

Listen,  
understand,  
respond.



**T**his report expresses UniCredit's approach to banking by telling everyday stories about our interactions with Customers, innovations in products and adaptability in services.

These brief but meaningful stories come directly from our colleagues. They are examples of the tangible benefits and concrete solutions offered by UniCredit, demonstrating how we make a difference in people's lives.

Our clear goal to improve everyday circumstances is rooted in our complete commitment to outcomes that ensure Customer satisfaction.

At UniCredit, listening to our Clients and engaging with them to offer simple, direct results lies at the heart of our commercial banking operations. It is part of our determined effort to contribute to the economic and social well-being of our Customers as well as the communities where we work.

We will continue with this commitment to all of you, every day.

# UniCredit Tiriac Bank at a Glance

Key figures (RONths)	* 2013 Consolidated	2013 Stand Alone	2012 Stand Alone	Var (%) 2013/2012 Stand Alone
Total comprehensive income for the year <sup>1</sup>	141,305	121,989	198,975	-38.7%
Shareholder's equity (eop)	2,865,920	2,826,294	2,704,305	4.5%
Total assets (eop)	28,517,473	27,457,894	25,062,640	9.6%
Bank customer deposits (eop)	15,120,824	15,179,302	13,839,475	9.7%
Bank customer gross loans (eop)	18,772,632	17,583,430	17,269,557	1.8%
Earnings per share (in RON) <sup>2</sup>	2.15	1.84	4.25	-56.6%
<b>Operating income</b>	<b>1,492,497</b>	<b>1,383,818</b>	<b>1,248,633</b>	<b>10.8%</b>
Net interest income	820,989	702,426	689,372	1.9%
Net fee and commission income	289,723	299,404	249,762	19.9%
Dividends income	1,054	1,054	636	65.6%
Net trading income <sup>3</sup>	377,378	377,031	293,038	28.7%
Other operating income	3,354	3,902	15,824	-75.3%
<b>Operating expenses</b>	<b>-726,953</b>	<b>-689,115</b>	<b>-633,938</b>	<b>8.7%</b>
Staff costs	-323,800	-302,814	-292,850	3.4%
Other administrative costs	-321,172	-306,490	-265,977	15.2%
Depreciation	-71,173	-69,306	-69,981	-1.0%
Other operating expenses	-10,808	-10,504	-5,130	104.8%
<b>Gross Operating Profit</b>	<b>765,544</b>	<b>694,703</b>	<b>614,695</b>	<b>13.0%</b>
Impairment losses and provisions on financial assets	-745,915	-699,076	-409,818	70.6%
Net impairment on non financial assets	-10,532	-10,532	0	n/a
Profit/(loss) on associative investments	-3,595			n/a
Profit/(loss) before taxation	5,502	-14,905	204,877	-107.3%
Income tax	88,901	89,991	-31,748	-383.5%
<b>Net profit/(loss) for the year</b>	<b>94,403</b>	<b>75,087</b>	<b>173,129</b>	<b>-56.6%</b>
<b>Net profit/(loss) for the year after Minority Interest</b>	<b>87,671</b>			
<b>Ratios (%)</b>				
Return on average assets (ROA), after minority interest	0.3	0.3	0.7	-0.4 pp
Return on average equity (ROE), after minority interest	3.1	2.7	6.4	-3.7 pp
Equity ratio (eop) <sup>4</sup>	10.0	10.3	10.8	-0.5 pp
Capital adequacy ratio <sup>5</sup> (eop)	15.9	13.7	14.5	-0.8 pp
Tier 1 capital ratio <sup>5</sup> (eop)	14.5	13.7	13.5	0.2 pp
Risk weighted assets <sup>6</sup> /Total assets ratio	56.2	53.6	62.5	-8.9 pp
Default over 90 days/Gross loans	11.1	11.5	10.8	0.6 pp
Loan/Deposit ratio	124	116	125	-8.9 pp
Cost/Income ratio	48.7	49.8	50.8	-1.0 pp
Cost of Risk ON+OFF BS <sup>7</sup>	321 bp	313 bp	181 bp	131.4 bp
Cost of Risk ON BS <sup>8</sup>	441 bp	438 bp	254 bp	184.1 bp
<b>Resources (number) - (eop)</b>				
Bank Operating outlets	188	188	208	-20
Employees	3,169	2,912	2,799	113
Foreign exchange rate at period-end (EUR/RON)	4.4847	4.4847	4.4287	1.26%
Annual average foreign exchange rate (EUR/RON)	4.4189	4.4189	4.4557	-0.83%

<sup>1</sup> 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.

<sup>2</sup> Net profit/no. of shares

<sup>3</sup> Including - Net income on foreign exchange and on derivatives held for risk management  
- Net gains on financial assets available for sale

<sup>4</sup> Equity ratio, calculated as shareholder's equity/Total assets (eop)

<sup>5</sup> 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 2012 and 2013 (including Credit Risk, Market Risk and Operational Risk).

<sup>6</sup> Only the credit risk part is considered

<sup>7</sup> Cost of Risk computed on end of period exposure, as P&L Risk Charge On+OFF BS/Net Exposure

<sup>8</sup> Cost of Risk computed on end of period exposure, as P&L Risk Charge On BS/Net Exposure

<sup>9</sup> At the beginning of January 2013, the Bank acquired UniCredit Consumer Financing 417,208 shares from UniCredit SpA resulting in the increase of its shareholding in UniCredit Consumer Financing from 46.06% to 50.10%. As a consequence, UniCredit Consumer Financing, previously associate entity, has become a subsidiary of the Bank. The Bank applies the merger accounting prospectively, from the date when obtained the control over UniCredit Consumer Financing, therefore the comparative figures presented include only the results of the Bank as there were presented in its individual financial statements as at 31 December 2012. Intragroup transactions and intragroup outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

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# Accelerate

Response times and problem solving.

Sometimes our Customers may encounter some difficulty, either at a branch or when banking online. These difficulties require quick solutions. To help our Customers quickly, we offer them a questionnaire after every banking transaction.

If they tell us they are not satisfied with the quality of a product or service, their branch manager contacts them directly **within 48 hours, with a solution**. In a six-month period, **15 percent of our Customers** filled out the questionnaires, with **87 percent saying they were satisfied** with our resolution of their issue.

Customer Satisfaction Unit - UniCredit Bank - RUSSIA



# STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD AND CEO

Dear Reader,

It is my pleasure to present the 2013 annual report of UniCredit Tiriac Bank.

The economic environment showed signs of improvement in 2013, but the underlying pace of recovery remained gradual. Headline GDP growth accelerated to 3.5% in 2013 from 0.6% in 2012, but the rate of expansion was boosted by a bumper harvest and a sharp acceleration of the industrial sector. However, these developments were not mirrored in other areas of the economy, particularly investments, which declined by 3.3%, and consumer demand, which expanded only by 0.9%. As a corollary of the more export based growth model of the economy, the current account deficit narrowed to 1% of GDP, down from 4.4% of GDP in 2012. Inflation dynamics were very tame in 2013, which enabled the NBR to begin a new monetary easing cycle.

2013 also displayed a sharp divide between headline economic growth figures and the dynamic of lending to the private sector. The stock of loans in the economy shrank by 3.3% in 2013, recording annual rates of contraction for the first time since 2010. Even though the deleveraging process continued in 2013, banks managed to offset external funding sources with local ones and the loan-to-deposit ratio adjusted sharply to 101.3% in December 2013, from 114.1% in December 2012.

Asset quality deterioration remained a challenge for the banking system, as the non-performing loans ratio reached 21.9% by the end of the year. Nevertheless, banks continue to have a very solid capital basis, with a capital ratio of 15%.

Bank's interest revenues were compressed by the adjustment of the loan-to-deposit ratio and contracting margins, but this effect was mitigated by extraordinary non-interest revenues and favourable fiscal revenues.

UniCredit Tiriac Bank posted a RON 87.7 mln consolidated net profit. The Bank consolidated revenues amounted RON 1.5 billion which triggered a consolidated operating profit of RON 766 mln. In the course of last year, we followed on with our market growth strategy, maintaining a level of profitability above the banking system average, with strong liquidity, a comfortable level of solvability and an increase in efficiency. UniCredit Tiriac Bank recorded a strong and balanced financial position, further improved its market share by adding 73bp on assets market share and reached forth position on the market in terms of size. Consolidated balance sheet reached RON 28.5 billion at the end of 2013. Outstanding on-balance sheet loan portfolio was RON 18.8 billion (RON 21.0 billion including externalised loans), supported by the continuous growth of small business (10.6% up year-on-year) and mid-size companies (3% up year-on-year) financing. Customer deposits reached RON 15.1 billion leading

to a consolidated loans-to-deposits ratio of 124%, supporting a comfortable liquidity level. On the funding side the bank successfully diversified its funding base reducing dependency on external market sources after UniCredit Tiriac Bank issued RON 550 mln of 5Y RON denominated corporate bonds in June, being the bank's first bond issuance and the largest RON denominated corporate issuance in Romania. In September, the bank successfully completed the transfer of Retail and Royal Preferred banking business of RBS to UniCredit Tiriac Bank S.A. and UniCredit Consumer Financing IFN S.A.

We expect the underlying pace of the economic recovery to accelerate in 2014. The industrial sector will remain supported by external demand, particularly as the recovery in the Eurozone gains traction. In addition, we believe the recovery will start to filter more towards consumer demand and investments, which will benefit from an improved absorption of structural EU funds.

We plan to maintain our growth strategy supporting the revival of the Romanian economy. We will complete the consolidation of UniCredit business in Romania acquiring the leasing companies allowing for better services, administration, effectiveness and efficiency of the operations. Enhancement of self funding capacity will continue to be a key point in 2014 as part of our strategy to diversify the funding sources, while risk management both remains a critical component in our strategy. 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 fundamental 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  
1 June 2014, Bucharest



## MEMBERS OF THE MANAGEMENT BOARD DURING 2013



**Cătălin Răsvan Radu**  
Executive President



**Niccolò Ubertalli**  
First Executive Vice - President



**Mihaela Lupu**  
Executive Vice - President, CFO



**Daniela Bodîrcă**  
Executive Vice - President, CRO



**Alina Drăgan**  
Executive Vice - President,  
Human Resources



**Marco Esposito**  
Executive Vice - President,  
Corporate Investment Banking



**Septimiu Postelnicu**  
Executive Vice - President,  
Global Banking Services

## MEMBERS OF THE SUPERVISORY BOARD DURING 2013

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

# Choose

The best ways to bank.

Customers want everything a modern bank can offer, without actually having to go to a branch. To meet this need, we have become the first bank in Germany to integrate the benefits of in-branch and online banking. The online branch offers our Customers a personal relationship manager, long opening hours and the consulting expertise of a classical branch office.

**Customers may choose from different modes of access: by phone or via online video link.** Documents may be presented and processed live on screen while using the highest safety standards in place. The online branch provides personal, competent consultancy irrespective of place and time.

HVB Online Branch - HypoVereinsbank - GERMANY



# Collaborate

More efficiency, better results.

A long-standing Client of UniCredit, had been owned since 2008 by a US private equity fund. The Company consistently recorded good results and after four years, the equity fund began to consider the best options for maximizing its investment. The transaction was quite complex, involving many teams in UniCredit who worked in unison, like an orchestra, to achieve the same objective, that of satisfying all the clients involved.

Our intervention enabled all of the potential buyers to be well supported and the deal was concluded in a very short time, allowing the Company to **continue its growth** path under a new shareholder, also a key Client of UniCredit. The US equity fund managed to achieve **a very successful investment**. One deal, more satisfied Clients.

**Working together for the same objective produces excellent results.**

CIB Financial Sponsor Solutions - ITALY



# Strategy and Results

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# Highlights

UniCredit operates in 17 countries with more than 147,000 employees and over 8,900 branches.

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

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

1. Data as at 31 December 2013. 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.

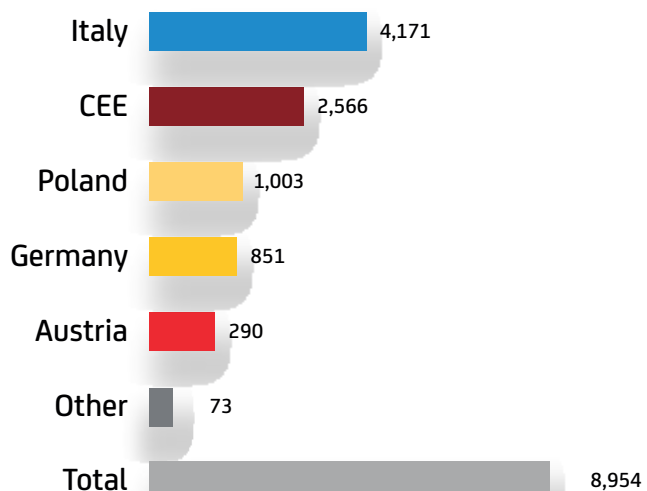
2. Data as at 31 December 2013. Figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.

\* Data as at 31 December 2013.

EMPLOYEES<sup>1</sup>  
over 147,000

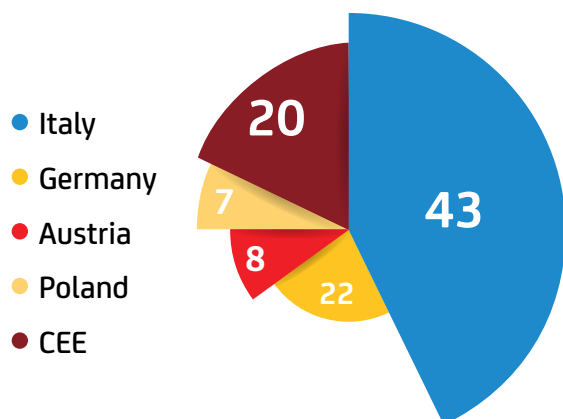
BRANCHES<sup>2</sup>  
over 8,900

## Branches by country<sup>2</sup>

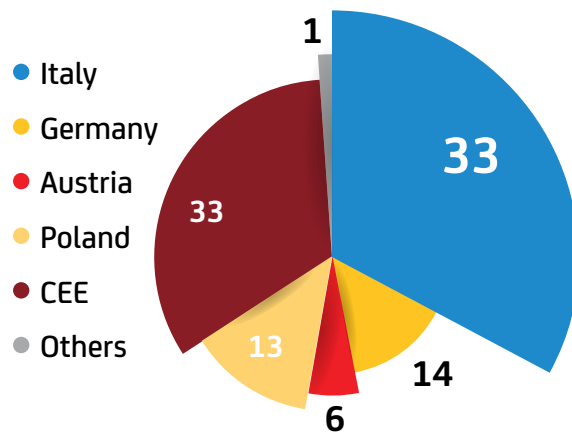




Revenues by region\* (%)



Employees by country<sup>1</sup> (%)



UniCredit occupies a strategic position in Italy, Germany and Austria. With about 4,171 branches in Italy, 851 in Germany and 290 in Austria, 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.

Following the introduction of the ECB's Outright Monetary Transactions (OMT) program in the summer of 2012, markets' normalization process is enduring, with a gradual restoration of investors' risk appetite.

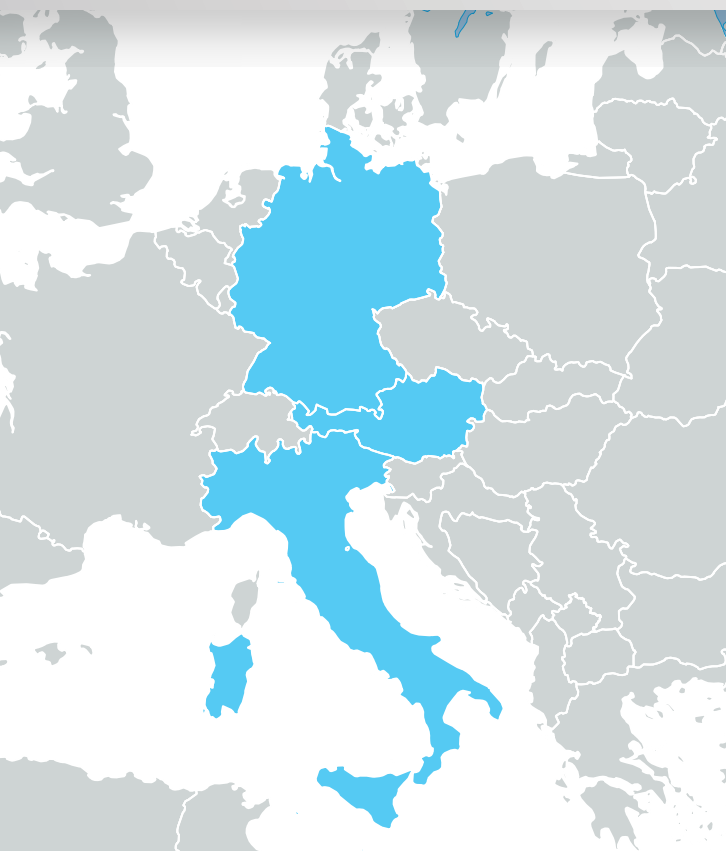
At the beginning of 2014, the growth recovery across the OECD area is gaining good momentum, while global trade is picking up quite nicely. We expect eurozone growth accelerate to an annual average of about 1.5% in 2014, from -0.4% in 2013. Germany is projected to be the engine of growth in 2014, on the wake of brighter export prospects, the unloading of pent-up demand in investment in machinery and equipment, and some strengthening of private consumption; the tight intra-European trade links will secure that the positive effect will be felt in the eurozone periphery as well as Central Eastern Europe. In Italy, the recovery is underway, although the pace of GDP growth is likely to remain subdued at 0.7% in 2014. The main growth drivers will

## AUSTRIA, ITALY AND GERMANY

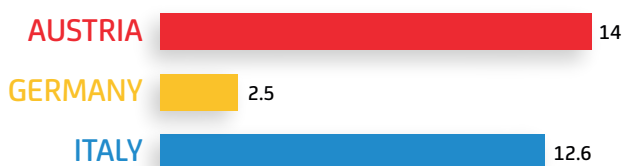
be a steady recovery in exports and a moderate pick-up in capital expenditures, amid still tight credit conditions, while private consumption is likely to be the weak spot.

Finally, while the recovery of export markets is kick-starting the domestic economy, domestic demand, mainly investment, will ultimately constitute the main pillar of economic growth in Austria in 2014.

In the medium-to-longer term, the OMT has helped to create a more favorable environment for politicians to implement structural reforms, while repairing the transmission mechanism of monetary policy remains the ECB's most daunting challenge. Pushing ahead with the structural reforms remains 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 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%-1.9% in Austria and Germany from 2015 to 2018.



### Market share<sup>1</sup> (%)



1. Market share in terms of total Customer Loans as at December 31, 2013.  
Source: UniCredit, National Central Banks.



## CENTRAL AND EASTERN EUROPE

UniCredit is a market leader in Central and Eastern Europe, it has a broad network of roughly 3,150 branches.

Its regional footprint is diverse, and include a direct presence in 15 countries. It is ranked in the top five in 10 of these countries. In fact the CEE now accounts for 29 percent of the Group 's revenues.\*

Across the newer EU states, economic performance is expected to continue improve. A recovery was already visible over much of 2013. In part this improvement captures a stronger external environment, supporting industry and exports as EMU continues to use much of the region as a competitive production base.

Over 2014 this recovery should extend more visibly into domestic demand. Following a multi year period of fiscal consolidation, the drag to growth on this front should be much more muted going forward while some countries will enjoy a positive impulse. Public debt ratios remain considerably below the average for advanced economies. In many cases labour markets have stabilized.

Monetary policy is also exceptionally accommodative across the region while rate hikes are likely to materialize only gradually. Progress on banking union should also bring positive spillovers to the newer EU states while in many countries we see credit proving

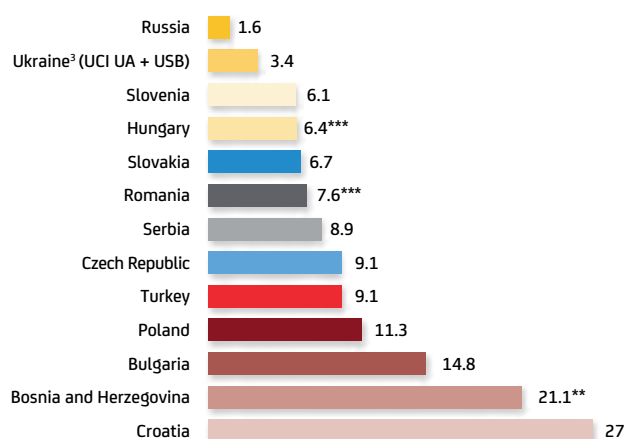
more supportive of domestic demand. In many of the newer EU states we expect GDP growth of above 2% this year.

Within Turkey and Russia the near term challenges are greater. Following a multi year period of strong growth, momentum will slow this year in Turkey. Political uncertainty plays a role. A slowdown in foreign capital inflows, prompted in part by Fed tapering, is also having an impact. In contrast, stronger industry and export performance brings benefits, as is the case in the newer EU states.

Russia continues to adjust to stable rather than consistently increasing energy prices. This adjustment is aided by increased currency flexibility, a large stock of foreign reserves and improvements in the inflation-targeting regime. Within this environment, real GDP growth over the coming 1-2 years will be more muted than in the past, but remain positive.

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.

### Market share<sup>2</sup> (%)



\* as at 30 September, 2013.

\*\* as at 30 June, 2013.

\*\*\* as at 31<sup>st</sup> December 2013.

2. Market Share in terms of Total Assets as 30 September 2013. Market share in Azerbaijan not available.

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

Source: UniCredit Research, UniCredit CEE Strategic Analysis.





# Our Approach

The current economic situation poses a new challenge for the banking sector. It must remake itself into a driver of the real economy - and must be able to meet the needs of society, maintaining sustainable operations.

How are we tackling this challenge at UniCredit? By applying a long-term, multi-stakeholder approach to every area of our activity:

- commercial banking - by improving our business model and competencies in order to work more closely with customers and meet their needs more effectively;
- corporate citizenship - by using our expertise to nurture the economic participation of all people and conserve natural resources;
- philanthropic initiatives - by supporting programs that go beyond a bank's traditional scope and respond to basic social needs, especially in times of crisis.

Indeed, to succeed in the current climate, a bank must address economic, social and environmental issues both in its strategic outlook and in its day-to-day work.

Such an approach depends on a cultural shift - one that is now the basis for our service model - and it also relies on proper risk management. With this in mind, we are improving cooperation between our business units and the departments in charge of risk management. This enables us to develop solutions that are in line with the objectives and needs of our Group and our customers.

The management of risk is the cornerstone of our business, and a deep knowledge of our customers is essential if we are to understand and control risk as effectively as possible.

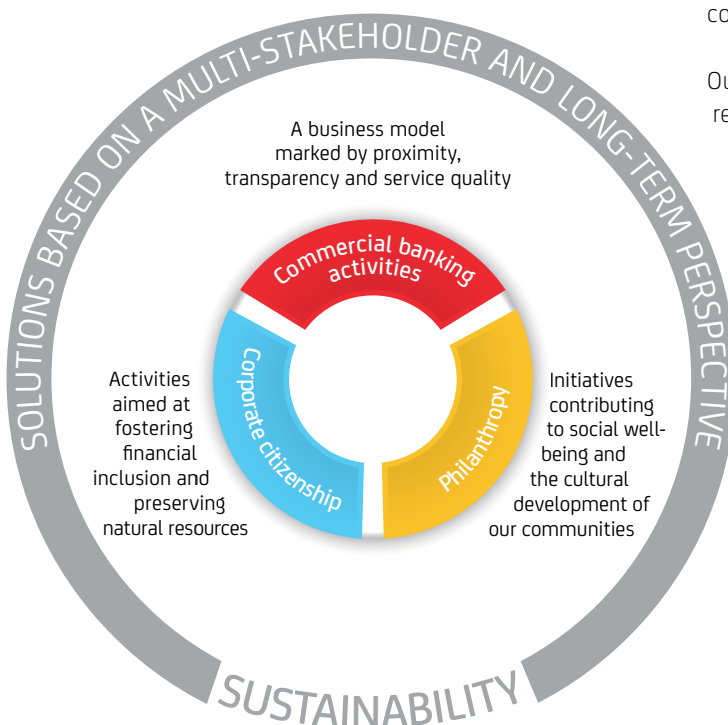
In order to build even closer relationships with our customers and respond more quickly to their needs, we have simplified many procedures and delegated more decision-making powers to our national operations.

At the same time, we continue to increase efficiency in our operations. Throughout our Group we are adopting technological innovations that are opening up new ways to interact with customers. We are determined to leverage the opportunities presented by multi-channel communications to form stronger and more productive relationships with our clients.

Embracing innovation is one of UniCredit's key objectives. It is why we seek to develop a fully integrated multi-channel banking system that combines traditional and digital communications. The physical branch remains at the heart of this model, particularly in times that call for personal relationships and direct interaction. However, the branch banking experience will be increasingly complemented by the new channels in which we are investing.

It is an approach that stems from paying close attention to our stakeholders' genuine expectations. After all, dialogue with them is our guiding principle for generating lasting value and for successfully supporting the development of the countries in which we operate.

Our extensive physical presence and strong local representation formed the fundamental character of UniCredit. Fifteen years ago, we laid the groundwork for our geographic expansion and operational diversification. It was a sound decision - and it has made our Group a leading financial institution, respected throughout Europe.



# 15 years of UniCredit



1999

## **Group UniCredito Italiano establishment**

Merger of Credito Italiano, Rolo Banca 1473, Cariverona, Cassa di Risparmio di Torino, Cassamarca, Cassa di Risparmio di Trento e Rovereto, Cassa di Risparmio di Trieste.

Beginning of international growth.

The expansion process in Central and Eastern Europe starts with the acquisition of the Polish Bank Pekao.

2000

## **Geographical growth and diversification**

Development in emerging markets. Acquisition of Bulbank (Bulgaria) and Pol'nobanca - then Unibanka - (Slovakia).

Acquisition of the US fund manager Pioneer Investment of Boston and establishment of Pioneer Global Asset Management.

2005

## **Merger with the German HVB Group and establishment of a single large European bank**

UniCredit merged with the German HVB Group, which was created in 1998 from two Bavarian banks (Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank), so establishing a single, large European bank.

Acquisition of Yapi Kredi by Koç (Turkey).

2007

## **Merger with Capitalia. Strengthening the presence of the Group in Italy and abroad**

UniCredit strengthen its position in the Italian market thanks to the integration with the Capitalia group – established in 2002 from the merger of Banca di Roma Group, the Bibop-Carire Group, Banco di Sicilia, MCC and Fineco.

The Group also strengthen its presence in CEE with the acquisition of Ukrasbank in Ukraine.

2010

## **A new service model: "Together for our customers"**

*Together with customer* is the organic business evolution program designed to better focus on customers' needs and enhance proximity to territories through a set of interventional measures to combine the specialization of our businesses with the simplification of the Group structure.

2012

## **The new UniCredit**

A rock solid commercial bank leader in Europe which combines operational efficiency and customer satisfaction by investing both in the traditional and digital communication.

2014

## **UniCredit Tower, the new Headquarter**

UniCredit Tower represents a model of:

- sustainability, with more than a 40% reduction in CO<sub>2</sub> emissions;
- modernity, as it's ranked among the world's 10 most beautiful skyscrapers (source: Emporis Building Data Company);
- efficiency, resulted in a reduction in occupied office space, saving almost 25 mln euros annually, with better efficiency.



# Romanian Economy

## 2013 Overview of the Economy

The Romanian economy has expanded by 3.5% in 2013 (up from +0.6% in 2012), the fastest GDP growth rate in the CEE area. However, this attainment was boosted by transitory factors, such as an outstanding harvest (1.1pp contribution to growth) and the development of new production facilities in the industrial sector (2.2pp contribution to growth). The GDP breakdown indicates a more broad-based growth in the economy on the demand side as well, following the second GDP revision. Net export and private consumption contributed by 4.4pp and 0.7pp respectively to economic growth, while public consumption and gross fixed capital formation subtracted 0.1 and 0.9pp from growth.

Accelerating exports coupled with stagnant domestic demand generated the second narrowing of the current account deficit. Romania registered a deficit of 1.1% of GDP in 2013, a significant correction from the 4.4% of GDP deficit in 2012 (-74.2%yoy). The main factor of adjustment for the balance of payments was the goods' trade deficit (which shrank by 53.6% yoy to EUR 3.7bn), due to very strong exports (+10% yoy in 2013), especially of agri-food and automobile. External demand for automobiles has been very strong in 2013, helping lift production throughout the CEE region. Furthermore, the country has a substantial competitive advantage due to cheap labor force and a relatively stable exchange rate and

generally predictable economic policies.

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

The central bank has capitalized on the favorable dynamic of inflation and started an easing cycle from July 2013, bringing the key rate down to 3.5% by February 2014. In addition, the accumulation of excess RON liquidity in the banking system led to a downward adjustment of interbank rates. The central bank also reduced the level of Minimum Reserve Requirements to 12% for RON and 15% for FX liabilities in early 2014. The 3M ROBOR declined from 5.96% at the end of January to 3.0% by the end of December. However, relaxed monetary conditions were unable to spur lending due to structurally weak consumer demand and more prudential lending policies.

Credit activity was on a downsizing trend in 2013, particularly in the second half of the year. During the same period, bank deposits accelerated due to higher competition and continued risk aversion

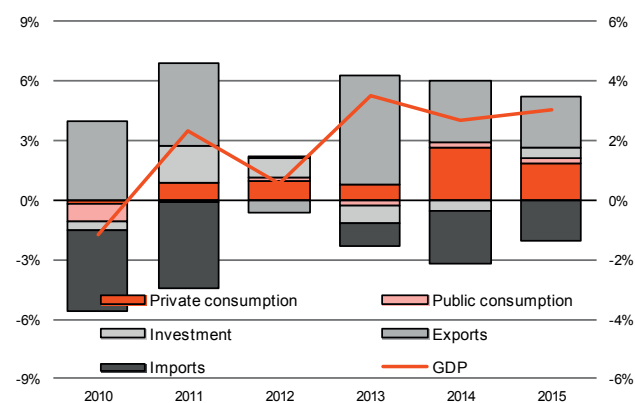
Selected economic indicators	2009	2010	2011	2012	2013	Growth 13/12 (%, pp, #)
Nominal GDP (€ bln)	118.3	124.4	131.5	131.7	142.8	8.5%
GDP per capita (€)	5,501.2	5,786.2	6,145.6	6,153.1	6,705.3	9.0%
Real GDP growth (%)	-6.6	-1.1	2.3	0.6	3.5	+2.9 pp
Inflation (CPI) yoy, Dec	4.7	8.0	3.1	5.0	1.6	-3.4 pp
Inflation (CPI) yoy, avg	5.6	6.1	5.8	3.3	4.0	+0.7 pp
Unemployment rate (%)	6.9	7.3	7.4	7.0	7.3	+0.3 pp
Exchange rate /€, eop	4.23	4.28	4.32	4.43	4.48	1.3%
Exchange rate /€, avg	4.24	4.21	4.24	4.46	4.42	-0.8%
Intervention rate (Dec)	8.00	6.25	6.00	5.25	4.00	-1.25 pp
Consolidated Gov. Balance / GDP(%)	-9.0	-6.8	-5.6	-2.9	-2.8	+0.10 pp
Current account balance (€ mln)	-4,905.0	-5,492.9	-5,923.6	-5,842.6	-1,505.8	-74.2%
Current account/ GDP (%)	-4.1	-4.4	-4.5	-4.4	-1.1	+3.4 pp
FDI (€ mln)	3,554.0	2,236.1	1,837.9	1,714.4	2,612.4	52.4%
FDI/GDP	3.0	1.8	1.4	1.3	1.8	+0.5 pp
External Public debt (€ mln)	13,556.4	18,469.8	22,430.4	24,672.9	25,915.2	5.0%
External Public debt % of GDP	11.46	14.85	17.05	18.62	18.41	-0.2 pp
Internal Public Debt (€ mln)	14,423.5	19,080.1	22,707.8	25,468.8	26,899.9	5.6%
Trade Balance-Goods (€ mln)	-6,870.0	-7,576.7	-7,394.5	-7,378.9	-3,423.5	-53.6%
International Reserves (of NBR, € mln)	30,858.6	35,950.7	37,251.8	35,413.0	33,601.9	-5.1%
Number of banks	41	41	40	39	39	0

Source: Central Bank, Statistical Office and UniCredit Tiriack Bank

# Romanian Economy (CONTINUED)

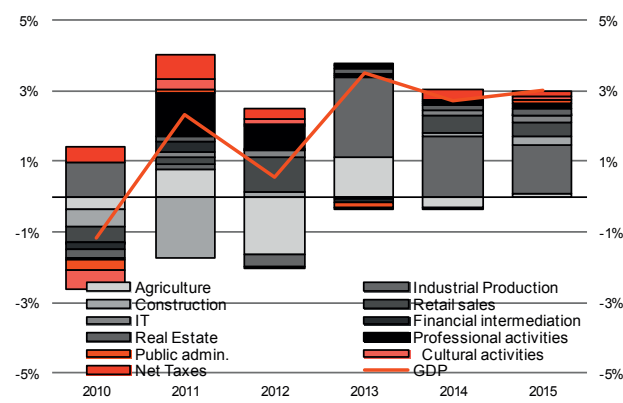
## GDP – DEMAND SIDE

percent, contribution to GDP growth



## GDP – SUPPLY SIDE

percent, contribution to GDP growth



Data source: NIS, UniCredit Ţiriac Bank

from consumers. Overall, the aggregate loan-to-deposit ratio for the banking system declined from 1.14 in January to 1.01 in December. In addition, the banking system displayed an evident switch between FX and RON credit, also influenced by new macro-prudential lending policies.

The banking system recorded an after-tax profit of RON 498mn, but was helped by a one-off release of deferred tax liabilities. Net interest income remained under pressure due to lower lending margins and contracting loan volumes. Asset quality continued to deteriorate, as the non-performing loans ratio touched 21.87% in December 2013 vs. 18.2% in December 2012. Nevertheless, the banking system

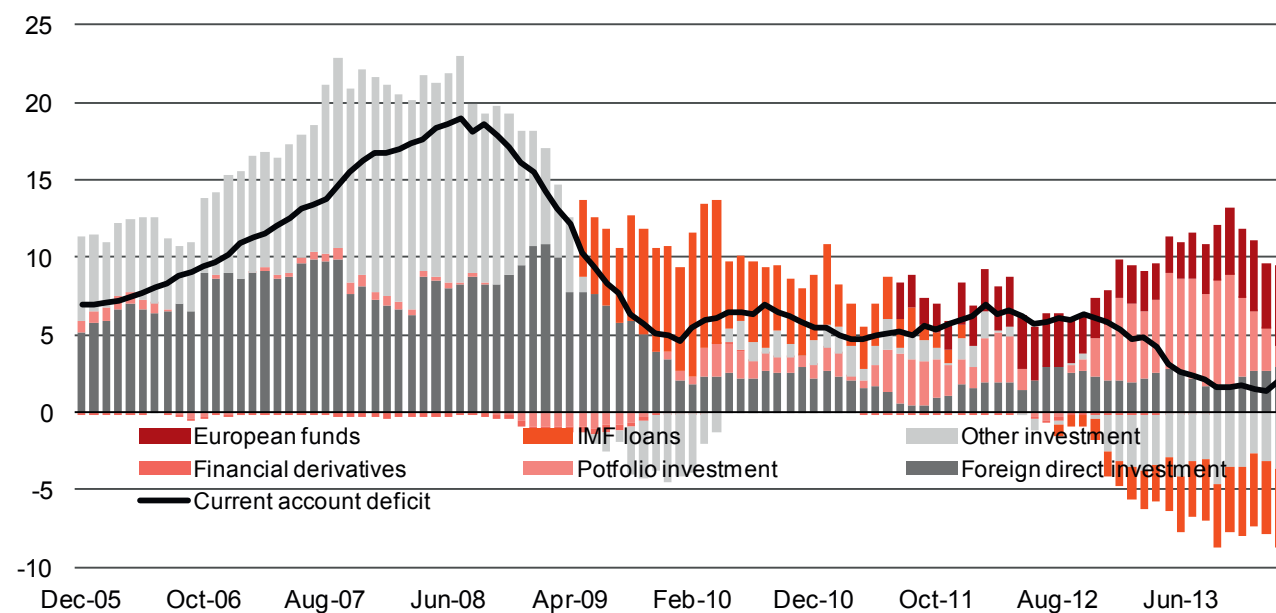
continues to have a solid capital basis, with a capital adequacy ratio of 15.02% by the end of 2013.

The budget deficit reached 2.5% of GDP in cash terms and stood below 3% of GDP under ESA 95 in 2013, the second year when Romania has managed to respect the target. Moreover, the public debt remained below 40% of GDP (ESA 95). The election year could potentially increase risks of fiscal slippages, but the budget deficit and public debt to GDP ratio are set to remain low.

The RON traded within a broad range of 4.3000-4.5500 during 2013. The domestic currency experienced a sharp appreciation in the first half of the year, after Romanian bonds were included in

## INVESTMENT FLOWS TO ROMANIA

EUR bn, 12-month cumulative



Data source: NBR, UniCredit Ţiriac Bank

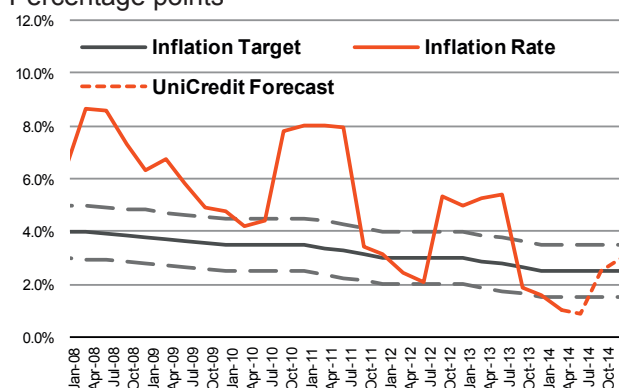


international bond indices. However, some of these inflows were quickly reversed starting from June, shortly after the FED first announced that it planned to taper asset purchases. Nevertheless, the RON weathered international pressures relatively well, helped by a low reliance on portfolio inflows and solid economic fundamentals. The RON experienced another brief episode of depreciation towards the end of 2013, following a stand-off between the President and the Prime Minister on the 2014 budget proposal, which highlighted political risks as Romania headed into an election year.

We believe exchange rate fundamentals for the RON are encouraging, as the underlying economic growth rate will pick up, and inflows of EU funds, foreign direct investments and portfolio inflows should offset outflows from banking system deleveraging and temporary episodes of risk aversion in the international markets. In addition, the RON could benefit from an inclusion of Romania into the investment grade bracket by S&P. We believe the upgrade would be warranted by Romania's solid economic performance, stable fiscal policies under the IMF agreement and sustainable financing needs.

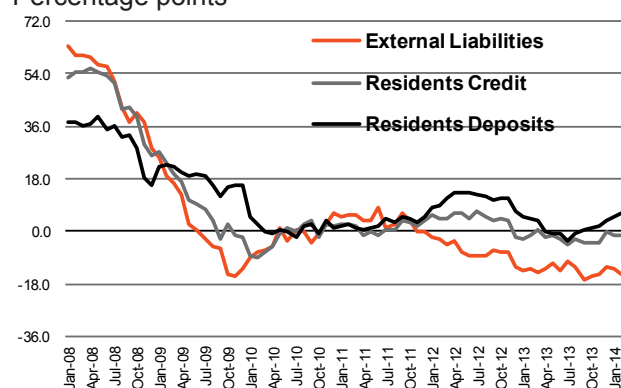
## INFLATION TRENDS

Percentage points



## BANKING ACTIVITY

Percentage points



Data source: NIS, NBR, UniCredit Țiriac Bank

## 2014 Economic Outlook

GDP growth is expected to slow down in 2014 due to a weaker harvest compared to the 24-year record from 2013. Nevertheless, the underlying pace of the recovery will remain strong. Excluding agriculture, GDP growth will accelerate from 2.5% in 2013 to 3.2% in 2014.

Exports will remain one of the main drivers of growth for the economy, benefiting from improved growth prospects in the Eurozone and particularly Germany. In addition, Romania is relatively well positioned to weather potential trade disruptions due to turbulences in Ukraine and Russia.

The absorption of EU funds is expected to accelerate substantially in 2014, as multi-year projects advance in the implementation phase and Romania will make efforts to absorb funds allocated in the 2007-2013 EU budget exercise. In addition, we expect the recovery to become more broad-based in 2014. Retail sales, constructions and the services sector displayed tentative signs of improvement in late 2013 and we expect these trends to continue at a gradual pace in 2014.

Even though economic growth in 2013 was decoupled from lending dynamics, we expect a relative improvement of the latter in 2014. More broad-based economic growth will filter into higher demand for lending from consumers. In addition, improved company profits in 2013 should help ensure a more solid capital basis and boost capital expenses for companies in 2014.

Romania cleared the first political hurdles of 2014, the break-up of its governing coalition and EU Parliament elections. Public finances remain sustainable under IMF/EU monitoring, but the reform fatigue has risen. Considering the election year, the Government should prioritize avoiding budget slippages. In turn, a sensible fiscal policy should enable a boost in investment spending in order to maximize the absorption of EU funds.

# World Economy

## 2013 Overview

The global economy continued to recover at a gradual pace during 2013, reflecting divergent trends at regional level.

Specifically, the progressive acceleration in the growth rate in advanced economies was offset by a slight slowdown in growth in emerging economies, especially those most vulnerable to the variations in capital inflows. With regard to financial markets, improved growth prospects and an accommodative monetary policy encouraged the progressive “normalization” of market conditions, accompanied by a (gradual) return of investors’ risk appetite. In the euro area, the latter contributed to a significant drop in premiums on sovereign credit default swaps and yield spreads over German bonds, especially in the peripheral countries most directly exposed to the tensions tied to the sovereign debt.

Share prices rose in all the major advanced countries. The accommodative stance of monetary policy in Europe and the United States contributed greatly to this normalization process. In Europe, after a first intervention in May, the Central Bank cut the interest rate on the main refinancing operations and the interest rate on the marginal lending facility by a further 25 basis points in November (to 0.25 and 0.75 per cent, respectively). It also reaffirmed its intention to keep rates on hold at or below the current level for an extended period of time, declaring itself ready, if the need arises, to use all the necessary instruments, including special measures, to counteract an unwanted tightening of market conditions. Fears about the latter were mainly associated with the Fed’s decision to reduce the pace of purchases of mortgage-backed securities and long-term Treasury

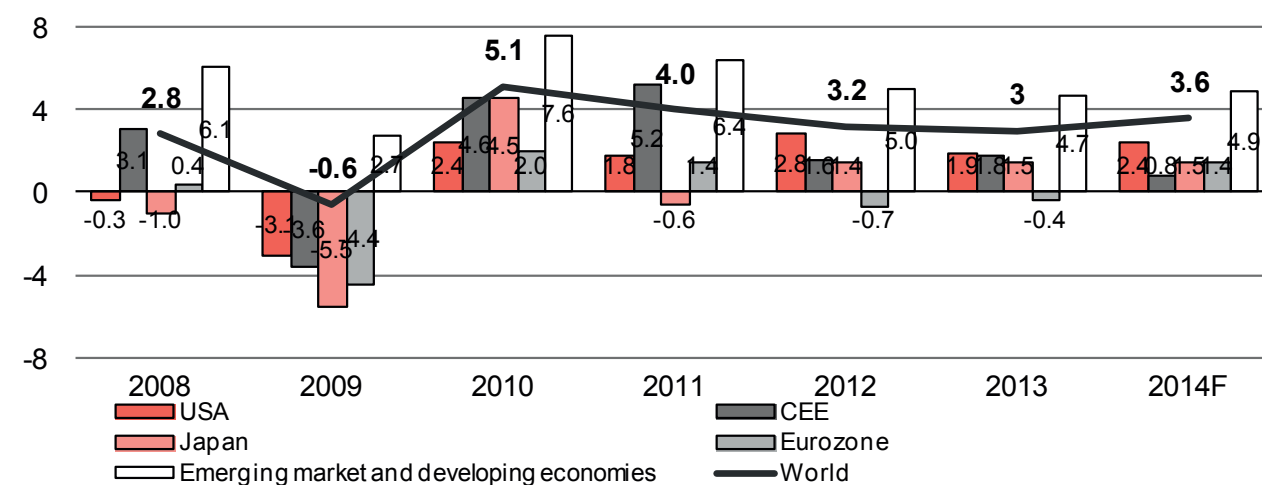
bonds - this reduction, initially announced in early summer, was only approved during the FOMC meeting of December, in the light of a more positive outlook for the U.S. economy and diminished uncertainty about fiscal policy. It consists of a total of \$10 billion a month and should be completed by the third quarter of 2014. In the euro area, GDP shrank by 0.4% in 2013, at a slightly slower rate than the figure recorded in 2012 (-0.6%). In terms of quarterly growth, economic activity exited recession in the second quarter of the year recording modest growth rates in subsequent quarters. The recovery was gradual and initially driven by the foreign channel, but was later supported by increasing domestic demand, especially for investment in machinery. The growth in consumer spending, by contrast, remained rather slow, reflecting the weakness of the disposable income of households against a backdrop of continued fragility of the labor market. On the price front, inflation was in a downtrend, decelerating from 2.0% in January to 0.8% in December. The average inflation rate was 1.4% in 2013 against 2.5% in 2012. In the United States, the economy grew by 1.7% compared with 2.8% in 2012. This slowdown was mainly due to the negative impact of fiscal consolidation and household deleveraging on the recovery of domestic demand, whose growth continued to surprise (slightly) to the downside in the fourth quarter. On the price front, the average inflation rate was 1.5% against 2.1% in 2012.

## 2014 Economic Outlook

Following the introduction of the ECB’s OMT program in the summer of 2012, UniCredit set its global outlook as one of a “great

## GDP GROWTH AROUND THE WORLD

percent



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



normalization process", which would see a gradual restoration of investors' risk appetite. As a result, one year ago, UniCredit suggested that 2013 would be characterized by a move from so-called safe assets towards riskier ones, including peripheral debt, credits and equities. UniCredit remains fundamentally confident about the prospects of the global economy and believes its broad theme of normalization after the great recession remains intact.

Eurozone GDP is expected to increase by 1.4% in 2014, as firming global growth, more favorable corporate fundamentals and pent-up demand for capital goods will lead to a stronger recovery in investments and intra-area trade than previously expected. UniCredit also expects positive spillovers on the labor market, but progress is likely to be slow and with meaningful differences across countries. At the eurozone level, the resulting acceleration in private consumption – also supported by a further easing of fiscal tightening and very low inflation – will remain moderate, although slightly firmer than previously anticipated.

Within the eurozone, Germany is expected to be the engine of growth in 2014, but the usual, tight intra-European trade links will secure that the positive effect will be felt in the periphery as well as CEE.

The US economy will likely expand a more solid 2.4% in 2014, about half a percentage point faster than in 2013. The main reason for the acceleration is a fading drag from tighter fiscal policies. In addition, household deleveraging will affect less economic activity than it did in the recent past. UniCredit is also looking for some improvement in fixed investment: as the recovery gains momentum, more confident businesses will increase their investment spending, while residential investment is expected to rise again at double-digit rates. The economic environment will continue to deliver sufficiently good growth and labor market indicators for the Fed to end the tapering process by the end of the third quarter of 2014. The central bank is not expected to hike rates in 2014.

# UniCredit Tiriac Bank activity review

## COUNTERPARTY CREDIT RATING (Fitch Ratings) as at the end of 2013

Foreign Currency Long-term IDR	BBB
Foreign Currency Short-term IDR	F3
Viability rating	bb-
Support rating	2
Outlooks	
Long-Term Foreign-Currency IDR	Negative

# Resolve

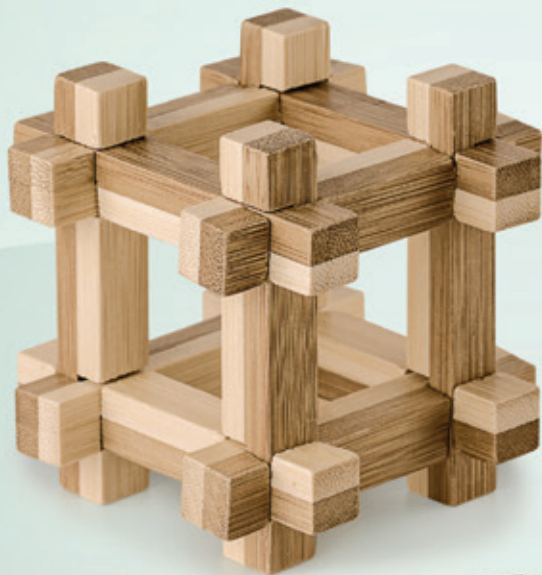
Anytime, anywhere.

“On her way back from holiday, one of my Customers had a problem with her car, forcing her to call for assistance.

The problem was serious, and the daily limit on her debit card did not permit our Customer and her husband to pay for the repairs.

She called me on the verge of panic, and I went straight to work to **solve the problem as quickly as possible**. They were able to pay their bill and set off again with peace of mind. When they got home, I received a phone call from my Customer to thank me and let me know that after their **positive experience** with UniCredit, her husband **was becoming a Customer**.”

Silvia Rieder - Commercial Bank  
Pressbaum Branch 2099 - UniCredit Bank Austria



# UniCredit Tiriac Bank activity review

## Financial results

UniCredit Tiriac Bank was one of the most active banks in the Romanian market in 2013. In August 2013, UniCredit Tiriac Bank successfully acquired the Retail and Royal Preferred Banking portfolios of RBS Romania. In June 2013 the first Corporate bond issuance from UniCredit Tiriac Bank was completed, with an oversubscription level of 110%. The subscriptions were made by over 30 local and international institutional investors (including EBRD and IFC, funds, insurance companies, local and international banks) showing the solid market trust for the bank. This initiative is very relevant for the Romanian capital market, representing a benchmark and contributing to its development. JEREMIE Program, supported by European Investment Fund, continued in 2013 sustaining SMEs lending through better pricing and lower collateralization requirements.

UniCredit Tiriac Bank continued the growth strategy in Romania, obtaining profitability above the banking system average, solid liquidity, comfortable solvency ratio and an improvement in efficiency.

In January 2013, the Bank acquired a majority stake of UniCredit Consumer Financing, while keeping the 20% package of UniCredit Leasing Corporation. The results presented are based on the first consolidated financial statements for UniCredit Tiriac Bank and UniCredit Consumer Financing IFN SA.

On a consolidated perimeter, UniCredit Tiriac Bank reported a gross operating profit of RON 766 mln, operational revenues of RON 1.5 billion, operational expenses of RON 727 mln and impairment losses and provisions on financial assets standing at RON 745.9 mln leading to a net profit after tax and minority interest of RON 87.7 mln.

On a standalone basis, UniCredit Tiriac Bank posted total operating

income of RON 1.4 billion, up 10.8% versus previous year. Operating expenses increased by 8.7 % to RON 689 mln, thus operating profit reached RON 694.7 mln, up 13% versus previous year. Net profit reported for the period was RON 75.1 mln, below 2012 result. Total comprehensive income for the reported year (net profit and market re-evaluation of AFS, Cash Flow Hedging and Fixed Assets reserve) is RON 122 mln, down 38.7% year-on-year.

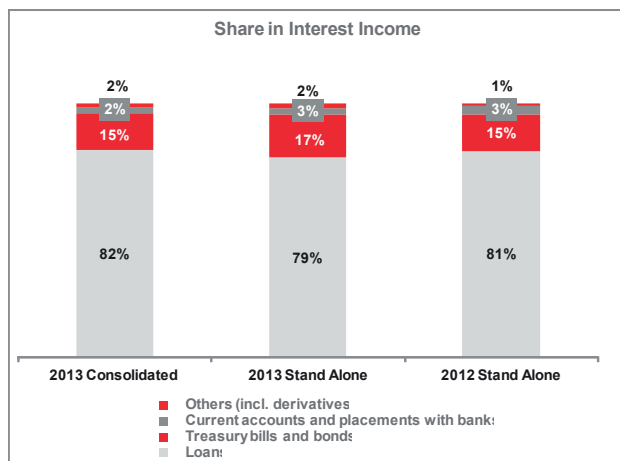
Consolidated financial indicators reveal a balanced position, above the system average: ROE after minority interest was 3.1%, while ROA after minority interest was 0.3%. The constant focus on efficient cost control is reflected by the Cost-to-income ratio of 48.7% as of December 2013.

Net interest income generated by the bank was RON 702.4 mln (Consolidated: RON 821 mln), 51% of total operating income, up 1.9% year-on-year. The interest margins went down due to a negative evolution on the assets side (low market demand) not fully compensated by the decrease on liabilities (drop in base rates triggered mainly by the adjustment of the NBR reference rate down from 5.25% as of December 2012 to 4% in 2013). The excess of liquidity in the market resulted from the decrease of local market rates and was reflected in a significant drop of customer deposits costs, trend that was also replicated by the main competitors. 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, while interest income from Treasury bills and bonds, representing 17% increased by 12% year-on-year.

Net fee and commission income increased by 20% year-on-year to RON 299.4 mln, accounting for 22% of total operating income

RON mln

Summary income statement	Consolidated 2013	Stand Alone 2013	Stand Alone 2012	Var '13 vs. '12 (SA)	
				abs	%
Net interest income	821.0	702.4	689.4	13.1	1.9%
Net fees and commissions income	289.7	299.4	249.8	49.6	19.9%
Dividends income	1.1	1.1	0.6	0.4	65.6%
Net income from financial instruments at fair value through profit or loss	284.5	284.1	263.8	20.3	7.7%
Net gains and losses on financial assets available for sale	92.9	92.9	29.2	63.7	217.8%
Other operating income	3.4	3.9	15.8	-11.9	-75.3%
<b>OPERATING INCOME</b>	<b>1,492.5</b>	<b>1,383.8</b>	<b>1,248.6</b>	<b>135.2</b>	<b>10.8%</b>
Operating Expenses	-727.0	-689.1	-633.9	-55.2	8.7%
<b>NET OPERATING INCOME</b>	<b>765.5</b>	<b>694.7</b>	<b>614.7</b>	<b>80.0</b>	<b>13.0%</b>
Net impairment loss on financial assets	-729.7	-682.9	-317.1	-365.8	115.4%
Net impairment on non financial assets	-10.5	-10.5	0.0	-10.5	n/a
Net provision charges	-16.2	-16.2	-92.8	76.5	-82.5%
Profit (loss) on associate investments at eq method	-3.6	-	-	-	-
<b>PROFIT (LOSS) BEFORE TAXATION</b>	<b>5.5</b>	<b>-14.9</b>	<b>204.9</b>	<b>-219.8</b>	<b>-107.3%</b>
Tax expenses	88.9	90.0	-31.7	121.7	-383.5%
<b>NET PROFIT (LOSS)</b>	<b>94.4</b>	<b>75.1</b>	<b>173.1</b>	<b>-98.0</b>	<b>-56.6%</b>
<b>NET PROFIT (LOSS) after Minority Interest</b>	<b>87.7</b>	<b>-</b>	<b>-</b>	<b>n/a</b>	<b>n/a</b>



(Consolidated: RON 289.7 mln). This growth was supported by the payment transactions net income increase (up by 8%) and trade finance on ascending trend.

The positive evolution of Gains from interest derivatives lead to a 7.7% increase in Net income from trading and other financial instruments at fair value through profit and loss, up to RON 284 mln, representing 21% of total operating income. UniCredit Tiriatic Bank transferred to profit or loss an amount of RON 93 mln up 218% versus 2012 representing net gain from disposal of available for sale investment securities. Starting 2013, Romania was included in Barclays and JPMorgan global emerging market indexes which caused an unprecedented interest of investors in Romanian sovereigns. UniCredit Tiriatic Bank, being primary dealer and market maker, made gains of TBonds/Bills transactions mainly on customer order. The bank operated in strict compliance with the related market risk statutory standards and group policies.

Operating costs reached RON 689 mln (Consolidated: RON 727 mln), up 8.7% year-on-year, efficiently absorbing the effect of RBS business integration. Personnel costs, representing 44% of total operating expenses, increased by 3.4% year-on-year to RON 303 mln, while Other administrative costs increased by 15%. Optimal profitability per branch and organizational efficiency continued to be priorities in 2013. The Bank ended the year 2013 with a network of 188 branches (down 9.6% versus 2012).

#### Consolidated Impairment Losses Structure

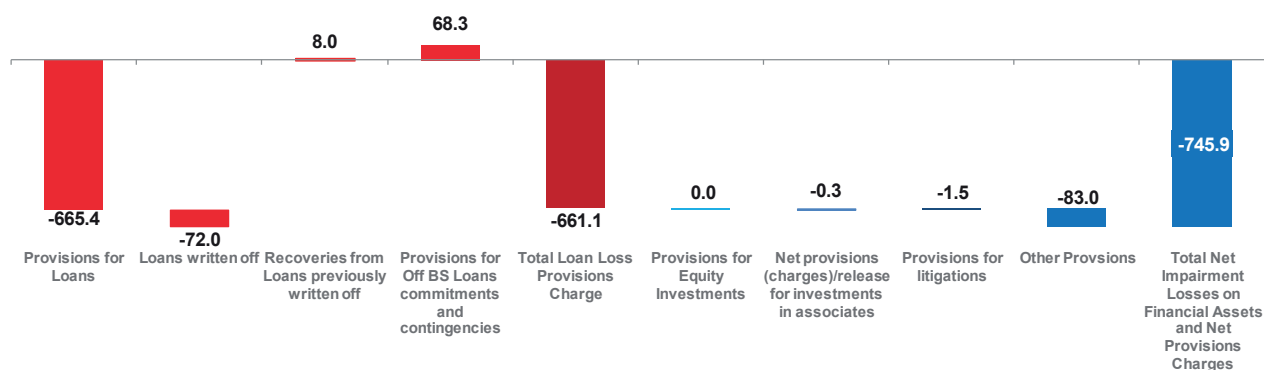
Net impairment losses on financial assets and provisions - mainly provisions on loans, increased in 2013 reaching RON 746 mln on a consolidated perimeter without any compromise with the rigid bank's provisioning standards. Thus the provision charges on loans reached RON 729 mln. Total expenses related to credit risk (including ON and OFF Balance Sheet provision charges, recoveries and losses from debt sales and write-offs) are RON 744 mln, representing 441bp of ON Balance Sheet exposure (321bp of ON+OFF Balance Sheet exposure) on a consolidated basis. UniCredit Tiriatic Bank continued pursuing a strict and prudent risk provisioning policy, thus adequately covering potential risks.

#### Balance sheet

The value of the balance sheet total reached RON 27.5 billion, up 9.6% versus year-end 2012 (Consolidated: RON 28.5 billion).

In the currency structure of the financial assets, RON denominated component represent 47% of total financial assets, up by 38% versus 2012 (Consolidated: 48% of total financial assets). Net loans represent

## Consolidated Impairment Losses Structure



# UniCredit Tiriac Bank activity review (CONTINUED)

Ron mln

Summary Balance Sheet <sup>1</sup>	Consolidated			Stand Alone	
	2013	2013	2012	Var '13 vs. '12 (SA)	
				abs	%
<b>ASSETS</b>					
Cash and balances with Central Bank	5,235	5,235	4,430	805.8	18.2%
Due from Banks, net	378	378	51	326.7	635.4%
Trading and investment financial assets	5,496	5,561	4,171	1,389.8	33.3%
Loans and Advances to customers, net	16,867	15,764	15,904	-140.6	-0.9%
Property, equipment and intangible assets	350	347	383	-35.9	-9.4%
Other assets, net	190	173	123	49.4	40.1%
<b>Total assets</b>	<b>28,517</b>	<b>27,458</b>	<b>25,063</b>	<b>2,395.3</b>	<b>9.6%</b>
<b>LIABILITIES and SHAREHOLDER'S EQUITY</b>					
Deposits from banks	3,670	3,670	2,611	1,059.1	40.6%
Customer deposits	15,121	15,179	13,839	1,339.8	9.7%
Long-term borrowings	6,315	5,261	5,204	57.2	1.1%
Other liabilities	545	521	704	-182.9	-26.0%
<b>Total liabilities</b>	<b>25,652</b>	<b>24,632</b>	<b>22,358</b>	<b>2,273.3</b>	<b>10.2%</b>
<b>Shareholders' equity</b>	<b>2,866</b>	<b>2,826</b>	<b>2,704</b>	<b>122.0</b>	<b>4.5%</b>
<b>Total liabilities and shareholders' equity</b>	<b>28,517</b>	<b>27,458</b>	<b>25,063</b>	<b>2,395.3</b>	<b>9.6%</b>

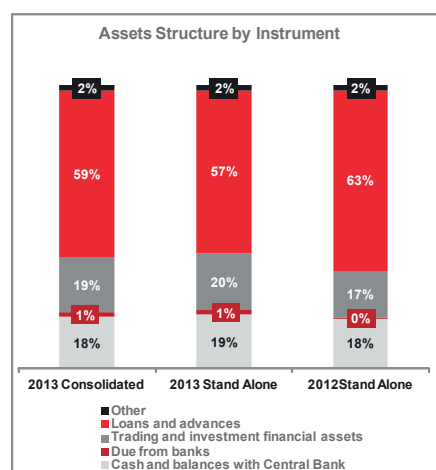
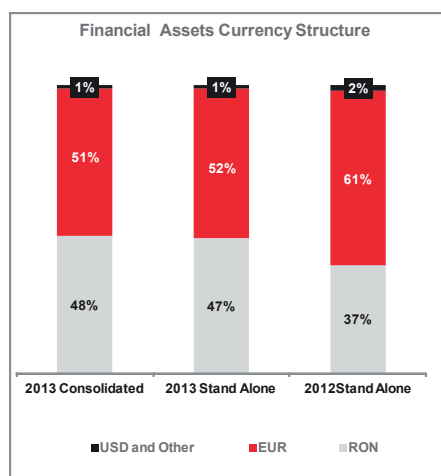
(1) Balance Sheet Structure from the financial statements is adjusted for analytical purpose.

57% of total assets, while gross loans to customers reached RON 17.6 billion, up 1.8% year-on-year (Consolidated: RON 18.8 billion). Trading and investment financial assets, mainly government securities, increased by 33% to RON 5.6 billion representing 20% of total assets. Cash and balances with the Central Bank reached RON 5.2 billion with 19% share in assets, driven mainly by the minimum reserves with the Central Bank. As of December 2013, the minimum reserve level remained at 15% for liabilities to customers in RON and 20% for liabilities to customers in foreign currency.

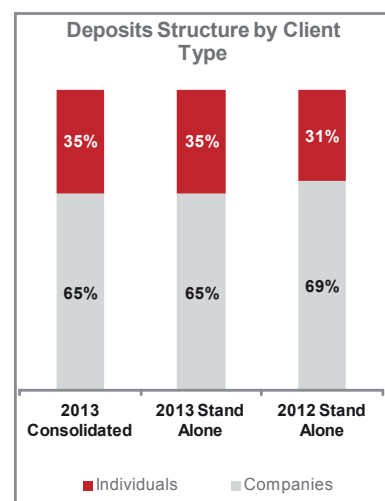
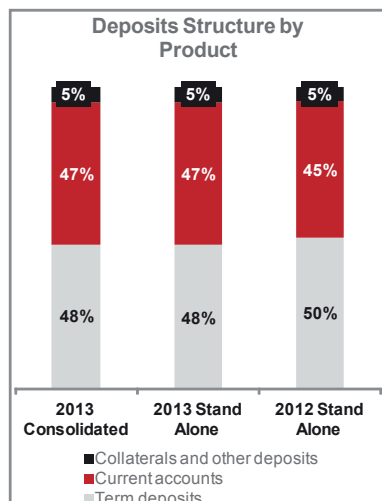
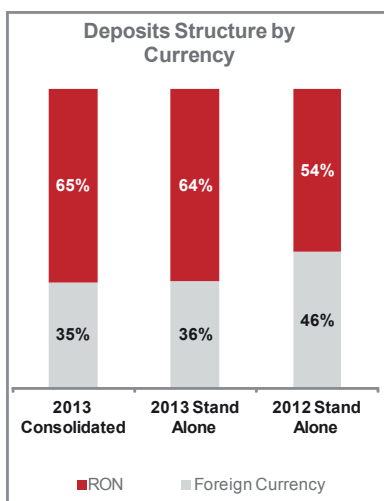
The Bank has a shareholding of 50.1% in its subsidiary UniCredit Consumer Financing IFN S.A. that provides consumer finance loans to individuals, and respectively 20% in the associated entity UniCredit Leasing Corporation IFN S.A. that provides financial lease services to corporate clients and individuals.

On the liability side, deposits from customers increased by 10% year-on-year to RON 15.2 billion representing 62% of total liabilities<sup>1</sup> (Consolidated: 59% of total liabilities). Gross loan-to-deposit ratio reached 116% as of December 2013, dropping 9 percentage points from 125% as of December 2012 (Consolidated Gross loan-to-deposit ratio: 124%).

Shareholders' equity amounted to RON 2.8 billion, up 4.5% versus 2012 (Consolidated: RON 2.86 billion). Equity ratio dropped by 0.5pp to 10.3%, from 10.8% as of year-end 2012 (Consolidated: 10%). Total capital adequacy ratio under statutory standards was 13.7% including the profit for the period in own funds at the end of 2013 vs. 14.5% in 2012. Tier 1 ratio has the same value of 13.7%, as prudential filters totally consumed Tier 2 capital. All ratios are calculated under IFRS Standards. Starting with July 2012 the Bank calculates



<sup>1</sup>Total liabilities include also Provisions, Tax liabilities and other assets.



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 (Consolidated capital adequacy ratio 15.9%).

#### Customer deposits

Customer deposits increased by 10% year-on-year reaching RON 15.2 billion (Consolidated: RON 15.1 billion). In terms of currency split, RON denominated deposits increased share in total by 10pp, representing 64% of total customer deposits.

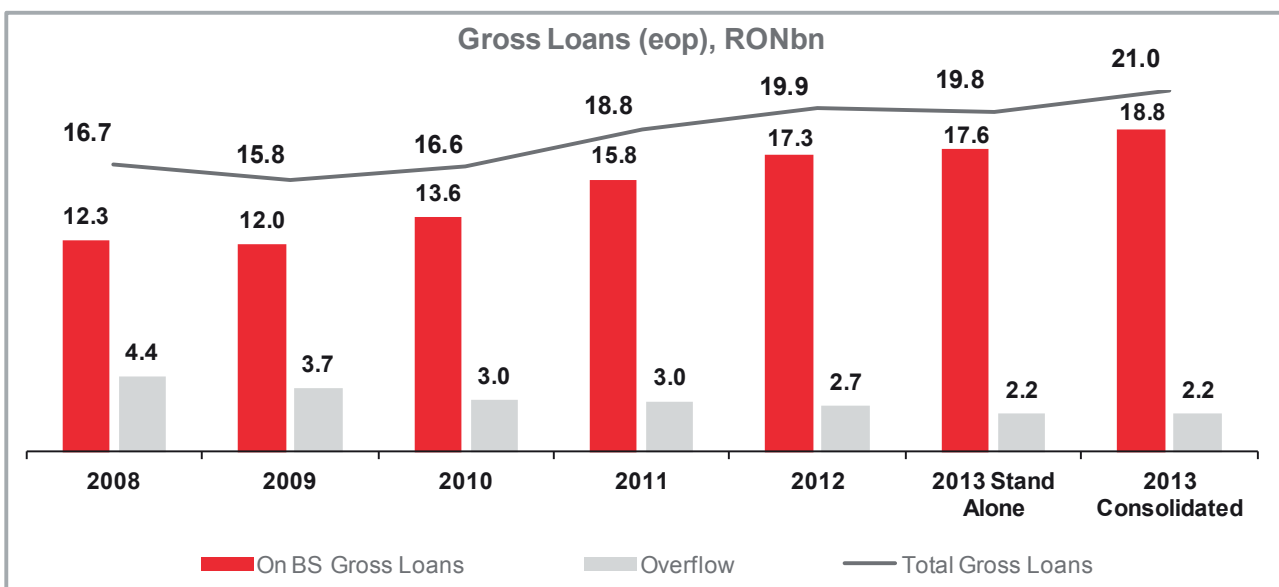
Companies' deposits<sup>1</sup> increased to RON 9.9 billion, 3.3% year-on-year

and represent 65% of total customers' deposits, down by 4pp versus previous year. Individuals' deposits<sup>1</sup> are up by 24.1% reaching RON 5.3 billion and increasing share in total deposits with focus on further growth due to high level of stickiness.

#### Bank loan portfolio

In 2013, the on-balance-sheet gross loan portfolio had a nominal increase of 1.8% year-on-year to RON 17.6 billion (Consolidated: 18.8 billion). Considering the outstanding externalized loans to UniCredit Bank Austria, the total amount of the gross loan is RON 19.8 billion (Consolidated: 21.0 billion).

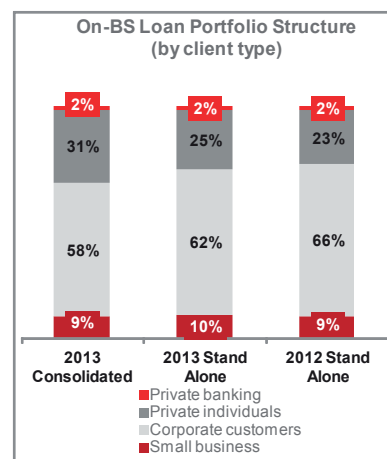
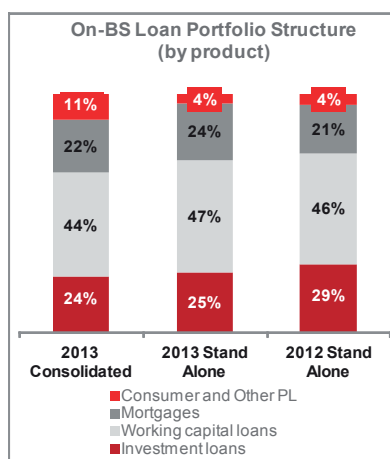
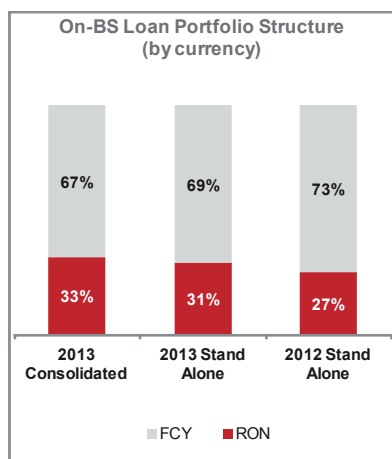
The structure of the portfolio stayed relatively stable, reflecting the commercial activities during the year. Companies' loans hold a 72%



<sup>1</sup> Companies refer to corporate and SMEs, Individuals refer to individuals and private banking clients.



# UniCredit Tiriac Bank activity review (CONTINUED)



share in total portfolio versus 75% in 2012. Loans to individuals increased by 12% in nominal terms, increasing the share in total to 28% – including loans to Individuals and Private Banking Clients (Consolidated: 33% of total portfolio).

The proportion of foreign currency net loans dropped to 69% from 73% in the previous year (Consolidated: 67%). Investment loans and working capital loans represent 72% of the total portfolio, slightly reducing share versus last year. Mortgages and consumer loans (including also overdrafts, car loans and cards) represented overall 28% of total portfolio (Consolidated: 33%).

The industry structure of UniCredit Tiriac Bank loan portfolio was largely preserved in 2013 versus previous year, with private individuals and commerce holding together approximately 46% of total net portfolio (Consolidated: 49%).

Loans with over 90-day default reached 11.5% as of December 2013 up from 10.8% at year-end 2012 (Consolidated: 11.1% of total portfolio). The segments with highest default rate are small business with 19.1% and Individuals (including Private Banking) with 11.8% default rate (Consolidated: 10.5%).

During the year, the bank continued adopting prudent policy of loan loss provisioning. Total on-balance-sheet portfolio provision coverage as of December 2013 was 10.3% (Consolidated: 10.2%) comfortably running all identified and estimated risks.

## Outlook

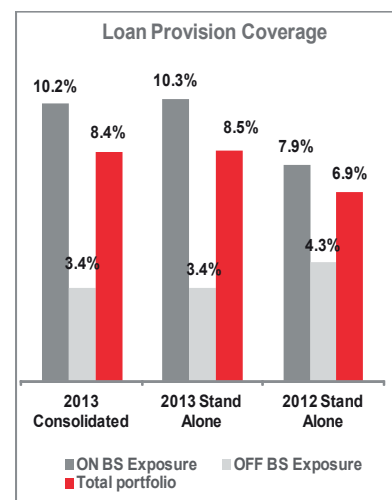
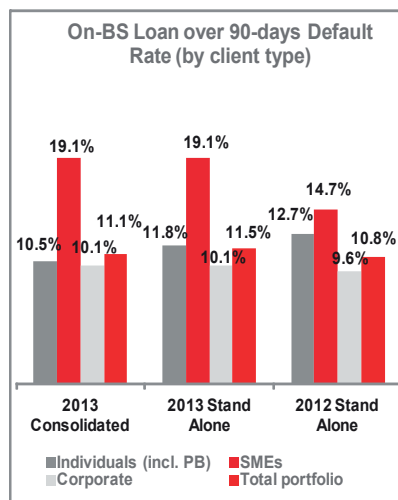
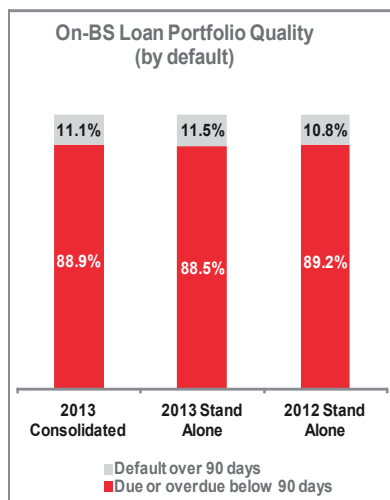
Economic growth is expected to become more broad-based in 2014, benefiting from a gradual recovery of consumer spending and investments. In addition, the absorption of EU funds could boost the long term growth prospects for GDP. While the positive developments for GDP growth will have spillovers to lending activity, the overall effects on demand for loans will be constrained by the fact that consumers are still deleveraging. Weak lending dynamics are likely to take a toll on banking system net interest income, especially since lending margins will remain low. Furthermore, non-interest income is unlikely to replicate the results from 2013, which were boosted by a one-off inclusion in international bond indices.

UniCredit Tiriac Bank will maintain the growth strategy, targeting a net profit more than double versus 2013, above system average, along

RON mln

Net loan portfolio - Industry structure	2013 Consolidated		2013 Stand Alone		2012 Stand Alone	
	Amount	Share	Amount	Share	Amount	Share
Private entities (incl. private individuals)	5,556	33%	4,347	28%	3,880	24%
Commercial, recovery and repair services	2,781	16%	2,781	18%	2,861	18%
Real estate	1,622	10%	1,622	10%	1,864	12%
Construction and civil engineering	619	4%	619	4%	860	5%
Other selectable services	602	4%	602	4%	796	5%
Energy products	920	5%	920	6%	364	2%
Foodstuffs, beverages and tobacco-based products	751	4%	751	5%	821	5%
Inland transport services	375	2%	375	2%	295	2%
Other	3,640	22%	3,746	24%	4,164	26%
<b>Total</b>	<b>16,867</b>	<b>100%</b>	<b>15,764</b>	<b>100%</b>	<b>15,904</b>	<b>100%</b>





with preserving a solid capital base, strong liquidity and 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) and increase of supra-national funding. On Corporate segment, the Bank will concentrate on improving the overall market share, growing especially in “Mid” and “International” sub-segments, offering aggregated products to the customers (Cash Management, Loans, Markets, Trade Finance) and focusing on further development of the alternative channels use – Mobile and E-Banking. On Retail segment, UniCredit Consumer Financing lending, “Prima Casa” financing and increase penetration of mobile banking, online and SMS banking are expected to hold the lead in the commercial banking growth. Reorganization project of the Leasing activity in Romania, planned to transfer the control of the Leasing entities in Romania from Holding to UniCredit Tiriatic Bank, was approved in early 2014. The entities controlled either directly or indirectly are to be consolidated starting 2014.

# UniCredit Tiriac Bank activity review

Key figures	2009	2010	2011	2012	2013
Shareholder's equity (eop)	2,177,607	2,378,208	2,491,862	2,695,089	2,865,920
Total assets (eop)	20,434,779	20,804,418	22,811,516	25,053,424	28,517,473
Bank customer deposits (eop)	10,562,497	10,988,236	11,542,324	13,839,475	15,120,824
Bank customer gross loans (eop)	12,045,417	13,590,629	15,804,990	17,269,557	18,772,632
<b>Income</b>					
Net interest income	641,999	915,220	784,465	689,369	820,989
Net fee and commission income	246,310	232,655	225,029	249,766	289,723
Dividends income	1,931	1,967	868	636	1,054
Net trading income <sup>1</sup>	359,532	196,381	208,858	293,038	377,378
Other operating income	13,024	17,007	3,485	15,824	3,354
Operating income	1,262,796	1,363,230	1,222,704	1,248,633	1,492,497
<b>Expenses</b>					
Operating expenses	594,814	584,369	611,920	633,938	726,953
Staff costs	271,547	273,474	284,830	292,850	323,800
Non-staff costs	249,490	247,045	257,339	265,977	321,172
Depreciation	51,100	54,057	65,591	69,981	71,173
Other operating expenses	22,677	9,794	4,160	5,130	10,808
Impairment losses and provisions	276,495	564,784	427,892	409,818	756,447
Profit (loss) on associate investments	(6,414)	(9,875)	4,185	4,253	(3,595)
Net operating income	667,982	778,861	610,785	614,695	765,544
Income tax expense	56,392	32,984	27,648	31,748	(88,901)
Net profit	328,681	171,218	159,430	177,382	94,403
Total comprehensive income for the year	361,624	200,601	112,091	203,228	141,305
<b>Ratios (%)</b>					
Return on average assets (ROA)	1.7	0.8	0.7	0.7	0.3
Return on average equity (ROE)	16.5	7.5	6.5	6.8	3.1
Equity ratio (eop) <sup>2</sup>	10.7	11.4	10.9	10.8	10.0
Capital adequacy ratio <sup>3</sup> (eop)	13.1	12.9	12.0	14.5	15.9
Tier 1 capital ratio <sup>3</sup> (eop)	10.9	11.2	10.7	13.5	14.5
Loan/Deposit ratio	114	124	137	125	124
Cost/Income ratio	47.1	42.9	50.0	50.8	48.7
<b>Resources (number) - (eop)</b>					
Bank Operating outlets	241	235	245	208	188
Employees	2,967	3,007	2,983	2,799	3,169
Foreign exchange rate at period-end (EUR/RON)	4.2282	4.2848	4.3197	4.4287	4.4847
Annual average foreign exchange rate (EUR/RON)	4.2364	4.2098	4.2383	4.4557	4.4189

<sup>1</sup>Including - Net income on foreign exchange and on derivatives held for risk management  
- Net gains on financial assets available for sale

<sup>2</sup>Equity ratio is calculated as shareholder's equity/Total assets (eop)

<sup>3</sup>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)

# Overview of the business segments

## Retail division

In 2013, UniCredit Tiriatic Bank has concluded one of the largest transactions of the year, making an important step towards the evolution of the Private Individuals Segment. The SME segment was also a point of focus, clients being offered a retailored product range. Our efforts towards strengthening our position on the market were supported by a focus on multichannel enhancements and an optimization process of the sales network.

### Private Individuals Segment

In September, the bank has successfully finalized the acquisition of Royal Bank of Scotland Private Individuals portfolio including lending and liabilities products, in total amount of RON 1,2 billion, respectively RON 0.9 billion. Together with the continuous focus on customer acquisition especially in the payroll sector, UniCredit Tiriatic Bank strengthened its position as important player on the Retail market, leveraging both on organic and non-organic growth initiatives.

In addition, the bank's activity in the private individuals segment was mainly characterized by continuous efforts towards increasing efficiency and simplicity in terms of products and processes. In 2013, a major initiative was conducted in order to reshape the product offer and become closer to the real customer needs. The main purpose of the initiative was to achieve higher customer satisfaction reflected also in 2013 TRIM results (increased with 3 points) as well as product and process excellence.

In terms of commercial initiatives for the private individuals segment, the bank has channeled its efforts mainly towards increasing consumer lending and ensuring a stable source of funding by attracting term deposits with strong contribution to the improve of Retail Loan/Deposits ratio.

In 2013, the CRM Group solution for CEE countries was enhanced with operational platform for SME's enabling better client management for the entire Retail segments range. The initiatives focused on both commercial and administrative campaigns joined by "moment of truth" via Clintelica program resulting in an increased customer satisfaction.

### SME segment

2013 marked the reshape of the SME package catalogue, by introducing a new package, simplifying the offer based on clients' needs. UniCredit Tiriatic Bank also focused on the Hunter channel acquisition of Prime clients, increasing lending volumes and tackling the challenges associated with takeovers. On Easy Segment, the focus was on increasing lending volumes for existing clients, through a newly implemented fast flow for approval. Cross sell increase was also an important objective for Easy segment.

The 2013 results on SME segment reveal an important increase in revenues compared to 2012 (by 31%), average monthly revenue reaching RON 17.36M, while banking services and trading result grew to 24%

The bank increased its volume in SME lending by 8% reaching RON 1.76 bn in 2013 EOY. Market share remained stable at 6.6% in SME lending and 7.8% in SME liabilities

### Multichannel

In 2013, the Multichannel Department within the Retail Division focused on developing alternative channels by continuously improving online and mobile banking solutions. In Online B@nking, new features were added, to allow customers to request products and services via online channel. At the end of the year, the bank launched the mobile token, a more convenient way of authentication and payments signature for online banking. The number of private individual users of Online B@nking increased with 2% compared to previous year, while in the SME sector, the penetration of the service reached 87%. The Mobile B@nking solution, released in September 2012, was further enriched with new functionalities (FX convertor, possibility to solicit a new credit/debit card or term deposits, ATM/ branch locator) and a redesigned, friendlier interface: simpler browsing and improved interface for payments.

Info SMS clients increased by 47% compared to previous year, showing a growing interest of our customers for the service.

ATM and BNA continued to be in scope for improved profitability and better service, with constant care for their availability for clients (reduced errors and out of service time). The bank had at the end of the year over 500 terminals which ensured wide presence throughout the country.

In the area of cards acquiring, the POS retail network was the subject of activation efforts, which resulted in improved activation rate.

### Contact Centre

The Contact Center carried on the efforts to provide high quality service. In order to be more efficient and easy to deal with, in 2013, various actions were implemented: dedicated line for Private Banking customers; Interactive Voice Response for balance enquiries; enhancing the Telephone Service proposition (especially for transactions over the phone); enlarging the 24/7 services availability. Inbound requests coming over the phone or online emails increased with 27%, and 80.91% of the answered calls were handled in less than 20 seconds.

From a commercial point of view, we leveraged on customers' appetite for products & services remote acquisition processes.

### Sales Network

In 2013, the Retail branch network has been part of a reorganization process. Our aim was to improve efficiency, reduce costs and better respond to customers' needs.

In this respect, the bank decided to reconsider the position for 12 locations and concentrate the efforts in the other 185 locations with the highest potential.

2013 was also the year of the Royal Bank of Scotland Retail and Preferred Banking portfolio acquisition. The project was successfully implemented and we succeeded in integrating RBS customers in our Retail branches, keeping the same level of service quality to which our customers are accustomed to. To ensure consistency, we also accommodated part of the RBS ex-staff in our branches.

# Resolve

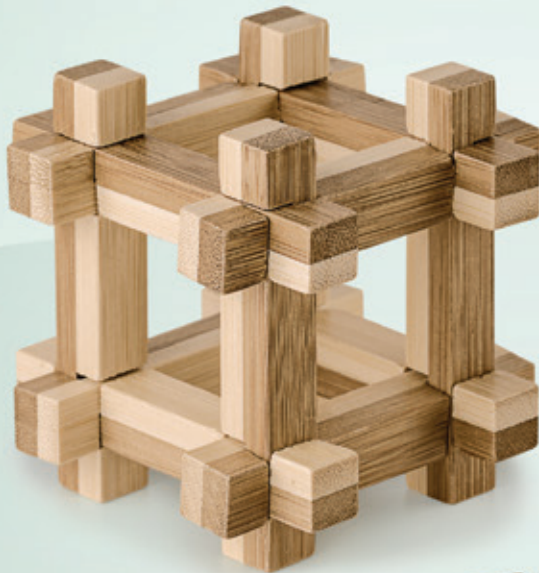
Anytime, anywhere.

“On her way back from holiday, one of my Customers had a problem with her car, forcing her to call for assistance.

The problem was serious, and the daily limit on her debit card did not permit our Customer and her husband to pay for the repairs.

She called me on the verge of panic, and I went straight to work to **solve the problem as quickly as possible**. They were able to pay their bill and set off again with peace of mind. When they got home, I received a phone call from my Customer to thank me and let me know that after their **positive experience** with UniCredit, her husband **was becoming a Customer**.”

Silvia Rieder - Commercial Bank  
Pressbaum Branch 2099 - UniCredit Bank Austria



# Overview of the business segments (CONTINUED)

## Corporate Investment Banking and Private Banking

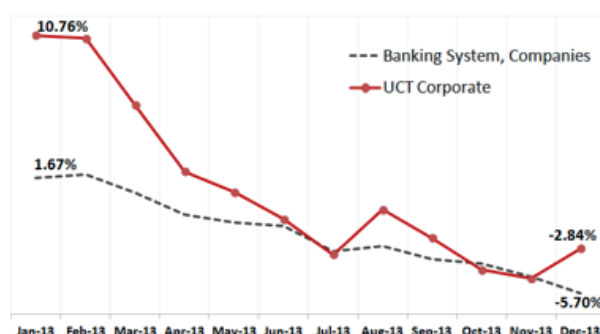
**2013: Maintain focus on real economy, with special attention to medium sized companies**

*"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 specialists 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 Tiriac Bank Corporate Investment Banking Division

Looking back at 2013, UniCredit Tiriac Bank Corporate Investment Banking Division has continued to focus on the core pillars of its strategy and results obtained show a consolidation of bank's position.

Acting in a market with a visible downturn of borrowing appetite throughout 2013, with 5.7% YoY lending contraction on overall market,

**Lending evolution YOY**



and stricter regulations for FX denominated loans, UniCredit Tiriac Bank Corporate loans volumes also followed a descendent trend, yet reaching at year end a contraction of loan volumes of only 2.84% thus enabling even a slight of increase of market share, from 10.8% to 11.03%\*.

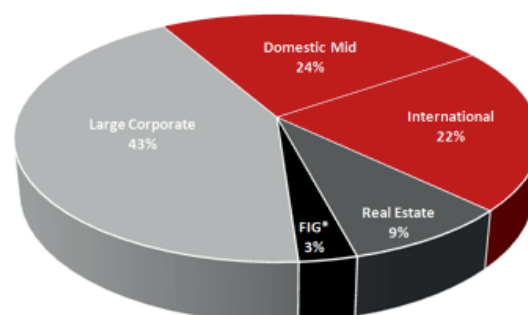
The overall increase in number of new clients was of 1.170, 77% of the new acquired clients being Corporate Medium Sized & International companies, in line with our focus towards these market segments.

Romanian banking system's substantial efforts for stabilizing liquidity ratios, has been also projected on CIB L/D Evolution, the ratio declining from 185% in January to a comfortable level of 138% in December 2013.

**UCT Companies Loans Market Share Evolution**



**Corporate Segments' contribution to 2013 Revenues**



Among priorities, Customer Satisfaction remained, during 2013 in our attention, the Corporate Investment Banking Division striving to provide high quality services, simplified processes for a shorter response time. The outcome of the combined efforts places UniCredit with 4 points over the market average. The Regional Coverage Function of CIB business reshaped two years ago, continues to prove that the dedicated organizational setup is the most efficient for our customers. UniCredit Tiriac Bank's Corporate clients are serviced through 21 dedicated branches and 19 sales points, by specialized professionals.

The Corporate Investment Banking Division offers a comprehensive mix of services and banking instruments, permanently updated and customized for the needs of all customers in our portfolio.

Leveraging on divisional and cross divisional, cooperation and supporting a benefic interaction among local entities of the Group: UniCredit Leasing, UniCredit Insurance Broker, UniCredit Consumer Finance, we aim to protect and insure excellent, long-lasting client relationship with the bank.

Contribution to overall Corporate Division results in 2013 indicates a balanced proportion between Mid & International segments on one hand, and Large Corporate on the other, following a revenue de-concentration strategy and an increasing focus towards the companies with small and medium annual turnover.

### Coverage Function

<b>MULTINATIONAL COMPANIES</b>	Fast-Moving Consumer Goods, Pharmacy, Equipment, Retail, Resources, Agribusiness, Energy, Utilities, Metallurgy, Infrastructure.
<b>LARGE ROMANIAN COMPANIES</b>	Domestic Large Corporations.
<b>PUBLIC SECTOR</b>	Public Ministries, State Institutions, Municipalities, International Organizations, Public Authorities
<b>MID MARKET CUSTOMERS</b>	Domestic customers with Romanian capital majority
<b>INTERNATIONAL CUSTOMERS</b>	Italian, German, Austrian, Hungarian, CEE & Rest of the World Desks; Serve companies with foreign capital majority, enabling the constant cross border banking knowledge sharing and servicing.
<b>FINANCIAL INSTITUTIONS GROUPS</b>	Addressing other non banking institutions, factoring companies, central banks, funds, insurance companies, leasing companies etc.
<b>REAL ESTATE FINANCING</b>	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.

### Product Factories' Function



<b>GLOBAL TRANSACTION BANKING</b>  Supports all Coverage Function Segments for identifying the best products offering scheme	<b>Cash Management</b>	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;
	<b>Cross Border</b>	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;
	<b>Custody services</b>	Account management, Tax Reclaim, Management of Corporate Actions, Settlement of trades with financial instruments etc
	<b>Correspondent Banking Services</b>	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
	<b>Trade Finance Services</b>	Documentary Letter of Credit, Documentary Collections, Bank Guarantees, Discounting of commercial receivables, tailor-made solutions for trade financing, etc
<b>MARKETS</b>  Offers a broad range of investment products and hedging alternatives for various asset classes	<b>Investment products</b>	Money Market Solutions, Government and Corporate Bonds on Local and International Markets, Enhanced Yield Structured Deposits
	<b>Hedging products</b>	Interest Rate Swap (IRS), Interest Rate Options, Interest Rates Structures, FX Forwards, FX Options, FX Hedging Strategies, Commodity Swaps and Options
	<b>Electronic trading</b>	Operational excellence through an accessible and user friendly tool offering direct access to a wide range of trading products.
<b>FINANCING</b>  Offers a broad range of investment products and hedging alternatives for various asset classes	<b>Factoring European Funds Specialized Landing Structured Finance Loan Markets and Syndications Financial Analysis Advisory Real Estate Financing</b>	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
<b>ADVISORY</b>	<b>Mergers &amp; Acquisitions Equity Capital Markets Debt Capital Markets</b>	General Investment Banking Activities: Advisory for buying or selling activities, businesses, companies; Arranger of Share Issuances or Bond Issuances on the Capital Markets

Increasing attentions towards client advisory activity, together with the international know-how and access to other European markets enabled the Bank to support its partners expand their business and develop new opportunities beyond the country's borders. In 2013, the newly integrated Advisory function has successfully coordinated a major M&A deal, EUR 127 Mln transactions of wind farms.

A notable success was observed when on UniCredit Tîriac Bank Bonds Issuing deal, amounting RON 550 Mln, 52% of the volume was subscribed by 30 local institutional investors, Corporate - FIG Customers.

Structured Finance department strengthened its support to CIB business segments, the amount of newly approved transactions accounting for almost half of overall Bank's new approvals for CIB customers in 2013.

As milestone transaction we mention the leading roles in the EUR 190 mln local syndicated loans for one of the most important players on pharmaceuticals market and in the largest solar project financing in Romania, as well as the important final take in the largest syndicated local deal of 2013 in total amount of EUR 300 Mln, with EUR 50 Mln UniCredit Tîriac Bank participation for one of the leading telecom and media operators in CEE, which is considered to be a first Romanian Corporate Placement on the international market.

UniCredit Tîriac Bank Corporate Division has consolidated its top local position on project finance transactions. Majorly financed sectors with Structure Finance contribution were: agriculture, pharmaceuticals, constructions & wood (mainly infrastructure) and metals processing.

On Financial Analysis side, over 1,200 analyses for all commercial segments were performed, part of the retained selective pool of complex transactions (still to be analyzed under Structured Finance division).

In 2013, UniCredit Tîriac Bank, as agent, structured and implemented

the first factoring syndication in Romania, a EUR 100 mln transaction, structured based on the pharmaceuticals industry particularities. Our Export Factoring business continued to consolidate, registering a 75% increase, while the Bank has maintained its seat on the Romanian Factoring Association Board of Directors, also being represented in the Communication Committee and Ambassadors Body of Factors Chain International.

On EU Funds segment, UniCredit Tîriac Bank focused on consolidating its top position in the financing market for non-reimbursable funds projects which are implemented by private entities.

UniCredit Tîriac Bank supported more than 100 SMEs in obtaining JEREMIE guarantees and reached more than EUR 35 mln in facilities offered under First Loss Portfolio Guarantee Agreement signed with European Investment Fund. As member in the European Funds Commission of the Romanian Bank Association, UniCredit Tîriac Bank has closely and proactively worked with the authorities in order to improve the frame for EU Funds absorption rate for both current 2007-2013 and future 2014-2020 programming period.

The Real Estate Financing department continued the proactive management of the existing real estate loan portfolio, including successful completion of projects under development. The Real Estate Financing department has also successfully closed new financing deals, focused primarily on the office sector, both development and investment.

Last, but not least, Global Transition Banking has been awarded " #1 Domestic Cash Management House in 2013 " by Euromoney;

**"...The positive results we have obtained confirm our strong belief that we must keep this path..."** bringing us closer each day to our medium term strategic goal of becoming the **NUMBER ONE Corporate Romanian Bank**.



# Simplify

The bank within easy reach.

Today's Customers have less time to go to the branch, even though their needs are the same as ever. They need high-tech ways to access their bank services at any time, in any place.

The answer to their needs? **Subito Banca**, which includes an app designed with input from our Customers. It facilitates a wide range of online banking processes and offers an opportunity to **buy new Samsung smartphones and tablets at discounted prices.**

Transactional Products and Partnerships  
UniCredit - ITALY

# Risk Division

Throughout 2013, UniCredit Tiriak Bank focused its attention and resources on assuring better risk management and good risk culture at all business line levels. This translated into taking all necessary actions to enhance awareness and to understand, assess and mitigate both existing and potential risks that might affect the bank activity.

From a credit risk perspective, the bank continuously reviewed and updated the internal related policies and procedures in order to adapt them to the business strategy, as well as for an enhanced risk management both at transactional and portfolio level, in line with the Group Guidelines and Policies and local regulatory changes.

From a local regulatory perspective, a new internal regulation regarding the assessment and mitigation of FX risk for credits granted in foreign currency has been issued, that allows better management and coverage with respect to foreign currency exchange rate fluctuations.

Also, UniCredit Tiriak Bank has issued a new regulation on Social & Environmental Management System that helps the bank to avoid and manage financed projects with potential social and environmental risks.

In addition, the bank took actions to significantly improve control procedures in order to reduce the negative impact of controllable risks, while maintaining an optimum level of cost-effect ratio.

In July 2012, Bank of Italy, Financial Market Authority and National Bank of Romania have jointly approved UniCredit Tiriak 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 and specialized financing), multinational companies, banks and securities industry clients. During 2013, internal models which received the validation for Foundation - Internal Rating Based Approach were monitored, validated and, when necessary, refined/recalibrated.

In the context of preparation for the implementation of the advanced internal rating based approach, during 2013, UniCredit Tiriak Bank has reviewed and refined Private Individuals and SME scoring internal models, as well as enhanced the Loss Given Default and Credit Conversion Factors rating models used for internal credit risk management purposes.

Additional improvements have been done to the methodology, mechanisms and systems used for credit risk stress testing and internal capital allocation for credit risk under the ICAAP process.

From operational risk point of view, UniCredit Tiriak Bank was focused on increasing and consolidating of the risk culture at bank level in order to have an operational risk management efficient in accordance

with the regulations in force. The operational risk framework was updated and new procedures were implemented in order to better manage and control operational risk. A new methodology for scenario analysis was roll out during 2013, aiming to provide a forward looking evaluation of bank risk profile. UniCredit Tiriak Bank carried out the annual review of operational risk indicators, revised limits (where the case), set new indicators for new risks identified and canceled indicators were not relevant. Meetings and discussions were held with relevant bank's departments, in order to find the best solutions to mitigate or limit operational risk exposure.

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. Also hedge accounting techniques and stress testing were improved. The liquidity risk management approach starts at the intraday level: managing the daily payments queue, forecasting cash flows and factoring in our access to Central Bank intraday facilities. It then covers short term liquidity risk management dealing with access to secure and unsecured funding sources.

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

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

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

The framework was set up for monitoring market risk and liquidity risk at consolidated level, as well as for the subsidiaries.



# Global Banking Services Division

## ICT MANAGEMENT DEPARTMENT

ICT Department is a solid business partner leveraging on efficiency and innovation among all business lines of the Bank. Business service requirements and process driven approach promoted as alternative of predefined “off-the shelf applications” define our ICT delivery model, focused on service integrated solutions with enhanced data quality under cost effective scenarios.

### ICT Strategy main pillars:

- Consolidation of the adopted technology stake in order to simplify the application landscape and increase the flexibility and efficiency for a faster customer interaction;
- Adoption of advanced secure technologies and solutions in line with the industry best practices and requirements;
- Self Service and mobility approach culture in order to enrich the customer experience towards fast response, quick decisions and easy to use tools;
- Demand management and capacity planning aligned with tactical and strategic directions of the Bank;
- Quick reaction on compliance requirements addressed locally or centralized under the Group Compliance umbrella programs.

### Main achievements in 2013:

- Participation in bank's projects, both with business analysis knowledge and with execution capabilities – targeting the technological advancement of the bank products and processes;
- Managing a vast portfolio of applications, designed and developed by both internal and external suppliers – with the aim to simplify and reduce the number of suppliers and technologies in use;
- Assuring the segregation of duties between developing, testing and live deployment;
- Implementing the concept of IT4Customer approach in dealing with counterparties – establishing with each beneficiary division a dedicated program throughout the year to manage their IT requirements.

## OPERATIONS DEPARTMENT

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

The department is also responsible for monitoring all operational activities that have been outsourced to external providers in the Group or outside.

This mission is carried out through 4 departments:

- Payments & Treasury Security Services
- Banking Operations Services
- Core Banking & Lending Operations
- Credit Support

### Main achievements in 2013:

- Focusing on reducing operational risk and increasing efficiency;
- Building partnership with business for improving profitability and quality of service
- Support in strategic and regulatory projects;
- Building in all the departments the “Multitasking Teams”

## ORGANIZATION DEPARTMENT

The Organization department's mission is carried out through 5 (five) organizational structures:

- Change and Business Process Management providing an overview on the projects portfolio of the bank;
- Cost Management monitoring the non-HR costs and investments, the effective operational expenditure process and identifying ways in which potential cost economies can be done;
- Data Governance & Quality Management having the overall responsibility for the map of processes and the process modeling, offering re-engineering support;
- Operational Organization ensuring overall responsibility for the Bank's organizational scheme, providing of procedures and support for issuing rules and their administration;
- Organizational Models / Sizing defining methods, standards and guidelines within process management in alignment with Group Guidelines and standards.

### 2013 budget execution and cost optimization initiatives:

- The GBS Division of UniCredit Tiriac 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 Operating Expenses results for 2013 YTD have been in line with the budget, the biggest impact on actual result coming from RBS perimeter.

### Bank's main projects coordinated in 2013 :

- “One network” implementation in branches: Retail, Corporate, as well as Leasing activities consolidation – bringing together all entities under one common roof;
- Bond issuance in RON successfully completed – an initiative which proved our bank's capacity to finance itself from the local market;

- CRM – the full rolled out of Customer Relationship Management for Corporate Division - offering UniCredit Tiriak Bank the most powerful tool available for sales increase and revenue growth;
- Debt Sales - the selling of the unsecured Retail portfolios, in December 2013, the project has been successfully closed;
- ERGO automatic payment of related monthly insurance premium;
- IMEX Trade Finance new tool implementation - having the mission of automation back-end processes by optimizing the Trade Finance team FTE number and workload;
- Know your Customer having 95% coverage in July 2013 – with the mission of continuing improvement of current process and client relationship, decreasing operational time for sales force and decreasing time spent for selling process;
- Sanction screening 3 lists successfully implemented – thus offering the bank the necessary adherence to Group guidelines in respect of International Sanctions;
- SEPA Program – Single European Payments Area - State Treasury phase 1 and Rulebook 2013 have been successfully implemented.

### PROCUREMENT DEPARTMENT

Procurement Department ensures through a range of specific activities (negotiation, contracting, facilitating partnerships with potential or existing suppliers), the control over acquisitions and support for the Bank's departments in the relationship with suppliers. The department's mission is to fully exploit savings of scope and scale in purchasing goods and services with the aim to achieve the maximum of potential synergies, serving the internal customers with the best combination of saving, quality and time improvement at delivery.

In 2013, the Bank's department took over the management of the Procurement for UniCredit Leasing and UniCredit Consumer Finance.

### REAL ESTATE AND FACILITY MANAGEMENT DEPARTMENT

In today's challenging and demanding business environment the RE&FM Department in UniCredit Tiriak Bank provides dedicated group standard services, placing the internal clients' concerns ahead of their own, building a better work environment for employees, developing long-term relationships and doing extraordinary things in an ordinary way.

Real Estate & Facility Management Department comprises 3 (three) units that are responsible for different processes and activities as follows:

- Commercial Unit

- Technical Unit
- Infrastructure Unit

### Main Real Estate achievements in 2013:

- Optimization of network: closures, relocations and renegotiation of existing rental contracts;
- 'One Network' successfully implemented;
- Consolidation of SMAR Branch (Bank property);
- Support for UCBP Real Estate Projects;

### SECURITY DEPARTMENT

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

### Main Security achievements in 2013:

- Antifraud – awareness and training materials for the network;
- Physical security – implementation of the new law requirements, HG 301/2012;
- Information Security – adapt the information security strategy to face the changing threat environment;
- Business Continuity – update the Business Continuity Plan of the Bank in order to be aligned with business strategy.



# Innovate

Processes and time savings  
that serve people's goals.

Thanks to us, farmers can now get funds more rapidly. The Ministry of Agriculture has developed a faster method to make state incentive payments, based on a proposal from our bank.

The method is related to an existing program that allows Customers who meet certain requirements to obtain a **fast-track loan**. When the loan is approved, they can access their funds on the same day. This **innovative solution** is **meeting the needs of 87 percent** of farmers.

Legal Support for the Area Corporate Banking  
UniCredit Bank Banja Luka - BOSNIA AND HERZEGOVINA

# 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)
- Internal focus on creating successors pool, developing leadership and top talents to support overall performance
- Investment focused on technical and soft skills development, to meet business needs
- Starting with 2013, there is a continuous focus in aligning the HR activities with the other legal entities within the country: UniCredit Leasing and UniCredit Consumer Financing

## 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 2013 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 / 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.

### 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 different position or departments within the bank – Code of Conduct for network population, Influencing & negotiation

training for Risk population, 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, 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, personal development coaching sessions).

## Awards & Recognition

UniCredit Tiriatic Bank is ACCA Approved Employer since 2010, having both Trainee Development – Gold Level and Professional Development certifications.

UniCredit Tiriatic Bank was recertified Top Employers Europe also in 2013 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 2013 for the second consecutive year, a first in the history of CRF. As in 2012, the bank is the first and only financial institution in Romania that ranks among employers with the highest standards and practices of human resource management in Europe.

## Key Performance Indicators

- 6 point increase in overall employee Engagement compared with 2011.
- 54% of all promotions done from the internal talent pipeline
- Over 53.000 training hours and over 4.700 participants at bank level (several training sessions per employee)
- Over 4.700 employees (all UniCredit legal entities in Romania), serviced by a single HR Shared Service Center, solving over 14.000 requests.



# Financial Statements

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

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The accompanying notes form an integral part of these separate financial statements.

# Consolidated statement of comprehensive income

## For the year ended 31 december 2013

	Note	Consolidated 2013	Individual 2012
		RON	RON
Interest income		1,401,363,470	1,257,403,496
Interest expense		(620,189,742)	(653,719,314)
Interest related effect of swap transactions related to refinancing lines with UniCredit Group companies		39,815,610	85,688,280
<b>Net interest income</b>	<b>7</b>	<b>820,989,338</b>	<b>689,372,462</b>
Fee and commission income		353,801,078	307,732,450
Fee and commission expense		(64,078,482)	(57,970,291)
<b>Net fee and commission income</b>	<b>8</b>	<b>289,722,596</b>	<b>249,762,159</b>
Net income from trading and other financial instruments at fair value through profit and loss	<b>9</b>	284,490,782	263,808,748
Net gains on financial assets available for sale	<b>23</b>	92,887,452	29,229,565
Dividends and similar incomes	<b>10</b>	1,053,815	636,281
Other operating income	<b>11</b>	3,353,501	15,823,521
<b>Operating income</b>		<b>1,492,497,484</b>	<b>1,248,632,736</b>
Personnel expenses	<b>12</b>	(323,799,550)	(292,849,835)
Depreciation and amortisation	<b>13</b>	(71,173,112)	(69,980,548)
Other administrative costs	<b>14</b>	(321,172,112)	(265,977,446)
Other operating costs		(10,808,406)	(5,129,719)
<b>Operating expenses</b>		<b>(726,953,180)</b>	<b>(633,937,548)</b>
<b>Net operating income</b>		<b>765,544,304</b>	<b>614,695,188</b>
Net impairment losses on financial assets	<b>15</b>	(729,695,476)	(317,055,543)
Net impairment losses on non-financial assets	<b>26</b>	(10,531,998)	-
Net provision charges	<b>16</b>	(16,219,844)	(92,762,454)
Profit / (Loss) on associate investments at equity method		(3,595,476)	4,252,902
<b>Profit before taxation</b>		<b>5,501,510</b>	<b>209,130,093</b>

The accompanying notes form an integral part of these separate financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 december 2013

	Note	Consolidated 2013	Individual 2012
		RON	RON
Income tax	17	88,901,008	(31,748,330)
<b>Net profit for the year</b>		<b>94,402,518</b>	<b>177,381,763</b>
<b>Attributable to:</b>			
Equity holders of the parent		87,670,880	-
Non-controlling interests		6,731,638	-
<b>Net profit for the year</b>		<b>94,402,518</b>	<b>-</b>
Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	27, 23	12,995,758	53,940,707
Net change in cash flow hedging reserve (net of deferred tax)	27, 29	35,144,286	(28,176,242)
Revaluation of property, plant and equipment (net of deferred tax)	27, 25	(1,237,812)	81,537
<b>Other comprehensive income for the year, net of income tax</b>		<b>46,902,232</b>	<b>25,846,002</b>
<b>Total comprehensive income for the year</b>		<b>141,304,750</b>	<b>203,227,765</b>
<b>Attributable to:</b>			
Equity holders of the parent		134,573,112	203,227,765
Non-controlling interests		6,731,638	-
<b>Total comprehensive income for the year</b>		<b>141,304,750</b>	<b>203,227,765</b>

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

**Mr. Catalin Rasvan Radu**

Chief Executive Officer



**Mrs. Mihaela Alina Lupu**

Chief Financial Officer



The accompanying notes form an integral part of these separate financial statements.



# Consolidated statement of financial position

## As at 31 december 2013

In RON		Consolidated	Individual
Assets	Note	31 December 2013	31 December 2012
Cash and cash equivalents	18	5,235,422,569	4,429,652,624
Derivative assets at fair value through profit or loss	19	75,614,112	156,042,671
Derivatives assets designated as hedging instruments	29	13,606,582	-
Fair value changes of the hedged items in portfolio hedge		859,908	-
Loans and advances to banks	20	378,166,622	51,423,603
Loans and advances to customers	21	16,867,193,505	15,904,311,718
Investment securities, available for sale	23	5,402,692,661	3,945,757,938
Equity investments, available for sale	24	2,683,310	2,233,832
Investments in associates	22	823,800	58,000,779
Property and equipment	25	223,626,274	261,954,327
Intangible assets	26	126,566,889	120,940,183
Current tax asset	17	32,100,976	-
Deferred tax asset	27	61,700,916	-
Other assets	28	96,414,975	123,106,176
<b>Total assets</b>		<b>28,517,473,099</b>	<b>25,053,423,851</b>
<b>Liabilities</b>			
Derivative liabilities at fair value through profit or loss	19	91,322,302	140,609,534
Derivatives liabilities designated as hedging instruments	29	62,878,808	94,235,076
Deposits from banks	30	3,670,345,104	2,611,205,753
Loans from banks and other financial institutions	31	5,261,207,277	4,703,547,992
Deposits from customers	32	15,120,823,928	13,839,475,142
Debt securities issued	33	549,912,266	-
Subordinated liabilities	34	503,874,631	500,335,612
Provisions	35	227,799,156	291,465,317
Current tax liabilities		-	19,234,372
Deferred tax liabilities	27	16,552,261	36,656,957
Other liabilities	36	146,837,359	121,568,598
<b>Total liabilities</b>		<b>25,651,553,092</b>	<b>22,358,334,353</b>
<b>Equity</b>			
Share capital	37	1,101,604,066	1,101,604,066
Reserve on available for sale financial assets		41,377,457	28,381,699
Cash flow hedging reserve		(31,601,811)	(66,746,097)
Reevaluation reserve on property and equipment		14,966,066	16,203,878
Other reserves	38	213,573,522	213,703,284
Retained earnings		1,461,433,847	1,401,942,668
<b>Total equity</b>		<b>2,801,353,147</b>	<b>2,695,089,498</b>
Non-controlling interest		64,566,860	-
<b>Total Group Equity</b>		<b>2,865,920,007</b>	<b>2,695,089,498</b>
<b>Total liabilities and equity</b>		<b>28,517,473,099</b>	<b>25,053,423,851</b>

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

**Mr. Catalin Rasvan Radu**

Chief Executive Officer



**Mrs. Mihaela Alina Lupu**

Chief Financial Officer



The accompanying notes form an integral part of these separate financial statements.

# Consolidated statement of changes in equity

As at 31 december 2013

in 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	Non-Controlling Interest	Total
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	-	2,695,089,498
Consolidation adjustments related to acquisition of subsidiaries	-	-	-	-	(129,762)	(28,179,701)	(28,309,463)	57,835,222	29,525,759
<b>Total comprehensive income for the period</b>									
Net profit for the period	-	-	-	-	-	87,670,880	87,670,880	6,731,638	94,402,518
<b>Other comprehensive income, net of tax</b>									
Revaluation surplus, net of tax	-	-	-	(1,237,812)	-	-	(1,237,812)	-	(1,237,812)
Net change in available for sale financial assets, net of tax	-	12,995,758	-	-	-	-	12,995,758	-	12,995,758
Net change in cash flow hedging reserve, net of tax	-	-	35,144,286	-	-	-	35,144,286	-	35,144,286
<b>Total other comprehensive income</b>	-	12,995,758	35,144,286	(1,237,812)	-	-	46,902,232	-	46,902,232
<b>Total comprehensive income for the period</b>	-	12,995,758	35,144,286	(1,237,812)	-	87,670,880	134,573,112	6,731,638	141,304,750
Balance at 31 December 2013	1,101,604,066	41,377,457	(31,601,811)	14,966,066	213,573,522	1,461,433,847	2,801,353,147	64,566,860	2,865,920,007

The accompanying notes form an integral part of these separate financial statements.

# Individual statement of changes in equity

As at 31 december 2012

In 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
<b>Balance at 31 December 2011</b>	<b>1,101,604,066</b>	<b>(25,559,008)</b>	<b>(38,569,855)</b>	<b>16,123,210</b>	<b>213,703,284</b>	<b>1,224,560,036</b>	<b>2,491,861,733</b>
<b>Total comprehensive income for the year</b>							
Net profit for the year	-	-	-	-	-	177,381,763	<b>177,381,763</b>
<b>Other comprehensive income, net of tax</b>							
Net change in available for sale financial assets, net of tax	-	53,940,707	-	-	-	-	<b>53,940,707</b>
Net change in cash flow hedging reserve, net of tax	-	-	(28,176,242)	-	-	-	<b>(28,176,242)</b>
Revaluation of property, plant and equipment, net of tax	-	-	-	80,668	-	869	<b>81,537</b>
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>53,940,707</b>	<b>(28,176,242)</b>	<b>80,668</b>	<b>-</b>	<b>869</b>	<b>25,846,002</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>53,940,707</b>	<b>(28,176,242)</b>	<b>80,668</b>	<b>-</b>	<b>177,382,632</b>	<b>203,227,765</b>
<b>Balance at 31 December 2012</b>	<b>1,101,604,066</b>	<b>28,381,699</b>	<b>(66,746,097)</b>	<b>16,203,878</b>	<b>213,703,284</b>	<b>1,401,942,668</b>	<b>2,695,089,498</b>

The accompanying notes form an integral part of these separate financial statements.

# Consolidated statement of cash flows

For the year ended 31 december 2013

in RON		Consolidated	Individual
	Note	2013	2012
<b>Operating activities</b>			
Profit before taxation	17	5,501,510	209,130,093
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation and impairment on tangible and intangible assets	13	71,173,112	69,980,548
Net impairment losses on financial assets		738,026,174	315,609,863
Share of loss / (gain) from associate		3,595,476	(4,252,902)
Change in fair value of derivatives at fair value through profit or loss		31,110,349	(3,361,113)
Other items for which the cash effects are investing or financing		(1,203,145)	1,971,315
Other non-cash items		110,661,840	97,092,267
<b>Operating profit before changes in operating assets and liabilities</b>		<b>958,865,316</b>	<b>686,170,071</b>
<b>Change in operating assets:</b>			
Increase in investment securities available for sale		(1,419,071,660)	(497,963,257)
Increase in loans and advances to banks		(321,630,420)	(26,878,160)
Increase in loans and advances to customers		(1,003,803,157)	(1,742,144,051)
(Increase) / Decrease in other assets		7,190,556	(12,487,442)
<b>Change in operating liabilities:</b>			
(Decrease) / Increase in deposits from banks		1,058,598,676	(1,048,134,253)
Increase in deposits from customers		1,588,052,467	2,270,061,146
Decrease in other liabilities		(22,183,618)	(7,116,861)
Income tax paid		(53,040,276)	(24,304,284)
<b>Cash flows from / (used in) operating activities</b>		<b>792,977,884</b>	<b>(402,797,091)</b>
<b>Investing activities</b>			
Proceeds from sale of property and equipment		149,330	251,106
Acquisition of property and equipment and intangible assets		(52,675,813)	(73,707,285)
Acquisition of equity investments		(6,194,701)	(12,787,356)
Redemption of held to maturity securities		-	8,630,585
Dividends received	10	1,053,815	636,281
<b>Cash flows used in investing activities</b>		<b>(57,667,369)</b>	<b>(76,976,669)</b>

The accompanying notes form an integral part of these separate financial statements.

# Consolidated statement of cash flows *(continued)*

## For the year ended 31 december 2013

		Consolidated	Individual
	Note	2013	2012
<b>Financing activities</b>			
Payment of finance lease liability		-	(45,444)
Proceeds from issue of debt securities		550,000,000	-
Repayments of loans from financial institutions		(1,244,333,706)	(1,350,946,345)
Drawdowns from loans from financial institutions		764,793,136	1,877,870,059
Drawdowns from subordinated liabilities		-	224,094,250
Repayment of subordinated liabilities		-	(124,143,651)
<b>Cash flows from financing activities</b>		<b>70,459,430</b>	<b>626,828,869</b>
Net increase in cash and cash equivalents		805,769,945	147,055,109
<b>Cash and cash equivalents at 1 January</b>	<b>18</b>	<b>4,429,652,624</b>	<b>4,282,597,515</b>
<b>Cash and cash equivalents at 31 December</b>	<b>18</b>	<b>5,235,422,569</b>	<b>4,429,652,624</b>

Cash flow from operating activities include:	2013	2012
Interest received	1,384,792,419	1,173,048,973
Interest paid	521,147,509	619,698,799

The accompanying notes form an integral part of these separate financial statements.

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# (1) Reporting entity

The UniCredit Tiriac Group (the "Group") consists of UniCredit Tiriac Bank S.A. (the "Bank"), and its subsidiary UniCredit Consumer Financing IFN S.A. ("UniCredit Consumer Financing").

These consolidated financial statements comprise the Bank and its subsidiary and the Group interest in associates.

UniCredit Tiriac Bank S.A., 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 Consumer Financing IFN S.A., having its current registered office at 23-25 Ghetarilor street, 1st and 3rd floor., District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.1% in its subsidiary UniCredit Consumer Financing.

The associate company, UniCredit Leasing Corporation IFN S.A. ("UCLC"), having its current registered office at 23-25 Ghetarilor street, 1st, 2nd and 4th floor., District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. The Bank has 20.0% participation in UCLC (31 December 2012: 20.0%).

As at 31 December 2013, the Group carried out its activity:

- through Bank having 188 outlets (in 2012: 208 outlets) operating in Romania, out of which: 169 branches (in 2012: 188 branches), 19 agencies (in 2012: 19 agencies);
- through UniCredit Consumer Financing subsidiary having 58 working points in 2013 (in 2012: 52 working points).

## (2) Basis of preparation

### a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. The comparative information was not adjusted and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2012.

Additionally, the Bank prepares a set of separate financial statements in accordance with IAS 27 "Separate Financial Statements".

### b) Basis of measurement

The consolidated financial statements have been prepared as follows:

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

### c) Functional and presentation currency

The consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, and have been applied consistently by the Group.

#### a) Basis of consolidation

At the beginning of January 2013, the Bank acquired UniCredit Consumer Financing 417,208 shares from UniCredit SpA resulting in the increase of its shareholding in UniCredit Consumer Financing from 46.06% to 50.10%. Simultaneously, the Shareholders Agreement and respectively UniCredit Consumer Financing Articles of Associations have been amended to reflect the transfer of control over UniCredit Consumer Financing from UniCredit SpA to the Bank, including Bank's right to nominate the majority of UniCredit Consumer Financing Supervisory Board members. As a consequence, UniCredit Consumer Financing, previously associate entity, has become a subsidiary of the Bank. The acquisition has been accounted for using book value accounting as both entities are under common control of UniCredit SpA as ultimate parent.

The Group applies the merger accounting prospectively, from the date when obtained the control over UniCredit Consumer Financing, therefore the comparative figures presented in these consolidated financial statements include only the results of the Bank as there were presented in its individual financial statements as at 31 December 2012.

The Group elected to measure non-controlling interest at its proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

Intragroup transactions and intragroup outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

The Group holds a 20% investment in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to local and external customers. The Group has accounted for the Associate using equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures".

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

#### 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 Group 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 consolidated 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 Group 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.

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

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

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

### 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 Group, 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.

### g) Net income from 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 (*continued*)

### h) Leases

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

### i) Income tax

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

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

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

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

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

The tax rate used to calculate the current and deferred tax position at 31 December 2013 is 16% (2012: 16%).

### j) Financial assets and financial liabilities

#### ***i. Recognition and initial measurement***

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

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

#### ***ii. Classification***

##### ***Financial assets***

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

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

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

##### ***Financial liabilities***

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

## (3) Significant accounting policies (*continued*)

### j) Financial assets and financial liabilities (*continued*)

#### ***iii. Derecognition***

The Group 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 Group is recognised as a separate asset or liability.

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

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

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

For most of the contracts concluded with UniCredit Bank Austria AG, there is a risk participation agreement by which the Group 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 Group 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 Group'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 Group'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.

### (3) Significant accounting policies *(continued)*

#### j) Financial assets and financial liabilities *(continued)*

##### ***vi. Fair value measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

If a market for a financial instrument is not active, the Group 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 Group, incorporates all available factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

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

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

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

##### ***vii. Identification and measurement of impairment***

The Group 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)*

### j) Financial assets and financial liabilities *(continued)*

#### ***vii. Identification and measurement of impairment (continued)***

##### ***Loans and advances to customers***

The Group 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 Group'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 Group 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 Group'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 Group 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 Group 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 Group's rating system, expert judgement and experience of the Group's employees (e.g. the Group 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 Group's historical experience and the expert judgement of the Group'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.

## (3) Significant accounting policies *(continued)*

### j) Financial assets and financial liabilities *(continued)*

#### *vii. Identification and measurement of impairment (continued)*

##### ***Available for sale financial assets***

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

##### ***Financial assets carried at cost***

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

### 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 Group in the management of its short-term commitments.

### l) Trading assets and liabilities

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

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

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

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



### (3) Significant accounting policies (*continued*)

#### m) Derivatives held for risk management purposes and hedge accounting

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

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

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group 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 Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated. The Group 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.

For hedge accounting purposes, only instruments that involve an external party to the Group (or intra-group transactions directly replicated with third parties outside the Group) are designated as hedging instruments. Intra-group instruments for which the Group 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.

##### ***i. Fair value hedges***

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk, in the same line item in the statement of profit or loss and other comprehensive income as the hedged item.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Group started to apply fair value hedge accounting starting with 2013. The Group designated interest rate swap contracts as hedging instruments and certain loans to customers of the Group as hedged items.

##### ***ii. Cash flow hedges***

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

## (3) Significant accounting policies (*continued*)

### m) Derivatives held for risk management purposes and hedge accounting (*continued*)

#### ***iii. 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.

#### ***iv. Embedded derivatives***

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group 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.

### 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 Group 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 Group'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 Group 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 Group would not use the held to maturity classification.

#### ***ii. Available for sale***

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

### 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.

## (3) Significant accounting policies (*continued*)

### p) Property and equipment (*continued*)

#### *ii. Subsequent measurement*

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

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

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

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

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

#### *iii. Subsequent costs*

The Group 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 Group 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**

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

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

## (3) Significant accounting policies *(continued)*

### q) Investment property

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

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

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

### r) Intangible assets

#### *i. Recognition*

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

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

#### *ii. Subsequent expenditure*

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

#### *iii. Depreciation*

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

### s) Impairment of non – financial assets

The carrying amount of the Group'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.

### t) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities in issue and subordinated liabilities are the Group's sources of debt funding.

When the Group 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 Group's consolidated financial statements.

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

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

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

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

## (3) Significant accounting policies (*continued*)

### u) Provisions

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

### v) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group 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 Consolidated Financial Statements.

The Group 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 Group 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 consolidated financial position.

### w) Employee benefits

#### ***i. Short term service benefits***

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognised as expense when services are rendered. The Group 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 Group, 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 Group 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 Group has an obligation to pay to retiring employees a benefit equivalent of two salaries as at retirement date. The Group's net obligation in respect of the retirement benefit is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

## (3) Significant accounting policies *(continued)*

### w) Employee benefits *(continued)*

#### ***iv. Share - based payment transactions***

The Group 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 Group and not by its Parent, and as a consequence it is recognised as an employee benefit expense.

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

### x) Segment reporting

An operating segment is a component of an entity:

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

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

### y) Earnings per share

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

## (3) Significant accounting policies (*continued*)

### z) Changes in accounting policies

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

#### ***i. IFRS 13 Fair Value Measurement***

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

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

#### ***ii. Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income***

The standard requires that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application. The amendment had no impact in the other comprehensive income as all items included in this category are to be recycled in profit or loss in the future.

#### ***iii. Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets***

The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. The amendment was implemented by the Group during 2013 with no material impact.



## (3) Significant accounting policies *(continued)*

### aa) New standards and interpretations not yet adopted

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

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

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

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value.

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 from financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income ("OCI"). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9, "Reassessment of Embedded Derivatives".

It is expected that the new standard, when initially applied, will have a significant impact on the separate financial statements, since it will be required to be retrospectively applied. This standard has not been endorsed by the European Union. The Group 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 UniCredit Group has not decided on the date it will initially apply the new standard.

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

IFRS 12 sets out the disclosure requirements for subsidiaries, joint ventures, associates and "structured entities." IFRS 12 replaces the requirements previously included in IAS 27, IAS 31, and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirement in IFRS 12 is more expansive than the requirement in IAS 27, which only required entities to disclose circumstances where: (1) a subsidiary was consolidated and the parent owned less than a majority of voting rights; and (2) an investee was not consolidated, and the investor owned more than a majority of voting rights.

This change in the disclosure requirements reflects the degree of judgement that is now required to determine whether an entity is controlled, and, therefore, consolidated. IFRS 12 expands the disclosure requirements for subsidiaries with non-controlling interests (NCI), joint arrangements and associates that are individually material.

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

## (4) Financial risk management

### a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks

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

### b) Risk management framework

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group, through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

### c) Credit risk

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

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

#### ***1. Management of credit risk***

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

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

## (4) Financial risk management (*continued*)

### c) Credit risk (*continued*)

#### i. Management of credit risk (*continued*)

The functions of the **Credit Committee**:

Evaluating the creditworthiness of the clients, in compliance with the criteria and methods defined;

Monitoring of the Group's risk positions, in accordance with the methods defined in agreement with the Group, verifying the results of actions undertaken on deteriorating positions and defining the necessary corrective actions;

Defining watch list and non-performing loans, in compliance with the criteria defined by the UniCredit Group, suggesting necessary provisions and appropriate credit recovery activities;

Managing the credit activity according to Credit Policy and ensuring the maintaining of sound standards of lending, monitoring and control the risk credit, the appropriate evaluation of new business opportunities and early identification and administering the bad loans.

#### ii. Exposure to credit risk

In RON	Consolidated	Individual
	31 December 2013	31 December 2012
<b>Individually significant impaired loans</b>		
Grade 8: Impaired	-	25,743,209
Grade 9: Impaired	2,594,748,554	2,332,794,172
Grade 10: Impaired	725,926,279	610,948,044
<b>Gross amount</b>	<b>3,320,674,833</b>	<b>2,969,485,425</b>
Allowance for impairment	(1,393,777,865)	(932,362,250)
<b>Carrying amount</b>	<b>1,926,896,968</b>	<b>2,037,123,175</b>
<b>Fair value of collateral</b>	<b>1,099,772,464</b>	<b>1,349,496,017</b>
Property	921,695,726	1,257,252,093
Goods	96,697,684	54,151,818
Assignment of receivables	71,696,676	31,573,965
Other collateral*	9,682,378	6,518,141
<b>Other impaired loans</b>		
Grade 8	449,690,596	391,886,670
Grade 9	59,358,512	4,945,976
Grade 10	255,190,005	184,558,266
Other impaired**	5,699,921	40,871,706
<b>Gross amount</b>	<b>769,939,034</b>	<b>622,262,618</b>
Allowance for impairment	(413,431,904)	(301,377,579)
<b>Carrying amount</b>	<b>356,507,130</b>	<b>320,885,039</b>
<b>Fair value of collateral</b>	<b>336,910,472</b>	<b>291,102,086</b>
Property	311,362,040	267,862,304
Goods	5,994,946	6,974,082
Assignment of receivables	1,501,276	337,607
Other collateral*	18,052,210	15,928,093

\* Other collateral includes cash and financial risk insurance.

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

## (4) Financial risk management *(continued)*

### c) Credit risk *(continued)*

#### ii. Exposure to credit risk

In RON	Consolidated	Individual
	31 December 2013	31 December 2012
<b>Past due but not impaired</b>		
Grade 1 - 7	964,238,844	1,355,849,100
Less than 90 overdue days	957,403,066	1,351,693,562
More than 90 overdue days	6,835,778	4,155,538
Grade 8	398,135,225	427,129,028
Less than 90 overdue days	381,258,121	395,304,444
More than 90 overdue days	16,877,104	31,824,584
<b>Gross amount</b>	<b>1,362,374,069</b>	<b>1,782,978,128</b>
Allowance for impairment	(50,036,780)	(41,975,061)
<b>Carrying amount</b>	<b>1,312,337,289</b>	<b>1,741,003,067</b>
<b>Neither past due nor impaired</b>		
Grade 1 – 7	12,942,203,251	11,194,832,698
Grade 8	377,440,584	699,997,856
<b>Gross amount</b>	<b>13,319,643,835</b>	<b>11,894,830,554</b>
Allowance for impairment	(48,191,717)	(89,530,117)
<b>Carrying amount</b>	<b>13,271,452,118</b>	<b>11,805,300,437</b>
<b>Total carrying amount</b>	<b>16,867,193,505</b>	<b>15,904,311,718</b>

Cash and cash equivalents, loans and advances to banks and investment securities were neither impaired nor past due. Please also refer to *Note 18*, *Note 20* and *Note 23*.

Restructured loans are as follows:

	Consolidated	Individual
	31 December 2013	31 December 2012
<b>Gross amount</b>	<b>1,243,919,259</b>	<b>889,337,071</b>
Allowance for impairment	(382,934,019)	(212,874,637)
<b>Carrying amount</b>	<b>860,985,240</b>	<b>971,322,703</b>

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

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

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

The Group's overall risk exposure is disclosed according to the amount of identifiable impairment into 4 main categories: individually significant impaired loans, other impaired, past due but not impaired and neither past due nor impaired according to the internal rating of the Group and the past due status.

## (4) Financial risk management (*continued*)

### c) Credit risk (*continued*)

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

##### *Impaired loans*

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

##### *Individually significant impaired loans*

Individually significant impaired loans comprises significant private individuals (more than EUR 250,000) which have at least one default event, as defined in the Group's internal procedures, and significant corporate clients (more than EUR 1 mln) with grade 9 or 10, as defined in the internal rating of the Group; these two categories are individually assessed by the Group.

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

##### *Other impaired loans*

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

##### *Past due but not impaired loans*

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

##### *Neither past due nor individually impaired*

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

##### *Allowances for impairment*

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

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

In RON	Consolidated	Consolidated
31 December 2013	Gross amounts	Net amounts
Grade 8-: Impaired	449,690,596	259,634,941
Grade 9: Impaired	2,654,107,066	1,766,068,558
Grade 10: Impaired	981,116,284	252,123,179
Other impaired	5,699,921	5,577,421
<b>Total</b>	<b>4,090,613,867</b>	<b>2,283,404,098</b>

In RON	Individual	Individual
31 December 2012	Gross amounts	Net amounts
Grade 8-: Impaired	417,629,879	215,488,756
Grade 9: Impaired	2,337,740,148	1,757,647,261
Grade 10: Impaired	795,506,310	345,596,828
Other impaired	40,871,706	39,275,369
<b>Total</b>	<b>3,591,748,043</b>	<b>2,358,008,214</b>

## (4) Financial risk management (*continued*)

### c) Credit risk (*continued*)

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

##### ***Collateral***

To a large degree, the Group'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 Group 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*)

### c) Credit risk (*continued*)

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

##### *Concentration of credit risk*

The Groups 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:

	Consolidated	Individual
In RON	31 December 2013	31 December 2012
Private entities (including individuals)	5,555,963,567	3,879,631,475
Commercial, recovery and repair services	2,781,045,155	2,861,351,962
Real estate	1,622,263,103	1,864,159,971
Energy products	919,827,561	364,255,608
Foodstuffs, beverages and tobacco-based products	751,384,510	820,885,961
Construction and civil engineering	618,690,629	859,857,229
Other saleable services	602,398,429	795,686,874
Other public entities	544,133,298	651,731,138
Agriculture - forestry – fisheries	501,739,717	510,269,016
Inland transport services	375,303,702	294,649,558
Other industrial products	354,822,459	431,130,850
Paper, paper products, printing and publishing	288,419,647	214,265,060
Rubber and plastic products	273,246,507	283,229,236
Financial companies	121,340,493	194,627,453
Metal products except cars and means of transport	226,618,665	297,019,078
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	223,104,174	211,937,210
Farming and industrial machinery	174,727,242	147,889,470
Communications services	174,496,380	255,519,154
Transport-related services	171,016,406	191,066,073
Textiles, leather and footwear and clothing products	162,600,449	136,981,642
Means of transport	161,054,458	79,465,286
Hotel and public commercial concern services	124,883,175	137,002,198
Chemicals	107,117,083	46,275,290
Office machines, data processing machines, precision	23,575,578	27,926,759
Sea and air transport services	7,421,118	8,574,696
Ores and non-metal ore products	-	338,923,471
<b>Total</b>	<b>16,867,193,505</b>	<b>15,904,311,718</b>

In RON	Consolidated	Individual
	2013	2012
Loans and advances to customers	16,867,193,505	15,904,311,718
Loan related commitments and contingencies (refer to <i>Note 40</i> )	6,295,558,935	6,328,139,817
	<b>23,293,720,729</b>	<b>22,232,451,535</b>

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.



## (4) Financial risk management (*continued*)

### c) Credit risk (*continued*)

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

##### ***Exposures to higher risk Eurozone countries***

Significant concerns about the creditworthiness of certain Eurozone countries persisted during 2013 leading to speculation as to the long-term sustainability of the Eurozone. The deepening recession in a number of countries, the wider political and economic consequences of fiscal austerity programs and other government actions, and concerns about the viability of some countries' financial institutions have led to increased volatility of spreads on sovereign bonds that have peaked at times during the past year at worrying levels. Most recently, certain actions undertaken by the European Central Bank and European Commission have led to positive results in terms of improving market confidence. However, the situation remains fragile.

At 31 December 2013, 99% of the loans to customers' portfolio was represented by Romanian residents. According to Fitch's rating, Romania is considered to have a low to moderate risk for investments.

At 31 December 2013, there are no significant transactions with local subsidiaries of companies incorporated in Eurozone countries that are experiencing financial difficulties materialised through the existence of financial aid programs or other higher risk indicators.

At 31 December 2013, all investments securities recognized in the portfolio as available for sale, were represented by bonds issued by Ministry of Public Finance of Romania and local Romanian authorities.

### d) Liquidity risk

Liquidity risk is the risk that the Group 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 Group is permanently assessing the broad macroeconomic conditions, with a special focus on data concerning the banking system. The Group'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 Group'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 Group's approach is divided between short term liquidity (intraday liquidity also) and medium and long term liquidity management (structural liquidity).

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

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

## (4) Financial risk management (*continued*)

### d) Liquidity risk (*continued*)

#### ***Exposure to liquidity risk***

Key measures used by the Group 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 Group 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 Group 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 for 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 Group'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 UniCredit Group determined as total cash outflow divided by the total inflows with minimum 1, 3 and 5 years maturity, for the total position). Regarding the liquidity position for the five major currencies (EUR, USD, GBP, CHF, JPY) the gap between assets and liabilities over one year is determined. This difference represents the value, at currency level, of assets over one year which are financed with funds less than one year (short term financing), for which limits are imposed for each currency.
- Other key indicators for the management of liquidity and funding needs as Liquid assets/Total assets (%), Liquid assets/Deposits (%), Liquid assets /Deposits of top 30 deponents (%), Total funds raised from an economic group (clients)/Total on balance-sheet liabilities (%), Loans outstanding /Client deposits (%), Immediate liabilities (below 1M)/Total liabilities (%), target and alert levels are set for each indicator.

Temporary excess liquidity of the banking book on each currency is generally invested short-term through money market instruments, deposits and treasury-bills, or in medium term treasury bonds with higher liquidity in financial markets. For financing its asset expansion, the Group uses mostly medium-term funding.

The ratio of net liquid assets to deposits to customers is 43% as at 31 December 2013 (31 December 2012: 38%).

## (4) Financial risk management *(continued)*

### d) Liquidity risk *(continued)*

An analysis of assets and liabilities of the Group as at 31 December 2013 by residual contractual maturity at the reporting date is shown below:

– In RON	Consolidated						
31 December 2013	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Cash and cash equivalents	5,235,422,569	-	-	-	-	5,235,422,569	5,235,422,569
Derivative assets at fair value through profit and loss	992,638	6,418,409	8,006,867	60,196,198	-	75,614,112	75,614,112
Derivatives assets instruments designated as hedging instruments	-	1,799,962	11,806,620	-	-	13,606,582	13,606,582
Fair value changes of the hedged items in portfolio hedge	859,908	-	-	-	-	859,908	859,908
Loans and advances to banks	81,910,806	200,764,978	95,490,838	-	-	378,166,622	378,166,622
Loans and advances to customers	3,725,467,198	4,781,746,757	4,342,136,447	4,208,577,192	-	17,057,927,594	16,867,193,505
Investments in associates	-	-	-	-	823,800	823,800	823,800
Investment securities, available for sale	709,283,779	1,271,476,666	2,911,076,759	510,855,457	-	5,402,692,661	5,402,692,661
Equity investments, available for sale	-	-	-	-	2,683,310	2,683,310	2,683,310
<b>Total financial assets</b>	<b>9,753,936,898</b>	<b>6,262,206,772</b>	<b>7,368,517,531</b>	<b>4,779,628,847</b>	<b>3,507,110</b>	<b>28,167,797,158</b>	<b>27,977,063,069</b>

## (4) Financial risk management *(continued)*

### d) Liquidity risk *(continued)*

– In RON		Consolidated					
31 December 2013	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
Derivative liabilities at fair value through profit or loss	3,454,682	3,422,906	25,440,170	59,004,544	-	91,322,302	91,322,302
Derivatives liabilities designated as hedging instruments	823,354	-	15,192,894	46,862,560	-	62,878,808	62,878,808
Loans and deposits from banks and subordinated liabilities	2,044,155,541	566,654,467	5,626,005,747	1,201,320,946	-	9,438,136,701	9,435,427,012
Deposits from customers	13,490,428,607	1,371,299,289	235,554,571	25,045,985	-	15,122,328,452	15,120,823,928
Debt securities issued	-	1,530,959	-	550,000,000	-	551,530,959	549,912,266
<b>Total financial liabilities</b>	<b>15,538,862,184</b>	<b>1,942,907,621</b>	<b>5,902,193,382</b>	<b>1,882,234,035</b>	<b>-</b>	<b>25,266,197,222</b>	<b>25,260,364,316</b>
<b>Liquidity surplus / (shortfall)</b>	<b>(5,784,925,286)</b>	<b>4,319,299,151</b>	<b>1,466,324,149</b>	<b>2,897,394,812</b>	<b>3,507,110</b>	<b>2,901,599,936</b>	<b>2,716,698,753</b>
Adjustment for investment securities available for refinancing*	4,693,408,882	(1,271,476,666)	(2,911,076,759)	(510,855,457)	-	-	-
<b>Liquidity surplus / (shortfall) adjusted</b>	<b>(1,091,516,404)</b>	<b>3,047,822,485</b>	<b>(1,444,752,610)</b>	<b>2,386,539,355</b>	<b>3,507,110</b>	<b>2,901,599,936</b>	<b>2,716,698,753</b>

\* As part of its liquidity management the Group 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 *(continued)*

### d) Liquidity risk *(continued)*

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

\*\*) The table disclosed above shows the undiscounted cash flows of the Group, 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)*

### d) Liquidity risk *(continued)*

An analysis of assets and liabilities of the Bank as at 31 December 2012 by residual contractual maturity at the reporting date is shown below:

In RON	Individual						
31 December 2012	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Cash and cash equivalents	4,429,652,624	-	-	-	-	4,429,652,624	4,429,652,624
Derivative assets at fair value through profit and loss	55,136,601	4,270,982	14,581,101	82,053,987	-	156,042,671	156,042,671
Loans and advances to banks	51,423,603	-	-	-	-	51,423,603	51,423,603
Loans and advances to customers	3,888,279,126	5,485,636,382	3,438,299,579	3,168,548,673	-	15,980,763,760	15,904,311,718
Investments in associates	-	-	-	-	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
<b>Total financial assets</b>	<b>9,420,834,008</b>	<b>6,249,522,135</b>	<b>5,474,611,696</b>	<b>3,418,672,757</b>	<b>60,234,611</b>	<b>24,623,875,207</b>	<b>24,547,423,165</b>

## (4) Financial risk management *(continued)*

### d) Liquidity risk *(continued)*

In RON	Individual						
31 December 2012	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
Derivative liabilities at fair value through profit or loss	8,539,113	11,691,318	38,325,116	82,053,987	-	<b>140,609,534</b>	140,609,534
Derivatives liabilities designated as hedging instruments	833,100	1,545,898	17,105,234	74,750,844	-	<b>94,235,076</b>	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	-	<b>7,815,190,853</b>	7,815,089,357
Deposits from customers	11,924,185,245	1,102,324,943	792,226,004	23,754,784	-	<b>13,842,490,976</b>	13,839,475,142
<b>Total financial liabilities</b>	<b>13,422,020,940</b>	<b>1,864,600,389</b>	<b>5,958,117,645</b>	<b>647,787,465</b>	-	<b>21,892,526,439</b>	<b>21,889,409,109</b>
<b>Liquidity surplus / (shortfall)</b>	<b>(4,001,186,932)</b>	<b>4,384,921,746</b>	<b>(483,505,949)</b>	<b>2,770,885,292</b>	<b>60,234,611</b>	<b>2,731,348,768</b>	<b>2,658,014,056</b>
Adjustment for investment securities available for refinancing*	2,949,415,884	(759,614,771)	(2,021,731,016)	(168,070,097)	-	-	-
<b>Liquidity surplus/ (shortfall) adjusted</b>	<b>(1,051,771,048)</b>	<b>3,625,306,975</b>	<b>(2,505,236,965)</b>	<b>2,602,815,195</b>	<b>60,234,611</b>	<b>2,731,348,768</b>	<b>2,658,014,056</b>

\*As part of its liquidity management the Group 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 *(continued)*

### d) Liquidity risk *(continued)*

In RON	Individual					
31 December 2012	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Gross nominal inflow / (outflow)
<b>Contingent assets and liabilities**)</b>						
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)
<b>Contingent assets &amp; liabilities surplus / (shortfall)</b>	<b>(334,501,219)</b>	<b>(6,094,274,066)</b>	<b>(2,004,772,123)</b>	<b>(124,620,742)</b>	<b>-</b>	<b>(8,558,168,150)</b>

\*\*) The table disclosed above shows the undiscounted cash flows of the Group, 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)*

### 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:

In RON		Consolidated					
31 December 2013	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
<b>Derivative assets</b>	<b>89,220,694</b>	<b>90,390,146</b>	<b>(1,460,095)</b>	<b>(692,407)</b>	<b>12,878,945</b>	<b>19,882,401</b>	<b>59,781,302</b>
Outflow		(495,065,449)	141,591,827	(7,739,942)	(308,955,946)	(296,319,681)	(23,641,707)
Inflow		585,455,595	(143,051,922)	7,047,535	321,834,891	316,202,082	83,423,009
<b>Derivative liabilities</b>	<b>(154,201,110)</b>	<b>(163,481,296)</b>	<b>(1,638,851)</b>	<b>468,052</b>	<b>(6,582,246)</b>	<b>(46,527,153)</b>	<b>(109,201,098)</b>
Outflow		(2,208,541,527)	(1,003,327,586)	(259,558,535)	(232,491,496)	(520,576,752)	(192,587,158)
Inflow		2,045,060,231	1,001,688,735	260,026,587	225,909,250	474,049,599	83,386,060
Individual							
31 December 2012	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
<b>Derivative assets</b>	<b>156,042,671</b>	<b>157,056,289</b>	<b>34,921,729</b>	<b>18,208,871</b>	<b>7,263,725</b>	<b>14,607,976</b>	<b>82,053,988</b>
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
<b>Derivative liabilities</b>	<b>(234,844,610)</b>	<b>(235,858,228)</b>	<b>(5,214,522)</b>	<b>(2,145,590)</b>	<b>(15,604,933)</b>	<b>(56,088,352)</b>	<b>(156,804,831)</b>
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

## (4) Financial risk management (*continued*)

### e) Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Group'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 Group risks;
- the Group'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 Group'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 Group's growth policies on the loans market, optimizing the Group's exchange rate, interest rate and liquidity risk.

The Group 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 Group'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 Group 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 Group'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 Group 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 ALCO. VaR is measured daily by a common system throughout the UniCredit Group; data is automatically upload from the core banking system and other front office systems.

## (4) Financial risk management *(continued)*

### e) Market Risk *(continued)*

#### ***Exposure to market risks – Value at Risk Tool***

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

Consolidated				
In EUR	At 31 December	Average	Maximum	Minimum
	2013	2013	2013	2013
Foreign currency risk	58,818	115,425	497,379	36,729
Interest rate risk	964,989	624,967	1,250,354	178,638
Credit Spread Risk	4,083,254	5,251,053	7,441,891	3,548,376
Overall	4,252,489	5,612,384	7,771,842	3,770,518

Individual				
	At 31 December	Average	Maximum	Minimum
	2012	2012	2012	2012
Foreign currency risk	45,699	82,870	464,662	2,594
Interest rate risk	273,854	354,850	809,181	92,374
Credit Spread Risk	4,028,764	4,237,112	5,149,851	3,191,160
Overall	4,070,465	4,356,798	5,194,182	2,142,806

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

#### ***Foreign exchange (FX) analysis***

The FX net open position limits are assigned by the Group 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 2013 and 2012, which correlate also with the stable FX VaR figure.

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

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

## (4) Financial risk management *(continued)*

### e) Market Risk *(continued)*

#### ***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 Group's interest rate gap position on interest earnings assets and liabilities based on earlier date between contractual maturity and repricing date is as at 31 December 2013:

RON	Consolidated					Total contractual amount	Total carrying amount
	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years			
Cash and cash equivalents	5,235,422,569	-	-	-	5,235,422,569	5,235,422,569	
Derivative assets at fair value through profit and loss	41,128,381	4,131,579	546,390	29,807,762	75,614,112	75,614,112	
Derivatives assets designated as hedging instruments	13,606,582	-	-	-	13,606,582	13,606,582	
Fair value changes of the hedged items in portfolio hedge	859,908	-	-	-	859,908	859,908	
Loans and advances to banks	285,318,352	92,848,270	-	-	378,166,622	378,166,622	
Loans and advances to customers	10,781,022,743	5,152,312,665	702,151,896	422,440,290	17,057,927,594	16,867,193,505	
Investment securities, available for sale	709,283,779	1,271,476,666	2,911,076,759	510,855,457	5,402,692,661	5,402,692,661	
<b>Total</b>	<b>17,066,642,314</b>	<b>6,520,769,180</b>	<b>3,613,775,045</b>	<b>963,103,509</b>	<b>28,164,290,048</b>	<b>27,973,555,959</b>	
Derivative liabilities at fair value through profit and loss	44,003,237	16,359,046	1,440,864	29,519,155	91,322,302	91,322,302	
Derivatives liabilities designated as hedging instruments	62,038,833	-	-	-	62,038,833	62,878,808	
Loans and deposits from banks and subordinated liabilities	8,445,803,334	836,791,284	155,542,083	-	9,438,136,701	9,435,427,012	
Deposits from customers	13,490,419,921	1,371,307,975	235,554,571	25,045,985	15,122,328,452	15,120,823,928	
Debt securities issued	-	1,530,959	550,000,000	-	551,530,959	549,912,266	
<b>Total</b>	<b>22,042,265,325</b>	<b>2,225,989,264</b>	<b>942,537,518</b>	<b>54,565,140</b>	<b>25,265,357,247</b>	<b>25,260,364,316</b>	
<b>Interest sensitivity surplus/ (shortfall)</b>	<b>(4,975,623,011)</b>	<b>4,294,779,916</b>	<b>2,671,237,527</b>	<b>908,538,369</b>	<b>2,898,932,801</b>	<b>2,713,191,643</b>	

## (4) Financial risk management *(continued)*

### e) Market Risk *(continued)*

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities based on earlier date between contractual maturity and repricing date is as at 31 December 2012:

RON	Individual				Total contractual amount	Total carrying amount
	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years		
Cash and cash equivalents	4,429,652,624	-	-	-	<b>4,429,652,624</b>	4,429,652,624
Derivative assets at fair value through profit and loss	55,136,600	4,244,109	14,050,305	82,611,657	<b>156,042,671</b>	156,042,671
Placements with banks	51,423,603	-	-	-	<b>51,423,603</b>	51,423,603
Loans and advances to customers	13,719,611,230	391,237,362	1,247,588,906	622,326,262	<b>15,980,763,760</b>	15,904,311,718
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	<b>3,945,757,938</b>	3,945,757,938
<b>Total</b>	<b>19,252,166,111</b>	<b>1,155,096,242</b>	<b>3,283,370,227</b>	<b>873,008,016</b>	<b>24,563,640,596</b>	<b>24,487,186,934</b>
Derivative liabilities at fair value through profit and loss	8,539,113	7,880,237	41,578,527	82,611,657	<b>140,609,534</b>	140,609,534
Derivatives liabilities designated as hedging instruments	89,865,272	4,369,804	-	-	<b>94,235,076</b>	94,235,076
Loans and deposits from banks and subordinated liabilities	7,795,205,597	19,985,257	-	-	<b>7,815,190,854</b>	7,815,089,357
Deposits from customers	11,905,403,490	1,102,905,495	810,401,437	23,780,553	<b>13,842,490,975</b>	13,839,475,142
<b>Total</b>	<b>19,799,013,472</b>	<b>1,135,140,793</b>	<b>851,979,964</b>	<b>106,392,210</b>	<b>21,892,526,439</b>	<b>21,889,409,109</b>
<b>Interest sensitivity surplus/ (shortfall)</b>	<b>(546,847,361)</b>	<b>19,955,449</b>	<b>2,431,390,263</b>	<b>766,615,806</b>	<b>2,671,114,157</b>	<b>2,597,777,825</b>

## (4) Financial risk management *(continued)*

### e) Market Risk *(continued)*

The following table shows the yearly average interest rates obtained or offered by the Group during 2013:

	Consolidated		
	RON	EUR	USD
	Average	Average	Average
<b>Assets</b>			
Current accounts with the National Bank of Romania	0.87%	0.46%	-
Placements with banks	3.78%	0.75%	0.10%
Investment securities	5.74%	4.63%	6.35%
Loans and advances to customers	8.10%	4.66%	4.61%
<b>Liabilities</b>			
Deposits from banks	3.07%	0.40%	0.14%
Deposits from customers	3.15%	1.33%	1.08%
Loans from banks	5.54%	2.91%	-
Subordinated loans	4.70%	6.62%	-

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

	Individual		
	RON	EUR	USD
	Average	Average	Average
<b>Assets</b>			
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%
<b>Liabilities</b>			
Deposits from banks	3.77%	0.52%	0.34%
Deposits from customers	3.92%	1.45%	1.20%
Loans from banks	5.81%	3.54%	1.44%
Subordinated loans	5.74%	5.20%	-

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

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



## (4) Financial risk management *(continued)*

### e) Market Risk *(continued)*

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2013 can be analysed as follows:

In RON	Consolidated				
	RON	USD	EUR	Other	Total
<b>Financial assets</b>					
Cash and cash equivalents	3,081,243,293	116,167,913	2,023,168,656	14,842,707	<b>5,235,422,569</b>
Derivative assets at fair value through profit and loss	41,071,462	1,014	34,541,636	-	<b>75,614,112</b>
Derivatives assets designated as hedging instruments	11,348,685	1,604	2,256,293	-	<b>13,606,582</b>
Fair value changes of the hedged items in portfolio hedge	859,908	-	-	-	<b>859,908</b>
Loans and advances to banks	370,465,363	31,931	7,664,673	4,655	<b>378,166,622</b>
Loans and advances to customers	5,581,659,469	223,094,762	11,059,798,348	2,640,926	<b>16,867,193,505</b>
Investment securities, available for sale	4,204,902,857	7,999,975	1,189,789,829	-	<b>5,402,692,661</b>
Equity investments	2,683,310	-	-	-	<b>2,683,310</b>
Investments in associates	823,800	-	-	-	<b>823,800</b>
Other assets	60,342,208	287,368	35,755,382	30,017	<b>96,414,975</b>
<b>Total financial assets</b>	<b>13,355,400,355</b>	<b>347,584,567</b>	<b>14,352,974,817</b>	<b>17,518,305</b>	<b>28,073,478,044</b>
<b>Financial liabilities</b>					
Derivative liabilities at fair value through profit and loss	55,037,922	2,363	36,280,287	1,730	<b>91,322,302</b>
Derivatives liabilities designated as hedging instruments	49,168,386	141,357	13,569,065	-	<b>62,878,808</b>
Loans and deposits from banks and subordinated liabilities	1,797,169,687	69,797,042	7,566,986,280	1,474,003	<b>9,435,427,012</b>
Deposits from customers	9,763,613,005	661,885,318	4,641,597,878	53,727,727	<b>15,120,823,928</b>
Debt securities issued	549,912,266	-	-	-	<b>549,912,266</b>
Provisions for risk and charges	18,492,144	645,203	208,275,118	386,691	<b>227,799,156</b>
Other liabilities	115,716,137	867,544	30,160,366	93,312	<b>146,837,359</b>
<b>Total financial liabilities</b>	<b>12,349,109,547</b>	<b>733,338,827</b>	<b>12,496,868,994</b>	<b>55,683,463</b>	<b>25,635,000,831</b>
<b>Net financial assets/(liabilities)</b>	<b>1,006,290,808</b>	<b>(385,754,260)</b>	<b>1,856,105,823</b>	<b>(38,165,158)</b>	<b>2,438,477,213</b>

## (4) Financial risk management *(continued)*

### e) Market Risk *(continued)*

In RON	Consolidated				
	RON	USD	EUR	Other	Total
<b>Derivatives at fair value through profit or loss (including SPOT)</b>					
Cash Inflow	2,231,894,291	459,848,915	765,009,941	43,511,502	3,500,264,649
Cash Outflow	751,283,726	73,645,977	2,671,667,597	3,681,310	3,500,278,610
<b>Net effect of derivatives at fair value through profit or loss</b>	<b>1,480,610,565</b>	<b>386,202,938</b>	<b>(1,906,657,656)</b>	<b>39,830,192</b>	<b>(13,961)</b>
<b>Net foreign currency position</b>	<b>2,486,901,373</b>	<b>448,678</b>	<b>(50,551,833)</b>	<b>1,665,034</b>	<b>2,438,463,252</b>

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

In RON	Individual				
	RON	USD	EUR	Other	Total
<b>Financial assets</b>					
Cash and cash equivalents	2,748,247,737	125,037,177	1,534,027,114	22,340,596	<b>4,429,652,624</b>
Derivative assets at fair value through profit and loss	176,740	7,832,246	148,029,498	4,187	<b>156,042,671</b>
Loans and advances to banks	33,606,139	11,124,876	6,691,675	913	<b>51,423,603</b>
Loans and advances to customers	4,250,563,269	305,027,917	11,342,737,498	5,983,034	<b>15,904,311,718</b>
Investments in associates	58,000,779	-	-	-	<b>58,000,779</b>
Investment securities, available for sale	2,046,776,680	-	1,898,981,258	-	<b>3,945,757,938</b>
Equity investments	2,233,832	-	-	-	<b>2,233,832</b>
Other assets	37,261,748	32,508,697	53,303,911	31,820	<b>123,106,176</b>
<b>Total financial assets</b>	<b>9,176,866,924</b>	<b>481,530,913</b>	<b>14,983,770,954</b>	<b>28,360,550</b>	<b>24,670,529,341</b>
<b>Financial liabilities</b>					
Derivative liabilities at fair value through profit and loss	1,120,423	67,135	139,370,063	51,913	<b>140,609,534</b>
Derivatives liabilities designated as hedging instruments	79,273,646	143,976	14,817,454	-	<b>94,235,076</b>
Loans and deposits from banks and subordinated liabilities	2,170,946,969	9,745,577	5,625,458,386	8,938,425	<b>7,815,089,357</b>
Deposits from customers	7,520,211,389	1,108,211,180	5,165,869,404	45,183,169	<b>13,839,475,142</b>
Provisions for risk and charges	12,707,256	1,242,087	277,411,516	104,458	<b>291,465,317</b>
Other liabilities	84,200,451	4,898,327	32,192,303	277,517	<b>121,568,598</b>
<b>Total financial liabilities</b>	<b>9,868,460,134</b>	<b>1,124,308,282</b>	<b>11,255,119,126</b>	<b>54,555,482</b>	<b>22,302,443,024</b>
<b>Net financial assets/(liabilities)</b>	<b>(691,593,210)</b>	<b>(642,777,369)</b>	<b>3,728,651,828</b>	<b>(26,194,932)</b>	<b>2,368,086,317</b>

In RON	RON	USD	EUR	Other	Total
<b>Derivatives at fair value through profit or loss (including SPOT)</b>					
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
<b>Net effect of derivatives at fair value through profit or loss</b>	<b>3,104,148,021</b>	<b>642,155,379</b>	<b>(3,708,022,834)</b>	<b>25,894,090</b>	<b>64,174,656</b>
<b>Net foreign currency position</b>	<b>2,412,554,811</b>	<b>(621,990)</b>	<b>20,628,994</b>	<b>(300,842)</b>	<b>2,432,260,973</b>

## (4) Financial risk management (*continued*)

### f) Taxation risk

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

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

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

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

### g) Operating environment

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

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

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

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

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

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

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

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

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

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

## (4) Financial risk management (*continued*)

### g) Operating environment (*continued*)

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

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

### h) Capital management

The Group'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 Group 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 Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. The financial information regarding the capital management of the Group will be published together with these consolidated financial statements according with legislation in force.

#### ***Risk capital measurement***

##### ***i. Regulatory capital***

#### ***Credit Risk***

In July 2012, National Bank of Romania ("NBR") authorized the Group 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 Group is still applying the Standardized Approach.

#### ***Market Risk***

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

#### ***Operational Risk***

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

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

The internal model (AMA) has been formally approved by the National Bank of Romania in March 2008.

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

The Group's regulator, NBR, sets and monitors capital requirements. In implementing current capital requirements NBR requires the Group to maintain a prescribed ratio of total capital to total risk – weighted assets at minimum 8% (as at 31 December 2013 this ratio is more than 10%).

## (4) Financial risk management (*continued*)

### h) Capital management (*continued*)

#### ***Risk capital measurement (continued)***

##### ***i. (i) Regulatory capital (continued)***

#### ***Operational Risk (continued)***

The Group's regulatory capital is structured into two tiers:

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

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.

##### ***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 Group 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 Group 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 Group 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 Group has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with UniCredit SpA 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 Group's estimate could be revised after the date of the approval of the consolidated 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 Group would be estimated RON 13,372 thousand higher (31 December 2013: RON 14,297 thousand) or RON 48,725 thousand lower (31 December 2012: RON 25,534 thousand).

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

## (5) Use of estimates and judgements (*continued*)

### a) Key sources of estimation uncertainty (*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 Group.

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

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

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:

Individual		
In RON	Market Yield – 10%	Market Yield + 10%
Available for sale denominated in RON	13,302,833	(12,947,365)
Available for sale denominated in EUR	11,478,762	(11,327,419)
<b>Available for sale Total</b>	<b>24,781,595</b>	<b>(24,274,784)</b>

### b) Critical accounting judgments in applying the Group's accounting policies

#### *Financial assets and liabilities classification*

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

#### *Qualifying hedge relationships*

In designating financial instruments in qualifying hedge relationships, the Group 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 Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

## (5) Use of estimates and judgements (*continued*)

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

#### ***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 Group 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 the classification in quoted and unquoted financial instruments is presented below:

31 December 2013		Consolidated	
In RON	Listed	Unlisted	Total
Investment securities available for sale	3,450,897,085	1,951,795,576	5,402,692,661
Equity investments available for sale	-	2,683,310	2,683,310
31 December 2012		Individual	
In RON	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

The Group 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:
  - o FX Outright Forward and FX Swaps – the forward legs are revalued daily in Core 02- IT System at forward rates, which are computed as the sum of the NBR spot rate + swap points for the respective maturity bucket. For establishing the Swap points the information provided by Tullet Prebone on its Reuters/Bloomberg pages is used. For each end of month the discounted PV from Markets Front office systems is input into Core System. Level 2 is assigned for deals with liquid currency pairs.
  - o IR Options and IRS - are revalued daily in the Front Office System OPUS – consistent with the UniCredit Group's revaluation. The revaluation performed in OPUS is input as of each end of month in Core02 IT System.
  - o 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 Group classified in Level 3 the following instruments:
  - o FX Options - are revalued daily in the Front-office application software "Wall street" – consistent with the UniCredit Group revaluation. The revaluation performed in Wall street System is input as of each end of month into Core02 IT System.
  - o CCS- are revalued daily in the Front Office System OPUS – consistent with the UniCredit Group's revaluation. The revaluation performed in OPUS is input as of each end of month in Core02 IT System.
  - o FX Outright Forward and FX Swaps – the forward legs are revalued daily in Core 02- IT System at forward rates, which are computed as the sum of the NBR spot rate + swap points for the respective maturity bucket. For establishing the Swap points the information provided by Tullet Prebone on its Reuters/Bloomberg pages is used. For each end of month the discounted PV from Markets Front office systems is input into Core System. Level 3 is assigned for deals with less liquid currency pairs.



## (5) Use of estimates and judgements *(continued)*

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

#### *Determining fair values (continued)*

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

In RON	Consolidated				
	Level 1	Level 2	Level 3	Total Fair value	Total Book value
<b>Assets measured at amortized cost</b>					
Cash and cash balances	-	-	5,235,422,569	<b>5,235,422,569</b>	5,235,422,569
Loans and advances to banks <sup>1</sup>	-	-	378,163,621	<b>378,163,621</b>	378,166,622
Loans and advances to customers <sup>1</sup>	-	-	17,074,145,384	<b>17,074,145,384</b>	16,867,193,505
Investments in associates <sup>2</sup>	-	-	823,800	<b>823,800</b>	823,800
Property plant and equipment <sup>3</sup>	-	-	223,626,274	<b>223,626,274</b>	223,626,274
<b>Total assets measured at amortized cost</b>	<b>-</b>	<b>-</b>	<b>22,912,181,648</b>	<b>22,912,181,648</b>	<b>22,705,232,770</b>
<b>Assets measured at fair value</b>					
<b>Trading assets</b>					
Derivative assets at fair value through profit and loss <sup>4</sup>	-	75,208,710	405,402	<b>75,614,112</b>	75,614,112
Derivatives financial instruments designated as hedging instruments <sup>4</sup>	-	-	13,606,582	<b>13,606,582</b>	13,606,582
<b>Total trading assets</b>	<b>-</b>	<b>75,208,710</b>	<b>14,011,984</b>	<b>89,220,694</b>	<b>89,220,694</b>
<b>Available for sale assets</b>					
Investment securities, available for sale <sup>5</sup>	3,297,526,356	2,094,834,575	10,331,730	<b>5,402,692,661</b>	5,402,692,661
Equity investments, available for sale <sup>6</sup>	-	-	2,683,310	<b>2,683,310</b>	2,683,310
<b>Total available for sale assets</b>	<b>3,297,526,356</b>	<b>2,094,834,575</b>	<b>13,015,040</b>	<b>5,405,375,971</b>	<b>5,405,375,971</b>

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

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

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

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

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

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

## (5) Use of estimates and judgements *(continued)*

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

#### *Determining fair values (continued)*

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
<b>Financial liability measured at amortized cost</b>					
Deposits from banks <sup>7</sup>	-	-	3,583,696,498	3,583,696,498	3,670,345,104
Loans from banks and other financial institutions, including subordinated liabilities <sup>7</sup>	-	-	5,159,179,573	5,159,179,573	5,261,207,277
Deposits from customers <sup>7</sup>	-	-	15,231,626,742	15,231,626,742	15,120,823,928
Debt securities issued <sup>8</sup>	-	-	562,175,310	562,175,310	549,912,266
<b>Total liabilities measured at amortized cost</b>	<b>-</b>	<b>-</b>	<b>24,536,678,123</b>	<b>24,536,678,123</b>	<b>24,602,288,575</b>
<b>Financial liability measured at fair value</b>					
<b>Trading liabilities</b>					
Derivative liabilities at fair value through profit and loss <sup>4</sup>	-	90,375,088	947,214	91,322,302	91,322,302
Derivatives financial instruments designated as hedging instruments <sup>4</sup>	-	60,540,013	2,338,795	62,878,808	62,878,808
<b>Total trading liabilities</b>	<b>-</b>	<b>150,915,101</b>	<b>3,286,009</b>	<b>154,201,110</b>	<b>154,201,110</b>

<sup>7</sup> Fair values of deposits are based on discounted cash flows using market interest rates and credit spreads.

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

## (5) Use of estimates and judgements *(continued)*

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

#### *Determining fair values (continued)*

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

In RON	Consolidated				
	Level 1	Level 2	Level 3	Total Fair value	Total Book value
<b>Assets measured at amortized cost</b>					
Cash and cash balances	-	-	4,429,652,624	<b>4,429,652,624</b>	4,429,652,624
Loans and advances to banks <sup>1</sup>	-	-	51,423,603	<b>51,423,603</b>	51,423,603
Loans and advances to customers <sup>1</sup>	-	-	15,706,685,052	<b>15,706,685,052</b>	15,904,311,718
Investments in associates <sup>2</sup>	-	-	58,000,779	<b>58,000,779</b>	58,000,779
Property plant and equipment <sup>3</sup>	-	-	261,954,327	<b>261,954,327</b>	261,954,327
<b>Total assets measured at amortized cost</b>	-	-	<b>20,507,716,385</b>	<b>20,507,716,385</b>	<b>20,705,343,051</b>
<b>Assets measured at fair value</b>					
<b>Trading assets</b>					
Derivative assets at fair value through profit and loss <sup>4</sup>	-	154,733,774	1,308,897	<b>156,042,671</b>	156,042,671
<b>Total trading assets</b>	-	<b>154,733,774</b>	<b>1,308,897</b>	<b>156,042,671</b>	<b>156,042,671</b>
<b>Available for sale assets</b>					
Investment securities, available for sale <sup>5</sup>	-	3,945,757,938	-	<b>3,945,757,938</b>	3,945,757,938
Equity investments, available for sale <sup>6</sup>	-	-	2,233,832	<b>2,233,832</b>	2,233,832
<b>Total available for sale assets</b>	-	<b>3,945,757,938</b>	<b>2,233,832</b>	<b>3,947,991,770</b>	<b>3,947,991,770</b>

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

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

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

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

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

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

## (5) Use of estimates and judgements *(continued)*

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

#### *Determining fair values (continued)*

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
<b>Financial liability measured at amortized cost</b>					
Deposits from banks <sup>7</sup>	-	-	2,611,205,753	<b>2,611,205,753</b>	<b>2,611,205,753</b>
Loans from banks and other financial institutions, including subordinated liabilities <sup>7</sup>	-	-	5,178,645,247	<b>5,178,645,247</b>	<b>5,203,883,604</b>
Deposits from customers <sup>7</sup>	-	-	13,883,493,739	<b>13,883,493,739</b>	<b>13,839,475,142</b>
<b>Total liabilities measured at amortized cost</b>	-	-	<b>21,673,344,739</b>	<b>21,673,344,739</b>	<b>21,654,564,499</b>
<b>Financial liability measured at fair value</b>					
<b>Trading liabilities</b>					
Derivative liabilities at fair value through profit and loss <sup>4</sup>	-	139,274,594	1,334,940	<b>140,609,534</b>	<b>140,609,534</b>
Derivatives financial instruments designated as hedging instruments <sup>4</sup>	-	88,319,374	5,915,702	<b>94,235,076</b>	<b>94,235,076</b>
<b>Total trading liabilities</b>	-	<b>227,593,968</b>	<b>7,250,642</b>	<b>234,844,610</b>	<b>234,844,610</b>

<sup>7</sup> Fair value of deposits are based on discounted cash flows using market interest rates and credit spreads.

## (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 2013		Consolidated					
In RON	Note	Financial assets at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
Cash and cash equivalents	18	-	5,235,422,569	-	-	5,235,422,569	5,235,422,569
Derivative assets at fair value through profit or loss	19	75,614,112	-	-	-	75,614,112	75,614,112
Derivative assets designated as hedging instruments	29	-	-	-	13,606,582	13,606,582	13,606,582
Fair value hedge assets		859,908	-	-	-	859,908	859,908
Loans and advances to banks	20	-	378,166,622	-	-	378,166,622	378,163,621
Loans and advances to customers	21	-	16,867,193,505	-	-	16,867,193,505	17,074,145,384
Investment securities, available for sale	23	-	-	5,402,692,661	-	5,402,692,661	5,402,692,661
Equity investments, available for sale	22	-	-	2,683,310	-	2,683,310	2,683,310
Investments in associated entities	24	-	-	-	823,800	823,800	823,800
<b>Total financial assets</b>		<b>76,474,020</b>	<b>22,480,782,696</b>	<b>5,405,375,971</b>	<b>14,430,382</b>	<b>27,977,063,069</b>	<b>28,184,011,947</b>
Derivative liabilities at fair value through profit or loss	19	91,322,302	-	-	-	91,322,302	91,322,302
Derivatives liabilities designated as hedging instruments	29	-	-	-	62,878,808	62,878,808	62,878,808
Deposits from banks	30	-	-	-	3,670,345,104	3,670,345,104	3,583,696,498
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	5,765,081,908	5,765,081,908	5,650,835,244
Debt securities issued	33	-	-	-	549,912,266	549,912,266	562,175,310
Deposits from customers	32	-	-	-	15,120,823,928	15,120,823,928	15,231,626,742
<b>Total financial liabilities</b>		<b>91,322,302</b>	<b>-</b>	<b>-</b>	<b>25,169,042,014</b>	<b>25,260,364,316</b>	<b>25,182,534,904</b>

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

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		Individual					
In RON	Note	Financial assets at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
Cash and cash equivalents	18	-	4,429,652,624	-	-	4,429,652,624	4,429,652,624
Derivative assets at fair value through profit or loss	19	156,042,671	-	-	-	156,042,671	156,042,671
Loans and advances to banks	20	-	51,423,603	-	-	51,423,603	51,423,603
Loans and advances to customers	21	-	15,904,311,718	-	-	15,904,311,718	15,706,685,052
Investment securities, available for sale	23	-	-	3,945,757,938	-	3,945,757,938	3,945,757,938
Investment in associates	22	-	-	-	58,000,779	58,000,779	58,000,779
Equity investments, available for sale	24	-	-	2,233,832	-	2,233,832	2,233,832
<b>Total financial assets</b>		<b>156,042,671</b>	<b>20,385,387,945</b>	<b>3,947,991,770</b>	<b>58,000,779</b>	<b>24,547,423,165</b>	<b>24,349,796,499</b>
Derivatives liabilities at fair value through profit or loss	19	140,609,534	-	-	-	140,609,534	149,609,534
Derivatives liabilities designated as hedging instruments	29	-	-	-	94,235,076	94,235,076	94,235,076
Deposits from banks	30	-	-	-	2,611,205,753	2,611,205,753	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	5,203,883,604	5,203,883,604	5,178,645,247
Deposits from customers	32	-	-	-	13,839,475,142	13,839,475,142	13,883,493,739
<b>Total financial liabilities</b>		<b>140,609,534</b>	<b>-</b>	<b>-</b>	<b>21,748,799,575</b>	<b>21,889,409,109</b>	<b>21,908,189,349</b>

## (7) Net interest income

	Consolidated	Individual
In RON	2013	2012
<b>Interest income</b>		
Interest and similar income arising from:		
Loans and advances to customers*	1,143,384,680	1,021,708,191
Treasury bills and bonds	204,388,816	182,893,221
Current accounts and placements with banks	32,532,113	38,594,322
Others (including derivatives)	21,057,861	14,207,762
<b>Total interest income</b>	<b>1,401,363,470</b>	<b>1,257,403,496</b>
<b>Interest expense</b>		
Interest expense and similar charges arising from:		
Deposits from customers	299,016,050	337,427,976
Loans from banks and other financial institutions	210,607,380	212,938,406
Deposits from banks	52,266,453	62,347,284
Debt securities issued	17,996,557	-
Repurchase agreements	6,140,597	5,137,338
Others (including derivatives)	34,162,705	35,868,310
<b>Total interest expense</b>	<b>620,189,742</b>	<b>653,719,314</b>
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies**	39,815,610	85,688,280
<b>Net interest income</b>	<b>820,989,338</b>	<b>689,372,462</b>

\*) Includes interest income on impaired loans of RON 69,770,075 (31 December 2012: RON 76,851,174). 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 Group'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 Group's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in Net income from trading and other financial instruments at fair value through profit and loss.

## (8) Net fees and commissions income

	Consolidated	Individual
	2013	2012
<b>In RON</b>		
<b>Fees and commissions income</b>		
Payments transactions	202,573,598	184,215,902
Risk participation fee (refer to Note 40)	60,846,003	35,345,247
Guarantees and letters of credit	24,680,638	24,180,956
Loan administration	17,352,081	13,013,484
Other	48,348,758	50,976,861
<b>Total fees and commission income</b>	<b>353,801,078</b>	<b>307,732,450</b>
<b>Fees and commissions expense</b>		
Inter-banking fees	36,711,137	32,377,711
Payments transactions	16,255,645	11,402,165
Commitments and similar fees	4,795,127	7,660,082
Intermediary agents fees	2,621,829	1,114,127
Other	3,694,744	5,416,206
<b>Total fees and commissions expense</b>	<b>64,078,482</b>	<b>57,970,291</b>
<b>Net fees and commissions income</b>	<b>289,722,596</b>	<b>249,762,159</b>



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

	Consolidated	Individual
In RON	2013	2012
Net gains from foreign exchange operations (including FX derivatives)	260,708,268	264,087,944
Net income from trading bonds	2,123,288	294,478
Net gains / (losses) from interest derivatives	21,659,226	(573,674)
<b>Net income from trading and other financial instruments at fair value through profit or loss</b>	<b>284,490,782</b>	<b>263,808,748</b>

## (10) Dividends income

The Group received dividends from the following companies:

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

## (11) Other operating income

In RON	Consolidated	Individual
	2013	2012
Gains from sales of loans and receivables	-	12,961,133
Other operating revenues	3,353,501	2,862,388
<b>Total</b>	<b>3,353,501</b>	<b>15,823,521</b>

## (12) Personnel expenses

In RON	Consolidated	Individual
	2013	2012
Wages and salaries	250,299,815	232,264,878
Social security charges	67,897,062	61,296,299
Equity settled share-based payments	550,807	1,196,288
Other (income) / costs	5,051,866	(1,907,630)
<b>Total</b>	<b>323,799,550</b>	<b>292,849,835</b>

The number of employees at 31 December 2013 was 3,169 (31 December 2012: 2,799). Remuneration of Board's members for 2013 was RON 16,244,673 (2012: RON 11,195,805). The Group 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 Group and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 w (iv)).

## (13) Depreciation and amortisation

In RON	Consolidated	Individual
	2013	2012
Depreciation on property and equipment	40,309,328	37,118,601
Amortisation on intangible assets	30,863,784	32,861,947
<b>Total</b>	<b>71,173,112</b>	<b>69,980,548</b>

## (14) Other administrative costs

In RON	Consolidated	Individual
	2013	2012
Office space expenses (rental, maintenance, other)	105,659,699	100,428,800
IT services	85,265,039	58,530,501
Other taxes and duties	33,627,358	26,348,654
Advertising and promotional expenses	22,141,771	14,889,428
Communication expenses	21,195,865	21,173,007
Consultancy, legal and other professional services	11,538,140	8,983,747
Materials and consumables	9,290,301	7,262,748
Personnel training and recruiting	4,759,175	3,833,736
Insurance expenses	3,015,197	2,857,319
Other	24,679,567	21,669,506
<b>Total</b>	<b>321,172,112</b>	<b>265,977,446</b>

## (15) Net impairment losses on financial assets

In RON	Consolidated	Individual
	2013	2012
Net provision (charges) for loans and advances to customers	(665,364,439)	(311,636,822)
Loans written-off	(72,039,235)	(2,984,819)
Recoveries from loans previously written-off	8,330,698	1,162,084
Net provisions (charges) for equity investments	(8,417)	(2,607,596)
Net provisions (charges) for investments in associates	(296,948)	-
Net provisions (charges) for other financial assets	(317,135)	(988,390)
<b>Net impairment losses on financial assets</b>	<b>(729,695,476)</b>	<b>(317,055,543)</b>

## (16) Net provisions charges

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

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



## (17) Income tax

	Consolidated	Individual
In RON	2013	2012
Direct taxes at 16% (2012: 16%) of taxable profits determined in accordance with Romanian law	-	(43,896,087)
Correction of current income tax arising from previous year	(1,741,299)	901,741
Deferred tax	90,642,307	11,246,016
<b>Income tax</b>	<b>88,901,008</b>	<b>(31,748,330)</b>

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

In RON	Consolidated	Individual
	2013	2012
<b>Profit before tax</b>	<b>5,501,510</b>	<b>209,130,093</b>
<b>Taxation at statutory rate of 16%</b>	<b>(880,242)</b>	<b>(33,460,815)</b>
Non-deductible expenses	(31,648,447)	(35,384,603)
Non-taxable revenues	39,978,695	26,557,095
Tax effect on retained earnings on transition to IFRS as endorsed by EU as statutory financial reporting framework, taxable during 2012	1,641,804	(2,848,679)
Origination and reversal of temporary differences	90,642,307	11,246,016
Fiscal credit	-	2,142,656
Fiscal loss	(10,833,109)	-
<b>Income tax in the income statement</b>	<b>5,501,510</b>	<b>209,130,093</b>

The Group made quarterly payments in advance during 2013 with reference to the taxable profit of the previous year adjusted with consumer price index according with Fiscal Code. In this context, the Bank booked as at 31 December 2013 a current tax asset of RON 32,100,976 for such payments considering that fiscal result was a loss.

## (18) Cash and cash equivalents

In RON	Consolidated	Individual
	31 December 2013	31 December 2012
Balances with National Bank of Romania	4,199,744,807	3,537,695,143
Short term money market placements	459,543,818	460,678,182
Cash (including cash in ATMs)	429,733,732	240,949,220
Current balances with other banks	146,400,212	190,330,079
<b>Total</b>	<b>5,235,422,569</b>	<b>4,429,652,624</b>

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

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

In RON	Consolidated		
	31 December 2013		
	Present value		
	Notional	Assets	Liabilities
<b>Foreign currency derivatives</b>			
Forward contracts	2,411,599,971	5,043,130	5,016,099
Purchased Options	233,047,323	453,029	-
Sold Options	205,109,573	-	449,529
<b>Total foreign currency derivatives</b>	<b>2,849,756,867</b>	<b>5,496,159</b>	<b>5,465,628</b>
<b>Interest rates derivatives</b>			
Interest Rate Swaps	2,084,619,636	39,137,551	55,164,619
Purchased Options	1,229,552,455	30,980,402	-
Sold Options	1,229,531,695	-	30,692,055
<b>Total interest rate derivatives</b>	<b>4,543,703,786</b>	<b>70,117,953</b>	<b>85,856,674</b>
<b>Total</b>	<b>7,393,460,653</b>	<b>75,614,112</b>	<b>91,322,302</b>

In RON	Individual		
	31 December 2012		
	Present value		
	Notional	Assets	Liabilities
<b>Foreign currency derivatives</b>			
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
<b>Total foreign currency derivatives</b>	<b>4,541,284,329</b>	<b>58,044,434</b>	<b>9,280,414</b>
<b>Interest rates derivatives</b>			
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
<b>Total interest rate derivatives</b>	<b>4,720,713,513</b>	<b>97,998,237</b>	<b>131,329,120</b>
<b>Total</b>	<b>9,261,997,842</b>	<b>156,042,671</b>	<b>140,609,534</b>

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

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

## (20) Loans and advances to banks

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

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

## (21) 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 reporting date by type of loan was as follows:

	Consolidated	Individual
In RON	31 December 2013	31 December 2012
Mortgages	7,261,730,501	6,361,835,831
Corporate loans	3,188,743,383	3,539,619,588
Revolving credit lines	1,936,416,592	2,418,614,573
Credit cards and personal loans	1,721,639,287	507,024,780
Factoring	573,488,141	850,713,910
Impaired assets*	4,090,613,867	3,591,748,043
<b>Loans and advances to customers before provisions</b>	<b>18,772,631,771</b>	<b>17,269,556,725</b>
Less provision for impairment losses on loans	(1,905,438,266)	(1,365,245,007)
<b>Net loans and advances to customers</b>	<b>16,867,193,505</b>	<b>15,904,311,718</b>

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

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

	Consolidated	Individual
	2013	2012
<b>Specific allowances for impairment</b>		
<b>Balance at 1 January</b>	<b>1,275,592,748</b>	<b>1,087,316,670</b>
Net impairment charge for the year	705,386,807	420,647,366
Foreign currency exchange effect	(19,595,471)	(28,563,864)
Release of allowance for impairment of loans written-off and loans sold	(225,814,436)	(343,254,684)
Unwinding effect on provisions	71,640,121	97,594,342
<b>Balance at 31 December</b>	<b>1,807,209,769</b>	<b>1,233,739,830</b>

	Consolidated	Individual
	2013	2012
<b>Collective allowances for impairment</b>		
<b>Balance at 1 January</b>	<b>138,544,989</b>	<b>228,697,670</b>
Net impairment charge / (release) for the year	(40,022,368)	(109,010,544)
Foreign Currency Exchange Effect	(294,124)	9,135,172
Release of allowance for impairment of loans written-off and loans sold	-	2,682,879
<b>Balance at 31 December</b>	<b>98,228,497</b>	<b>131,505,177</b>
Total opening balance	1,414,137,737	1,316,014,340
<b>Total closing balance</b>	<b>1,905,438,266</b>	<b>1,365,245,007</b>

## (22) Investment in associates

In RON	Nature of business	Country of incorporation	Consolidated		Individual	
			% interest held	31 December 2013	% interest held	31 December 2012
				Carrying amount		Carrying amount
UniCredit Consumer Finance IFN S.A. *)	Consumer finance	Romania	50.10%	N/A	46.06%	53,288,395
UniCredit Leasing Corporation IFN S.A. **)	Leasing services	Romania	20.00%	823,800	20.00%	8,186,146
<b>Total</b>				<b>823,800</b>		<b>58,000,779</b>

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

\*\*) During 2013 the Group booked an impairment for its associate UCLC in amount of RON: 296,948 (31 December 2012: 0). (refer to Note 15).

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

In RON	Ownership	Total assets	Total liabilities	Operating income	Profit/(Loss)
<b>2013</b>					
UniCredit Consumer Finance IFN S.A.	50.10%	1,305,488,368	1,176,095,863	106,901,435	13,490,256
UniCredit Leasing Corporation IFN S.A.	20.00%	2,774,242,840	2,768,639,101	91,373,151	(17,977,379)

In RON	Ownership	Total assets	Total liabilities	Operating income	Profit/(Loss)
<b>2012</b>					
UniCredit Consumer Finance IFN S.A.	46.06%	1,223,746,879	1,107,844,630	86,777,249	8,234,218
UniCredit Leasing Corporation IFN S.A.	20.00%	2,793,724,126	2,770,109,831	105,890,120	2,302,520

## (23) Investment securities, available for sale

As at 31 December 2013, the Group included in investment securities, available for sale bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON 5,402,692,661 (31 December 2012: RON 3,945,757,938 ).

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

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

## (24) Equity investments

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

Consolidated					
31 December 2013	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit CAIB Securities Romania SA*	Financial activities	19.97	2,632,881	2,632,881	-
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA	Financial activities	6.80	645,525	-	645,525
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Financial activities	2.57	194,560	155,496	39,064
Casa de Compensare Bucuresti SA	Other financial services	0.91	46,980	39,483	7,497
VISA Europe Limited	Cards	0.01	37	-	37
UniCredit Leasing Romania SA	Leasing services	0.00002	14	-	14
<b>Total</b>			<b>6,471,423</b>	<b>3,788,113</b>	<b>2,683,310</b>

\* Entity in liquidation.

Individual					
31 December 2012	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit CAIB Securities Romania SA	Financial activities	19.97	2,632,881	2,632,881	-
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA	Financial activities	4.23	187,635	-	187,635
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
Casa de Compensare Bucuresti SA	Other financial services	0.11	46,975	39,483	7,492
VISA Europe Limited	Cards	0.01	37	-	37
UniCredit Leasing Romania SA	Leasing services	0.00002	14	-	14
<b>Total</b>			<b>6,013,528</b>	<b>3,779,696</b>	<b>2,233,832</b>

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



## (25) Property and equipment

In RON	Consolidated					
	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
<b>Cost</b>						
<b>Balance at 1 January 2013</b>	<b>168,678,975</b>	<b>117,016,090</b>	<b>603,115</b>	<b>112,887,294</b>	<b>13,094,004</b>	<b>412,279,478</b>
Additions	3,807,785	8,189,732	-	3,686,293	18,221,883	33,905,693
Revaluation*	(13,333,502)	-	-	-	-	(13,333,502)
Disposals	(4,987,074)	(4,331,621)	-	(4,883,848)	(15,063,950)	(29,266,493)
Reclassification to investment properties	(479,571)	-	-	-	-	(479,571)
<b>Balance at 31 December 2013</b>	<b>153,686,613</b>	<b>120,874,201</b>	<b>603,115</b>	<b>111,689,739</b>	<b>16,251,937</b>	<b>403,105,605</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at 1 January 2013</b>	<b>(14,550,956)</b>	<b>(77,437,499)</b>	<b>(603,115)</b>	<b>(56,968,451)</b>	<b>-</b>	<b>(149,560,021)</b>
Charge for the year	(12,370,321)	(15,192,063)	-	(12,746,944)	-	(40,309,328)
Revaluation*	1,364,905	-	-	-	-	1,364,905
Disposals	1,453,617	3,787,613	-	3,757,179	-	8,998,409
Reclassification to investment properties	26,704	-	-	-	-	26,704
<b>Balance at 31 December 2013</b>	<b>(24,076,051)</b>	<b>(88,841,949)</b>	<b>(603,115)</b>	<b>(65,958,216)</b>	<b>-</b>	<b>(179,479,331)</b>
<b>Carrying amounts</b>						
<b>At 1 January 2013</b>	<b>154,128,019</b>	<b>39,578,591</b>	<b>-</b>	<b>55,918,843</b>	<b>13,094,004</b>	<b>262,719,457</b>
<b>At 31 December 2013</b>	<b>129,610,562</b>	<b>32,032,252</b>	<b>-</b>	<b>45,731,523</b>	<b>16,251,937</b>	<b>223,626,274</b>

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

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

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

In RON	Individual					
	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
<b>Cost</b>						
<b>Balance at 1 January 2012</b>	<b>159,223,566</b>	<b>87,120,751</b>	<b>603,115</b>	<b>92,591,929</b>	<b>42,268,004</b>	<b>389,339,132</b>
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)
<b>Balance at 31 December 2012</b>	<b>167,937,284</b>	<b>116,343,738</b>	<b>603,115</b>	<b>112,657,568</b>	<b>13,094,004</b>	<b>410,635,709</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at 1 January 2012</b>	<b>-</b>	<b>(64,224,916)</b>	<b>(567,833)</b>	<b>(48,311,018)</b>	<b>-</b>	<b>(113,103,767)</b>
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
<b>Balance at 31 December 2012</b>	<b>(14,274,593)</b>	<b>(76,962,803)</b>	<b>(603,115)</b>	<b>(56,840,871)</b>	<b>-</b>	<b>(148,681,382)</b>
<b>Carrying amounts</b>						
<b>At 1 January 2012</b>	<b>159,223,566</b>	<b>22,895,835</b>	<b>35,282</b>	<b>44,280,911</b>	<b>42,268,004</b>	<b>268,703,598</b>
<b>At 31 December 2012</b>	<b>153,662,691</b>	<b>39,380,935</b>	<b>-</b>	<b>55,816,697</b>	<b>13,094,004</b>	<b>261,954,327</b>

## (25) Property and equipment *(continued)*

Contingent operating lease (rentals)

In RON	31 December 2013	31 December 2012
<b>Amounts payable under operational leases</b>		
Up to twelve months	74,124,393	74,253,561
From one to five years	235,079,638	259,665,370
Over five years	91,724,081	124,620,742
<b>Total future lease obligations</b>	<b>400,928,112</b>	<b>458,539,673</b>

## (26) Intangible assets

In RON	Consolidated		
	Intangible assets	Intangible assets in progress	Total
<b>Cost</b>			
<b>Balance at 1 January 2013</b>	<b>166,015,668</b>	<b>90,384,949</b>	<b>256,400,617</b>
Additions	79,455,296	34,053,863	113,509,159
Disposals	(123,180)	(79,455,296)	(79,578,476)
<b>Balance at 31 December 2013</b>	<b>245,347,784</b>	<b>44,983,516</b>	<b>290,331,300</b>
<b>Amortisation and impairment losses</b>			
<b>Balance at 1 January 2013</b>	<b>(133,023,805)</b>	<b>-</b>	<b>(133,023,805)</b>
Amortisation for the year	(30,863,784)	-	(30,863,784)
Disposals	123,178	-	123,178
<b>Balance at 31 December 2013</b>	<b>(163,764,411)</b>	<b>-</b>	<b>(163,764,411)</b>
<b>Carrying amounts</b>			
<b>At 1 January 2013</b>	<b>32,991,863</b>	<b>90,384,949</b>	<b>123,376,812</b>
<b>At 31 December 2013</b>	<b>81,583,373</b>	<b>44,983,516</b>	<b>126,566,889</b>

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

## (27) Deferred tax assets and liabilities

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

In RON	Consolidated	Consolidated	Consolidated
	31 December 2013	31 December 2013	31 December 2013
	Assets	Liabilities	Net
Loans and advances to customers	964,226	5,530,709	(4,566,483)
Property, equipment and intangible assets	1,372,393	2,656,713	(1,284,320)
Available for sale equity investments	-	65,131	(65,131)
Available for sale investment securities	-	7,881,420	(7,881,420)
Derivative financial instruments held for hedging	6,298,124	418,288	5,879,836
Other assets	4,069,490	-	4,069,490
Fiscal loss	9,651,621	-	9,651,621
Provisions, other liabilities, accruals	39,345,060	-	39,345,060
<b>Deferred tax asset / (liability) at 16%</b>	<b>61,700,916</b>	<b>16,552,261</b>	<b>45,148,655</b>

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

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

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

In RON	Consolidated			Individual		
	2013	2013	2013	2012	2012	2012
	Before tax	Deferred Tax	Net of tax	Before tax	Deferred Tax	Net of tax
Available for sale financial assets	49,258,877	(7,881,420)	<b>41,377,457</b>	33,787,737	(5,406,038)	<b>28,381,699</b>
Cash flow hedging reserve	(37,621,203)	6,019,392	<b>(31,601,811)</b>	(79,459,639)	12,713,542	<b>(66,746,097)</b>
Revaluation of property, plant and equipment	17,622,779	(2,656,713)	<b>14,966,066</b>	19,193,427	(2,989,550)	<b>16,203,878</b>

## (28) Other assets

In RON	Consolidated	Individual
	31 December 2013	31 December 2012
Sundry debtors (gross amounts)	45,975,475	35,329,443
Prepayments	24,070,413	35,345,534
Amounts receivable	15,910,024	17,603,022
Inventories	11,198,302	8,198,489
Advances for fixed assets	3,484,202	1,728,528
Investment properties	417,656	-
Amounts in transit	95,987	31,858,381
Other	3,966,636	3,824,023
<b>Total gross amounts</b>	<b>105,118,695</b>	<b>133,887,420</b>
Less impairment for sundry debtors	(8,703,720)	(10,781,244)
<b>Total</b>	<b>96,414,975</b>	<b>123,106,176</b>

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

## (29) Derivatives assets/liabilities designated as hedging instruments

The Group 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	Consolidated 31 December 2013			Individual 31 December 2012		
Instrument type:	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate	485,697,799	-	59,700,038	527,183,817	-	88,319,374
Cross currency swap	471,790,440	13,606,582	2,338,795	221,435,000	-	5,915,702
<b>Total</b>	<b>957,488,239</b>	<b>13,606,582</b>	<b>62,038,833</b>	<b>748,618,817</b>	<b>-</b>	<b>94,235,076</b>

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

The fair values of derivatives designated as fair value hedges are:

In RON	Consolidated 31 December 2013		Individual 31 December 2012	
Instrument type:	Notional amount	Liabilities	Notional amount	Liabilities
Interest rate	21,436,756	839,975	-	-
<b>Total</b>	<b>21,436,756</b>	<b>839,975</b>	<b>-</b>	<b>-</b>

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	Consolidated 31 December 2013			Individual 31 December 2012		
	Within 1 year	1-5 years	Over 5 years	Within 1 year	1-5 years	Over 5 years
Cash inflow	230,788,901	287,488,917	29,779,174	134,397,086	109,023,015	27,412,331
Cash outflow	(239,287,326)	(310,646,933)	(49,114,654)	(69,784,034)	(235,112,603)	(60,170,871)

As 31 December 2013, all cash flow and fair value hedge relationships have been assessed as highly effective, with no ineffectiveness recognised in profit or loss.

## (30) Deposits from banks

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

## (31) Loans from banks and other financial institutions

	Consolidated	Individual
In RON	31 December 2013	31 December 2012
Commercial Banks	4,874,195,562	4,176,694,100
Multilateral development banks	15,739,909	19,985,257
International financial institutions	371,271,806	36,972,459
Repurchase Agreement with National Bank of Romania	-	469,896,176
<b>Total</b>	<b>5,261,207,277</b>	<b>4,703,547,992</b>

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



## (32) Deposits from customers

	Consolidated	Individual
	31 December 2013	31 December 2012
<b>In RON</b>		
Term deposits	7,213,012,016	6,924,149,066
Payable on demand	7,084,813,695	6,249,800,446
Collateral deposits	766,247,115	632,648,154
Amounts in transit	56,718,530	29,091,830
Certificates of deposits	32,572	3,785,646
<b>Total</b>	<b>15,120,823,928</b>	<b>13,839,475,142</b>

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

## (33) Debt securities issued

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

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

## (34) Subordinated liabilities

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

At 31 December 2013, the following agreements were outstanding:

- i. Subordinated loans from UniCredit Bank Austria AG are as follows: two facilities in amount of EUR 48,500,000 EUR and respectively RON 215,730,000 in total amount of RON equivalent 433,237,950 principal, (31 December 2012: two facilities in amount of EUR 48,500,000 EUR and respectively RON 215,730,000 in total amount of RON equivalent 430,521,950 principal).

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

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

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

## (35) Provisions

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

As of 31 December 2013, the Group calculated provisions for off balance sheet commitments and contingencies in amount of RON 14,673,526 (2012: RON 10,749,591) both for undrawn lines and for other off balance sheet credit related commitments items.

The movements in provisions during the year were as follows:

	Consolidated	Individual
In RON	2013	2012
<b>Balance at 1 January</b>	<b>291,465,317</b>	<b>244,068,534</b>
Provision set up during the year	171,005,945	117,718,003
Provision used during the year	(83,301,157)	(50,437,527)
Provision reversed during the year	(154,786,101)	(24,955,550)
FX effect related to off-balance exposure (financial guarantees and commitments)	3,415,152	5,071,857
<b>Balance at 31 December</b>	<b>227,799,156</b>	<b>291,465,317</b>

## (36) Other liabilities

In RON	Consolidated	Individual
	31 December 2013	31 December 2012
Accruals for third party services	43,823,701	29,671,486
Amounts payable to suppliers	25,672,989	20,217,096
Deferred income	24,708,312	23,057,181
Payable to state budget	20,399,862	18,508,827
Accrual of employee bonus	15,283,013	16,491,737
Other	16,949,482	13,622,271
<b>Total</b>	<b>146,837,359</b>	<b>121,568,598</b>

## (37) Issued capital

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

	Consolidated	Individual
	31 December 2013	31 December 2012
	%	%
UniCredit Bank Austria AG	50.55884	50.55884
Redrum International Investments B.V	24.83104	24.83104
Vesanio Trading Ltd	20.22869	20.22869
Bank Austria – CEE BeteiligungsgmbH	0.01329	0.01329
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders	4.32827	4.32827
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The share capital comprises of the following:

In RON	Consolidated	Individual
	31 December 2013	31 December 2012
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
<b>Share capital under IFRS</b>	<b>1,101,604,066</b>	<b>1,101,604,066</b>

## (38) Other reserves

The breakdown of other reserves is presented below:

In RON	Consolidated	Individual
	31 December 2013	31 December 2012
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,494	19,064,494
<b>Total</b>	<b>213,573,522</b>	<b>213,573,522</b>

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 net profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the statutory share capital.

## (39) Related party transactions

The Group 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 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:

<b>31 December 2013</b>	<b>Consolidated</b>		
<b>In RON</b>	<b>Parent Company</b>	<b>Associates</b>	<b>Other related parties</b>
Derivative assets at fair value through profit or loss	-	-	6,740,827
Derivatives assets designated as hedging instruments	3,404,031	-	10,202,551
Loans and advances to banks	577,440,615	-	14,856,297
Loans to customers	-	38,370,458	31,827,413
Other assets	7,702,847	-	14,317,037
<b>Outstanding receivables</b>	<b>588,547,493</b>	<b>38,370,458</b>	<b>77,944,125</b>
Derivative liabilities at fair value through profit or loss	2,571,509	-	82,732,297
Derivatives liabilities designated as hedging instruments	-	-	62,038,833
Current accounts	18,549,769	2,233,982	43,780,087
Deposit attracted	3,033,798,220	224,475,735	174,099,210
Loans received	4,518,858,978	-	355,295,106
Debts securities issued	20,608,025	-	-
Subordinated liabilities	436,478,335	-	67,396,296
Other liabilities	8,303,921	20,347	10,570,746
<b>Outstanding payables</b>	<b>8,039,168,757</b>	<b>226,730,064</b>	<b>795,912,575</b>
Interest income	7,670,616	1,231,027	18,967,332
Interest expense	(234,440,049)	(6,596,590)	(50,603,821)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies	39,815,610	-	-
Fee and commission income	36,062,056	308,179	1,673,162
Fee and commission expense	(1,413,155)	(1,116)	(69,361)
Other operating income	7,702,847	-	4,101,884
Operating expenses	(560,883)	(111,608)	(54,156,923)
<b>Net revenue / (expense)</b>	<b>(145,162,958)</b>	<b>(5,170,108)</b>	<b>(80,087,727)</b>
<b>Commitments</b>	<b>444,635,583</b>	<b>53,562,389</b>	<b>265,871,412</b>



## (39) Related party transactions *(continued)*

In RON	31 December 2012		
	Parent Company	Associates	Other related parties
Derivative assets at fair value through profit or loss	18,077,399	1,596,234	9,218,093
Loans and advances to banks	183,191,259	-	6,529,981
Loans to customers	-	142,323,365	27,628,500
Other assets	6,156,280	68,961,146	4,259,951
<b>Outstanding receivables</b>	<b>207,424,938</b>	<b>212,880,745</b>	<b>47,636,525</b>
Derivative liabilities at fair value through profit or loss	214,545	-	130,240,063
Derivatives liabilities designated as hedging instruments	-	-	94,235,076
Current accounts	55,344,819	8,366,246	41,032,910
Deposit attracted	2,252,615,719	597,903,075	310,153,825
Loans received	4,176,660,894	-	33,208
Subordinated liabilities	433,783,445	-	66,552,167
Other liabilities	-	-	9,076,804
<b>Outstanding payables</b>	<b>6,918,619,422</b>	<b>606,269,321</b>	<b>651,324,053</b>
Interest income	2,233,426	14,072,120	623,537
Interest expense	(259,636,780)	(8,980,079)	(12,126,484)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group Companies	62,711,731	-	22,976,549
Fee and commission income	36,174,892	16,710,269	2,222,402
Fee and commission expense	(4,026,403)	(141)	(1,387,155)
Other operating income	6,156,280	-	4,250,061
Operating expenses	(511,595)	-	(38,906,215)
<b>Net revenue / (expense)</b>	<b>(219,610,180)</b>	<b>21,777,161</b>	<b>(67,315,098)</b>
<b>Commitments</b>	<b>294,795,928</b>	<b>3,651,157</b>	<b>884,560,633</b>

### *Transactions with key management personnel*

A number of banking transactions are entered into with key management personnel (executive management, administrators and managers of the Group) 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	Consolidated	Individual
	31 December 2013	31 December 2012
Loans	601,461	1,205,999
Current accounts and deposits	4,974,619	5,637,739
Interest and similar income	45,218	70,853
Interest expenses and similar charges	(157,332)	(133,963)

In RON	Consolidated	Individual
	2013	2012
Key management compensation	16,244,673	11,195,805
<b>Total</b>	<b>16,244,673</b>	<b>11,195,805</b>

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

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

The Group concluded with UniCredit Bank Austria AG a series of novation contracts through which loan contracts initially concluded by the Group with Romanian companies were transferred to UniCredit Bank Austria AG in exchange for full reimbursement of borrowers' due to the Group. According to these novation contracts the Group 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 Group 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 40,077,826 (31 December 2012: EUR 32,972,257).

According to the contracts presented in the paragraphs above the Group 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 Group receives the commissions paid by the borrowers plus a portion of the interest margin collected from the borrowers. The Group defers the commissions collected upfront from the risk participation agreements over the time period that remains until the maturity of the facilities.

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

# (41) Operating segments

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

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

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

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

**Other** segment ("Other") comprises of all elements not assigned to above mentioned segments such as impairment losses on investments, taxes and result of ALM activities.

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

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

Segment reporting on income statements as of 31 December 2013:

In RON	Consolidated			
	CIB & PB	Retail	Other	Total
Net interest income	460,325,087	434,773,759	(74,109,508)	820,989,338
Net fee and commission income	170,052,216	120,867,890	(1,197,510)	289,722,596
Net income from trading and other financial instruments at fair value through profit and loss	239,661,231	40,122,710	4,706,841	284,490,782
Net gains on financial assets available for sale	92,887,452	-	-	92,887,452
Other operating income	-	(548,668)	4,955,984	4,407,316
<b>Operating income</b>	<b>962,925,986</b>	<b>595,215,691</b>	<b>(65,644,193)</b>	<b>1,492,497,484</b>
Operating expenses	(239,447,468)	(509,516,639)	22,010,927	(726,953,180)
<b>Net operating income</b>	<b>723,478,518</b>	<b>85,699,052</b>	<b>(43,633,266)</b>	<b>765,544,304</b>
Net impairment losses and provision charges	(572,149,601)	(173,745,505)	(10,552,212)	(756,447,318)
Profit / (loss) on associate investments at equity method	-	-	(3,595,476)	(3,595,476)
<b>Profit before taxation</b>	<b>151,328,917</b>	<b>(88,046,453)</b>	<b>(57,780,954)</b>	<b>5,501,510</b>
Income tax	-	-	88,901,008	88,901,008
<b>Net profit for the year</b>	<b>151,328,917</b>	<b>(88,046,453)</b>	<b>31,120,054</b>	<b>94,402,518</b>

## (41) Operating segments *(continued)*

Segment reporting on income statements as of 31 December 2012:

In RON	Individual			
	CIB &PB	Retail	Other	Total
Net interest income	443,206,502	291,914,281	(45,748,321)	<b>689,372,462</b>
Net fee and commission income	138,437,786	113,335,000	(2,010,627)	<b>249,762,159</b>
Net income from trading and other financial instruments at fair value through profit and loss	207,494,019	32,160,885	24,153,844	<b>263,808,748</b>
Net gains on financial assets available for sale	29,229,565	-	-	<b>29,229,565</b>
Other operating income	300,679	2,465,170	13,693,953	16,459,802
<b>Operating income</b>	<b>818,668,551</b>	<b>439,875,336</b>	<b>(9,911,151)</b>	<b>1,248,632,736</b>
Operating expenses	(188,237,361)	(461,175,226)	15,475,039	<b>(633,937,548)</b>
<b>Net operating income</b>	<b>630,431,190</b>	<b>(21,299,890)</b>	<b>5,563,888</b>	<b>614,695,188</b>
Net impairment losses and provision charges	(349,760,990)	(50,761,190)	(9,295,817)	<b>(409,817,997)</b>
Profit / (loss) on associate investments at equity method	-	-	4,252,902	<b>4,252,902</b>
Profit before taxation	280,670,200	(72,061,080)	520,973	<b>209,130,093</b>
Income tax	-	-	(31,748,330)	<b>(31,748,330)</b>
<b>Net profit for the year</b>	<b>280,670,200</b>	<b>(72,061,080)</b>	<b>(31,227,357)</b>	<b>177,381,763</b>

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

In RON	Consolidated			
	CIB &PB	Retail	Other	Total
<b>Total assets</b>	<b>13,670,513,504</b>	<b>6,746,703,148</b>	<b>8,100,256,447</b>	<b>28,517,473,099</b>
Total liabilities	10,150,643,844	5,859,822,336	9,641,086,912	<b>25,651,553,092</b>
Total equity	-	-	2,865,920,007	<b>2,865,920,007</b>
<b>Total liabilities and equity</b>	<b>10,150,643,844</b>	<b>5,859,822,336</b>	<b>12,507,006,919</b>	<b>28,517,473,099</b>

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

In RON	Individual			
	CIB &PB	Retail	Other	Total
<b>Total assets</b>	<b>14,948,433,285</b>	<b>5,086,140,950</b>	<b>5,018,849,616</b>	<b>25,053,423,851</b>
Total liabilities	10,782,133,732	4,808,660,461	6,767,540,160	<b>22,358,334,353</b>
Total equity	-	-	2,695,089,498	<b>2,695,089,498</b>
<b>Total liabilities and equity</b>	<b>10,782,133,732</b>	<b>4,808,660,461</b>	<b>9,462,629,658</b>	<b>25,053,423,851</b>

## (41) Operating segments *(continued)*

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

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

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

**Mr. Catalin Rasvan Radu**

Chief Executive Officer



**Mrs. Mihaela Alina Lupu**

Chief Financial Officer





# Separate Financial Statements

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

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The accompanying notes form an integral part of these separate financial statements.

# Separate statement of comprehensive income

## For the year ended 31 December 2013

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

The accompanying notes form an integral part of these separate financial statements.



# Separate statement of comprehensive income

For the year ended 31 December 2013

(RON)

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

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

**Mr. Catalin Rasvan Radu**

Chief Executive Officer



**Mrs. Mihaela Alina Lupu**

Chief Financial Officer



The accompanying notes form an integral part of these separate financial statements.

# Separate statement of financial position

## As at 31 December 2013

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

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

**Mr. Catalin Rasvan Radu**

Chief Executive Officer



**Mrs. Mihaela Alina Lupu**

Chief Financial Officer



The accompanying notes form an integral part of these separate financial statements.

# Separate statement of changes in equity

At 31 December 2013

In 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 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
<b>Total comprehensive income for the year</b>							
Net profit for the year	-	-	-	-	-	75,086,569	75,086,569
<b>Other comprehensive income, net of tax</b>							
Net change in available for sale financial assets, net of tax	-	12,995,758	-	-	-	-	12,995,758
Net change in cash flow hedging reserve, net of tax	-	-	35,144,286	-	-	-	35,144,286
Revaluation of property, plant and equipment, net of tax	-	-	-	(1,237,812)	-	-	(1,237,812)
<b>Total other comprehensive income for the year</b>	-	12,995,758	35,144,286	(1,237,812)	-	-	46,902,232
<b>Total comprehensive income for the year</b>	-	12,995,758	35,144,286	(1,237,812)	-	75,086,569	121,988,801
Balance at 31 December 2013	1,101,604,066	41,377,457	(31,601,811)	14,966,066	213,573,522	1,486,374,696	2,826,293,996

The accompanying notes form an integral part of these separate financial statements.

# Separate statement of changes in equity

## At 31 December 2012

In 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
<b>Total comprehensive income for the year</b>							
Net profit for the year	-	-	-	-	-	173,128,861	173,128,861
<b>Other comprehensive income, net of income tax</b>							
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
<b>Total other comprehensive income for the year</b>	-	53,940,707	(28,176,242)	80,668	-	869	25,846,002
<b>Total comprehensive income for the year</b>	-	53,940,707	(28,176,242)	80,668	-	173,129,730	198,974,863
Balance at 31 December 2012	1,101,604,066	28,381,699	(66,746,097)	16,203,878	213,573,522	1,411,288,127	2,704,305,195

The accompanying notes form an integral part of these separate financial statements.

# Separate statement of cash flows

For the year ended 31 December 2013

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

The accompanying notes form an integral part of these separate financial statements.

# Separate statement of cash flows

## For the year ended 31 December 2013

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

<b>Cash flow from operating activities include:</b>	<b>2013</b>	<b>2012</b>
Interest received	1,277,432,597	1,173,048,973
Interest paid	567,982,439	619,698,799

The accompanying notes form an integral part of these separate financial statements.

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## (1) Reporting entity

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

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

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

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

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

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

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



## (2) Basis of preparation

### a) Statement of compliance

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

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

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

### b) Basis of measurement

The separate financial statements have been prepared as follows:

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

### c) Functional and presentation currency

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

### d) Use of estimates and judgements

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

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

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

### (3) Significant accounting policies

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

#### a) Foreign currency

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

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

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

The exchange rates of major foreign currencies were:

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

#### b) Accounting for the effect of hyperinflation

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

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

#### c) 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.

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

## (3) Significant accounting policies

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

### d) Fees and commission

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

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

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

### e) Dividends

Dividend income is recognised in the income statement on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues. Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders.

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

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

### g) Leases

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

## (3) Significant accounting policies

### h) Income tax

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

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

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

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

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

The tax rate used to calculate the current and deferred tax position at 31 December 2013 is 16% (2012: 16%).

### i) Financial assets and financial liabilities

#### ***i. Recognition and initial measurement***

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

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

#### ***ii. Classification***

##### **Financial assets**

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

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

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

##### **Financial liabilities**

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

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

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

## (3) Significant accounting policies

### i) Financial assets and financial liabilities (*continued*)

#### ***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 is also recognised in profit or loss.

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

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

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

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

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

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

#### ***iv. Offsetting***

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

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

#### ***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.

### (3) Significant accounting policies

#### *vi. Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

#### *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

### i) Financial assets and financial liabilities (*continued*)

#### ***vii. Identification and measurement of impairment (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.

## (3) Significant accounting policies

### i) Financial assets and financial liabilities (*continued*)

#### *vii. Identification and measurement of impairment (continued)*

##### ***Available for sale financial assets***

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

##### ***Financial assets carried at cost***

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

### j) Cash and cash equivalents

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

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

### k) Trading assets and liabilities

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

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

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

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



## (3) Significant accounting policies

### 1) Derivatives held for risk management purposes and hedge accounting

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

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

#### ***i. Other non-trading derivatives***

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

#### ***ii. Embedded derivatives***

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

#### ***iii. Cash flow hedges***

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

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

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

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

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

## (3) Significant accounting policies

### m) Loans and advances

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

### n) Investment securities

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

#### ***i. Held-to-maturity***

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

#### ***ii. Available for sale***

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

### o) Equity investments

#### ***i. Subsidiaries***

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

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

#### ***ii. Investment in associate***

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

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

#### ***iii. Equity instruments***

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

## (3) Significant accounting policies

### 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 valuers.

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

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

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

#### *iii. Subsequent costs*

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

#### *iv. Depreciation*

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

The estimated rates of depreciation are as follows:

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

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

## (3) Significant accounting policies

### q) Investment property

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

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

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

### r) Intangible assets

#### *i. Recognition*

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

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

#### *ii. Subsequent expenditure*

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

#### *iii. Depreciation*

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

### s) Impairment of non – financial assets

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

## (3) Significant accounting policies

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

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

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

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

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

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

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

### u) Provisions

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

### v) Financial guarantees and loan commitments

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

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

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

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

## (3) Significant accounting policies

### w) Employee benefits

#### *i. Short term service benefits*

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

#### *ii. Defined contribution plans*

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

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

#### *iii. Defined benefit plans*

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

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

#### *iv. Share - based payment transactions*

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

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

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

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

#### *v. Termination benefits*

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

## (3) Significant accounting policies

### x) Segment reporting

An operating segment is a component of an entity:

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

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

### y) Earnings per share

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

### z) Changes in accounting policies

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

#### ***i. IFRS 13 Fair Value Measurement***

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

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

#### ***ii. Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income***

The standard requires that an entity presents separately the items of Other Comprehensive Income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of Other Comprehensive Income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The impact of the initial application of the amendments will depend on the specific items of Other Comprehensive Income at the date of initial application. The amendment had no impact in the Other Comprehensive Income as all items included in this category are to be recycled in profit or loss in the future.

#### ***iii. Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets***

The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. The amendment was implemented by the Bank during 2013 with no material impact.

## (3) Significant accounting policies

### aa) New standards and interpretations not yet adopted

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

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

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

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value.

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 from financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income ("OCI"). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9, "Reassessment of Embedded Derivatives".

It is expected that the new standard, when initially applied, will have a significant impact on the separate financial statements, since it will be required to be retrospectively applied. This standard has not been endorsed by the European Union.

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

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

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

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



## (4) Financial risk management

### a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks

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

### b) Risk management framework

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

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

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

## (4) Financial risk management

### c) Credit risk

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

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

#### ***i. Management of credit risk***

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

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

The functions of the Credit Committee:

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

## (4) Financial risk management

### c) Credit risk (*continued*)

#### ii. Exposure to credit risk

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

\* Other collateral includes cash and financial risk insurance.

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

## (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. Please also refer to Note 18, Note 20 and Note 23.

Restructured loans are as follows:

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

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

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

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

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

#### ***Impaired loans***

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms.

#### ***Individually significant impaired loans***

Individually significant impaired loans comprises significant private individuals (more than EUR 250,000) which have at least one default event, as defined in the Bank's internal procedures, and significant corporate clients (more than EUR 1 million) with grade 9 or 10, as defined in the internal rating of the Bank; these two categories are individually assessed by the Bank.

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

#### ***Other impaired loans***

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

#### ***Past due but not impaired loans***

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

## (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 and considered to be all performing.

##### *Allowances for impairment*

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

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

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

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

## (4) Financial risk management

### c) Credit risk (*continued*)

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

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

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

#### *Exposures to higher risk Eurozone countries*

Significant concerns about the creditworthiness of certain Eurozone countries persisted during 2013 leading to speculation as to the long-term sustainability of the Eurozone. The deepening recession in a number of countries, the wider political and economic consequences of fiscal austerity programs and other government actions, and concerns about the viability of some countries' financial institutions have led to increased volatility of spreads on sovereign bonds that have peaked at times during the past year at worrying levels. Most recently, certain actions undertaken by the European Central Bank and European Commission have led to positive results in terms of improving market confidence. However, the situation remains fragile.

At 31 December 2013, 99% of the loans to customers' portfolio was represented by Romanian residents. According to Fitch's rating, Romania is considered to have a low to moderate risk for investments.

At 31 December 2013, there are no significant transactions with local subsidiaries of companies incorporated in Eurozone countries that are experiencing financial difficulties materialised through the existence of financial aid programs or other higher risk indicators.

At 31 December 2013, all investments securities recognized in the portfolio as available for sale were represented by bonds issued by Ministry of Public Finance of Romania and local Romanian authorities.

### d) Liquidity risk

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

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.



## (4) Financial risk management

### d) Liquidity risk (*continued*)

#### ***Management of liquidity risk***

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

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

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

Regarding structural liquidity, the Bank pursues the following goals:

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

## (4) Financial risk management

### d) Liquidity risk (*continued*)

#### ***Exposure to liquidity risk***

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

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

Temporary excess liquidity of the banking book on each currency is generally invested short-term through money market instruments, deposits and treasury-bills, or in medium term treasury bonds with higher liquidity in financial markets. For financing its asset expansion, the Bank uses mostly medium-term funding.

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

## (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 2013 – In RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Cash and cash equivalents	5,235,423,604	-	-	-	-	5,235,423,604	5,235,423,604
Derivative assets at fair value through profit or loss	992,638	6,418,409	8,881,855	60,196,198	-	76,489,100	76,489,100
Derivatives financial instruments designated as hedging instruments	-	1,799,962	11,806,620	-	-	13,606,582	13,606,582
Loans and advances to banks	81,910,806	200,764,978	95,490,838	-	-	378,166,622	378,166,622
Loans and advances to customers	3,771,452,031	4,763,255,922	3,571,952,004	3,807,801,035	-	15,914,460,992	15,763,723,509
Investments in subsidiary and associates	-	-	-	-	65,590,936	65,590,936	65,590,936
Investment securities, available for sale	709,283,779	1,271,476,666	2,911,076,759	510,855,457	-	5,402,692,661	5,402,692,661
Equity investments	-	-	-	-	2,683,310	2,683,310	2,683,310
<b>Total financial assets</b>	<b>9,799,062,858</b>	<b>6,243,715,937</b>	<b>6,599,208,076</b>	<b>4,378,852,690</b>	<b>68,274,246</b>	<b>27,089,113,807</b>	<b>26,938,376,324</b>
Derivative liabilities at fair value through profit or loss	4,298,692	3,422,906	25,440,170	59,004,544	-	92,166,312	92,166,312
Derivatives financial instruments designated as hedging instruments	823,354	-	14,352,919	46,862,560	-	62,038,833	62,038,833
Loans and deposits from banks and subordinated liabilities	2,044,155,540	260,010,573	4,899,213,190	1,180,693,832	-	8,384,073,135	8,381,547,759
Deposits from customers	13,548,906,680	1,371,299,289	235,554,571	25,045,985	-	15,180,806,525	15,179,302,001
Debt securities issued	-	1,530,959	550,000,000	-	-	551,530,959	549,912,266
<b>Total financial liabilities</b>	<b>15,598,184,266</b>	<b>1,636,263,727</b>	<b>5,724,560,850</b>	<b>1,311,606,921</b>	<b>-</b>	<b>24,270,615,764</b>	<b>24,264,967,171</b>
<b>Liquidity surplus/ (shortfall)</b>	<b>(5,799,121,408)</b>	<b>4,607,452,210</b>	<b>874,647,226</b>	<b>3,067,245,769</b>	<b>68,274,246</b>	<b>2,818,498,043</b>	<b>2,673,409,153</b>
Adjustment for investment securities available for refinancing*	4,693,408,882	(1,271,476,666)	(2,911,076,759)	(510,855,457)	-	-	-
<b>Liquidity surplus/ (shortfall) adjusted</b>	<b>(1,105,712,526)</b>	<b>3,335,975,544</b>	<b>(2,036,429,533)</b>	<b>2,556,390,312</b>	<b>68,274,246</b>	<b>2,818,498,043</b>	<b>2,673,409,153</b>

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

\*\*) 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 2012 – RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
Cash and cash equivalents	4,429,652,624	-	-	-	-	4,429,652,624	4,429,652,624
Derivative assets at fair value through profit or loss	55,136,601	4,270,982	14,581,101	82,053,987	-	156,042,671	156,042,671
Loans and advances to banks	51,423,603	-	-	-	-	51,423,603	51,423,603
Loans and advances to customers	3,888,279,126	5,485,636,382	3,438,299,579	3,168,548,673	-	15,980,763,760	15,904,311,718
Investments in associates	-	-	-	-	67,216,476	67,216,476	67,216,476
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	-	3,945,757,938	3,945,757,938
Equity investments, available for sale	-	-	-	-	2,233,832	2,233,832	2,233,832
<b>Total financial assets</b>	<b>9,420,834,008</b>	<b>6,249,522,135</b>	<b>5,474,611,696</b>	<b>3,418,672,757</b>	<b>69,450,308</b>	<b>24,633,090,904</b>	<b>24,556,638,862</b>
Derivative liabilities at fair value through profit or loss	8,539,113	11,691,318	38,325,116	82,053,987	-	140,609,534	140,609,534
Derivatives designated as hedging instruments	833,100	1,545,898	17,105,234	74,750,844	-	94,235,076	94,235,076
Loans and deposits from banks and subordinated liabilities	1,488,463,482	749,038,230	5,110,461,291	467,227,850	-	7,815,190,853	7,815,089,357
Deposits from customers	11,924,185,245	1,102,324,943	792,226,004	23,754,784	-	13,842,490,976	13,839,475,142
<b>Total financial liabilities</b>	<b>13,422,020,940</b>	<b>1,864,600,389</b>	<b>5,958,117,645</b>	<b>647,787,465</b>	<b>-</b>	<b>21,892,526,439</b>	<b>21,889,409,109</b>
<b>Liquidity surplus / (shortfall)</b>	<b>(4,001,186,932)</b>	<b>4,384,921,746</b>	<b>(483,505,949)</b>	<b>2,770,885,292</b>	<b>69,450,308</b>	<b>2,740,564,465</b>	<b>2,667,228,133</b>
Adjustment for investment securities available for refinancing*	2,949,415,884	(759,614,771)	(2,021,731,016)	(168,070,097)	-	-	-
<b>Liquidity surplus/ (shortfall) adjusted</b>	<b>(1,051,771,048)</b>	<b>3,625,306,975</b>	<b>(2,505,236,965)</b>	<b>2,602,815,195</b>	<b>69,450,308</b>	<b>2,740,564,465</b>	<b>2,667,228,133</b>

\*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)
<b>Contingent assets and liabilities**)</b>						
Irrevocable commitments given outflow	(1,070,521,604)	-	-	-	-	<b>(1,070,521,604)</b>
Irrevocable commitments taken inflow	885,740,000	-	-	-	-	<b>885,740,000</b>
Issued financial guarantees outflow	-	(5,543,517,550)	-	-	-	<b>(5,543,517,550)</b>
Future lease obligations outflow	-	(74,253,561)	(259,665,370)	(124,620,742)	-	<b>(458,539,673)</b>
Future interest on long-term borrowings outflow	(39,783,707)	(150,162,175)	-	-	-	<b>(189,945,882)</b>
Future interest on deposits from banks and customers outflow	(109,935,908)	(326,340,780)	(1,745,106,753)	-	-	<b>(2,181,383,441)</b>
<b>Contingent assets and liabilities surplus / (shortfall)</b>	<b>(334,501,219)</b>	<b>(6,094,274,066)</b>	<b>(2,004,772,123)</b>	<b>(124,620,742)</b>	-	<b>(8,558,168,150)</b>

\*\*) 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
<b>31 December 2013</b>							
<b>Derivative assets</b>	<b>90,095,682</b>	<b>91,273,413</b>	(1,460,095)	(692,407)	12,878,945	19,882,401	60,664,569
Outflow		(494,182,182)	141,591,827	(7,739,942)	(308,955,946)	(296,319,681)	(22,758,440)
Inflow		585,455,595	(143,051,922)	7,047,535	321,834,891	316,202,082	83,423,009
<b>Derivative liabilities</b>	<b>(154,205,145)</b>	<b>(163,485,331)</b>	(1,642,886)	468,052	(6,582,246)	(46,527,153)	(109,201,098)
Outflow		(2,208,545,562)	(1,003,331,621)	(259,558,535)	(232,491,496)	(520,576,752)	(192,587,158)
Inflow		2,045,060,231	1,001,688,735	260,026,587	225,909,250	474,049,599	83,386,060
<b>31 December 2012</b>							
<b>Derivative assets</b>	<b>156,042,671</b>	<b>157,056,289</b>	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
<b>Derivative liabilities</b>	<b>(234,844,610)</b>	<b>(235,858,228)</b>	(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

## (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 Management Board or the Supervisory Board with regards to the following:

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

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

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

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

#### ***Exposure to market risks – Value at Risk Tool***

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

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

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

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

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



## (4) Financial risk management

### e) Market Risk *(continued)*

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

In EUR	At 31 December	Average	Maximum	Minimum
	2013	2013	2013	2013
Foreign currency risk	22,739	79,167	460,920	755
Interest rate risk	840,136	502,989	1,115,062	69,403
Credit Spread Risk	4,083,254	5,251,053	7,441,891	3,548,376
Overall	4,127,282	5,490,736	7,637,046	3,660,991
In EUR	At 31 December	Average	Maximum	Minimum
	2012	2012	2012	2012
Foreign currency risk	45,699	82,870	464,662	2,594
Interest rate risk	273,854	354,850	809,181	92,374
Credit Spread Risk	4,028,764	4,237,112	5,149,851	3,191,160
Overall	4,070,465	4,356,798	5,194,182	2,142,806

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

### ***Foreign exchange (FX) analysis***

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

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

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

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

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

### ***Exposure to market risks – Interest Rate Gap tool***

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

## (4) Financial risk management

### e) Market Risk (*continued*)

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities based on earlier date between contractual maturity and repricing date is as at 31 December 2013:

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

## (4) Financial risk management

### e) Market Risk *(continued)*

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities based on earlier date between contractual maturity and repricing date is as at 31 December 2012:

In RON	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total contractual amount	Total carrying amount
Cash and cash equivalents	4,429,652,624	-		-	4,429,652,624	4,429,652,624
Derivative assets at fair value through profit or loss	55,136,600	4,244,109	14,050,305	82,611,657	156,042,671	156,042,671
Placements with banks	51,423,603	-	-	-	51,423,603	51,423,603
Loans and advances to customers	13,719,611,230	391,237,362	1,247,588,906	622,326,262	15,980,763,760	15,904,311,718
Investment securities, available for sale	996,342,054	759,614,771	2,021,731,016	168,070,097	3,945,757,938	3,945,757,938
<b>Total financial assets</b>	<b>19,252,166,111</b>	<b>1,155,096,242</b>	<b>3,283,370,227</b>	<b>873,008,016</b>	<b>24,563,640,596</b>	<b>24,487,188,554</b>
Derivative liabilities at fair value through profit or loss	8,539,113	7,880,237	41,578,527	82,611,657	140,609,534	140,609,534
Derivatives designated as hedging instruments	89,865,272	4,369,804	-	-	94,235,076	94,235,076
Loans and deposits from banks and subordinated liabilities	7,795,205,597	19,985,257	-	-	7,815,190,854	7,815,089,357
Deposits from customers	11,905,403,490	1,102,905,495	810,401,437	23,780,553	13,842,490,975	13,839,475,142
<b>Total financial liabilities</b>	<b>19,799,013,472</b>	<b>1,135,140,793</b>	<b>851,979,964</b>	<b>106,392,210</b>	<b>21,892,526,439</b>	<b>21,889,409,109</b>
<b>Interest sensitivity surplus/ (shortfall)</b>	<b>(546,847,361)</b>	<b>19,955,449</b>	<b>2,431,390,263</b>	<b>766,615,806</b>	<b>2,671,114,157</b>	<b>2,597,777,825</b>

## (4) Financial risk management

### e) Market Risk (*continued*)

The following table shows the yearly average interest rates obtained or offered by the Bank during 2013:

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

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

	RON	EUR	USD
	Average	Average	Average
<b>Assets</b>			
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%
<b>Liabilities</b>			
Deposits from banks	3.77%	0.52%	0.34%
Deposits from customers	3.92%	1.45%	1.20%
Loans from banks	5.81%	3.54%	1.44%
Subordinated loans	5.74%	5.20%	-

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

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

## (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 2013 can be analysed as follows:

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

## (4) Financial risk management

### e) Market Risk (*continued*)

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

## (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 2013 can be analysed as follows:

In RON	RON	USD	EUR	Other	Total
<b>Financial assets</b>					
Cash and cash equivalents	2,748,247,737	125,037,177	1,534,027,114	22,340,596	<b>4,429,652,624</b>
Derivative assets at fair value through profit or loss	176,740	7,832,246	148,029,498	4,187	<b>156,042,671</b>
Loans and advances to banks	33,606,139	11,124,876	6,691,675	913	<b>51,423,603</b>
Loans and advances to customers	4,250,563,269	305,027,917	11,342,737,498	5,983,034	<b>15,904,311,718</b>
Investments in associates	67,216,476	-	-	-	<b>67,216,476</b>
Investment securities, available for sale	2,046,776,680	-	1,898,981,258	-	<b>3,945,757,938</b>
Equity investments, available for sale	2,233,832	-	-	-	<b>2,233,832</b>
Other assets	37,261,748	32,508,697	53,303,911	31,820	<b>123,106,176</b>
<b>Total financial assets</b>	<b>9,186,082,621</b>	<b>481,530,913</b>	<b>14,983,770,954</b>	<b>28,360,550</b>	<b>24,679,745,038</b>
<b>Financial liabilities</b>					
Derivative liabilities at fair value through profit or loss	1,120,423	67,135	139,370,063	51,913	<b>140,609,534</b>
Derivatives designated as hedging instruments	79,273,646	143,976	14,817,454	-	<b>94,235,076</b>
Loans and deposits from banks and subordinated liabilities	2,170,946,969	9,745,577	5,625,458,386	8,938,425	<b>7,815,089,357</b>
Deposits from customers	7,520,211,389	1,108,211,180	5,165,869,404	45,183,169	<b>13,839,475,142</b>
Provisions for risk and charges	12,707,256	1,242,087	277,411,516	104,458	<b>291,465,317</b>
Other liabilities	84,200,451	4,898,327	32,192,303	277,517	<b>121,568,598</b>
<b>Total financial liabilities</b>	<b>9,868,460,134</b>	<b>1,124,308,282</b>	<b>11,255,119,126</b>	<b>54,555,482</b>	<b>22,302,443,024</b>
<b>Net financial assets/(liabilities)</b>	<b>(682,377,513)</b>	<b>(642,760,215)</b>	<b>3,736,528,702</b>	<b>(26,156,305)</b>	<b>2,385,234,669</b>

## (4) Financial risk management

### e) Market Risk (*continued*)

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

### f) Taxation risk

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

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

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

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



## (4) Financial risk management

### g) Operating environment

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

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

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

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

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

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

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

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

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

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

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

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

## (4) Financial risk management

### h) Capital management

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

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

#### ***Risk capital measurement***

##### ***i. Regulatory capital***

##### ***Credit Risk***

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

##### ***Market Risk***

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

##### ***Operational Risk***

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

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

The internal model (AMA) has been formally approved by the National Bank of Romania in March 2008.

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

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

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

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

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)*

#### *Operational Risk (continued)*

The Bank's regulatory capital position was as follows:

In RON	31 December 2013	31 December 2012
Tier 1 capital*	2,288,347,186	2,421,180,383
Tier 2 capital	-	179,441,321
<b>Total regulatory capital</b>	<b>2,288,347,186</b>	<b>2,600,621,704</b>
Capital requirements for credit risk	1,177,673,501	1,253,776,898
Capital requirements for market risk	9,595,281	519,897
Capital requirements for operational risk	185,739,241	178,719,152
<b>Total capital requirement</b>	<b>1,373,008,023</b>	<b>1,433,015,947</b>
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of total risk-weighted assets	13.33%	14.52%
Total tier 1 capital expressed as a percentage of risk-weighted assets	13.33%	13.52%
*According to local regulatory requirements, the profit after tax of the last financial year is not included in the calculation of own funds until its distribution as decided by the General Meeting of the Shareholders.		

#### *ii. Capital allocation*

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

## (5) Use of estimates and judgements

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

### a) Key sources of estimation uncertainty

#### ***Allowances for loan losses***

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

The loan impairment assessment considers the visible effects on current market conditions on the individual/ collective assessment of loans and advances to customers' impairment. The Bank has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with UniCredit Group policies. Because of the uncertainties on the local financial markets regarding assets valuation and operating environment of the borrowers, that Bank's estimate could be revised after the date of the approval of the separate financial statements.

To the extent that the probability of default parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 10,562 thousand higher (31 December 2012: RON 14,297 thousand) or RON 45,915 thousand lower (31 December 2012: RON 25,534 thousand).

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

#### ***Sensitivity analysis 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.

## (5) Use of estimates and judgements

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

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

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

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

## (5) Use of estimates and judgements

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

#### *Financial assets and liabilities classification*

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

#### *Qualifying hedge relationships*

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

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

#### *Determining fair value*

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

In case of available for sale and their classification in quoted and unquoted financial instruments is presented below:

31 December 2013	Listed	Unlisted	Total
<b>In RON</b>			
Investment securities, available for sale	3,450,897,085	1,951,795,576	<b>5,402,692,661</b>
Equity investments, available for sale	-	2,683,310	<b>2,683,310</b>
31 December 2012	Listed	Unlisted	Total
<b>In RON</b>			
Investment securities, available for sale	908,128,956	3,037,628,982	<b>3,945,757,938</b>
Equity investments, available for sale	-	2,233,832	<b>2,233,832</b>

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:
  - o FX Outright Forward and FX Swaps – the forward legs are revalued daily in Core 02- IT System at forward rates, which are computed as the sum of the NBR spot rate + swap points for the respective maturity bucket. For establishing the Swap points the information provided by Tullet Prebone on its Reuters/Bloomberg pages is used. For each end of month the discounted PV from Markets Front office systems is input into Core System. Level 2 is assigned for deals with liquid currency pairs.
  - o IR Options and IRS - are revalued daily in the Front Office System OPUS – consistent with the UniCredit Group's revaluation. The revaluation performed in OPUS is input as of each end of month in Core02 IT System.
  - o 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).

## (5) Use of estimates and judgements

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

#### ***Determining fair value (continued)***

- 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:
  - o FX Options - are revalued daily in the Front-office application software "Wall street" – consistent with the UniCredit Group revaluation. The revaluation performed in Wall Street System is input as of each end of month into Core02 IT System.
  - o CCS - are revalued daily in the Front Office System OPUS – consistent with the UniCredit Group's revaluation. The revaluation performed in OPUS is input as of each end of month in Core02 IT System.
  - o FX Outright Forward and FX Swaps – the forward legs are revalued daily in Core 02- IT System at forward rates, which are computed as the sum of the NBR spot rate + swap points for the respective maturity bucket. For establishing the Swap points the information provided by Tullet Prebone on its Reuters/Bloomberg pages is used. For each end of month the discounted PV from Markets Front office systems is input into Core System. Level 3 is assigned for deals with less liquid currency pairs.

## (5) Use of estimates and judgements

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

#### ***Determining fair value (continued)***

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

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

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

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

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

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

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

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



## (5) Use of estimates and judgements

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

#### *Determining fair value (continued)*

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

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

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

## (5) Use of estimates and judgements

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

#### ***Determining fair value (continued)***

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

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

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

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

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

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

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

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

In RON	Level 1	Level 2	Level 3	Total Fair value	Total Book value
<b>Financial liability measured at amortized cost</b>					
Deposits from banks <sup>7</sup>	-	-	2,611,205,753	<b>2,611,205,753</b>	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities <sup>7</sup>	-	-	5,178,645,247	<b>5,178,645,247</b>	5,203,883,604
Deposits from customers <sup>7</sup>	-	-	13,883,493,739	<b>13,883,493,739</b>	13,839,475,142
<b>Total liabilities measured at amortized cost</b>	<b>-</b>	<b>-</b>	<b>21,673,344,739</b>	<b>21,673,344,739</b>	<b>21,654,564,499</b>
<b>Financial liability measured at fair value</b>					
<b>Trading liabilities</b>					
Derivative liabilities at fair value through profit or loss <sup>4</sup>	-	139,274,594	1,334,940	<b>140,609,534</b>	140,609,534
Derivatives financial instruments designated as hedging instruments <sup>4</sup>	-	88,319,374	5,915,702	<b>94,235,076</b>	94,235,076
<b>Total trading liabilities</b>	<b>-</b>	<b>227,593,968</b>	<b>7,250,642</b>	<b>234,844,610</b>	<b>234,844,610</b>

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

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

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

- In RON 31 December 2013	Note	Financial instruments at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
Cash and cash equivalents	18	-	5,235,423,604	-	-	<b>5,235,423,604</b>	5,235,423,604
Derivative assets at fair value through profit or loss	19	76,489,100	-	-	-	<b>76,489,100</b>	76,489,100
Derivatives assets designated as hedging instruments	29	-	-	-	13,606,582	<b>13,606,582</b>	13,606,582
Loans and advances to banks	20	-	378,166,622	-	-	<b>378,166,622</b>	378,163,621
Loans and advances to customers	21	-	15,763,723,509	-	-	<b>15,763,723,509</b>	15,970,675,388
Investment securities, available for sale	23	-	-	5,402,692,661	-	<b>5,402,692,661</b>	5,402,692,661
Equity investments, available for sale	24	-	-	2,683,310	-	<b>2,683,310</b>	2,683,310
Investments in associated entities and in subsidiaries	22	-	-	-	65,590,936	<b>65,590,936</b>	65,590,936
<b>Total financial assets</b>		<b>76,489,100</b>	<b>21,377,313,735</b>	<b>5,405,375,971</b>	<b>79,197,518</b>	<b>26,938,376,324</b>	<b>27,145,325,202</b>
Derivative liabilities at fair value through profit or loss	19	92,166,312	-	-	-	<b>92,166,312</b>	92,166,312
Derivatives liabilities designated as hedging instruments	29	-	-	-	62,038,833	<b>62,038,833</b>	62,038,833
Deposits from banks	30	-	-	-	3,670,345,104	<b>3,670,345,104</b>	3,583,696,498
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	4,711,202,655	<b>4,711,202,655</b>	4,596,955,991
Debt securities issued	33	-	-	-	549,912,266	<b>549,912,266</b>	562,175,310
Deposits from customers	32	-	-	-	15,179,302,001	<b>15,179,302,001</b>	15,290,104,815
<b>Total financial liabilities</b>		<b>92,166,312</b>	<b>-</b>	<b>-</b>	<b>24,172,800,859</b>	<b>24,264,967,171</b>	<b>24,187,137,759</b>

## (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.

- In RON 31 December 2012	Note	Financial instruments at fair value through profit or loss	Loans and receivables	Available for sale	Other amounts	Total carrying amount	Fair value
Cash and cash equivalents	18	-	4,429,652,624	-	-	<b>4,429,652,624</b>	4,429,652,624
Derivative assets at fair value through profit or loss	19	156,042,671	-	-	-	<b>156,042,671</b>	156,042,671
Loans and advances to banks	20	-	51,423,603	-	-	<b>51,423,603</b>	51,423,603
Loans and advances to customers	21	-	15,904,311,718	-	-	<b>15,904,311,718</b>	15,706,685,052
Investment securities, available for sale	23	-	-	3,945,757,938	-	<b>3,945,757,938</b>	3,945,757,938
Equity investments, available for sale	24	-	-	2,233,832	-	<b>2,233,832</b>	2,233,832
Investments in associated entities and in subsidiaries	22	-	-	-	67,216,476	<b>67,216,476</b>	67,216,476
<b>Total financial assets</b>		<b>156,042,671</b>	<b>20,385,387,945</b>	<b>3,947,991,770</b>	<b>67,216,476</b>	<b>24,556,638,862</b>	<b>24,359,012,196</b>
Derivative liabilities at fair value through profit or loss	19	140,609,534	-	-	-	<b>140,609,534</b>	140,609,534
Derivatives designated as hedging instruments	29	-	-	-	94,235,076	<b>94,235,076</b>	94,235,076
Deposits from banks	30	-	-	-	2,611,205,753	<b>2,611,205,753</b>	2,611,205,753
Loans from banks and other financial institutions, including subordinated liabilities		-	-	-	5,203,883,604	<b>5,203,883,604</b>	5,178,645,247
Deposits from customers	32	-	-	-	13,839,475,142	<b>13,839,475,142</b>	13,883,493,739
<b>Total financial liabilities</b>		<b>140,609,534</b>	<b>-</b>	<b>-</b>	<b>21,748,799,575</b>	<b>21,889,409,109</b>	<b>21,908,189,349</b>

## (7) Net interest income

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

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

\*\*) The Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The related interest effect of these swap transactions on the Bank's income statement is recognized in net interest income while the effect of exchange rate revaluation is recognized in Net income from trading and other financial instruments at fair value through profit or loss.

## (8) Net fees and commissions income

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

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

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

## (10) Dividends income

The Bank received dividends from the following companies:

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



## (11) Other operating income

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

## (12) Personnel expenses

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

The number of employees at 31 December 2013 was 2,912 (31 December 2012: 2,799). Remuneration of Board's members for 2013 was RON 10,900,559 (2012: RON 11,195,805). The Bank has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is incurred by the Bank and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 w (iv)).

## (13) Depreciation and amortisation

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

## (14) Other administrative costs

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

## (15) Net impairment losses on financial assets

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

## (16) Net provisions charges

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

\* Following the execution of the Risk Participation Agreement contract for 2 clients the Bank incurred a loss of RON 83,043,739 which is booked in "Other net charges of provisions" line. The Bank release at the date of the execution an amount of RON 92,181,145 representing the related provisions for the 2 commitments presented in "Net provision (charges)/release for off-balance loan commitments and contingencies".

## (17) Taxation

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

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

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

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

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

## (18) Cash and cash equivalents

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

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



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

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

31 December 2012			
	Notional	Present value	
(RON)		Assets	Liabilities
Foreign currency derivatives			
Forward contracts	4,325,401,956	56,718,042	7,932,655
Purchased Options	107,943,927	1,326,392	-
Sold Options	107,938,446	-	1,347,759
Total foreign currency derivatives	4,541,284,329	58,044,434	9,280,414
Interest rates derivatives			
Interest Rate Swaps	2,123,391,157	59,130,188	92,461,071
Purchased Options	1,298,661,178	38,868,049	-
Sold Options	1,298,661,178	-	38,868,049
Total interest rate derivatives	4,720,713,513	97,998,237	131,329,120
Total	9,261,997,842	156,042,671	140,609,534

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

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

## (20) Loans and advances to banks

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

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

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

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

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

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

## (22) Investment in subsidiaries and in associates

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

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

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

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

In RON	Ownership	Total assets	Total liabilities	Operating income	Profit / (Loss)
<b>2013</b>					
UniCredit Consumer Financing IFN S.A.	50.10%	1,305,488,368	1,176,095,863	106,901,435	13,490,256
UniCredit Leasing Corporation IFN S.A	20.00%	2,774,242,840	2,768,639,101	91,373,151	(17,977,379)

In RON	Ownership	Total assets	Total liabilities	Operating income	Profit / (Loss)
<b>2012</b>					
UniCredit Consumer Financing IFN S.A.	46.06%	1,223,746,879	1,107,844,630	86,777,249	8,234,218
UniCredit Leasing Corporation IFN S.A	20.00%	2,793,724,126	2,770,109,831	105,890,120	2,302,520

## (23) Investment securities, available for sale

As at 31 December 2013, the Bank included in investment securities, available for sale bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON 5,402,692,661 (31 December 2012: RON 3,945,757,938).

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

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

## (24) Equity investments, available for sale

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

31 December 2013	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit CAIB Securities Romania SA*	Financial activities	19.97	2,632,881	2,632,881	-
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA	Financial activities	6.80	645,525	-	645,525
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA	Financial activities	2.57	194,560	155,496	39,064
Casa de Compensare Bucuresti SA	Other financial services	0.91	46,980	39,483	7,497
VISA Europe Limited	Cards	0.01	37	-	37
UniCredit Leasing Romania SA	Leasing services	0.00002	14	-	14
<b>Total</b>			<b>6,471,423</b>	<b>3,788,113</b>	<b>2,683,310</b>

\* Entity in liquidation.

31 December 2012	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount
UniCredit CAIB Securities Romania SA	Financial activities	19.97	2,632,881	2,632,881	-
Transfond SA	Other financial services	8.04	1,164,862	-	1,164,862
Biroul de Credit SA	Financial activities	4.23	187,635	-	187,635
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
Casa de Compensare Bucuresti SA	Other financial services	0.11	46,975	39,483	7,492
VISA Europe Limited	Cards	0.01	37	-	37
UniCredit Leasing Romania SA	Leasing services	0.00002	14	-	14
<b>Total</b>			<b>6,013,528</b>	<b>3,779,696</b>	<b>2,233,832</b>

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

## (25) Property and equipment

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

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

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

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

## (25) Property and equipment

In RON	Land and buildings	Computers and Equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
<b>Cost</b>						
Balance at 1 January 2012	159,223,566	87,120,751	603,115	92,591,929	42,268,004	<b>381,807,365</b>
Additions	9,986,602	30,013,245	-	21,514,865	21,988,423	<b>83,503,135</b>
Disposals	(1,272,884)	(790,258)	-	(1,449,226)	(51,162,423)	<b>(54,674,791)</b>
<b>Balance at 31 December 2012</b>	<b>167,937,284</b>	<b>116,343,738</b>	<b>603,115</b>	<b>112,657,568</b>	<b>13,094,004</b>	<b>410,635,709</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at 1 January 2012</b>	-	<b>(64,224,916)</b>	<b>(567,833)</b>	<b>(48,311,018)</b>	-	<b>(113,103,767)</b>
Charge for the year	(14,274,593)	(13,347,818)	(35,282)	(9,460,908)	-	<b>(37,118,601)</b>
Disposals	-	609,931	-	931,055	-	<b>1,540,986</b>
<b>Balance at 31 December 2012</b>	<b>(14,274,593)</b>	<b>(76,962,803)</b>	<b>(603,115)</b>	<b>(56,840,871)</b>	-	<b>(148,681,382)</b>
<b>Carrying amounts</b>						
<b>At 1 January 2012</b>	<b>159,223,566</b>	<b>22,895,835</b>	<b>35,282</b>	<b>44,280,911</b>	<b>42,268,004</b>	<b>268,703,598</b>
<b>At 31 December 2012</b>	<b>153,662,691</b>	<b>39,380,935</b>	<b>-</b>	<b>55,816,697</b>	<b>13,094,004</b>	<b>261,954,327</b>

### *Contingent operating lease (rentals)*

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



## (26) Intangible assets

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

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

## (27) Deferred tax assets and liabilities

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

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

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

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

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

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

## (28) Other assets

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

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

## (29) Derivatives assets/liabilities designated as hedging instruments

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

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

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

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

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

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

As at 31 December 2013, all cash flow hedge relationships have been assessed as highly effective, with no ineffectiveness recognised in profit or loss.

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

## (30) Deposits from banks

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

## (31) Loans from banks and other financial institutions

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

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

## (32) Deposits from customers

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

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

## (33) Debt securities issued

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

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



## (34) Subordinated loans

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

At 31 December 2013, the following agreements were outstanding:

- i. Subordinated loans from UniCredit Bank Austria AG are as follows: two facilities in amount of EUR 48,500,000 EUR and respectively RON 215,730,000 in total amount of RON equivalent 433,237,950 principal, maturing on July 2022 and July 2014 respectively (31 December 2012: two facilities in amount of EUR 48,500,000 EUR and respectively RON 215,730,000 in total amount of RON equivalent 430,521,950 principal, maturing on July 2022 and July 2014 respectively).

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

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

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

## (35) Provisions

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

As of 31 December 2013, the Bank calculated provisions for off balance sheet commitments and contingencies in amount of RON 14,673,526 (2012: RON 10,749,591) both for undrawn lines and for other off balance sheet credit related commitments items.

The movements in provisions during the year were as follows:

In RON	2013	2012
<b>Balance at 1 January</b>	<b>291,465,317</b>	<b>244,068,534</b>
Provision set up during the year	171,005,945	117,718,003
Provision used during the year	(83,301,157)	(50,437,528)
Provision reversed during the year	(154,786,101)	(24,955,549)
FX effect related to off-balance exposure (financial guarantees and commitments)	3,415,152	5,071,857
<b>Balance at 31 December</b>	<b>227,799,156</b>	<b>291,465,317</b>

## (36) Other liabilities

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

## (37) Issued capital

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

	31 December 2013	31 December 2012
	%	%
UniCredit Bank Austria AG	50.55884	50.55884
Redrum International Investments B.V	24.83104	24.83104
Vesanio Trading Ltd	20.22869	20.22869
Bank Austria – CEE BeteiligungsgmbH	0.01329	0.01329
Arno Grundstücksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders	4.32827	4.32827
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The share capital comprises of the following:

In RON	31 December 2013	31 December 2012
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
<b>Share capital under IFRS</b>	<b>1,101,604,066</b>	<b>1,101,604,066</b>

## (38) Other reserves

In RON	31 December 2013	31 December 2012
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,494	19,064,494
<b>Total</b>	<b>213,573,522</b>	<b>213,573,522</b>

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

In RON	31 December 2013		
	Parent Company	Subsidiary and Associates	Other related parties
Derivative assets at fair value through profit or loss	-	874,988	6,740,827
Derivatives assets designated as hedging instruments	3,404,031	-	10,202,551
Loans and advances to banks	577,440,615	-	14,856,297
Loans and advances to customers	-	144,450,085	31,827,413
Other assets	7,702,847	1,424,468	14,317,037
<b>Outstanding receivables</b>	<b>588,547,493</b>	<b>146,749,541</b>	<b>77,944,125</b>
Derivative liabilities at fair value through profit or loss	2,571,509	-	82,732,297
Derivatives liabilities designated as hedging instruments	-	-	62,038,833
Current accounts	18,549,769	2,240,875	43,780,087
Deposit attracted	3,033,798,220	282,947,224	174,099,210
Loans received	3,820,316,308	-	-
Debts securities issued	20,608,025	-	-
Subordinated liabilities	436,478,335	-	67,396,296
Other liabilities	7,983,043	580	10,569,691
<b>Outstanding payables</b>	<b>7,340,305,209</b>	<b>285,188,679</b>	<b>440,616,414</b>
Interest income	7,670,616	11,944,841	18,967,332
Interest expense	(197,560,296)	(9,868,632)	(38,984,775)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group companies	39,815,610	-	-
Fee and commission income	36,062,056	15,251,647	1,673,162
Fee and commission expense	(1,413,155)	(7,495)	(69,361)
Other operating income	7,702,847	-	4,101,884
Operating expenses	(560,883)	-	(52,631,437)
<b>Net revenue / (expense)</b>	<b>(108,283,205)</b>	<b>17,897,756</b>	<b>(66,943,195)</b>
<b>Commitments</b>	<b>444,635,583</b>	<b>181,463,325</b>	<b>265,871,412</b>

## (39) Related party transactions

In RON	31 December 2012		
	Parent Company	Associates	Other related parties
Derivative assets at fair value through profit or loss	18,077,399	1,596,234	9,218,093
Loans and advances to banks	183,191,259	-	6,529,981
Loans to customers	-	142,323,365	27,628,500
Other assets	6,156,280	68,961,146	4,259,951
<b>Outstanding receivables</b>	<b>207,424,938</b>	<b>212,880,745</b>	<b>47,636,525</b>
Derivative liabilities at fair value through profit or loss	214,545	-	130,240,063
Derivatives liabilities designated as hedging instruments	-	-	94,235,076
Current accounts	55,344,819	8,366,246	41,032,910
Deposit attracted	2,252,615,719	597,903,075	310,153,825
Loans received	4,176,660,894	-	33,208
Subordinated liabilities	433,783,445	-	66,552,167
Other liabilities	-	-	9,076,804
<b>Outstanding payables</b>	<b>6,918,619,422</b>	<b>606,269,321</b>	<b>651,324,053</b>
Interest income	2,233,426	14,072,120	623,537
Interest expense	(259,636,780)	(8,980,079)	(12,126,484)
Interest related effect of Swap transactions regarding refinancing lines with UniCredit Group companies	62,711,731	-	22,976,549
Fee and commission income	36,174,892	16,710,269	2,222,402
Fee and commission expense	(4,026,403)	(141)	(1,387,155)
Other operating income	6,156,280	-	4,250,061
Operating expenses	(511,595)	-	(38,906,215)
<b>Net revenue / (expense)</b>	<b>(219,610,180)</b>	<b>21,777,161</b>	<b>(67,315,098)</b>
<b>Commitments</b>	<b>294,795,928</b>	<b>3,651,157</b>	<b>884,560,633</b>

### *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 2013	31 December 2012
Loans	601,461	1,205,999
Current accounts and deposits	4,974,619	5,637,739
Interest and similar income	45,218	70,853
Interest expenses and similar charges	(157,332)	(133,963)

In RON	2013	2012
Key management compensation	10,900,559	11,195,805
<b>Total</b>	<b>10,900,559</b>	<b>11,195,805</b>

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.

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

The Bank acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit Bank Austria AG and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG or the other entities within UniCredit Group. The total amount of such risk participation agreements in force as at 31 December 2013 is EUR 524,859,081 CHF 3,540,157 (31 December 2012 is EUR 584,670,289, USD 50,000,000 and CHF 4,425,197).

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

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

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

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

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



# (41) Operating segments

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

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

In this segment there are also included Private Banking clients which is focusing on private customers and families with investments exceeding EUR 190,000 and/or individuals with monthly turnover higher than EUR 7,000. These customers receive customized banking products and services, including personalized assets under Management/Custody product solutions.

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

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

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

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

Segment reporting on income statements as of 31 December 2013:

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

## (41) Operating segments

Segment reporting on income statements as of 31 December 2012:

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

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

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

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

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

## (42) Subsequent events

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

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

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

**Mr. Catalin Rasvan Radu**  
Chief Executive Officer



**Mrs. Mihaela Alina Lupu**  
Chief Financial Officer





