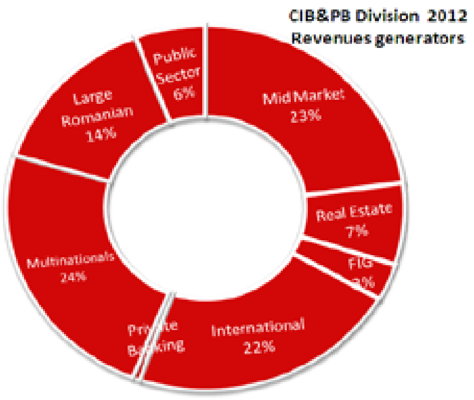
[1] Source: Macro & Strategic Analysis Department; Corporate Banking Sector Volumes computation includes: SME, Financial Institutions and loan volumes of Non-Residents (overflow)

Utilities, Metallurgy, Infrastructure.

LARGE ROMANIAN COMPANIES: Domestic Large Corporations

PUBLIC SECTOR: Public Ministries, State Institutions, Municipalities, International Organizations, Public Authorities.

MID MARKET CUSTOMERS: Serve domestic customers with Romanian capital majority.



INTERNATIONAL CUSTOMERS: Italian, German, Austrian, Hungarian, CEE & ROW[1] Desks; Serve companies with foreign capital majority, enabling the constant cross border banking knowledge sharing and servicing, which implies lower costs and faster transfer of fund within UniCredit Network.

FINANCIAL INSTITUTIONS GROUPS: addressing other non banking institutions, factoring companies, central banks, funds, insurance companies, leasing companies etc.

REAL ESTATE FINANCING: Financial structures for a variety of property types: offices, residential, retail and shopping malls, warehouse and light industrial premises, and tailor-made solutions for mixed and multi-stage developments.

PRIVATE BANKING: Addressing Private Banking clients through a wide range of Investment solutions: bonds, mutual funds, structured FX deposits, gold, unit-linked products, index-linked products, exposure on international financial markets.

II. Product Factories Function

GLOBAL TRANSACTIONING BUSINESS: Cash Management, Custody, Correspondent Banking, Trade Finance, Structured Trade and Export Finance; Supports all Coverage Function Segments for identifying the best products offering scheme; PRODUCT CATEGORIES

Cross Border:Cross Border Account Opening, Cross Border PLUS Credit, Cash Management Services dedicated to companies with international presence, Sepa Direct Debit, European Gate (Pan-European Payment Service), MT101 format message, SwiftNet FileAct, SwiftNet Fin, Flash Payment, etc;

Cash Management : Funds Management Solutions, Business Net, Collection Solutions (Direct Debit, Card Acquiring, Cash Collection, E-Commerce 3D Secure, Trezolink), Payment Solutions, Reconciliation Solutions, Business Cards, Special Solutions for advanced liquidity management (cash pooling) – domestic and cross border, Corporate Commissions Packages (Flexible Pay, Flexible Collect, Complete, VIP), etc;

Custody services: Account management, Tax Reclaim, Management of Corporate Actions, Settlement of trades with financial instruments etc.

Correspondent Banking Services: Tailored high quality payment solutions through 22 Nostro Accounts, Trade finance assistance and negotiation fees, rapid signature confirmation, client and bank references in all relevant markets etc;

Trade Finance Services: Documentary Letter of Credit, Documentary Collections, Bank Guarantees, Discounting of commercial receivables, tailor-made solutions for trade financing, etc.

MARKETS: Offers clients' access to both local and international market products and therefore the possibility of investment in Government Papers (notes, bonds) and Eurobonds; PRODUCT CATEGORIES:

FX Risk Management Tools: Forward, Foreign Currency Options, Plain Vanilla Options, Participating Options.

Interest Rate Risk Management Tools: Interest Rate Swap (IRS), CAP, FLOOR, COLLAR.

Financing: Factoring, European Funds, Specialized Landing, Structured Finance, Loan Markets and Syndications, Financial Analysis, Advisory, Real Estate Financing; PRODUCT CATEGORIES:

STRUCTURED AND PROJECT FINANCE: Project Finance, Structure Finance, Acquisition Finance, Refinancing Investment Projects, Syndications, Short Term Finance, Long Term Loans, Receivables Finance(including Forfeiting), Export / Import Finance, Commodity Trade Finance, EU Funds Financing, etc.

All together, the bundle of strategic pillars set up for 2012 resulted in several major successes for CIB & PB Division:

EU Funds Financing – Positioning within top 2 players on Romanian market, the outstanding volumes of financing reaching EUR 50 MLN, with more than 100% increase over the previous year. Based on the international agreement for EUR 87,5 MLN signed with EIF (European Investment Fund), the Jeremie Guarantees offered to Companies reached EUR 10 MLN by the end of the year.

Factoring – 2012 brought the reconfirmation of the strong market position, the Export Factoring business increasing by 163%, while Import Factoring business expanded with 90%. In addition, UniCredit maintained the seat on the Romanian Factoring Association Board of Directors and became Full Member of Factors Chain International.

Structured Finance / Specialized Lending Business – successfully handled new financing transactions amounting one third of overall

Division New Financing, primarily focusing on the most resilient sectors during the general economic downturn, such as: energy, pharmaceuticals, food & beverage, agribusiness, as well as in sound transactions within other industry sectors.

- Syndications – participation to 6 of the total of 12 syndications addressed to both public and private companies in Romania, as a top bank.

- Global Transitioning Business – UniCredit has been awarded several international awards in 2012. Global Finance Magazine Awards: "Best overall Bank for Cash Management in CEE", "Best Bank for Payments &Collections in CEE", "Best Bank for Liquidity Management in CEE", "Best Trade Finance Bank in CEE", "and Best Supply Chain Finance Provider in CEE". Euromoney Awards: "#1 Cash Management House in CEE", "#1 Domestic Cash Management House in Romania" and the well appreciated "Award of Excellence: Best Cash Management Bank in CEE".

"…The positive results we have obtained confirm our strong belief that we must keep this path…[1]" and meet our medium term strategic goal of becoming the NUMBER ONE Corporate Romanian Bank.

[1] Marco Esposito, Executive Vice-President UniCredit Corporate Investment Banking and Private Banking Division – Nine O'Clock Interview , March 8-10,

Risk Division

Throughout 2012, UniCredit Tiriac Bank increased the efforts to correctly identify the risks at both individual level (transaction/debtor) and global level (portfolio). This translated into taking all necessary actions to enhance awareness and to understand both existing and new risks that can appear in time, as the activity is progressing, the macroeconomic environment is changing and new products and new business relations are being developed.

Risk assessment benefited from updated policies and procedures and from enhanced specialized tools used in credit activities. These have been developed and/or implemented in order to better assess the risk associated to credit portfolios.
In addition, the bank took actions 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.

In 2012, Bank of Italy, FMA and National Bank of Romania jointly approved the Bank's request to use the Foundation - Internal Rating Based Approach for the calculation of minimum capital requirements for credit risk for the following portfolios: corporate clients (except for real estate clients), banks and securities industries clients.

During 2012, 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 made to the methodology, mechanisms and systems used for the detection and prevention of fraud risk.

From an operational risk point of view, UniCredit Tiriac Bank focused on increasing and consolidating the risk culture at Bank level in order to have an efficient operational risk management in accordance with the regulations in force. In this respect, meetings and discussions were held with the relevant Bank's departments, in order to find the best solutions to mitigate or limit exposure to operational risk.
In respect to market risk, the management reviewed, updated 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 and separately interest rate risk for the banking book. Hedge accounting techniques were also employed. 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 the 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 different interest rates and FX rate shocks have on the economic value.

Global Banking Services Division

ORGANIZATION DEPARTMENT

The Organization department is responsible for:

- the Bank's organizational scheme,
- providing an overall overview on the project portfolio of the bank,
- defining methods, standards and guidelines within the 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 and the effective operational expenditure process as well as for identifying and suggesting 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.

2012 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 Țiriac Bank has implemented a set of measures and actions in order to reduce the operational expenditure and to improve efficiency and cost awareness at the bank level.

The initiatives carried out in 2012 were focused on implementing group cost savings programs and creating a strong and stable base for the following years in terms of cost evolution.

The bank has implemented a set of initiatives in order to optimize mainly the Head Offices services - ICT infrastructure, Logistics and Operational services; regarding the network side, the bank has focused on optimizing territorial coverage.
Also the saving achieved via electronic auctions organized by Procurement area had a great impact in meeting the budget.

Main projects:

CRM tools for Retail and Corporate
CRM Retail was implemented in October with campaigns already being managed in the new state of the art platform.

The analytical tool of CRM Corporate was implemented at the end of the year according to plan.

The next step in the project is completing the CRM Corporate implementation, a milestone wich will offer UCT the most powerful tool available to increase sales and grow revenue.

IRB4CEE
The scope of the project is to implement in the bank all the Basel II accord requirements in the Bank.

Starting with July the bank received the official approval from NBR to submit the official reports using FIRB methodology (i.e. Foundation Internal Rating Based). The next step in the project is to comply with AIRB's (i.e. Advanced IRB) methodology requirements.

Data Warehouse
The project aims to implement the Data Warehouse solution to better manage the needs of the bank for detailed and accurate financial and commercial information.

During 2012 the first automated reports built from the data stored in the data warehouse infrastructure were delivered into production.

SEPA Program
UniCredit is one of the leading banks in the payment of services delivered to its clients. SEPA Program allows the bank to implement the most modern and efficient services in terms of domestic and euro payments.

Among the most successful implementations last year, we can mention: SEPA Credit Transfer RON converter, which allows the bank to reduce the time of processing, to increase the data accuracy and to better track the rejection reasons; SEPA Rulebook 2012 – compliance with 2012 payment rules; SEPA SCT Same Day Value – allowing the bank to operate the euro payments in the same day of initiation; Target 2 system – interconnection with the eurosystem payment infrastructure.

Mobile B@nking
In 2012, the bank extended its alternative channels by adding mobile banking. The modern platform offers our clients access to the bank's products and services through an easy and secured environment.

IFRS Conversion
The bank succssefully complied with the regulatory requirements of submitting the financial reports on IFRS methodology starting with the beginning of the year.

Achieving excellence in Private Banking
For the Private Banking clients, the bank launched Platinum Cards completing its top level product line.

New SME business model
In order to grow its market share in the SME business, the bank changed the business model, choosing a more efficient and sales orientated approach with the main focus on a specialized lending force, called „hunters".

OPERATIONS DEPARTMENT

The Operations Department has the mission to ensure a good performance of centralized activities, as well as to provide operational support to Branches and to all other divisions/ departments to assure that customers' instructions is carried out in due time and at the established levels of quality.

The department is the connection between business and ICT department in all operational aspects of Change Management. The department is also responsible for monitoring all operational activities that have been outsourced to providers within the Group or external ones.
This mission is carried out through 4 (four) departments:

- Payments & Treasury Security Services
- Banking Operations Services (including Cards Operations)
- Core Banking & Lending Operations
- Credit Support

Main achievements in 2012:

- Increasing productivity by 12% YOY by restructuring and by process redesign;
- Taking over activities from both Head Office and Branches as a result of regulatory decisions;
- Building partnership with business to improve profitability in: cards, cash, payments, etc;
- Externalization of Cards Production;
- Reorganizing Operations to better serve the internal customer, to make use of process synergies and to increase managers responsibilities;
- Developing Service Level Agreements with business divisions for all Operation units, included also in the Balance Scorecard system implemented in GBS in 2012;
- Taking over the Credit Support activities from Corporate Division and implementing a centralised governance through regional managers upon the existing flat structure.

ICT

Our mission is evolving aligned with the new role of CIO and ICT in large corporate, acting as a proactive business enabler, service provider, and leverage on innovation to be much more effective and efficient.

Our re-interpretation as a cost centre, in a cost caring scenario, is oriented to provide winning solutions using low cost and open best practices coming from various industries.

In this growing regulated market paying attention to special risks in all their forms is essential.

ICT strategy consists of the following:

- Introduction of Open Source and Extreme Programming methodology for being low cost, more flexible and aligned with the new technologies frontiers;
- Independency between Core Banking Systems layers (legacy) and Front End Business applications;
- Process based approach for designing and implementing end to end processes;
- Compliance with obligatory reporting requirements and other regulations, plus risk mitigation solutions are vital factors for the Bank;
- Business Applications and Large Project Teams and Task Forces approach in order to deliver maximum performances and reliable deliverables in challenging situations;
- Precise resource management for top execution, synergies and efficiency;

Main projects in 2013:

- CRM for Corporate - as completion on the overall CEE business strategy for leveraging on best practices for sales forces;
- CRM for Retail – Improvements after the first implementation and based on feedbacks and needs gathered so far on the field;
- Mindset 440 - as a central contributor to budget and expenses containment with clear targets;
- ICT4OPS - as a result of ICT consolidation and transfer of operational tasks from ICT to Operations in order to improve efficiency and homogeneity; part of the program is also a list of automations and procedures which will minimize operational risks and workload impact.

REAL ESTATE AND FACILITY MANAGEMENT DEPARTMENT

The Real Estate & Facility Management Department comprises of three units and is mainly responsible 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 the 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 2012 were:

- UniCredit Tower - the project was completed one month before schedule. The Headquarters located on 1F Expozitiei Blvd

accommodates all Head Office employees and offers modern and efficient functionalities to the entire group.
- support in consolidation of UniCredit Consumer Financing (UCFIN) and UniCredit Leasing Corporation head office activities in a single building – the Bank's former headquarters (Ghetarilor Street)
- implementation of branch network optimization initiatives: relocations, closures, alongside with an extensive negotiation of existing rental contracts.

PROCUREMENT

The Procurement Department was established to ensure, for all range of specific activities (negotiation, contracting, facilitating partnerships with potential or existing suppliers):
- Control over acquisitions and
- Support for the bank's departments in the relationship with suppliers.

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

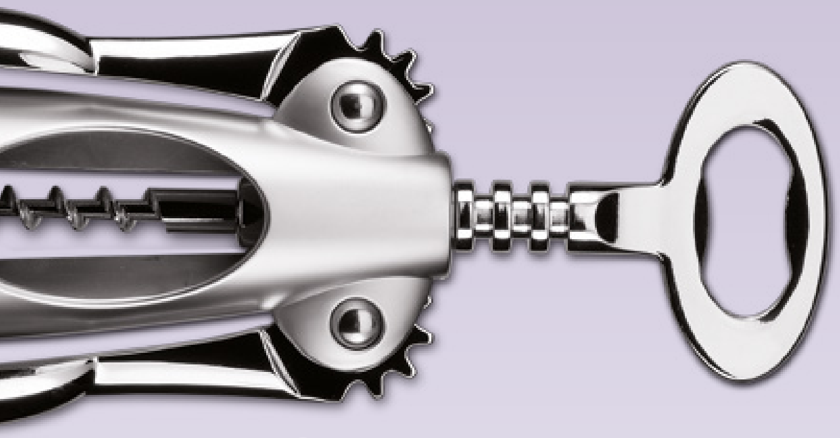
Currently the mission is carried out by a team consisting of 7 members, each having responsibilities for certain categories of goods/ services, categories which are defined by our colleagues in Global Procurement and are mainly divided in IT or Non-IT categories.

SECURITY DEPARTMENT

The Security department is responsable for:
- protecting the Bank's assets, values and information in order to prevent misappropriation of assets and values as well as information loss or alteration;
- preventing operational frauds;
- investigating all kind of frauds;
- ensuring the continuity of critical activities of the Bank in case of disrupting events
- providing a prompt response to emergency events and manage the crisis situations affecting the Bank;
- ensuring safety of Bank's personnel and of Bank's customers when on Bank's premises.

MAIN SECURITY PROJECTS

a. Antifraud – elaborating an Antiphishing strategy in order to prevent losses;
b. Physical security – implementing the new Security System in the UniCredit Tower;
c. Information Security – adapt the information security strategy to face the changing threat environment;
d. Business Continuity – update the Business Continuity Plan of the Bank in order to be aligned with business strategy.



SIMPLICITY

Home loans made easy

> *“Zagrebačka Banka helped me to resolve my personal and professional financing challenges. I previously worked in Zagreb, where I lived in a rented apartment. When I found another job in my hometown of Split, the bank helped me to secure a state-subsidized loan that allowed me to move back and buy a house. My personal banker was highly skilled and engaged, and my loan application was processed quickly and approved immediately.”*

Goran Dlaka, customer of Zagrebačka Banka in Croatia

We, UniCredit people

Key Achievements

- Increase in employee engagement
- Strategic recruitment and training to meet business needs with focus on the internal pool of candidates (special focus on strategic positions and business model simplification in the Retail Division)
- Internal focus on developing leadership and top talents to support overall performance
- Investment focused on technical and soft skills development, to meet business needs and support the delivery model – dedicated trainings for all the positions in the network.

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 2012 on providing further support to the business strategy implementation with dedicated processes and projects.

The most important ones included strategic recruitment to meet business needs, focused on internal recruitment and promotions, training and development programs for key employees in strategic areas. These, together with other actions and initiatives, yielded an overall increase in employee engagement.

Our strategy

Strategic partner for business needs

In order to meet business objectives, the strategic functions of the HR Division offered customized support for all bank's divisions and departments. The HR Business Partners worked closely with the business divisions to provide appropriate recruitment, training and development support for the implementation of the strategy. In this respect, all bank's divisions and departments were supported with dedicated assessment centers for internal promotions and external recruitment, according to the career path. In addition, the simplification of the Retail business model made in 2011 was supported in 2012 with relevant trainings for newly created specialized positions.

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 (customized trainings for all network positions: specific sales & negotiation trainings, technical training – Internal Risk Academy, etc).

Dedicated development programs on leadership and talent management were further improved (eg. customized Development Center for managerial positions and for their successors, organized for different divisions in the bank), new programs were implemented (Internal coaching program) as well as the internal system of promotions (through Assessment Center), based on the career map dedicated to network positions.

Increase in employee engagement

Our 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 this regard, special attention was granted to work-life balance following a monthly calendar of events organized for employees (book fairs, wellness & sports, counseling on medical issues, parenting classes, psychologist free counseling) .

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 the 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.

Awards & Recognition

UniCredit Tiriac Bank is ACCA Approved Employer since 2010. UniCredit Tiriac Bank was certified Top Employers Europe 2012 by the Corporate Research Foundation (CRF), an independent research institute of HR standards and working conditions in European companies. In the process of identifying and auditing best employers, the bank has received this distinction alongside eight banks of UniCredit Group, which contributed to the financial group certification among Top Employers Europe 2012 for the second

Key Performance Indicators

- 7 point increase in overall employee engagement
- 67% of all promotions done from the internal talent pipeline
- Over 4500 employees serviced by a single HR Shared Service Center (servicing all UniCredit legal entities in Romania)
- Over 130 trainings and over 3500 participations at bank level (several training sessions per employee)

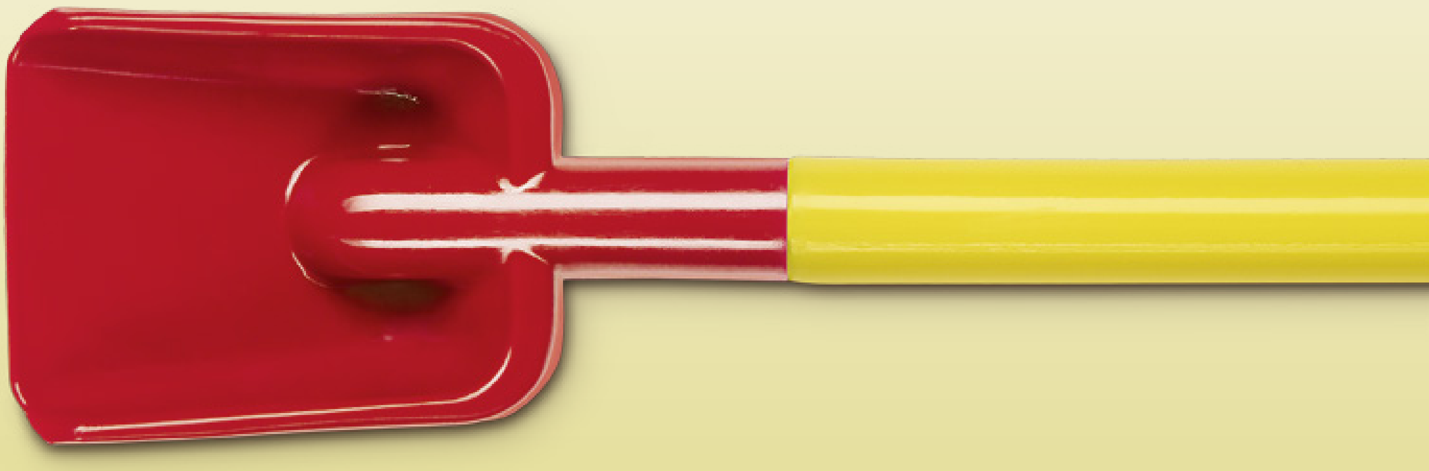
consecutive year, a first in the history of CRF.
The bank becomes the first and only financial institution in Romania that ranks among employers with the highest standards and practices of human resource management in Europe.

PEACE OF MIND

How to save a Customer's holiday

"When I lost my Visa card while on vacation abroad, UniCredit Bank's emergency cash disbursal service saved me from what could have been a disastrous situation.
I used the service twice while visiting Paris and Moscow and it exceeded my expectations, allowing me to pay for my hotel, entertainment and other expenses. I was impressed by the service's quality and speed – I was able to have cash in-hand in less than an hour.
This experience taught me that my bank is 100 percent prepared to support me at anytime, even in the most difficult of situations.
I know now that I can count on UniCredit's professional advice and real solutions for whatever I need."

Yurov Valeriy Anatolievich,
customer of UniCredit Bank in Ukraine



Financial Statements

Prepared in accordance with IFRSs

Proforma consolidated statement of comprehensive income

for the year ended 31 December 2012

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Interest income		1,528,676,162	1,505,693,380
Interest expense		(757,242,692)	(651,877,413)
Interest related effect of swap transactions related to refinancing lines with Group companies*		85,688,280	100,913,551
Net interest income	**3**	**857,121,750**	**954,729,518**
Fee and commission income		317,626,691	285,058,576
Fee and commission expense		(59,285,834)	(51,369,516)
Net fee and commission income	**4**	**258,340,857**	**233,689,060**
Dividends income		636,281	868,364
Net income from trading and other financial instruments at fair value through profit and loans		274,791,982	210,742,833
Net gains on financial assets available for sale		29,457,681	10,253,302
Other operating income		10,820,596	4,862,753
Operating income		**1,431,169,147**	**1,415,145,830**
Personnel expenses	5	(339,285,893)	(325,631,796)
Depreciation and amortisation	6	(74,981,185)	(71,513,621)
Other administrative costs	7	(298,097,669)	(295,228,022)
Other operating costs		(21,610,332)	(35,051,742)
Operating expenses		**(733,975,079)**	**(727,425,181)**
Net impairment losses on financial assets		(392,281,422)	(420,505,963)
Net impairment on tangible and intangible assets		(4,589,915)	382,181
Net provision charges		(92,762,454)	(78,939,235)
Profit before taxation		**207,560,277**	**188,657,632**
Income tax expense		(32,645,199)	(28,261,118)
Net profit for the year		**174,915,078**	**160,396,514**
Other comprehensive income			
Net change in reevaluation reserve for available-for-sale financial assets (net of deferred tax)		53,940,707	(25,022,030)
Net change in cash flow hedge reserve net of deferred tax		(28,176,242)	(38,569,855)
Reevaluation of property, plant and equipment (net of deferred tax)		81,537	16,123,210
Other reserves		243,034	(40,908)
Other comprehesive income for the year, net of income tax		**26,089,036**	**(47,509,583)**
Total comprehensive income for the year		**201,004,114**	**112,886,930**
Profit attributable to:			
Equity holders of the Bank		164,264,787	150,079,410
Non-controlling interest		10,650,291	10,317,103
Total net profit		**174,915,078**	**160,396,513**
Total comprehensive income attributable to:			
Equity holders of the Bank		190,300,263	102,610,735
Non-controlling interest		10,703,851	10,276,195
Total comprehensive income		**201,004,114**	**112,886,930**

* See note 7.

The proforma consolidated financial information was approved by the Management Board on 5 March 2013 and was 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 2012

Assets

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Cash and cash equivalents		4,430,320,911	4,282,601,729
Derivative assets at fair value through profit or loss		155,854,176	124,099,400
Loans and advances to banks	8	51,423,603	24,545,443
Loans and advances to customers	9	18,999,014,236	17,627,814,630
Investment securities, available-for-sale		3,945,757,938	3,369,112,393
Equity investments, available for sale		2,233,832	3,523,009
Investments securities, held to maturity		-	9,109,414
Property and equipment		265,192,669	271,109,961
Intangible assets		126,733,773	118,666,150
Deferred tax assets		12,462,592	8,948,018
Other assets		242,716,840	251,053,526
TOTAL ASSETS		**28,231,710,570**	**26,090,583,673**

Liabilities and equities

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
LIABILITIES			
Derivative liabilities at fair value through profit or loss		140,609,534	111,904,252
Derivatives used as hedging instruments		94,235,076	58,812,857
Deposits from banks	10	2,611,205,753	3,661,066,808
Loans from banks and other financial institutions	11	8,175,880,704	7,716,254,780
Deposits from customers	12	13,233,209,271	10,899,128,569
Subordinated liabilities		598,474,296	498,124,892
Provisions	13	292,653,683	244,068,534
Current tax liabilities		19,234,372	9,916,593
Deferred tax liabilities		36,656,957	43,076,985
Other liabilities		281,005,267	314,118,920
TOTAL LIABILITIES		**25,483,164,913**	**23,556,473,190**
EQUITY			
Share capital	14	1,101,604,066	1,101,604,066
Retained earnings		1,367,440,690	1,203,128,022
Reserve on available for sale financial assets		28,381,699	(25,559,008)
Cash flow hedging reserve		(66,746,097)	(38,569,855)
Other reserves	38	230,146,615	229,923,485
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**2,660,826,973**	**2,470,526,710**
Non-controlling interest		87,718,684	63,583,773
TOTAL EQUITY		**2,748,545,657**	**2,534,110,483**
TOTAL LIABILITIES AND EQUITY		**28,231,710,570**	**26,090,583,673**

The proforma consolidated financial information was approved by the Management Board on 5 March 2013 and was signed on its behalf by:

Mr. Răsvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

Proforma consolidated statement of changes in shareholders' equity

for the year ended 31 December 2012

(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 PARENT EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 31 December 2011	**1,101,604,066**	**(25,559,008)**	**(38,569,855)**	**16,123,210**	**213,800,275**	**1,203,128,022**	**2,470,526,710**	**63,583,773**	**2,534,110,483**
Total comprehensive income for the period									
Net profit for the year	–	–			–	164,264,787	**164,264,787**	10,650,291	**174,915,078**
Other comprehensive income, net of income tax									
Net change in available-for-sale financial assets, net of tax	–	53,940,707	–	–	–	–	**53,940,707**		**53,940,707**
Revaluation of property, plant and equipment, net of tax	–	–	–	80,668	–	869	**81,537**	-	**81,537**
Other reserves	–	–	–	–	142,462	47,012	**189,474**	53,560	**243,034**
Net change in cash flow hedging reserve, net of tax	–	–	(28,176,242)	–	–	–	**(28,176,242)**	–	**(28,176,242)**
Total comprehensive income for the period	**–**	**53,940,707**	**(28,176,242)**	**80,668**	**142,462**	**164,312,668**	**190,300,263**	**10,703,851**	**201,004,114**
Transactions with owners, recorded directly in equity									
Net increase in equity attributable to non-controlling interest	–	–	–	–	–	–	–	13,431,060	**13,431,060**
Balance at 31 December 2012	**1,101,604,066**	**28,381,699**	**(66,746,097)**	**16,203,878**	**213,942,737**	**1,367,440,690**	**2,660,826,973**	**87,718,684**	**2,748,545,657**

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 PARENT EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 31 December 2010	**1,101,604,066**	**(536,978)**	–	–	**213,530,752**	**1,053,318,135**	**2,367,915,975**	**38,512,718**	**2,406,428,693**
Total com-prehensive income for the period									
Net profit for the year	–	–			–	150,079,410	**150,079,410**	10,317,103	**160,396,513**
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	–	–	–	–	269,523	(269,523)	**–**	(40,908)	**(40,908)**
Net change in cash flow hedging reserve, net of tax	–	–	(38,569,855)	–	–	–	**(38,569,855)**	**-**	**(38,569,855)**
Total other comprehensive income for the period	**–**	**(25,022,030)**	**(38,569,855)**	**16,123,210**	**269,523**	**149,809,887**	**102,610,735**	**10,276,195**	**112,886,930**
Transactions with owners, recorded directly in equity									
Net increase in equity attributable to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,794,860**	**14,794,860**
Balance at 31 December 2011	**1,101,604,066**	**(25,559,008)**	**(38,569,855)**	**16,123,210**	**213,800,275**	**1,203,128,022**	**2,470,526,710**	**63,583,773**	**2,534,110,483**

*) 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.

Proforma consolidated statement of cash flows

for the year ended 31 December 2012

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Operating activities			
Profit before taxation		207,560,277	188,657,632
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible and intangible assets		79,571,100	71,131,440
Net charge of provision for impairment on financial assets		392,281,422	420,505,963
Change in fair value of derivatives at fair value through profit and loss		(3,552,744)	(1,277,999)
Other items for which the cash effects are investing or financing and non–cash items		81,458,064	198,707,699
Operating profit before changes in operating assets and liabilities		**757,318,119**	**877,724,735**
Change in operating assets:			
(Increase)/ decrease in investment securities available-for-sale		(497,963,257)	465,091,957
(Increase)/decrease in loans and advances to banks		(26,878,173)	(55,915,399)
(Increase) in loans and advances to customers		(1,887,649,226)	(2,753,307,300)
(Increase)/decrease in other assets		31,668,690	10,012,391
Change in operating liabilities:			
(Decrease)/Increase in deposits from banks		(930,413,379)	1,059,205,856
Increase/(Decrease) in deposits from customers		2,294,013,478	(360,206,413)
(Decrease)/Increase in other liabilities		(31,970,171)	10,249,491
Income tax paid		(32,091,371)	(43,000)
Cash flows generated from operating activities		**(323,965,290)**	**(747,187,682)**
Investing activities			
Proceeds from sale of property and equipment		1,525,299	4,284,226
Acquisition of property and equipment available for sale		(74,619,206)	(80,930,878)
Acquisition of equity investments		(1,318,416)	(815,471)
Redemption of HTM at maturity		8,630,585	-
Proceeds from sale of equity investments		-	1,095,443
Dividends received		636,281	868,364
Cash flows used in investing activities		**(65,145,457)**	**(75,498,316)**

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Financing activities			
Payment of finance lease liability		(45,444)	-
Repayments of loans from financial institutions		(2,690,765,163)	(292,155,578)
Draw-downs from loans from financial institutions		3,127,689,937	1,729,488,128
Draw-downs from subordinated liability		224,094,250	-
Repayment of subordinated liability		(124,143,651)	-
Cash flows from financing activities		**536,829,929**	**1,437,332,550**
Net increase in cash and cash equivalents		147,719,182	614,646,552
Cash and cash equivalents at 1 January		**4,282,601,729**	**3,667,955,177**
Cash and cash equivalents at 31 December		**4,430,320,911**	**4,282,601,729**
Cash flow from operating activities include:			
Interest received		1,437,488,231	1,364,736,705
Interest paid		716,012,245	652,744,203

Notes to the Proforma Consolidated Financial Information

(1) Reporting entity

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

UniCredit Tiriac Bank S.A. (the “Bank”), having its current registered office at 1F, Expozitiei Boulevard, 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 Tiriac 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 Tiriac 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).

(2) Basis of preparation

The Bank holds a 20% investment in UniCredit Leasing Corporation IFN S.A. as at 31 December 2012 and 31 December 2011. UniCredit Tiriac Bank S.A. holds a 46.06% investment in UniCredit Consumer Financing IFN S.A. as at 31 December 2012 and at 31 December 2011.

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 separate financial statements prepared by UniCredit Tiriac Bank S.A. as at 31 December 2012 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 2012 in conformity with the International Financial Reporting Standards as endorsed by EU legislation as illustrated in the UniCredit accounting policies and instructions, using the year end NBR exchange rates for conversion in RON;
- the group reporting package prepared by UniCredit Consumer Financing IFN S.A. as at 31 December 2012 in conformity with the International Financial Reporting Standards as endorsed by EU legislation as illustrated in the UniCredit accounting policies and instructions.

In its IFRS financial statements, UniCredit Tiriac Bank S.A. treated UCLC and UCFIN as associated entities using the equity method in accordance with IAS 28, Investments in associates. These associates have been accounted at cost (as a reliable fair value measurement was not available) in the separate financial statements of UniCredit Tiriac Bank S.A., in accordance with IAS 27 Consolidated and Separate Financial Statements (as amended in 2008).

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

3) Net interest income

(RON)

	2012	2011
Interest income		
Loans and advances to customers*	1,305,786,866	1,236,721,276
Treasury bills and bonds	182,893,221	214,963,934
Current accounts and placements with banks	38,300,102	49,051,351
Others (including derivatives)	1,695,973	4,956,819
Total interest income	**1,528,676,162**	**1,505,693,380**
Interest expense		
Loans from banks and other financial institutions	(330,042,383)	(299,850,779)
Deposits from customers	(335,156,043)	(228,544,382)
Deposits from banks	(62,347,284)	(104,130,811)
Repurchase agreements	(5,137,338)	(10,406,428)
Others (including derivatives)	(24,559,644)	(8,945,013)
Total interest expense	**(757,242,692)**	**(651,877,413)**
Interest related effect of Swap transactions regarding refinancing lines with Group Companies**	85,688,280	100,913,551
Net interest income	**857,121,750**	**954,729,518**

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

**) 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.

(4) Net fees and commissions income

(RON)

	2012	2011
Fees and commissions income		
Payments transactions	183,954,386	159,417,861
Risk participation fee	35,345,247	44,699,500
Loan administration	36,595,607	32,008,522
Guarantees and letters of credit	24,180,956	19,334,064
Other	37,550,495	29,598,629
Total fees and commission income	**317,626,691**	**285,058,576**
Fees and commissions expense		
Payments transactions and inter-banks fies	(43,922,460)	(38,030,107)
Other	(15,363,374)	(13,339,409)
Total fees and commissions expense	**(59,285,834)**	**(51,369,516)**
Net fees and commissions income	**258,340,857**	**233,689,060**

(5) Personnel expenses

(RON)

	2012	2011
Wages and salaries	258,337,308	252,646,391
Social security charges	69,898,166	69,755,062
Equity settled share-based payments	1,175,319	1,097,318
Other costs / (income)	9,875,100	2,133,025
Total	**339,285,893**	**325,631,796**

The number of employees of the Group at 31 December 2012 was 3,193 (31 December 2011: 3,317).

(6) Depreciation and amortisation

(RON)

	2012	2011
Depreciation on property and equipment	39,987,149	39,955,420
Amortisation on intangible assets	34,994,036	31,558,201
Total	**74,981,185**	**71,513,621**

(7) Other administrative costs

(RON)

	2012	2011
Office space expenses (rental, maintenance, other)	107,152,547	103,620,025
IT services	65,200,848	55,261,599
Other taxes and duties	26,348,654	24,931,012
Advertising and promotional expenses	19,429,786	24,181,611
Communication expenses	22,596,138	22,018,728
Consultancy, legal and other professional services	13,368,795	18,638,641
Materials and consumables	7,821,864	9,011,500
Personnel training & recruiting	4,684,691	4,855,859
Insurance expenses	2,964,898	2,820,298
Other	28,529,448	29,888,749
Total	**298,097,669**	**295,228,022**

(8) Loans and advances to banks

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Loans to banks*	13,533,442	5,222,144
Suspense accounts	37,890,161	19,323,299
Total	**51,423,603**	**24,545,443**

*) *Money market placements with original maturity less than 90 days and nostro accounts are considered cash equivalents.*

(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 2012	31 DECEMBER 2011
Corporate loans	6,759,333,118	5,645,057,006
Revolving credit lines	2,414,176,985	3,231,451,384
Credit cards and personal loans	1,418,952,997	1,313,290,973
Financial leases	2,625,273,097	2,787,761,792
Mortgages	2,970,848,424	3,036,149,103
Factoring	897,802,780	755,305,370
Impaired assets *	3,574,218,718	2,418,044,290
Loans and advances to customers before provisions	20,660,606,119	19,187,059,918
Less provision for impairment losses on loans	(1,661,591,883)	(1,559,245,288)
Net loans and advances to customers	18,999,014,236	17,627,814,630

*) In accordance with UniCredit Group instructions and internal risk management policies, Bank's 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.

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

Specific allowances for impairment

(RON)

	2012	2011
Balance at 1 January	1,294,466,178	898,182,489
Net impairment for the year	477,879,838	368,463,288
Foreign exchange effect	(29,421,802)	27,820,401
Release of allowance for impairment of loans written-off and loans sold	(367,156,661)	-
Unwinding effect on provisions	97,594,342	-
Balance at 31 December	1,473,361,895	1,294,466,178

Collective allowances for impairment

(RON)

	2012	2011
Balance at 1 January	264,779,110	232,797,935
Net impairment (charge)/release for the year	(85,598,416)	52,042,675
Foreign exchange effect	9,049,294	(1,387,079)
Release of allowance for impairment of loans written-off and loans sold	-	(18,674,421)
Balance at 31 December	188,229,988	264,779,110
Total opening balance	1,559,245,288	1,130,980,424
Total closing balance	1,661,591,883	1,559,245,288

(10) Deposits from banks

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Sight deposits (includes amounts in transit)	905,042,036	671,931,186
Term deposits	1,706,163,717	2,989,135,622
Total	**2,611,205,753**	**3,661,066,808**

(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 673,616,959 and RON 1,193,413,467 in total amount of RON equivalent 4,176,660,893 (31 December 2011: RON equivalent 4,040,559,706).

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

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

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

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

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

(ii) for the loans borrowed by the UCLC:

a) UniCredit Bank Austria AG: loans facilities in amount of EUR 511,548,071 (RON equivalent 2,265,492,943) (31December 2011: EUR 552,101,491, RON equivalent 2,384,912,811) out of which 52% maturing in 2013; USD 26,286,264 (RON equivalent 88,256,131) out of which USD 14,639,463 maturing in 2019 and USD 853,318 maturing in 2013, the rest maturing between 2013 and 2018.

b) European Investment Bank: loan facilities in amount of EUR 20,777,778 (RON equivalent 92,018,545), last repayment date November 2014. (31 December 2011: EUR 31,666,667. RON equivalent 136,790,501).

c) UniCredit Leasing Romania S.A.: loan facilities in amount of EUR 12,500,000, RON equivalent 55,358,750 (31 December 2011: nil).

(iii) for the loans borrowed by the UCFIN:

a) Credit line from UniCredit S.p.A: loan facilities in amount of RON 443,704,851 (31 December 2011: RON 648,126,689).

b) UniCredit Bank Austria AG: loans facilities in amount of RON 527,596,422 (31 December 2011: RON 292,146,492).

(12) Deposits from customers

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Payable on demand	5,914,264,745	4,533,912,951
Term deposits	6,666,738,848	5,777,600,230
Certificates of deposits	3,785,646	1,514,854
Collateral deposits	619,328,202	524,545,039
Amounts in transit	29,091,830	61,555,495
Total	13,233,209,271	10,899,128,569

(13) Provisions

	31 DECEMBER 2012	31 DECEMBER 2011
		(RON)
Provision for financial guarantees	275,909,822	227,674,202
Provision for off-balance commitments and contingencies	11,937,957	10,996,190
Provision for litigations	3,050,737	2,851,653
Other provisions	1,755,167	2,546,489
Total	292,653,683	244,068,534

The movements in provisions during the year was as follows:

	2012	2011
		(RON)
Balance at 1 January	244,068,534	158,588,186
Provision set up during the year	118,906,369	112,373,246
Provision used during the year	(50,437,527)	-
Provision reversed during the year	(24,955,550)	(33,434,011)
FX effect related to off-balance exposure (financial guarantees and commitments)	5,071,857	6,541,113
Balance at 31 December	292,653,683	244,068,534

(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 2012 is represented by 40,760,784 ordinary shares (31 December 2011: 40,760,784 ordinary shares) having a face value of RON 9.30 each.

The shareholders of the Bank are as follows:

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

The share comprises of the following:

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
Share capital under IFRS	**1,101,604,066**	**1,101,604,066**

(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 2012	31 DECEMBER 2011
Derivative assets at fair value through profit and loss	27,295,492	33,210,703
Current accounts and deposits to banks	189,721,240	627,699,734
Loans to customers	27,632,921	22,983,107
Other assets	13,263,837	20,796,322
Total assets	**257,913,490**	**704,689,866**
Derivative liabilities at fair value through profit and loss	130,454,608	99,832,352
Derivatives used for hedging	94,235,076	58,812,857
Current accounts	96,377,729	96,829,119
Deposits attracted	2,562,769,544	3,084,839,289
Loans received	7,557,103,200	7,500,461,670
Subordinated liabilities	598,474,296	498,124,892
Other liabilities	28,707,574	14,767,868
Total liabilities	**11,068,122,027**	**11,353,668,047**

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Interest income	2,802,931	13,203,657
Interest income and similar revenues on derivative instruments	54,032	274,730
Interest expense	(388,859,863)	(384,379,224)
Interest expense and similar charges on derivative instruments	(14,381,270)	(13,835,199)
Interest expense and similar charges on hedging derivatives	(7,555,942)	(12,954,002)
Fees and commission income	38,397,294	39,584,062
Fees and commission expense	(5,513,618)	(16,245,346)
Management fees	(5,129,171)	(6,055,482)
Other operating income	10,604,877	8,979,006
Administration costs	(41,856,374)	(33,176,136)
Net expense	**(411,437,104)**	**(404,603,934)**

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG. The total amount of such risk participation agreements in force as at 31 December 2012 is EUR 558,342,907, USD 50,000,000 and CHF 4,425,197 (31 December 2011 is EUR 641,820,778, USD 50,000,0000 and CHF 5,310,236).

Separate Financial Statements

prepared based on the requirements of the IFRS

KPMG

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Independent Auditors' Report

To the shareholders of
Unicredit Tiriac Bank S.A.

Report on the Separate Financial Statements

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

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the separate financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Fiscal registration code RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

CF

Opinion

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

Other Matters

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

Report on conformity of the Management Board's Report with the separate financial statements

In accordance with the Order of the National Bank of Romania no 27/2010 and related amendments, article no. 16 point (1) e) we have read the Management Board's Report presented from page 1 to 20. The Management Board's Report is not a part of the separate financial statements. In the Management Board's Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

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

CFurtună

Camera Auditorilor Financiari din România
Furtună Cezar Gabriel
Nr. 1526

KPMG Audit SRL

Furtuna Cezar-Gabriel

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

KPMG AUDIT S.R.L.

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

Bucharest, 5 March 2013

Separate statement of comprehensive income

for the year ended 31 December 2012

(RON)

	NOTE	2012	2011
Interest income		1,243,093,197	1,231,607,330
Interest expense		(639,412,901)	(548,056,097)
Interest related effect of swap transactions related to refinancing lines with Group companies*		85,688,280	100,913,551
Net interest income	**7**	**689,368,576**	**784,464,784**
Fee and commission income		307,736,336	276,601,504
Fee and commission expense		(57,970,291)	(51,572,933)
Net fee and commission income	**8**	**249,766,045**	**225,028,571**
Dividends income	9	636,281	868,364
Net income from trading and other financial instruments at fair value through profit and loss	10	263,808,748	199,437,316
Net gains on financial assets available for sale		29,229,565	9,420,316
Other operating income	11	15,823,521	3,484,939
Operating income		**1,248,632,736**	**1,222,704,290**
Personnel expenses	12	(292,849,835)	(284,829,851)
Depreciation and amortisation	13	(69,980,548)	(65,590,958)
Other administrative costs	14	(265,977,446)	(257,338,834)
Other operating costs		(5,129,719)	(4,160,040)
Operating expenses		**(633,937,548)**	**(611,919,683)**
Net operating income		**614,695,188**	**610,784,607**
Net impairment losses on financial assets	15	(317,055,543)	(348,952,291)
Net provision charge	16	(92,762,454)	(78,939,235)
Profit before taxation		**204,877,191**	**182,893,081**

* See note 7.

The accompanying notes from pages 89 to 191 form an integral part of these separate financial statements

(RON)

	NOTE	2012	2011
Income tax expense	17	(31,748,330)	(27,648,395)
Net profit for the year		**173,128,861**	**155,244,686**
Other comprehensive income, net of income tax			
Net change in revaluation reserve for available-for-sale financial assets (net of deferred tax)		53,940,707	(25,022,030)
Revaluation of property, plant and equipment (net of deferred tax)		81,537	16,123,210
Net change in cash flow hedging reserve (net of deferred tax)		(28,176,242)	(38,569,855)
Other comprehesive income for the year, net of income tax		**25,846,002**	**(47,468,675)**
Total comprehensive income for the year		**198,974,863**	**107,776,011**

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

Mr. Răsvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

Separate statement of financial position

at 31 December 2012

Assets

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Cash and cash equivalents	18	4,429,652,624	4,282,597,515
Derivative assets at fair value through profit or loss	19	156,042,671	123,958,371
Loans and advances to banks	20	51,423,603	24,545,443
Loans and advances to customers	21	15,904,310,098	14,499,380,530
Investments in associates	22	67,216,476	55,747,536
Investment securities, available-for-sale	23	3,945,757,938	3,369,112,393
Equity investments, available for sale	24	2,233,832	3,523,012
Investments securities, held to maturity	25	-	9,109,414
Property and equipment	26	261,954,327	268,703,598
Intangible assets	27	120,940,183	110,464,175
Other assets	29	123,107,796	77,842,351
TOTAL ASSETS		**25,062,639,548**	**22,824,984,338**

Liabilities

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Derivative liabilities at fair value through profit or loss	19	140,609,534	111,886,347
Derivatives financial instruments designated as hedging instruments	30	94,235,076	58,812,857
Deposits from banks	31	2,611,205,753	3,661,066,808
Loans from banks and other financial institutions	32	4,703,547,992	4,123,606,300
Deposits from customers	33	13,839,475,142	11,542,323,596
Subordinated liabilities	34	500,335,612	403,091,492
Provisions	35	291,465,317	244,068,534
Current tax liabilities		19,234,372	9,872,694
Deferred tax liabilities	28	36,656,957	43,076,985
Other liabilities	36	121,568,598	121,848,393
TOTAL LIABILITIES		**22,358,334,353**	**20,319,654,006**

Equity

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Share capital	37	1,101,604,066	1,101,604,066
Retained earnings		1,411,288,127	1,238,158,397
Reserve on available for sale financial assets		28,381,699	(25,559,008)
Cash flow hedge reserve		(66,746,097)	(38,569,855)
Other reserves	38	229,777,400	229,696,732
TOTAL EQUITY		**2,704,305,195**	**2,505,330,332**
TOTAL LIABILITIES AND EQUITY		**25,062,639,548**	**22,824,984,338**

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

Mr. Răsvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

Separate statement of change in equity

for the year ended 31 December 2012

(RON)

	SHARE CAPITAL	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGING RESERVE	REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	OTHER RESERVES	RETAINED EARNINGS*	TOTAL
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,573,522	1,238,158,397	2,505,330,332
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	173,128,861	**173,128,861**
Other comprehensive income, net of income tax							
Net change in available-for-sale financial assets, net of tax	-	53,940,707	-	-	-	-	**53,940,707**
Net change in cash flow hedging reserve, net of tax	-	-	(28,176,242)	-	-	-	**(28,176,242)**
Revaluation of property, plant and equipment, net of tax	-	-	-	80,668	-	869	**81,537**
Total other comprehensive income for the year	**-**	**53,940,707**	**(28,176,242)**	**80,668**	**-**	**869**	**25,846,002**
Total comprehensive income for the year	**-**	**53,940,707**	**(28,176,242)**	**80,668**	**-**	**173,129,730**	**198,974,863**
Balance at 31 December 2012	**1,101,604,066**	**28,381,699**	**(66,746,097)**	**16,203,878**	**213,573,522**	**1,411,288,127**	**2,704,305,195**

Separate statement of change in equity

for the year ended 31 December 2011

	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)**	-	-	**213,573,522**	**1,082,913,711**	**2,397,554,321**
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	155,244,686	**155,244,686**
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**
Total other comprehensive income	**-**	**(25,022,030)**	**(38,569,855)**	**16,123,210**	**-**	**-**	**(47,468,675)**
Total comprehensive income for the year	-	(25,022,030)	(38,569,855)	16,123,210	-	155,244,686	**107,776,011**
Balance at 31 December 2011	**1,101,604,066**	**(25,559,008)**	**(38,569,855)**	**16,123,210**	**213,573,522**	**1,238,158,397**	**2,505,330,332**

Separate statement of cash flows

for the year ended 31 December 2012

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Operating activities			
Profit before taxation	17	**204,877,191**	**182,893,081**
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible and intangible assets	13	69,980,548	67,113,612
Net charge of provision for impairment on financial assets	15	315,609,863	358,934,268
Change in fair value of derivatives at fair value through profit or loss		(3,361,113)	(1,277,999)
Other items for which the cash effects are investing or financing		1,971,315	(61,152)
Other non–cash items		97,092,267	82,124,315
Operating profit before changes in operating assets		**686,170,071**	**689,726,125**
Change in operating assets:			
(Increase)/Decrease in investment securities available-for-sale		(497,963,257)	465,091,957
(Increase)/decrease in loans and advances to banks		(26,878,160)	10,292,030
(Increase)/decrease in loans and advances to customers		(1,742,144,051)	(2,171,524,143)
(Increase)/decrease in other assets		(12,487,442)	(16,196,922)
Change in operating liabilities:			
(Decrease)/Increase in deposits from banks		(1,048,134,253)	431,245,522
Increase in deposits from customers		2,270,061,146	546,882,199
Decrease in other liabilities		(7,116,861)	(10,388,082)
Income tax paid		(24,304,284)	-
Cash flows generated from operating activities		**(402,797,091)**	**(54,871,314)**
Investing activities			
Proceeds from sale of property and equipment		251,106	4,284,226
Acquisition of property and equipment and intangible assets		(73,707,285)	(77,270,232)
Acquisition of equity investments		(12,787,356)	(13,447,979)
Redemption of held to maturity securities		8,630,585	1,095,443
Dividends received	9	636,281	868,364
Cash flows used in investing activities		**(76,976,669)**	**(84,470,178)**

Separate statement of cash flows

(RON)

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

Notes to the Separate Financial Statements

(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 1F, Expozitiei Boulevard, District 1, Bucharest, Romania.

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

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

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

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

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

(2) Basis of preparation

a) Statement of compliance

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

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

The Bank also prepares a set of financial statements where its investees in associates are accounted for using the equity method in accordance with IAS 28, Investments in associates.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

(3) Significant accounting policies

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

a) Basis of consolidation

Subsidiaries

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

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

Associates

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

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. These associates have been accounted at cost (as a reliable fair value measurement was not available) in these separate financial statements in accordance with IAS 27 Consolidated and Separate Financial Statements (as amended in 2008).

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.

RECHARGING

Supporting enterprise with concrete actions
UniCredit International

"I own a small business that produces equipment for recycling precious metals. After winning a bid for a project with the Indian government last year, we were in need of a qualified partner to manage our complex operations abroad. UniCredit believed in us and our work, providing us with the initial warranty request, a letter of credit and the loans we needed. Thanks to their support, we successfully completed the project."

Paolo Balestri, Balestri impianti,
customer of UniCredit in Italy

(3) Significant accounting policies

b) Foreign currency (*continued*)

The exchange rates of major foreign currencies were:

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

c) Accounting for the effect of hyperinflation

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

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

d) Interest

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

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

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

(3) Significant accounting policies

d) Interest (*continued*)

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

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

e) Fees and commission

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

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

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

f) Dividends

Dividend income is recognised in the income statement on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues. Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders. The only profit available for distribution is the profit for the year recorded in these separate financial statements where the investment in associates are recognized at cost in accordance with IAS 27 Consolidated and Separate Financial Statements (as amended in 2008). This profit differs from the profit in the set of financial statements prepared by the Bank where its investees in associates are accounted for using the equity method in accordance with IAS 28, Investments in associates.

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

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

(3) Significant accounting policies

h) Lease payments

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

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

i) Income tax expense

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

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

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

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

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

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

(3) Significant accounting policies

j) Financial assets and liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

Financial assets

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

- loans and receivables;
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss
- See accounting policies 3(k), (l), (n) and (o).

Financial liabilities

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

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

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

(iii) Derecognition

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

(3) Significant accounting policies

j) Financial assets and liabilities (*continued*)

(iii) Derecognition (continued)

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

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

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

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

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

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

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

(iv) Offsetting

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

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

(3) Significant accounting policies

j) Financial assets and liabilities (*continued*)

(v) Amortised cost measurement

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

(vi) Fair value measurement

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

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

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

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

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

(3) Significant accounting policies

j) Financial assets and liabilities (*continued*)

(vii) Identification and measurement of impairment

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

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

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

Loans and advances to customers

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

a) significant financial difficulty of the borrower determined in accordance with the Bank's internal rating system;

b) a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually or in the same group of borrowers);

c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

e) observable data indicating that there are economic or social conditions that can influence adversely the industry in which the borrower operates and that affect these borrowers.

(3) Significant accounting policies

j) Financial assets and liabilities (*continued*)

(vii) Identification and measurement of impairment (continued)

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

Individual assessment

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

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

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

Collective assessment

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

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

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

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

(3) Significant accounting policies

j) Financial assets and liabilities (*continued*)

(vii) Identification and measurement of impairment (continued)

Collective assessment (continued)

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

Available for sale financial assets

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

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

Financial assets carried at cost

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

k) Cash and cash equivalents

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

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

(3) Significant accounting policies

l) Trading assets and liabilities

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

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

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

b) If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

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

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

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

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

(i) Other non-trading derivatives

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

(ii) Embedded derivatives

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

(3) Significant accounting policies

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

(iii) Cash flow hedges

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

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

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

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

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

n) Loans and advances to customers

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

(3) Significant accounting policies

o) Investment securities

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

(i) Held-to-maturity

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

(ii) Available-for-sale

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

p) Property and equipment

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

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

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.

(3) Significant accounting policies

p) Property and equipment (*continued*)

(ii) Subsequent measurement (continued)

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

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

(iii) Subsequent costs

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

(iv) Depreciation

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

The estimated rates of depreciation are as follows:

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

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

(v) Leased assets - lessee

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

(3) Significant accounting policies

q) Intangible assets

(i) Recognition

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

r) Impairment of non – financial assets

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

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

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

(3) Significant accounting policies

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 separate financial statements.

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

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 Separate Financial Statements.

The Bank entered into the several transactions with UniCredit Bank Austria AG and other entities within UniCredit Group related to loans granted to non-banking customers financed by such entities within UniCredit Group (please refer to Note 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).

u) Financial guarantees (*continued*)

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

v) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

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

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

(iii) Defined benefit plans

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

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

(iv) Share - based payment transactions

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

(3) Significant accounting policies

(iv) Share - based payment transactions (continued)

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

The fair value of stock options is determined using the Hull and White Evaluation Model. Measurement inputs include share price on measurement date, exercise price, volatility (historical daily average volatility for a period equal to the duration of the vesting period), exit rate (annual percentage of Stock Options forfeited due to termination), dividend yield (last four years average dividend-yield, according to the duration of the vesting period).

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

(v) Termination benefits

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

w) New standards and interpretations not yet adopted

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

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

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

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal.

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

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 separate financial statements, since it will be required to be retrospectively applied. This standard has not been endorsed by the European Union.

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

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

IFRS 12 sets out the disclosure requirements for subsidiaries, joint ventures, associates and "structured entities." IFRS 12 replaces the requirements previously included in IAS 27, IAS 31, and IAS 28 Investments in Associates. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirement in IFRS 12 is more expansive than the requirement in IAS 27, which only required entities to disclose circumstances where: (1) a subsidiary was consolidated and the parent owned less than a majority of voting rights; and (2) an investee was not consolidated, and the investor owned more than a majority of voting rights. This change in the disclosure requirements reflects the degree of judgement that is now required to determine whether an entity is controlled, and, therefore, consolidated. IFRS 12 expands the disclosure requirements for subsidiaries with non-controlling interests (NCI), joint arrangements and associates that are individually material.

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

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

IFRS 13 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, describes how to measure fair value under IFRS when it is required or permitted by IFRS. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.

(3) Significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:
- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

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

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

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

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

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

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

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

(4) Financial risk management

a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks

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

b) Risk management framework

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

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

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

c) Credit risk

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

(4) Financial risk management

c) Credit risk (*continued*)

(i) Management of credit risk

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

The functions of the Risk Management Committee:

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

The functions of the Credit Committee:

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

(4) Financial risk management

c) Credit risk (*continued*)

(i) Management of credit risk (continued)

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

c) Credit risk (*continued*)

(ii) Exposure to credit risk

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

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

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

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

(4) Financial risk management

c) Credit risk *(continued)*

(ii) Exposure to credit risk (continued)

Cash and cash equivalents, loans and advances to banks and investment securities were neither impaired nor past due.
Restructured loans are as follows:

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

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

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

Impaired loans and securities

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

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

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

Past due but not individually impaired loans

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

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

(4) Financial risk management

c) Credit risk (*continued*)

(ii) Exposure to credit risk (continued)

Neither past due nor individually impaired

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

Allowances for impairment

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

Write-off policy

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

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

31 December 2012	Gross amounts	Net amounts
In RON		
Grade 8-: Impaired	25,743,209	23,588,040
Grade 9: Impaired	2,332,794,172	1,755,471,365
Grade 10: Impaired	610,948,044	258,063,770
Total	2,969,485,425	2,037,123,175

31 December 2011	Gross amounts	Net amounts
In RON		
Grade 8-: Impaired	-	-
Grade 9: Impaired	1,033,911,179	730,261,766
Grade 10: Impaired	476,351,026	222,658,186
Total	1,510,262,205	952,919,952

(4) Financial risk management

c) Credit risk *(continued)*

(ii) Exposure to credit risk (continued)

Collateral

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

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

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

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

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

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

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

(4) Financial risk management

c) Credit risk (*continued*)

(ii) Exposure to credit risk (continued)

Concentration of credit risk

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

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

(4) Financial risk management

c) Credit risk (*continued*)

(ii) Exposure to credit risk (continued)

In RON	2012	2011
Loans and advances to customers	**15,904,310,098**	14,499,380,530
Loan related commitments and contingencies (refer to Note 40)	**6,328,139,817**	6,744,324,224
	22,232,449,915	**21,243,704,754**

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

Exposures to higher risk Eurozone countries

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

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

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

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

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:

(4) Financial risk management

d) Liquidity risk (*continued*)

- 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.

(4) Financial risk management

d) Liquidity risk (*continued*)

Management of liquidity risk (continued)

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

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

Regarding structural liquidity, the Bank pursues the following goals:

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

Exposure to liquidity risk

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

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

d) Liquidity risk (*continued*)

Exposure to liquidity risk

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

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

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

(4) Financial risk management

d) Liquidity risk (*continued*)

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

31 December 2012 – RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Financial assets							
Cash and cash equivalents	4,429,652,624	-	-	-	-	**4,429,652,624**	**4,429,652,624**
Derivative assets held for risk management	55,136,601	4,270,982	14,581,101	82,053,987	-	**156,042,671**	**156,042,671**
Loans and advances to banks	51,423,603	-	-	-	-	**51,423,603**	**51,423,603**
Loans and advances to customers	3,888,279,126	5,485,636,382	3,438,299,579	3,168,548,673	-	**15,980,763,760**	**15,904,310,098**
Investments in associates	-	-	-	-	67,216,476	**67,216,476**	**67,216,476**
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	-	**3,945,757,938**	**3,945,757,938**
Equity investments, available for sale	-	-	-	-	2,233,832	**2,233,832**	**2,233,832**
Investment securities, held-to-maturity	-	-	-	-	-	**-**	**-**
Total financial assets	**9,420,834,008**	**6,249,522,135**	**5,474,611,696**	**3,418,672,757**	**69,450,308**	**24,633,090,904**	**24,556,637,242**
Financial liabilities							
Derivative liabilities held for risk management	8,539,113	11,691,318	38,325,116	82,053,987	-	**140,609,534**	**140,609,534**
Derivatives designated as hedging instruments	833,100	1,545,898	17,105,234	74,750,844	-	**94,235,076**	**94,235,076**
Loans and deposits from banks and subordinated liabilities	1,488,463,482	749,038,230	5,110,461,291	467,227,850	-	**7,815,190,853**	**7,815,089,357**
Deposits from customers	11,924,185,245	1,102,324,943	792,226,004	23,754,784	-	**13,842,490,976**	**13,839,475,142**
Total financial liabilities	**13,422,020,940**	**1,864,600,389**	**5,958,117,645**	**647,787,465**	**-**	**21,892,526,439**	**21,889,409,109**
Liquidity surplus/ (shortfall)	**(4,001,186,932)**	**4,384,921,746**	**(483,505,949)**	**2,770,885,292**	**69,450,308**	**2,740,564,465**	**2,667,228,133**
Adjustment for investment securities available for refinancing*	2,949,415,884	(759,614,771)	(2,021,731,016)	(168,070,097)	-	**-**	**-**
Liquidity surplus/ (shortfall) adjusted	**(1,051,771,048)**	**3,625,306,975**	**(2,505,236,965)**	**2,602,815,195**	**69,450,308**	**2,740,564,465**	**2,667,228,133**

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

(4) Financial risk management

d) Liquidity risk (*continued*)

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

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

(4) Financial risk management

d) Liquidity risk (*continued*)

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

31 December 2011 – RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Financial assets							
Cash and cash equivalents	4,282,597,515	-	-	-	-	**4,282,597,515**	**4,282,597,515**
Derivative assets held for risk management	40,322,335	7,978,690	14,397,444	61,259,902	-	**123,958,371**	**123,958,371**
Loans and advances to banks	24,545,443	-	-	-	-	**24,545,443**	**24,545,443**
Loans and advances to customers	2,222,126,435	5,430,811,125	3,651,277,562	3,295,341,800	-	**14,599,556,922**	**14,499,380,530**
Investments in associates	-	-	-	-	55,747,536	**55,747,536**	**55,747,536**
Investment securities, available for sale	610,269,377	1,206,408,628	1,402,079,926	150,354,462	-	**3,369,112,393**	**3,369,112,393**
Equity investments, available for sale	-	-	-	-	3,523,012	**3,523,012**	**3,523,012**
Investment securities, held-to-maturity	-	9,109,414	-	-	-	**9,109,414**	**9,109,414**
Total financial assets	**7,179,861,105**	**6,654,307,857**	**5,067,754,932**	**3,506,956,164**	**59,270,548**	**22,468,150,606**	**22,367,974,214**
Financial liabilities							
Derivative liabilities held for risk management	10,094,500	5,006,173	35,525,772	61,259,902	-	**111,886,347**	**111,886,347**
Derivatives designated as hedging instruments	-	-	8,649,118	50,163,739	-	**58,812,857**	**58,812,857**
Loans and deposits from banks and subordinated liabilities	3,301,939,391	681,956,450	2,689,930,070	1,514,054,850	-	**8,187,880,761**	**8,187,764,600**
Deposits from customers	10,500,175,839	935,841,117	105,951,080	355,560	-	**11,542,323,596**	**11,542,323,596**
Total financial liabilities	**13,812,209,730**	**1,622,803,740**	**2,840,056,040**	**1,625,834,051**	**-**	**19,900,903,561**	**19,900,787,400**
Liquidity surplus/ (shortfall)	**(6,632,348,625)**	**5,031,504,117**	**2,227,698,892**	**1,881,122,113**	**59,270,548**	**2,567,247,045**	**2,467,186,814**
Adjustment for investment securities available for refinancing*	2,758,843,016	(1,206,408,628)	(1,402,079,926)	(150,354,462)	-	-	-
Liquidity surplus/ (shortfall) adjusted	**(3,873,505,609)**	**3,825,095,489**	**825,618,966**	**1,730,767,651**	**59,270,548**	**2,567,247,045**	**2,467,186,814**

*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.

(4) Financial risk management

d) Liquidity risk (*continued*)

31 December 2011 - RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Gross nominal inflow/(outflow)
Contingent assets & liabilities)**						
Irrevocable commitments given outflow	(1,213,143,490)	-	-	-	-	(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.

(4) Financial risk management

d) Liquidity risk (*continued*)

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

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

(4) Financial risk management

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.

(4) Financial risk management

e) Market Risk (*continued*)

Exposure to market risks – Value at Risk Tool

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

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

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

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

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

e) Market Risk (*continued*)

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

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

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

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

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

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

(4) Financial risk management

e) Market Risk (*continued*)

Foreign exchange (FX) Sensitivity analysis (continued)

Foreign exchange (FX) Open Position

Currency	Limits (EUR equiv)	Average usage 2012	Limits (EUR equiv)	Average usage 2011
AUD	1,000,000	0.97%	1,000,000	1.10%
BGN	100,000	17.05%	100,000	5.38%
CAD	1,000,000	4.18%	1,000,000	4.57%
CHF	1,000,000	2.58%	1,000,000	4.13%
CNY	100,000	9.64%		
CZK	100,000	14.65%	100,000	8.09%
DKK	1,000,000	1.39%	1,000,000	1.15%
EUR	40,000,000	23.58%	40,000,000	21.82%
GBP	1,000,000	3.96%	1,000,000	3.39%
HUF	1.000,000	3.19%	1.000,000	4.49%
JPY	1,000,000	1.1 0%	1,000,000	1.60%
NOK	1,000,000	1.80%	1,000,000	1.99%
PLN	1.000,000	3.32%	1.000,000	5.59%
RON	40,000,000	23.65%	40,000,000	21.85%
RUB	500,000	2.62%	500,000	1.50%
SEK	1,000,000	0.92%	1,000,000	1.03%
TRY	100,000	13.18%	100,000	2.03%
USD	5,000,000	4.04%	5,000,000	3.07%
ZAR	100.000	1.83%	100.000	0.52%

Exposure to market risks – Interest Rate Gap tool

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

(4) Financial risk management

e) Market Risk (*continued*)

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

31 December 2012 RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total contractual amount	Total carrying amount
Cash and cash equivalents	4,429,652,624	-		-	**4,429,652,624**	4,429,652,624
Derivative assets held for risk management	55,136,600	4,244,109	14,050,305	82,611,657	**156,042,671**	156,042,671
Placements with banks	51,423,603	-	-	-	**51,423,603**	51,423,603
Loans and advances to customers	13,719,611,230	391,237,362	1,247,588,906	622,326,262	**15,980,763,760**	15,904,310,098
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	**3,945,757,938**	3,945,757,938
Total	**19,252,166,111**	**1,155,096,242**	**3,283,370,227**	**873,008,016**	**24,563,640,596**	**24,487,186,934**
Derivative liabilities held for risk management	8,539,113	7,880,237	41,578,527	82,611,657	**140,609,534**	140,609,534
Derivatives designated as hedging instruments	89,865,272	4,369,804	-	-	**94,235,076**	94,235,076
Loans and deposits from banks and subordinated liabilities	7,795,205,597	19,985,257	-	-	**7,815,190,854**	7,815,089,357
Deposits from customers	11,905,403,490	1,102,905,495	810,401,437	23,780,553	**13,842,490,975**	13,839,475,142
Total	**19,799,013,472**	**1,135,140,793**	**851,979,964**	**106,392,210**	**21,892,526,439**	**21,889,409,109**
Interest sensitivity surplus/ (shortfall)	**(546,847,361)**	**19,955,449**	**2,431,390,263**	**766,615,806**	**2,671,114,157**	**2,597,777,825**

(4) Financial risk management

e) Market Risk (*continued*)

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

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

(4) Financial risk management

e) Market Risk (*continued*)

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

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

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

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

(4) Financial risk management

e) Market Risk (*continued*)

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

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

(4) Financial risk management

e) Market Risk (*continued*)

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

	RON	USD	EUR	Other	Total
In RON					
Financial assets					
Cash and cash equivalents	2,748,247,737	125,037,177	1,534,027,114	22,340,596	4,429,652,624
Derivative assets held for risk management	176,740	557,197	98,586,506	4,187	99,324,630
Loans and advances to banks	33,606,139	11,124,876	6,691,675	913	51,423,603
Loans and advances to customers	4,250,561,649	305,027,917	11,342,737,498	5,983,034	15,904,310,098
Investments in associates	67,216,476	-	-	-	67,216,476
Investment securities, available-for-sale	2,046,776,680	-	1,898,981,258	-	3,945,757,938
Equity investments, available for sale	2,233,832	-	-	-	2,233,832
Other assets	37,263,368	32,508,697	53,303,911	31,820	123,107,796
Total financial assets	**9,186,082,621**	**474,255,864**	**14,934,327,962**	**28,360,550**	**24,623,026,997**
Financial liabilities					
Derivative liabilities held for risk management	1,120,423	49,981	131,493,189	13,286	132,676,879
Derivatives designated as hedging instruments	79,273,646	143,976	14,817,454	-	94,235,076
Loans & deposits from banks and subordinated liabilities	2,170,946,969	9,745,577	5,625,458,386	8,938,425	7,815,089,357
Deposits from customers	7,520,211,389	1,108,211,180	5,165,869,404	45,183,169	13,839,475,142
Provisions for risk and charges	12,707,256	1,242,087	277,411,516	104,458	291,465,317
Other liabilities	84,200,451	4,898,327	32,192,303	277,517	121,568,598
Total financial liabilities	**9,868,460,134**	**1,124,291,128**	**11,247,242,252**	**54,516,855**	**22,294,510,369**
Net financial assets/(liabilities)	**(682,377,513)**	**(650,035,264)**	**3,687,085,710**	**(26,156,305)**	**2,328,516,628**

(4) Financial risk management

e) Market Risk (*continued*)

In RON Derivatives at fair value through profit or loss (including SPOT)	RON	USD	EUR	Other	Total
Cash Inflow	4,700,057,195	980,108,015	1,573,817,503	32,475,227	7,286,457,940
Cash Outflow	1,595,909,174	337,952,636	5,281,840,337	6,581,137	7,222,283,284
Net effect of derivatives at fair value through profit or loss	**3,104,148,021**	**642,155,379**	**(3,708,022,834)**	**25,894,090**	**64,174,656**
Net foreign currency position	**2,421,770,508**	**(7,879,885)**	**(20,937,124)**	**(262,215)**	**2,392,691,284**

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

In RON Financial assets	RON	USD	EUR	Other	Total
Cash and cash equivalents	2,323,328,976	17,470,219	1,931,810,351	9,987,969	4,282,597,515
Derivative assets held for risk management	708,087	87	75,642,982	-	76,351,156
Loans and advances to banks	18,954,270	1,639,671	3,951,502	-	24,545,443
Loans and advances to customers	3,178,540,637	357,866,010	10,957,712,709	5,261,174	14,499,380,530
Investments in associates	55,747,536	-	-	-	55,747,536
Investment securities, available-for-sale	1,973,713,717	-	1,395,398,676	-	3,369,112,393
Equity investments, available for sale	3,523,012	-	-	-	3,523,012
Investment securities, held-to-maturity	-	-	9,109,414	-	9,109,414
Other assets	47,561,873	2,061,498	27,983,098	235,882	77,842,351
Total financial assets	**7,602,078,108**	**379,037,485**	**14,401,608,732**	**15,485,025**	**22,398,209,350**
Financial liabilities					
Derivative liabilities held for risk management	517,640	39,634	97,812,816	376	98,370,466
Derivatives designated as hedging instruments	44,806,919	141,231	12,812,770	-	57,760,920
Loans & deposits from banks and subordinated liabilities	3,410,310,447	82,567,139	4,650,412,998	44,474,016	8,187,764,600
Deposits from customers	6,228,596,371	547,285,614	4,724,910,222	41,531,389	11,542,323,596
Provisions for risk and charges	16,322,399	2,645,630	225,050,006	50,499	244,068,534
Other liabilities	88,562,026	5,559,887	27,602,629	123,851	121,848,393
Total financial liabilities	**9,789,115,802**	**638,239,135**	**9,738,601,441**	**86,180,131**	**20,252,136,509**
Net financial assets/(liabilities)	**(2,187,037,694)**	**(259,201,650)**	**4,663,007,291**	**(70,695,106)**	**2,146,072,841**

(4) Financial risk management

e) Market Risk (*continued*)

In RON	RON	USD	EUR	Other	Total
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	5,725,803,894	393,945,926	1,586,942,364	96,585,223	7,803,277,407
Cash Outflow	1,591,386,863	138,585,659	5,999,244,341	25,549,920	7,754,766,783
Net effect of derivatives at fair value through profit or loss	**4,134,417,031**	**255,360,267**	**(4,412,301,977)**	**71,035,303**	**48,510,624**
Net foreign currency position	**1,947,379,337**	**(3,841,383)**	**250,705,314**	**340,197**	**2,194,583,465**

f) Taxation risk

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization. The Bank strictly comply with the legal norms regarding taxes and duties .
Effective from 1 January 2012, IFRS implementation has been consideration for the revision of tax legislation in order to introduce particular rules for the treatment of adjustements resulted at the implementation stage and afterwards. The Authority regulated in time the tax implications on both tax neutrality of IFRS implementation and on budgetary sources, by often amending related legislation.

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

It is expected that also in the future the tax framework will be subject to frequent amendments as a consequence of the state budgetary needs or as a result of the Romania's obligations as an EU Member State. Given the precedents, they may have retroactive application.
Tax liabilities of the Bank are opened to a general tax inspection for a period of five years.

g) Operating environment

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

(4) Financial risk management

g) Operating environment (*continued*)

The adjustment of public and external disequilibria continued in 2012.

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

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

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

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

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.

(4) Financial risk management

h) Capital management

Risk capital measurement

(i) Regulatory capital

Credit Risk

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

Market Risk

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

Operational Risk

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

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

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

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

h) Capital management (*continued*)

Risk capital measurement (continued)

(i) Regulatory capital (continued)

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by a sound capital position.
The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.
The Bank's regulatory capital position at 31 December was as follows:

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

The regulatory capital as of 31 December 2011 was calculated under Romanian Accounting Standards (NBR Order 13 /2008) and as of 31 December 2012 under IFRS as endorsed by EU due to conversion of statutory financial reporting framework to IFRS.
*According to local regulatory requirements, the profit after tax of the last financial year is not included in the calculation of own funds until its distribution as decided by the general meeting of the shareholders.

(4) Financial risk management

h) Capital management (*continued*)

Risk capital measurement (continued)

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each business segment is determined as a percentage established by the 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 separate financial statements.

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

(5) Use of estimates and judgements

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

Allowances for loan losses (continued)

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

Sensitivity analysis for available-for-sale

The fair value of available-for-sale financial assets is directly dependant on the market yield variable and its changes impact the financial position and the net assets of the Bank.
In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2012 on available for sale financial assets would vary as follows:

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

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

In 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**	**(40,478,354)**

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

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).

(5) Use of estimates and judgements

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

Financial assets and liability classification (continued)

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

Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Bank has determined that it expects the hedges to be highly effective over the period of the hedging relationship.
In accounting for derivatives as cash flow hedges, the Bank has determined that the hedged cash flow exposure relates to highly probable future cash flows.

Determining fair values

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities and certificates of deposit) is determined by using valuation techniques. The Bank uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at each statement of financial position date.
In case of available for sale and respectively held-to-maturity financial assets, their classification in quoted and unquoted financial instruments is presented below:

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

(5) Use of estimates and judgements

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

Determining fair values (continued)

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

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

(5) Use of estimates and judgements

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

Determining fair values (continued)

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

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

Derivatives designated as hedging instruments amounting RON 94,235,076, are measured at fair value level 2 RON 88,319,374 and RON 5,915,702 at fair value level 3 (2011: RON 58,812,857, are measured at fair value level 2).
For fair value measurements in level 3, changing one or more of the inputs to reasonably possible alternative assumptions is considered by the Bank not to change fair value significantly.

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

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

31 December 2012 In RON	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	-	-	4,429,652,624	-	-	4,429,652,624	4,429,652,624
Derivative assets held for risk management	19	156,042,671	-	-	-	-	156,042,671	156,042,671
Loans and advances to banks	20	-	-	51,423,603	-	-	51,423,603	51,423,603
Loans and advances to customers	21	-	-	15,904,310,098	-	-	15,904,310,098	15,706,685,052
Investment securities, available for sale	22	-	-	-	3,945,757,938	-	3,945,757,938	3,945,757,938
Equity investments, available for sale	23	-	-	-	69,450,308	-	69,450,308	69,450,308
		156,042,671	**-**	**20,385,386,325**	**4,015,208,246**	**-**	**24,556,637,242**	**24,359,012,196**
Derivative liabilities held for risk management	19	140,609,534	-	-	-	-	140,609,534	140,609,534
Derivatives designated as hedging instruments*		-	-	-	-	94,235,076	94,235,076	94,235,076
Deposits from banks	31	-	-	-	-	2,611,205,753	2,611,205,753	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities	32	-	-	-	-	5,203,883,604	5,203,883,604	5,178,645,247
Deposits from customers	33	-	-	-	-	13,839,475,142	13,839,475,142	13,883,493,739
		140,609,534	**-**	**-**	**-**	**21,748,799,575**	**21,889,409,109**	**21,908,189,349**

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

(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.

31 December 2011 In RON	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	-	-	4,282,597,515	-	-	4,282,597,515	4,282,597,515
Derivative assets held for risk management	19	123,958,371	-	-	-	-	123,958,371	123,958,371
Loans and advances to banks	20	-	-	24,545,443	-	-	24,545,443	24,545,443
Loans and advances to customers	21	-	-	14,499,380,530	-	-	14,499,380,530	14,683,547,293
Investment securities, available for sale	22	-	-	-	3,369,112,393	-	3,369,112,393	3,369,112,393
Equity investments, available for sale	23	-	-	-	59,270,548	-	59,270,548	59,270,548
Investment securities, held to maturity	24	-	9,109,414	-	-	-	9,109,414	9,223,524
		123,958,371	**9,109,414**	**18,806,523,488**	**3,428,382,941**	**-**	**22,367,974,214**	**22,552,255,087**
Derivative liabilities held for risk management	19	111,886,347	-	-	-	-	111,886,347	111,886,347
Derivatives designated as hedging instruments*		-	-	-	-	58,812,857	58,812,857	58,812,857
Deposits from banks	31	-	-	-	-	3,661,066,808	3,661,066,808	3,661,066,808
Loans from banks and other financial institutions, including subordinated liabilities	32	-	-	-	-	4,526,697,792	4,526,697,792	4,490,088,709
Deposits from customers	33	-	-	-	-	11,542,323,596	11,542,323,596	11,575,663,342
		111,886,347	**-**	**-**	**-**	**19,788,901,053**	**19,900,787,400**	**19,897,518,063**

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

(7) Net interest income

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

*) Includes interest income on impaired loans of RON 65,692,651 (2011: RON 64,320,072). Interest income and expense for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.
During the year ended 31 December 2012 losses of RON 822,804 (31 December 2011: RON 188,284 gains) relating to cash flow hedges were recognized in profit or loss and are reflected in interest income.
**) During the year ended 31 December 2012 losses of RON 6,733,139 (31 December 2011: RON 12,983,061) relating to cash flow hedges were recognized in profit or loss and are reflected in interest expenses.
***) The Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Bank's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in net income on foreign exchange and on derivatives held for risk management.

(8) Net fees and commissions income

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

(9) Dividends income

The Bank received dividends from the following companies:

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

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

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

(11) Other operating income

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

* The net revenue from sales of loans performed during 2012 – please refer to note 21.
* *The net revenue on disposals of investments for the year ended 31 December 2011 contains the effect of selling the participations in Argus SA, Bursa Romana de Marfuri SA and respectively in Centrul de Afaceri Romania SA.

(12) Personnel expenses

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

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

(13) Depreciation and amortisation

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

(14) Other administrative costs

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

(15) Net impairment losses on financial assets

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

(16) Net provisions charges

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

(17) Taxation

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

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

In RON	2012	2011
Profit before tax	**204,877,191**	**182,893,081**
Taxation at statutory rate of 16%	**32,780,351**	**29,262,893**
Non-deductible expenses	35,384,603	28,825,848
Non-taxable revenues	(25,876,631)	(10,394,656)
Tax effect on retained earnings on transition to IFRS as endorsed by EU as statutory financial reporting framework, taxable during 2012	2,848,679	-
Tax effect of other non-temporary differences	-	(13,891,361)
Origination and reversal of temporary differences	(11,246,016)	(3,228,062)
Fiscal credit	(2,142,656)	(2,926,267)
Taxation in the income statement	**31,748,330**	**27,648,395**

(18) Cash and cash equivalents

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

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

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

	2012	2012	2012
(RON)	**Notional**	**Assets**	**Present value Liabilities**
Foreign currency derivatives			
Forward contracts	4,325,401,956	56,718,042	7,932,655
Purchased Options	107,943,927	1,326,392	-
Sold Options	107,938,446	-	1,347,759
Total foreign currency derivatives	**4,541,284,329**	**58,044,434**	**9,280,414**
Interest rates derivatives			
Interest Rate Swaps	2,123,391,157	59,130,188	92,461,071
Purchased Options	1,298,661,178	38,868,049	-
Sold Options	1,298,661,178	-	38,868,049
Total interest rate derivatives	**4,720,713,513**	**97,998,237**	**131,329,120**
Total	**9,261,997,842**	**156,042,671**	**140,609,534**
	2011	**2011**	**2011**
(RON)	**Notional**	**Present value Assets**	**Liabilities**
Foreign currency derivatives			
Forward contracts	6,505,269,277	47,607,215	13,515,881
Purchased Options	126,796,040	875,614	-
Sold Options	125,717,655	-	874,684
Total foreign currency derivatives	**6,757,782,972**	**48,482,829**	**14,390,565**
Interest rates derivatives			
Interest Rate Swaps	1,785,073,105	40,059,928	62,165,979
Purchased Options	1,261,684,546	35,415,614	85,081
Sold Options	1,264,684,675	-	35,244,722
Total interest rate derivatives	**4,311,442,326**	**75,475,542**	**97,495,782**
Total	**11,069,225,298**	**123,958,371**	**111,886,347**

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

(20) Loans and advances to banks

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

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

(21) Loans and advances to customers

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

In RON	31 December 2012	31 December 2011
Corporate loans	6,901,656,482	5,805,432,487
Impaired assets*	3,574,218,718	2,418,044,290
Mortgages	2,970,848,424	3,036,149,103
Revolving credit lines	2,414,176,985	3,231,451,384
Factoring	897,802,780	755,305,370
Credit cards and personal loans	498,666,674	558,607,726
Loans and advances to customers before provisions	**17,257,370,062**	**15,804,990,361**
Less provision for impairment losses on loans	(1,353,059,964)	(1,305,609,831)
Net loans and advances to customers	**15,904,310,098**	**14,499,380,530**

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

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

Specific allowances for impairment		
	2012	2011
Balance at 1 January	**1,087,316,670**	**736,486,896**
Net impairment charge for the year	411,084,375	321,794,133
Foreign currency exchange effect	(28,563,864)	29,035,641
Release of allowance for impairment of loans written-off and loans sold	(343,254,684)	-
Unwinding effect on provisions	97,594,342	-
Balance at 31 December	**1,224,176,839**	**1,087,316,670**
Collective allowances for impairment		
	2012	2011
Balance at 1 January	**218,293,161**	**193,479,977**
Net impairment charge / (release) for the year	(98,459,330)	26,200,263
Foreign Currency Exchange Effect	9,049,294	(1,387,079)
Balance at 31 December	**128,883,125**	**218,293,161**
Total opening balance	1,305,609,831	929,966,873
Total closing balance	**1,353,059,964**	**1,305,609,831**

(22) Investment in associates

			31 December 2012	31 December 2012	31 December 2011	31 December 2011
In RON	Nature of business	Country of incorporation	% interest held	Carrying amount	% interest held	Carrying amount
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	20%	8,186,146	20%	8,186,146
UniCredit Consumer Finance IFN S.A.	Consumer finance	Romania	46.06%	59,030,330	46.06%	47,561,390
Total				**67,216,476**		**55,747,536**

In 2012 UniCredit Consumer Finance IFN S.A. increased its share capital by Ron 24.9 million (the Bank's participation being RON 11.5 million) , each shareholder keeping its shareholding stake.

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

In RON	Ownership	Total assets	Total liabilities	Operating income	Profit/(Loss)
2012					
UniCredit Leasing Corporation IFN S.A	20%	2,793,724,126	2,770,109,831	105,890,120	2,302,520
UniCredit Consumer Finance IFN S.A.	46.06%	1,223,746,879	1,107,844,630	85,792,615	8,234,218

In RON	Ownership	Total assets	Total liabilities	Operating income	Profit/(Loss)
2011					
UniCredit Leasing Corporation IFN S.A	20%	2,952,925,146	2,931,665,501	127,794,237	3,215,859
UniCredit Consumer Finance IFN S.A.	46.06%	1,193,141,756	1,110,373,725	70,894,951	7,690,141

(23) Investment securities, available-for-sale

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

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

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

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

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

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

The amounts actually recognised in the profit or loss and other comprehensive income since the reclassification of the bond portfolio from held for trading assets to available for sale instruments are presented in the table below:

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

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

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

(24) Equity investments, available-for-sale

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

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

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

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

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

(24) Equity investments, available-for-sale

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

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

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

(25) Investment securities, held-to-maturity

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

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

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

(26) Property and equipment

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

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

(26) Property and equipment

Contingent operating lease (rentals)

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

(27) Intangible assets

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

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

(28) Deferred tax assets and liabilities

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

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

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

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

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

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

(29) Other assets

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

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

(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:

In RON	Notional amount 2012	Liabilities 2012	Notional amount 2011	Liabilities 2011
Instrument type:				
Interest rate	527,183,817	88,319,374	514,282,448	57,760,921
Cross currency swap	221,435,000	5,915,702	43,197,000	1,051,936
Total	**748,618,817**	**94,235,076**	**557,479,448**	**58,812,857**

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

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

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

(31) Deposits from banks

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

(32) Loans from banks and other financial institutions

The caption Loans from banks comprises the following:

1. UniCredit Bank Austria AG : loans facilities in amount of EUR 673,616,959 and RON 1,193,413,467 in total amount of RON equivalent 4,176,660,893 (31 December 2011: RON equivalent 4,040,559,706).
2. Kreditanstalt furWiederaufbau Germany: loan facilities in amount of EUR 6,418,205 in total amount of RON equivalent 28,424,303, maturing on 16 June 2014 (31 December 2011: RON equivalent 46,545,483).
3. B.E.R.D.: loan facilities in amount of EUR 4,512,669 in total amount of RON equivalent 19,985,257, maturing on 19 May 2017 (31 December 2011: RON equivalent 23,824,101).
4. BANQUE EUROPENE D'INVESTISSEMENT-BEI: loan facilities in amount of EUR 1,930,173 (RON equivalent 8,548,155), maturing on 15 June 2016 (31 December 2011: RON equivalent 12,676,815).
5. Unicredit Bank AG, Germany: overnight facility in amount of EUR 7,498 in total amount of RON equivalent 33,208 (31 December 2011: 0).
6. National Bank of Romania: repurchase transaction in amount of RON 469,896,176 (31 December 2011: 0).

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

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

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

(33) Deposits from customers

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

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

(34) Subordinated loans

In RON	31 December 2012	31 December 2011
UniCredit Bank Austria AG	433,783,445	338,106,674
UniCredit Bank Ireland PLC	66,552,167	64.984.818
Total	**500,335,612**	**403,091,492**

At 31 December 2012, the following agreements were outstanding:
a) Subordinated loans from UniCredit Bank Austria AG are as follows: two facilities in amount of EUR 48,500,000 EUR and respectively RON 215,730,000 in total amount of RON equivalent 430,521,950 principal, maturing on July 2022 and July 2014 respectively (31 December 2011: five facilities in amount of EUR 5,000,000, EUR 3,517,824, EUR 3,407,155, RON 215,730,000 and respectively RON 70,400,000 in total amount of RON equivalent 337,226,149 principal, maturing on September 2012, September 2012, August 2012, July 2014 and August 2012 respectively). The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.
b) UniCredit Ireland: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON equivalent 66,430,500, maturing on 30 November 2015 (the same facility in 2011: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON 64,272,000, maturing on 30 November 2015). The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.
The following table shows the yearly average interest rates charged in relation to the Subordinated loans during 2011 and 2012:

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

(35) Provisions

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

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

The movements in provisions during the year were as follows:

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

(36) Other liabilities

In RON	31 December 2012	31 December 2011
Accrual of employee bonus	16,491,737	15,071,618
Payable to state budget	18,508,827	20,257,865
Accruals for third party services	29,671,486	32,291,224
Amounts payable to suppliers	20,217,096	21,140,894
Lease liabilities (i)	-	45,444
Deferred income	23,057,181	22,128,601
Other	13,622,271	10,912,747
Total	**121,568,598**	**121,848,393**

(i) Lease liability

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

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

(37) Issued capital

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

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

The share capital comprises of the following:

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

(38) Other reserves

The breakdown of other reserves is presented below:

	31 December 2012	31 December 2011
In RON		
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,494	19,064,494
Revaluation of property, plant and equipment	16,203,878	16,123,210
Total	**229,777,400**	**229,696,732**

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:

	31 December 2012		
In RON	**Parent Company**	**Associates**	**Other related parties**
Financial assets held for trading on derivative contracts	18,077,399	1,596,234	9,218,093
Current accounts and deposits to banks	183,191,259	-	5,941,303
Loans to banks	-	-	588,678
Loans to customers	-	142,323,365	27,628,500
Other assets	6,156,280	68,961,146	4,259,951
Outstanding receivables	**207,424,938**	**212,880,745**	**47,636,525**
Financial liabilities held for trading on derivative contracts	214,545	-	130,240,063
Derivatives used for hedging	-	-	94,235,076
Current accounts	55,344,819	8,366,246	41,032,910
Deposit attracted	2,252,615,719	597,903,075	310,153,825
Loans received	4,176,660,894	-	33,208
Subordinated liabilities	433,783,445	-	66,552,167
Other liabilities	-	-	9,076,804
Outstanding payables	**6,918,619,422**	**606,269,321**	**651,324,053**
Interest and similar income	2,233,426	14,047,112	569,505
Interest income and similar revenues on derivative instruments	-	25,008	54,032
Interest income and similar revenues on hedging derivatives	-	-	-
Interest expenses and similar charges	(259,636,780)	(9,005,087)	(12,180,516)
Interest expense and similar charges on derivative instruments	-	-	(14,381,270)
Interest expense and similar charges on hedging derivatives	-	-	(7,555,942)
Commission income	36,174,892	16,710,269	2,222,402
Commission expense	(4,026,403)	(141)	(1,387,155)
Management fees	(511,595)	-	(4,617,576)
Other operating income	6,156,280	-	4,250,061
Administration costs: general and administrative expenses - other	-	-	(34,288,639)
Net revenue/(expense)	**(219,610,180)**	**21,777,161**	**(67,315,098)**
Commitments	**294,795,928**	**3,651,157**	**884,560,633**

(39) Related party transactions

	31 December 2011		
In RON	Parent Company	Associates	Other related parties
Financial assets held for trading on derivative contracts	-	1,474,187	33,210,703
Current accounts and deposits to banks	622,840,581	-	3,410,912
Loans to banks	-	-	1,448,241
Loans to customers	-	160,375,972	22,983,107
Other assets	4,820,306	57,101,089	15,976,016
Outstanding receivables	**627,660,887**	**218,951,248**	**77,028,979**
Financial liabilities held for trading on derivative contracts	1,795,056	-	96,095,403
Derivatives used for hedging	-	-	58,812,857
Current accounts	15,570,119	4,888,059	81,259,000
Deposit attracted	2,731,985,281	822,064,396	352,854,008
Loans received	4,040,559,708	-	-
Subordinated liabilities	338,106,674	-	64,984,818
Other liabilities	-	-	14,484,326
Outstanding payables	**7,128,016,838**	**826,952,455**	**668,490,412**
Interest and similar income	8,645,166	15,714,040	4,558,491
Interest income and similar revenues on derivative instruments	-	59,694	217,091
Interest income and similar revenues on hedging derivatives	-	-	57,639
Interest expenses and similar charges	(262,646,991)	(15,121,312)	(14,090,145)
Interest expense and similar charges on derivative instruments	-	-	(881,197)
Interest expense and similar charges on hedging derivatives	-	-	(12,954,002)
Commission income	39,026,118	12,032,553	557,944
Commission expense	(2,649,945)	(866,106)	(13,595,401)
Management fees	(846,137)	-	(5,209,345)
Other operating income	4,820,306	-	4,158,700
Administration costs: general and administrative expenses - other	-	-	(33,176,136)
Net revenue/(expense)	**(213,651,483)**	**11,818,869**	**(70,356,361)**
Commitments	**530,165,905**	**9,194,056**	**687,135,454**

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

(39) Related party transactions

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:

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

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

In RON	2012	2011
Key management compensation	11,195,805	9,548,057
Total	**11,195,805**	**9,548,057**

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

(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.

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

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG. The total amount of such risk participation agreements in force as at 31 December 2012 is EUR 558,342,907, USD 50,000,000 and CHF 4,425,197 (31 December 2011 is EUR 641,820,778, USD 50,000,000 and CHF 5,310,236).

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

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 32,972,257 (31 December 2011: EUR 21,869,103).
According to the contracts presented in the paragraphs above the Bank pays any amount collected from the borrowers to UniCredit Bank Austria AG.
As compensation for the financial guarantees assumed by the risk participation agreements and for providing security and payment agent services to UniCredit Bank Austria AG, the Bank receives the commissions paid by the borrowers plus a portion of the interest margin collected from the borrowers. The Bank defers the commissions collected upfront from the risk participation agreements over the time period that remains until the maturity of the facilities.
As at 31 December 2012 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 4,226,428 (31 December 2011: RON 5,830,863). The Bank, based upon legal advice, has assessed that a provision amounting to RON 3,050,737 as at 31 December 2012 (2011: RON 2,851,653) is necessary to be booked for these claims.

(41) Subsequent events

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

Mr. Rasvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

Financial Statements

prepared in accordance with IFRS as endorsed by the European Union

KPMG Audit SRL
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Independent Auditors' Report

To the shareholders of
Unicredit Tiriac Bank S.A.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

CF

KPMG

Opinion

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

Other Matters

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

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

CFurtună

Camera Auditorilor Financiari din România
Furtună
Cezar
Gabriel
Nr. 1526

KPMG Audit SRL

Furtuna Cezar-Gabriel

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

KPMG AUDIT S.R.L.

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

Bucharest, 5 March 2013

Statement of comprehensive income

for the year ended 31 December 2012

(RON)

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

* See note 7.

The accompanying notes from pages 205 to 283 form an integral part of these financial statements.

(RON)

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

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

Mr. Răsvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

Statement of financial position

at 31 December 2012

Assets

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Cash and cash equivalents	18	4,429,652,624	4,282,597,515
Derivative assets at fair value through profit or loss	19	156,042,671	123,958,371
Loans and advances to banks	20	51,423,603	24,545,443
Loans and advances to customers	21	15,904,310,098	14,499,380,530
Investments in associates	22	58,000,779	42,278,937
Investment securities, available-for-sale	23	3,945,757,938	3,369,112,393
Equity investments, available for sale	24	2,233,832	3,523,012
Investments securities, held to maturity	25	-	9,109,414
Property and equipment	26	261,954,327	268,703,598
Intangible assets	27	120,940,183	110,464,175
Other assets	29	123,107,796	77,842,351
Total assets		**25,053,423,851**	**22,811,515,740**

Liabilities

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Derivative liabilities at fair value through profit or loss	19	140,609,534	111,886,347
Derivatives financial instruments designated as hedging instruments	30	94,235,076	58,812,857
Deposits from banks	31	2,611,205,753	3,661,066,808
Loans from banks and other financial institutions	32	4,703,547,992	4,123,606,300
Deposits from customers	33	13,839,475,142	11,542,323,596
Subordinated liabilities	34	500,335,612	403,091,492
Provisions	35	291,465,317	244,068,534
Current tax liabilities		19,234,372	9,872,694
Deferred tax liabilities *	28	36,656,957	43,076,985
Other liabilities	36	121,568,598	121,848,394
Total liabilities		**22,358,334,353**	**20,319,654,007**

** please refer to note 2e*

Equity

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Share capital	37	1,101,604,066	1,101,604,066
Retained earnings		1,401,942,668	1,224,560,036
Reserve on available for sale financial assets		28,381,699	(25,559,008)
Cash flow hedge reserve		(66,746,097)	(38,569,855)
Other reserves	38	229,907,162	229,826,494
TOTAL EQUITY		**2,695,089,498**	**2,491,861,733**
TOTAL LIABILITIES AND EQUITY		**25,053,423,851**	**22,811,515,740**

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

Mr. Răsvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

Statement of change in equity

for the year ended 31 December 2012

(RON)

	SHARE CAPITAL	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGING RESERVE	REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	OTHER RESERVES	RETAINED EARNINGS*	TOTAL
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,703,284	1,224,560,036	2,491,861,733
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	177,381,763	177,381,763
Other comprehensive income, net of income tax							
Net change in available-for-sale financial assets, net of tax	-	53,940,707	-	-	-	-	53,940,707
Net change in cash flow hedging reserve, net of tax	-	-	(28,176,242)	-	-	-	(28,176,242)
Revaluation of property, plant and equipment, net of tax	-	-	-	80,668	-	869	81,537
Total other comprehensive income for the year	-	53,940,707	(28,176,242)	80,668	-	869	25,846,002
Total comprehensive income for the year	-	53,940,707	(28,176,242)	80,668	-	177,382,632	203,227,765
Balance at 31 December 2012	1,101,604,066	28,381,699	(66,746,097)	16,203,878	213,703,284	1,401,942,668	2,695,089,498

Statement of change in equity

for the year ended 31 December 2011

	SHARE CAPITAL	RESERVE ON AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGING RESERVE	REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	OTHER RESERVES	RETAINED EARNINGS	TOTAL
Balance at 31 December 2010	1,101,604,066	(536,978)	-	-	213,573,523	1,065,130,099	2,379,770,710
Total comprehensive income for the year							
Net profit for the year	-	-	-	-	-	159,429,937	159,429,937
Other comprehensive income, net of income tax							
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
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	159,429,937	112,091,023
Balance at 31 December 2011	1,101,604,066	(25,559,008)	(38,569,855)	16,123,210	213,703,284	1,224,560,036	2,491,861,733

Statement of cash flows

for the year ended 31 December 2012

(RON)

	NOTE	31 DECEMBER 2012	31 DECEMBER 2011
Operating activities			
Profit before taxation	17	**209,130,093**	**187,078,332**
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible and intangible assets	13	69,980,548	67,113,612
Net charge of provision for impairment on financial assets	15	315,609,863	358,934,268
Share of gain from associates	22	(4,252,902)	(4,185,251)
Change in fair value of derivatives at fair value through profit or loss		(3,361,113)	(1,277,999)
Other items for which the cash effects are investing or financing		1,971,315	(61,152)
Other non–cash items		97,092,267	82,124,315
Operating profit before changes in operating assets		**686,170,071**	**689,726,125**
Change in operating assets:			
(Increase)/Decrease in investment securities available-for-sale		(497,963,257)	465,091,957
(Increase)/decrease in loans and advances to banks		(26,878,160)	10,292,030
(Increase)/decrease in loans and advances to customers		(1,742,144,051)	(2,171,524,143)
(Increase)/decrease in other assets		(12,487,442)	(16,196,922)
Change in operating liabilities:			
(Decrease)/Increase in deposits from banks		(1,048,134,253)	431,245,522
Increase in deposits from customers		2,270,061,146	546,882,199
Decrease in other liabilities		(7,116,861)	(10,388,082)
Income tax paid		(24,304,284)	-
Cash flows generated from operating activities		**(402,797,091)**	**(54,871,314)**
Investing activities			
Proceeds from sale of property and equipment		251,106	4,284,226
Acquisition of property and equipment and intangible assets		(73,707,285)	(77,270,232)
Acquisition of equity investments		(12,787,356)	(13,447,979)
Redemption of held to maturity securities		8,630,585	1,095,443
Dividends received	9	636,281	868,364
Cash flows used in investing activities		**(76,976,669)**	**(84,470,178)**

Statement of cash flows

(RON)

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

Notes to the financial statements prepared in accordance with IFRS endorsed by European Union

(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 1F, Expozitiei Boulevard, District 1, Bucharest, Romania.

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

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

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

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

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

(2) Basis of preparation

a) Statement of compliance

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

b) Basis of measurement

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held at fair value through profit and loss, 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 presentation

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

- Cash and cash equivalents increased from RON 2,956,144,324 to RON 4,282,597,515 (31 December 2010: increased from RON 2,968,321,117 to RON 3,696,902,493);
- Loans and advances to banks decreased from RON 1,350,998,634 to RON 24,545,443 (31 December 2010: decreased from RON 734,471,531 to RON 5,890,155);
- Deferred tax assets decreased from RON 50,981,681 to nil (31 December 2010: decreased from RON 29,660,743 to nil);
- Deferred tax liabilities decreased from RON 94,058,666 to RON 43,076,985 (31 December 2010: decreased from RON 86,285,836 to RON 56,625,093);

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

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

(3) Significant accounting policies

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

a) Basis of consolidation

Subsidiaries

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

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

Associates

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

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

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

b) Foreign currency

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

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

The exchange rates of major foreign currencies were:

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

c) Accounting for the effect of hyperinflation

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

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

(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 separate financial statements prepared by the Bank where the investments in associates are accounted for at cost in accordance with IAS 27 Consolidated and Separate Financial Statements (as amended in 2008).

g) Net income 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 2012 is 16% (2011: 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 Bank classifies its financial liabilities as measured at amortised cost or fair value through profit or loss. See accounting policies 3(l), (u).

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

(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. 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 0.25 million for retail loans and respectively at the amount of EUR 1 million for corporate loans.

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

Collective assessment

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

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

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

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

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, nostro accounts, placements with banks with less than 90 days original maturity and are carried at amortised cost in the statement of financial position.

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

l) Trading assets and liabilities

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

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

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

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

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

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

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

(i) Other non-trading derivatives

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

(ii) Embedded derivatives

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

(iii) Cash flow hedges

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

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

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

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

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

(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

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 valuators.

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

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

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

(iv) Share - based payment transactions

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

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

The fair value of stock options is determined using the Hull and White Evaluation Model. Measurement inputs include share price on measurement date, exercise price, volatility (historical daily average volatility for a period equal to the duration of the vesting period), exit rate (annual percentage of Stock Options forfeited due to termination), dividend yield (last four years average dividend-yield, according to the duration of the vesting period).

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

(v) Termination benefits

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

w) New standards and interpretations not yet adopted

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

1. *IFRS 9 Financial Instruments (effective for annual period beginning on or after 1 January 2015)* – This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets and liabilities, and derecognition of financial assets and liabilities. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.
   Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income ("OCI"). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9, "Reassessment of Embedded Derivatives". It is expected that the new standard, when initially applied, will have a significant impact on the financial statements, since it will be required to be retrospectively applied. This standard has not been endorsed by the European Union.
   The Bank is currently in the process of evaluating the potential effect of IFRS 9 Financial Instruments on the financial statements, including the latest amendments. The Bank has not decided on the date it will initially apply the new standard.

2. *IFRS 12 Disclosure of Interests in Other Entities – (effective for annual period beginning on or after 1 January 2014; earlier application is permitted)* - IFRS 12 sets out the disclosure requirements for subsidiaries, joint ventures, associates and "structured entities." IFRS 12 replaces the requirements previously included in IAS 27, IAS 31, and IAS 28 Investments in Associates. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirement in IFRS 12 is more expansive than the requirement in IAS 27, which only required entities to disclose circumstances where: (1) a subsidiary was consolidated and the parent owned less than a majority of voting rights; and (2) an investee was not consolidated, and the investor owned more than a majority of voting rights. This change in the disclosure requirements reflects the degree of judgement that is now required to determine whether an entity is controlled, and, therefore, consolidated. IFRS 12 expands the disclosure requirements for subsidiaries with non-controlling interests (NCI), joint arrangements and associates that are individually material.
   The Bank is currently in the process of evaluating the potential effect of IFRS 12 Disclosure of Interests in Other Entities on the financial statements in respect of its associated entities.

3. *IFRS 13 Fair Value Measurement (effective prospectively for annual period beginning on or after 1 January 2013)* – IFRS 13 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, describes how to measure fair value under IFRS when it is required or permitted by IFRS. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
   The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.
   The Bank does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

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

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

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

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

7. *IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2014)* - IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:
   - it is exposed or has rights to variable returns from its involvements with the investee;
   - it has the ability to affect those returns through its power over that investee; and
   - there is a link between power and returns.

   The new Standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).
   The Bank is currently in the process of evaluating the potential effect of IFRS 10 on the financial statements.
   IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements.
   The Bank is currently in the process of evaluating the potential effect of IAS 27 (2011) on the financial statements.

8. *Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2013)* –
   The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.
   The amendments are not relevant to the Bank's financial statements, since the Bank does not have any investment properties measured using the fair value model in IAS 40.

(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

(RON)

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

* Loans classified as Past Due, Restructured, Doubtful or non-performing loans with rating different from 8-, 9, 10*Other collateral includes cash and financial risk insurance.
** Under Basel II established default threshold. According to Basel II an exposure past due shall be above a defined materiality threshold. A client has 90 overdue days if the overdue amounts exceed the threshold continuously for more than 90 days.
In accordance with Unicredit Group instructions and internal risk management policies, impaired assets comprise beside clients (including private individuals) who are defaulted according to Basel II and rated 8-, 9 and 10, also non-defaulted clients classified as Restructured or Doubtful as per Bank of Italy risk classes. The reporting approach was implemented starting with the first quarter of 2011.

(4) Financial risk management (Continued)

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

Restructured loans are as follows:

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

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

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

Impaired loans and securities

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

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

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

Past due but not individually impaired loans

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

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

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

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

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Loans and advances to customers	15,904,310,098	14,499,380,530
Loan related commitments and contingencies (Refer to note 40)	6,328,139,817	6,744,324,224
	22,232,449,915	**21,243,704,754**

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

Exposures to higher risk Eurozone countries

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

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

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

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

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 35.92% as at 31 December 2012 (31 December 2011: 31.25 %).

(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 2012							
Financial assets							
Cash and cash equivalents	4,429,652,624	-	-	-	-	**4,429,652,624**	**4,429,652,624**
Derivative assets held for risk management	55,136,601	4,270,982	14,581,101	82,053,987	-	**156,042,671**	**156,042,671**
Loans and advances to banks	51,423,603	-	-	-	-	**51,423,603**	**51,423,603**
Loans and advances to customers	3,888,279,126	5,485,636,382	3,438,299,579	3,168,548,673	-	**15,980,763,760**	**15,904,310,098**
Investments in associates	-	-	-	-	58,000,779	**58,000,779**	**58,000,779**
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	-	**3,945,757,938**	**3,945,757,938**
Equity investments, available for sale	-	-	-	-	2,233,832	**2,233,832**	**2,233,832**
Investment securities, held-to-maturity	-	-	-	-	-	**-**	**-**
Total financial assets	**9,420,834,008**	**6,249,522,135**	**5,474,611,696**	**3,418,672,757**	**60,234,611**	**24,623,875,207**	**24,547,421,545**
Financial liabilities							
Derivative liabilities held for risk management	8,539,113	11,691,318	38,325,116	82,053,987	–	**140,609,534**	**140,609,534**
Derivatives designated as hedging instruments	833,100	1,545,898	17,105,234	74,750,844	–	**94,235,076**	**94,235,076**
Loans & deposits from banks and subordinated liabilities	1,488,463,482	749,038,230	5,110,461,291	467,227,850	–	**7,815,190,853**	**7,815,089,357**
Deposits from customers	11,924,185,245	1,102,324,943	792,226,004	23,754,784	–	**13,842,490,976**	**13,839,475,142**
Total financial liabilities	**13,422,020,940**	**1,864,600,389**	**5,958,117,645**	**647,787,465**	**–**	**21,892,526,439**	**21,889,409,109**
Liquidity surplus/(shortfall)	**(4,001,186,932)**	**4,384,921,746**	**(483,505,949)**	**2,770,885,292**	**60,234,611**	**2,731,348,768**	**2,658,012,436**
Adjustment for investment securities available for refinancing*	2,949,415,884	(759,614,771)	(2,021,731,016)	(168,070,097)	-	**-**	**-**
Liquidity surplus/ (shortfall) adjusted	**(1,051,771,048)**	**3,625,306,975**	**(2,505,236,965)**	**2,602,815,195**	**60,234,611**	**2,731,348,768**	**2,658,012,436**

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

(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 2012						
Contingent assets & liabilities)**						
Irrevocable commitments given outflow	(1,070,521,604)	-	-	-	-	**(1,070,521,604)**
Irrevocable commitments taken inflow	885,740,000	-	-	-	-	**885,740,000**
Issued financial guarantees outflow	-	(5,543,517,550)	-	-	-	**(5,543,517,550)**
Future lease obligations outflow	-	(74,253,561)	(259,665,370)	(124,620,742)	-	**(458,539,673)**
Future interest on long-term borrowings outflow	(39,783,707)	(150,162,175)	-	-	-	**(189,945,882)**
Future interest on deposits from banks & customers outflow	(109,935,908)	(326,340,780)	(1,745,106,753)	-	-	**(2,181,383,441)**
Contingent assets& liabilities surplus/ (shortfall)	**(334,501,219)**	**(6,094,274,066)**	**(2,004,772,123)**	**(124,620,742)**	**-**	**(8,558,168,150)**

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

(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	4,282,597,515	-	-	-	-	**4,282,597,515**	**4,282,597,515**
Derivative assets held for risk management	40,322,335	7,978,690	14,397,444	61,259,902	-	**123,958,371**	**123,958,371**
Loans and advances to banks	24,545,443	-	-	-	-	**24,545,443**	**24,545,443**
Loans and advances to customers	2,222,126,435	5,430,811,125	3,651,277,562	3,295,341,800	-	**14,599,556,922**	**14,499,380,530**
Investments in associate	-	-	-	-	42,278,937	**42,278,937**	**42,278,937**
Investment securities, available for sale	610,269,377	1,206,408,628	1,402,079,926	150,354,462	-	**3,369,112,393**	**3,369,112,393**
Equity investments, available for sale	-	-	-	-	3,523,012	**3,523,012**	**3,523,012**
Investment securities, held-to-maturity	-	9,109,414	-	-	-	**9,109,414**	**9,109,414**
Total financial assets	**7,179,861,105**	**6,654,307,857**	**5,067,754,932**	**3,506,956,164**	**45,801,949**	**22,454,682,007**	**22,354,505,615**
Financial liabilities							
Derivative liabilities held for risk management	10,094,500	5,006,173	35,525,772	61,259,902	-	**111,886,347**	**111,886,347**
Derivatives designated as hedging instruments	-	-	8,649,118	50,163,739	-	**58,812,857**	**58,812,857**
Loans & deposits from banks and subordinated liabilities	3,301,939,391	681,956,450	2,689,930,070	1,514,054,850	-	**8,187,880,761**	**8,187,764,600**
Deposits from customers	10,500,175,839	935,841,117	105,951,080	355,560	-	**11,542,323,596**	**11,542,323,596**
Total financial liabilities	**13,812,209,730**	**1,622,803,740**	**2,840,056,040**	**1,625,834,051**	**-**	**19,900,903,561**	**19,900,787,400**
Liquidity surplus/ (shortfall)	**(6,632,348,625)**	**5,031,504,117**	**2,227,698,892**	**1,881,122,113**	**45,801,949**	**2,553,778,446**	**2,453,718,215**
Adjustment for investment securities available for refinancing*	2,758,843,016	(1,206,408,628)	(1,402,079,926)	(150,354,462)	-	**-**	**-**
Liquidity surplus/ (shortfall) adjusted	**(3,873,505,609)**	**3,825,095,489**	**825,618,966**	**1,730,767,651**	**45,801,949**	**2,553,778,446**	**2,453,718,215**

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

(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 borrowing-term 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.

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

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

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

Foreign exchange (FX) Sensitivity analysis

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

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

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

Foreign exchange (FX) Open Position

CURRENCY	LIMITS (EUR EQUIVALENT)	AVERAGE USAGE 2012	LIMITS (EUR EQUIVALENT)	AVERAGE USAGE 2011
AUD	1,000,000	0.97%	1,000,000	1.10%
BGN	100,000	17.05%	100,000	5.38%
CAD	1,000,000	4.18%	1,000,000	4.57%
CHF	1,000,000	2.58%	1,000,000	4.13%
CNY	100,000	9.64%		
CZK	100,000	14.65%	100,000	8.09%
DKK	1,000,000	1.39%	1,000,000	1.15%
EUR	40,000,000	23.58%	40,000,000	21.82%
GBP	1,000,000	3.96%	1,000,000	3.39%
HUF	1.000,000	3.19%	1.000,000	4.49%
JPY	1,000,000	1.1 0%	1,000,000	1.60%
NOK	1,000,000	1.80%	1,000,000	1.99%
PLN	1.000,000	3.32%	1.000,000	5.59%
RON	40,000,000	23.65%	40,000,000	21.85%
RUB	500,000	2.62%	500,000	1.50%
SEK	1,000,000	0.92%	1,000,000	1.03%
TRY	100,000	13.18%	100,000	2.03%
USD	5,000,000	4.04%	5,000,000	3.07%
ZAR	100.000	1.83%	100.000	0.52%

Exposure to market risks – Interest Rate Gap tool

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

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

(RON)

31 DECEMBER 2012	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL AMOUNT	TOTAL CARRYING AMOUNT
Cash and cash equivalents	4,429,652,624	-		-	**4,429,652,624**	**4,429,652,624**
Derivative assets held for risk management	55,136,600	4,244,109	14,050,305	82,611,657	**156,042,671**	**156,042,671**
Placements with banks	51,423,603	-	-	-	**51,423,603**	**51,423,603**
Loans and advances to customers	13,719,611,230	391,237,362	1,247,588,906	622,326,262	**15,980,763,760**	**15,904,310,098**
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	**3,945,757,938**	**3,945,757,938**
Total	**19,252,166,111**	**1,155,096,242**	**3,283,370,227**	**873,008,016**	**24,563,640,596**	**24,487,186,934**
Derivative liabilities held for risk management	8,539,113	7,880,237	41,578,527	82,611,657	**140,609,534**	**140,609,534**
Derivatives designated as hedging instruments	89,865,272	4,369,804	-	-	**94,235,076**	**94,235,076**
Loans and deposits from banks and subordonated liabilities	7,795,205,597	19,985,257	-	-	**7,815,190,854**	**7,815,089,357**
Deposits from customers	11,905,403,490	1,102,905,495	810,401,437	23,780,553	**13,842,490,975**	**13,839,475,142**
Total	**19,799,013,472**	**1,135,140,793**	**851,979,964**	**106,392,210**	**21,892,526,439**	**21,889,409,109**
Interest sensitivity surplus / (shortfall)	**(546,847,361)**	**19,955,449**	**2,431,390,263**	**766,615,806**	**2,671,114,157**	**2,597,777,825**

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

(4) Financial risk management (Continued)

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

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

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

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

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

CURRENCIES	INTEREST RATE	31 DECEMBER 2012	31 DECEMBER 2011
RON	Robor 3 months	6.05%	6.05%
EUR	Euribor 3 months	0.19%	1.36%
EUR	Euribor 6 months	0.32%	1.62%
USD	Libor 6 months	0.51%	0.81%

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

	RON	USD	EUR	OTHER	TOTAL
Financial assets					
Cash and cash equivalents	2,748,247,737	125,037,177	1,534,027,114	22,340,596	**4,429,652,624**
Derivative assets held for risk management	176,740	557,197	98,586,506	4,187	**99,324,630**
Loans and advances to banks	33,606,139	11,124,876	6,691,675	913	**51,423,603**
Loans and advances to customers	4,250,561,649	305,027,917	11,342,737,498	5,983,034	**15,904,310,098**
Investments in associates	67,216,476	-	-	-	**67,216,476**
Investment securities, available-for-sale	2,046,776,680	-	1,898,981,258	-	**3,945,757,938**
Equity investments, available for sale	2,233,832	-	-	-	**2,233,832**
Other assets	37,263,368	32,508,697	53,303,911	31,820	**123,107,796**
Total financial assets	**9,176,866,924**	**474,255,864**	**14,934,327,962**	**28,360,550**	**24,613,811,300**
Financial liabilities					
Derivative liabilities held for risk management	1,120,423	49,981	131,493,189	13,286	**132,676,879**
Derivatives designated as hedging instruments	79,273,646	143,976	14,817,454	-	**94,235,076**
Loans & deposits from banks and subordinated liabilities	2,170,946,968	9,745,577	5,625,458,386	8,938,425	**7,815,089,356**
Deposits from customers	7,520,211,390	1,108,211,180	5,165,869,404	45,183,169	**13,839,475,143**
Provisions for risk and charges	12,707,256	1,242,087	277,411,516	104,458	**291,465,317**
Other liabilities	84,200,451	4,898,327	32,192,303	277,517	**121,568,598**
Total financial liabilities	**9,868,460,134**	**1,124,291,128**	**11,247,242,252**	**54,516,855**	**22,294,510,369**
Net financial assets / (liabilities)	**(691,593,210)**	**(650,035,264)**	**3,687,085,710**	**(26,156,305)**	**2,319,300,931**
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	4,700,057,195	980,108,015	1,573,817,503	32,475,227	**7,286,457,940**
Cash Outflow	1,595,909,174	337,952,636	5,281,840,337	6,581,137	**7,222,283,284**
Net effect of derivatives at fair value through profit or loss	**3,104,148,021**	**642,155,379**	**(3,708,022,834)**	**25,894,090**	**64,174,656**
Net foreign currency position	**2,412,554,811**	**(7,879,885)**	**(20,937,124)**	**(262,215)**	**2,383,475,587**

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

	RON	USD	EUR	OTHER	TOTAL
Financial assets					
Cash and cash equivalents	2,323,328,976	17,470,219	1,931,810,351	9,987,969	**4,282,597,515**
Derivative assets held for risk management	708,087	87	75,642,982	-	**76,351,156**
Loans and advances to banks	18,954,270	1,639,671	3,951,502	-	**24,545,443**
Loans and advances to customers	3,178,540,637	357,866,010	10,957,712,709	5,261,174	**14,499,380,530**
Investments in associates	42,278,937	-	-	-	**42,278,937**
Investment securities, available-for-sale	1,973,713,717	-	1,395,398,676	-	**3,369,112,393**
Equity investments, available for sale	3,523,012	-	-	-	**3,523,012**
Investment securities, held-to-maturity	-	-	9,109,414	-	**9,109,414**
Other assets	47,561,873	2,061,498	27,983,098	235,882	**77,842,351**
Total financial assets	**7,588,609,509**	**379,037,485**	**14,401,608,732**	**15,485,025**	**22,384,740,751**
Financial liabilities					
Derivative liabilities held for risk management	517,640	39,634	97,812,816	376	**98,370,466**
Derivatives designated as hedging instruments	44,806,919	141,231	12,812,770	-	**57,760,920**
Loans & deposits from banks and subordinated liabilities	3,410,310,447	82,567,139	4,650,412,998	44,474,016	**8,187,764,600**
Deposits from customers	6,228,596,371	547,285,614	4,724,910,222	41,531,389	**11,542,323,596**
Provisions for risk and charges	16,322,399	2,645,630	225,050,006	50,499	**244,068,534**
Other liabilities	88,562,026	5,559,887	27,602,629	123,851	**121,848,393**
Total financial liabilities	**9,789,115,802**	**638,239,135**	**9,738,601,441**	**86,180,131**	**20,252,136,509**
Net financial assets / (liabilities)	**(2,200,506,293)**	**(259,201,650)**	**4,663,007,291**	**(70,695,106)**	**2,132,604,242**
Derivatives at fair value through profit or loss (including SPOT)					
Cash Inflow	5,725,803,894	393,945,926	1,586,942,364	96,585,223	**7,803,277,407**
Cash Outflow	1,591,386,863	138,585,659	5,999,244,341	25,549,920	**7,754,766,783**
Net effect of derivatives at fair value through profit or loss	**4,134,417,031**	**255,360,267**	**(4,412,301,977)**	**71,035,303**	**48,510,624**
Net foreign currency position	**1,933,910,738**	**(3,841,383)**	**250,705,314**	**340,197**	**2,181,114,866**

(4) Financial risk management (Continued)

f) Taxation risk

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

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

In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.
It is expected that also in the future the tax framework will be subject to frequent amendments as a consequence of the state budgetary needs or as a result of the Romania's obligations as an EU Member State. Given the precedents, they may have retroactive application.

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

g) Operating environment

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

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

Consumer prices rose by 5% in 2012. Annual inflation reached a maximum of 5.3% in September 2012 from a low of 1.8% in May 2012. This considerable volatility was induced by repeated shocks in the food market (poor crop yields lead to higher food prices, but the degree of persistency was smaller than in previous years) as well as unexpected increases in the regulated prices.
The inflationary process in Romania also reflects some structural issues – food holds a relatively large weight in the consumer goods' basket (which increases volatility due to weather dependency), while regulated prices are undergoing a liberalisation process. In addition, the high degree of euro inclusion is hindering the transmission mechanism of the monetary policy.
The information disclosed above represents the analysis of the Macroeconomic Research department of the Bank based on public sources: National Bank of Romania, National Institute of Statistics, Ministry of Public Finance.
Management believes that all the necessary measures have been taken to support the sustainability and growth of the Bank's business in the current circumstances by:

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

h) Capital management

Risk capital measurement

(i) Regulatory capital

Credit Risk

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

Market Risk

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

Operational Risk

UniCredit developed an internal model for measuring capital requirements for operational risk. The model is based on internal loss data, external loss data (consortium and public data), and scenario generated loss data and risk indicators.
Capital at risk is calculated at a confidence level of 99.90% on the overall loss distribution for regulatory purposes. For economic capital purpose, the confidence level is currently set up at 99.70%.
The internal model (AMA) has been formally approved by the Italian Supervisory Authority in March 2008.
In February 2010, the Bank of Italy (common decision with National Bank of Romania) authorized the UniCredit Group to extend the application of the internal model for the calculation of the capital requirement for operational risk to UniCredit Tiriac 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 2012	31 DECEMBER 2011
Tier 1 capital		
Ordinary share capital	1,101,604,066	379,075,291
Share premium	55	55
Reserves and retained earnings*	1,447,996,337	1,662,467,095
Adjustment to valuation differences in other AFS assets	(30,214,167)	-
Less intangible assets	(120,940,182)	(110,686,064)
Other regulatory adjustments (including equity investments, prudential filter and IRB provision shortfall)	**(150,394,587)**	**(31,562,147)**
Total	**2,248,051,522**	**1,899,294,230**
Tier 2 capital		
Revaluation reserve (fixed assets)	**16,203,877**	91,154,956
Qualifying subordinated liabilities	312,726,200	165,413,083
Other regulatory adjustments (equity investments, prudential filter and IRB provision shortfall)	(149,488,756)	**(28,518,358)**
Total	**179,441,321**	**228,049,681**
Total regulatory capital	**2,427,492,843**	**2,127,343,911**
Capital requirements for credit risk	**1,253,776,898**	1,239,451,206
Capital requirements for market risk	519,897	-
Capital requirements for operational risk	186,444,854	**176,520,412**
Capital ratios		
Total regulatory capital expressed as a percentage of		
total risk-weighted assets	**13.48%**	**12.02%**
Total tier 1 capital expressed as a percentage of risk-weighted assets	**12.48%**	**10.73%**

The regulatory capital as of 31 December 2011 was calculated under Romanian Accounting Standards (NBR Order 13 /2008) and as of 31 December 2012 under IFRS as endorsed by EU due to conversion of statutory financial reporting framework to IFRS.
*According to local regulatory requirements, the profit after tax of the last financial year is not included in the calculation of own funds until its distribution as decided by the general meeting of the shareholders.

Capital allocation

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

(5) Use of estimates and judgements

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

a) Key sources of estimation uncertainty

Allowances for loan losses

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

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

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

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

(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 2012 on available for sale financial assets would vary as follows:

(RON)

	MARKET YIELD – 10%	MARKET YIELD + 10%
Available-for-sale denominated in RON	13,233,335	(13,016,863)
Available-for-sale denominated in EUR	47,996,671	25,190,490
Available-for-sale Total	**61,230,006**	**12,173,627**

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

(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**	**(40,478,354)**

b) Critical accounting judgments in applying the Bank’s accounting polices

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 2012	**Listed**	**Unlisted**	**Total**
Investment securities, available-for-sale	908,128,956	3,037,628,982	**3,945,757,938**
Equity investments, available for sale	-	2,223,832	**2,223,832**

31 December 2011	Listed	Unlisted	Total
Investment securities, available-for-sale	397,622,130	2,971,490,263	**3,369,112,393**
Equity investments, available for sale	-	3,523,012	**3,523,012**
Investment securities, held to maturity	-	9,109,414	**9,109,414**

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

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

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 2012	Level 1	Level 2	Level 3	Total
Trading assets				
Derivative assets at fair value through profit and loss	-	154,733,774	1,308,897	**156,042,671**
Investment securities	-	3,945,757,938	-	**3,945,757,938**
Equity investments, available for sale	-	-	3,523,012	**3,523,012**
Total trading assets	**-**	**4,100,491,712**	**3,542,729**	**4,104,034,441**
Trading liabilities				
Derivative liabilities at fair value through profit and loss	-	139,274,594	1,334,940	**140,609,534**
Total trading liabilities	**-**	**139,274,594**	**1,334,940**	**140,609,534**

(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	-	-	3,523,012	**3,523,012**
Total trading assets	**-**	**3,492,199,247**	**4,394,529**	**3,496,593,776**
Trading liabilities				
Derivative liabilities at fair value through profit and loss	-	111,015,751	870,596	**111,886,347**
Total trading liabilities	**-**	**111,015,751**	**870,596**	**111,886,347**

Derivatives designated as hedging instruments amounting RON 94,235,076, are measured at fair value level 2 RON 88,319,374 and RON 5,915,702 at fair value level 3 (2011: RON 58,812,857, are measured at fair value level 2).
For fair value measurements in level 3, changing one or more of the inputs to reasonably possible alternative assumptions is considered by the Bank not to change fair value significantly.

(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 2012	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	-	-	4,429,652,624	-	-	4,429,652,624	4,429,652,624
Derivative assets held for risk management	19	156,042,671	-	-	-	-	156,042,671	156,042,671
Loans and advances to banks	20	-	-	51,423,603	-	-	51,423,603	51,423,603
Loans and advances to customers	21	-	-	15,904,310,098	-	-	15,904,310,098	15,706,685,052
Investment securities, available for sale	22	-	-	-	3,945,757,938	-	3,945,757,938	3,945,757,938
Equity investments, available for sale	23	-	-	-	60,234,611	-	60,234,611	60,234,611
		156,042,671	**-**	**20,385,386,325**	**4,005,992,549**	**-**	**24,547,421,545**	**24,349,796,499**
Derivative liabilities held for risk management	19	140,609,534	-	-	-	-	140,609,534	140,609,534
Derivatives designated as hedging instruments*		-	-	-	-	94,235,076	94,235,076	94,235,076
Deposits from banks	31	-	-	-	-	2,611,205,753	2,611,205,753	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities	32	-	-	-	-	5,203,883,604	5,203,883,604	5,178,645,247
Deposits from customers	33	-	-	-	-	13,839,475,142	13,839,475,142	13,883,493,739
		140,609,534	**-**	**-**	**-**	**21,748,799,575**	**21,889,409,109**	**21,908,189,349**

*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 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	-	-	4,282,597,515	-	-	4,282,597,515	4,282,597,515
Derivative assets held for risk management	19	123,958,371	-	-	-	-	123,958,371	123,958,371
Loans and advances to banks	20	-	-	24,545,443	-	-	24,545,443	24,545,443
Loans and advances to customers	21	-	-	14,499,380,530	-	-	14,499,380,530	14,683,547,293
Investment securities, available for sale	22	-	-	-	3,369,112,393	-	3,369,112,393	3,369,112,393
Equity investments, available for sale	23	-	-	-	45,801,946	-	45,801,949	45,801,949
Investment securities, held to maturity	24	-	9,109,414	-	-	-	9,109,414	9,223,524
		123,958,371	**9,109,414**	**18,806,523,488**	**3,414,914,339**	**-**	**22,354,056,615**	**22,538,786,488**
Derivative liabilities held for risk management	19	111,886,347	–	–	–	–	111,886,347	111,886,347
Derivatives designated as hedging instruments*		–	–	–	–	58,812,857	58,812,857	58,812,857
Deposits from banks	31	–	–	–	–	3,661,066,808	3,661,066,808	3,661,066,808
Loans from banks and other financial institutions, including subordinated liabilities	32	–	–	–	–	4,526,697,792	4,526,697,792	4,490,088,709
Deposits from customers	33	–	–	–	–	11,542,323,596	11,542,323,596	11,575,663,342
		111,886,347	**-**	**-**	**-**	**19,788,901,053**	**19,900,787,400**	**19,897,518,063**

(7) Net interest income

(RON)

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

*) Includes interest income on impaired loans of RON 65,692,651 (2011: RON 64,320,072). Interest income and expense for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.
During the year ended 31 December 2012 losses of RON 822,804 (31 December 2011: RON 188,284 gains) relating to cash flow hedges were recognized in profit or loss and are reflected in interest income.
**) During the year ended 31 December 2012 losses of RON 6,733,139 (31 December 2011: RON 12,983,061) relating to cash flow hedges were recognized in profit or loss and are reflected in interest expenses.
***) The Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Bank's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in net income on foreign exchange and on derivatives held for risk management.

(8) Net fees and commissions income

(RON)

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

(9) Dividends income

The Bank received dividends income from the following companies:

(RON)

	2012	2011
Transfond SA	528,254	784,939
Biroul de Credit SA	108,027	83,425
Total dividend income	**636,281**	**868,364**

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

(RON)

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

(11) Other operating income

(RON)

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

* The net revenue from sales of loans performed during 2012 – please refer to note 21.
* *The net revenue on disposals of investments for the year ended 31 December 2011 contains the effect of selling the participations in Argus SA, Bursa Romana de Marfuri SA and respectively in Centrul de Afaceri Romania SA.

(12) Personnel expenses

(RON)

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

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

(13) Depreciation and amortisation

(RON)

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

(14) Other administrative costs

(RON)

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

(15) Net impairment losses on financial assets

(RON)

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

(16) Net provisions charges

(RON)

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

(17) Taxation

(RON)

	2012	2011
Direct taxes at 16% (2010: 16%) of taxable profits determined in accordance with Romanian law	43,896,087	30,529,973
Correction of current income tax arising from previous year	(901,741)	346,484
Deferred tax expense /(income)	(11,246,016)	(3,228,062)
Total tax expense	**31,748,330**	**27,648,395**

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

(RON)

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

(18) Cash and cash equivalents

(RON)

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

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

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

(RON)	2012 Notional	Assets	2012 Present value Liabilities
Foreign currency derivatives			
Forward contracts	4,325,401,956	56,718,042	7,932,655
Purchased Options	107,943,927	1,326,392	-
Sold Options	107,938,446	-	1,347,759
Total foreign currency derivatives	**4,541,284,329**	**58,044,434**	**9,280,414**
Interest rates derivatives			
Interest Rate Swaps	2,123,391,157	59,130,188	92,461,071
Purchased Options	1,298,661,178	38,868,049	-
Sold Options	1,298,661,178	-	38,868,049
Total interest rate derivatives	**4,720,713,513**	**97,998,237**	**131,329,120**
Total	**9,261,997,842**	**156,042,671**	**140,609,534**

(RON)	2011 Notional	Assets	2011 Present value Liabilities
Foreign currency derivatives			
Forward contracts	6,505,269,277	47,607,215	13,515,881
Purchased Options	126,796,040	875,614	-
Sold Options	125,717,655	-	874,684
Total foreign currency derivatives	**6,757,782,972**	**48,482,829**	**14,390,565**
Interest rates derivatives			
Interest Rate Swaps	1,785,073,105	40,059,928	62,165,979
Purchased Options	1,261,684,546	35,415,614	85,081
Sold Options	1,264,684,675	-	35,244,722
Total interest rate derivatives	**4,311,442,326**	**75,475,542**	**97,495,782**
Total	**11,069,225,298**	**123,958,371**	**111,886,347**

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

(20) Loans and advances to banks

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Loans to banks*	13,533,442	5,222,144
Suspense accounts	37,890,161	19,323,299
Total	**51,423,603**	**24,545,443**

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

(21) Loans and advances to customers

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

(RON)

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

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

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

Specific allowances for impairment

(RON)

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

Collective allowances for impairment

(RON)

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

(22) Investment in associates

(RON)

	NATURE OF BUSINESS	COUNTRY OF INCORPORATION	31 DECEMBER 2012 % INTEREST HELD	31 DECEMBER 2012 CARRYING AMOUNT	31 DECEMBER 2011 % INTEREST HELD	31 DECEMBER 2011 CARRYING AMOUNT
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	20%	4,712,384	20%	4,251,880
UniCredit Consumer Finance IFN S.A.	Consumer finance	Romania	46.06%	53,288,395	46.06%	38,027,057
Total				**58,000,779**		**42,278,937**

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

(RON)

	OWNERSHIP	TOTAL ASSETS	TOTAL LIABILITIES	OPERATING INCOME	PROFIT (LOSS)
2012					
UniCredit Leasing Corporation IFN S.A	20%	2,793,724,126	2,770,109,831	105,890,120	2,302,520
UniCredit Consumer Finance IFN S.A.	46.06%	1,223,746,879	1,107,844,630	85,792,615	8,234,218
2011					
UniCredit Leasing Corporation IFN S.A	20%	2,952,925,146	2,931,665,501	127,794,237	3,215,859
UniCredit Consumer Finance IFN S.A.	46.06%	1,193,141,756	1,110,373,725	70,894,951	7,690,141

(23) Investment securities, available-for-sale

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

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

(RON)

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

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

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

(23) Investment securities, available-for-sale

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

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

The amounts actually recognised in the profit or loss and other comprehensive income since the reclassification of the bond portfolio from held for trading assets to available for sale instruments are presented in the table below:

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

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

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

(24) Equity investments, available-for-sale

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

(RON)

31 DECEMBER 2012	NATURE OF BUSINESS	% INTEREST HELD	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Biroul de Credit SA	financial activities	4.23	187,635	-	187,635
Casa de Compensare București SA	other financial services	0.11	46,975	39,483	7,492
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. S.A.	financial activities	2.57	194,560	147,079	47,481
Transfond SA	other financial services	8.04	1,164,862	-	1,164,862
UniCredit CAIB Securities Romania SA	financial activities	19.97	2,632,881	2,632,881	-
UniCredit Leasing Romania SA	leasing services	0.00002	14	-	14
VISA Europe Limited	Cards	0.01	37	-	37
Total			**6,013,528**	**3,779,696**	**2,233,832**

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

(RON)

31 DECEMBER 2011	NATURE OF BUSINESS	% INTEREST HELD	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Biroul de Credit SA	financial activities	4.23	187,635	-	187,635
Casa de Compensare București S.A.	other financial services	0.11	46,975	39,483	7,492
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. S.A.	financial activities	2.57	194,560	147,079	47,481
Transfond SA	other financial services	8.04	1,164,862	-	1,164,862
UniCredit CAIB Securities Romania SA	financial activities	19.97	1,314,465	25,285	1,289,180
UniCredit Leasing Romania SA	leasing services	0.00002	14	-	14
VISA Europe Limited	Cards	0.01	37	-	37
Total			**4,695,112**	**1,172,100**	**3,523,012**

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

The movements in the provisions for participations are presented below:

	2012	2011
At 1st of January	**1,172,100**	**1,815,143**
Increases*	2,607,596	350,062
Releases	-	(993,105)
At 31st December	**3,779,696**	**1,172,100**

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

(25) Investment securities, held-to-maturity

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

(RON)

	2012	2011
At 1 of January	**9,109,414**	**9,010,918**
Additions	-	-
Disposals (redemption)	9,109,414	-
Effect of foreign exchange rate	-	98,496
At 31 December	**-**	**9,109,414**

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

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

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

Contingent operating lease (rentals)

(RON)

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

(27) Intangible assets

(RON)

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

(RON)

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

(28) Deferred tax assets and liabilities

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

(RON)

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

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

(RON)

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

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

(RON)

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

(29) Other assets

(RON)

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

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

(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 2012	LIABILITIES 2012	NOTIONAL AMOUNT 2011	LIABILITIES 2011
Instrument type:				
Interest rate	527,183,817	88,319,374	514,282,448	57,760,921
Cross currency swap	221,435,000	5,915,702	43,197,000	1,051,936
Total	**748,618,817**	**94,235,076**	**557,479,448**	**58,812,857**

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

(RON)

	WITHIN 1 YEAR	1-5 YEARS	OVER 5 YEARS
31 December 2012			
Cash inflow	134,397,086	109,023,015	27,412,331
Cash outflow	(69,784,034)	(235,112,603)	(60,170,871)

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

(31) Deposits from banks

(RON)

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

(32) Loans from banks and other financial institutions

The caption Loans from banks comprises the following:

a. UniCredit Bank Austria AG : loans facilities in amount of EUR 673,616,959 and RON 1,193,413,467 in total amount of RON equivalent 4,176,660,893 (31 December 2011: RON equivalent 4,040,559,706).
b. Kreditanstalt furWiederaufbau Germany: loan facilities in amount of EUR 6,418,205 in total amount of RON equivalent 28,424,303, maturing on 16 June 2014 (31 December 2011: RON equivalent 46,545,483).
c. B.E.R.D.: loan facilities in amount of EUR 4,512,669 in total amount of RON equivalent 19,985,257, maturing on 19 May 2017 (31 December 2011: RON equivalent 23,824,101).
d. BANQUE EUROPENE D'INVESTISSEMENT-BEI: loan facilities in amount of EUR 1,930,173 (RON equivalent 8,548,155), maturing on 15 June 2016 (31 December 2011: RON equivalent 12,676,815).
e. UniCredit Bank AG, Germany: overnight facility in amount of EUR 7,498 in total amount of RON equivalent 33,208 (31 December 2011: 0).
f. National Bank of Romania: repurchase transaction in amount of RON 469,896,176 (31 December 2011: 0).

As at 31 December 2012, the final maturity of loans varies from January 2013 to March 2018. The maximum percentage of the interest derives from one of the loans granted by UniCredit Bank Austria AG.
The following table shows the yearly average interest rates charged in relation to the Loans from banks and other financial institutions during 2011 and 2012:

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

(33) Deposits from customers

(RON)

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

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

(34) Subordinated loans

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
UniCredit Bank Austria AG	433,783,445	338,106,674
UniCredit Bank Ireland PLC	66,552,167	64.984.818
Total	**500,335,612**	**403,091,492**

At 31 December 2012, the following agreements were outstanding:

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

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

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

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

(35) Provisions

(RON)

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

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

The movements in provisions during the year were as follows:

(RON)

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

(36) Other liabilities

(RON)

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

(i) Lease liability

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

(RON)

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

(37) Issued capital

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

(RON)

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

The share capital comprises of the following:

(RON)

	31 DECEMBER 2012	31 DECEMBER 2011
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
Share capital under IFRS	**1,101,604,066**	**1,101,604,066**

(38) Other reserves

The breakdown of reserves is presented below:

(RON)

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

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

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

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

(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 2012	PARENT COMPANY	ASSOCIATES	OTHER RELATED PARTIES
Financial assets held for trading on derivative contracts	18,077,399	1,596,234	9,218,093
Current accounts and deposits to banks	183,191,259	-	5,941,303
Loans to banks	-	-	588,678
Loans to customers	-	142,323,365	27,628,500
Other assets	6,156,280	68,961,146	4,259,951
Outstanding receivables	**207,424,938**	**212,880,745**	**47,636,525**
Financial liabilities held for trading on derivative contracts	214,545	-	130,240,063
Derivatives used for hedging	-	-	94,235,076
Current accounts	55,344,819	8,366,246	41,032,910
Deposit attracted	2,252,615,719	597,903,075	310,153,825
Loans received	4,176,660,894	-	33,208
Subordinated liabilities	433,783,445	-	66,552,167
Other liabilities	-	-	9,076,804
Outstanding payables	**6,918,619,422**	**606,269,321**	**651,324,053**
Interest and similar income	2,233,426	14,047,112	569,505
Interest income and similar revenues on derivative instruments	-	25,008	54,032
Interest income and similar revenues on hedging derivatives	-	-	-
Interest expenses and similar charges	(259,636,780)	(9,005,087)	(12,180,516)
Interest expense and similar charges on derivative instruments	-	-	(14,381,270)
Interest expense and similar charges on hedging derivatives	-	-	(7,555,942)
Commission income	36,174,892	16,710,269	2,222,402
Commission expense	(4,026,403)	(141)	(1,387,155)
Management fees	(511,595)	-	(4,617,576)
Other operating income	6,156,280	-	4,250,061
Administration costs: general and administrative expenses - other	-	-	(34,288,639)
Net revenue/ (expense)	**(219,610,180)**	**21,777,161**	**(67,315,098)**
Commitments	**294,795,928**	**3,651,157**	**884,560,633**

31 DECEMBER 2011	PARENT COMPANY	ASSOCIATES	OTHER RELATED PARTIES
Financial assets held for trading on derivative contracts	-	1,474,187	33,210,703
Current accounts and deposits to banks	622,840,581	-	3,410,912
Loans to banks	-	-	1,448,241
Loans to customers	-	160,375,972	22,983,107
Other assets	4,820,306	57,101,089	15,976,016
Outstanding receivables	**627,660,887**	**218,951,248**	**77,028,979**
Financial liabilities held for trading on derivative contracts	1,795,056	-	96,095,403
Derivatives used for hedging	-	-	58,812,857
Current accounts	15,570,119	4,888,059	81,259,000
Deposit attracted	2,731,985,281	822,064,396	352,854,008
Loans received	4,040,559,708	-	-
Subordinated liabilities	338,106,674	-	64,984,818
Other liabilities	-	-	14,484,326
Outstanding payables	**7,128,016,838**	**826,952,455**	**668,490,412**
Interest and similar income	8,645,166	15,714,040	4,558,491
Interest income and similar revenues on derivative instruments	-	59,694	217,091
Interest income and similar revenues on hedging derivatives	-	-	57,639
Interest expenses and similar charges	(262,646,991)	(15,121,312)	(14,090,145)
Interest expense and similar charges on derivative instruments	-	-	(881,197)
Interest expense and similar charges on hedging derivatives	-	-	(12,954,002)
Commission income	39,026,118	12,032,553	557,944
Commission expense	(2,649,945)	(866,106)	(13,595,401)
Management fees	(846,137)	-	(5,209,345)
Other operating income	4,820,306	-	4,158,700
Administration costs: general and administrative expenses - other	-	-	(33,176,136)
Net revenue/(expense)	**(213,651,483)**	**11,818,869**	**(70,356,361)**
Commitments	**530,165,905**	**9,194,056**	**687,135,454**

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

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

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

(RON)

	2012	2011
Key management compensation	11,195,805	9,548,057
Total	**11,195,805**	**9,548,057**

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

(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 2012	31 DECEMBER 2011
Loan commitments	943,192,063	1,132,124,703
Letters of credit	133,903,105	70,022,597
Guarantees issued	5,251,044,649	5,542,176,924
Total	**6,328,139,817**	**6,744,324,224**

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG. The total amount of such risk participation agreements in force as at 31 December 2012 is EUR 558,342,907, USD 50,000,000 and CHF 4,425,197 (31 December 2011 is EUR 641,820,778, USD 50,000,000 and CHF 5,310,236).

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

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 32,972,257 (31 December 2011: EUR 21,869,103).

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

As at 31 December 2012 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 4,226,428 (31 December 2011: RON 5,830,863). The Bank, based upon legal advice, has assessed that a provision amounting to RON 3,050,737 as at 31 December 2012 (2011: RON 2,851,653) is necessary to be booked for these claims.

(41) Subsequent events

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

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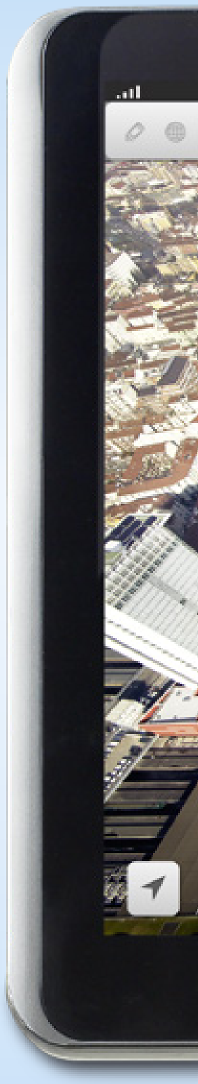

UniCredit Țiriac Bank