UniCredit Țiriac Bank

2008 Annual Report

UniCredit Tiriac Bank S.A
Headquarter: Bucharest, 1 District, 23-25 Ghetarilor .
Registration number in theTrade Register: J40/7706/1991
Unique Code of Registration RO361536
Tax Code and VAT No. 00348170101.
Entered in the Register of Banks under no. RB-PJR-40-011/18.02.1999
Registered capital 379,075,291.20 RON
Registered at ANSPDCP with notification no. 10964
SWIFT code: BACXROBU

FINANCIAL HIGHLIGHTS

(Thousands of RON, unless otherwise stated)

	31-Dec-08	31-Dec-07	Growth
Key figures			
Net profit	358,302	262,474	36.5%
Shareholder's equity (eop)	1,815,983	1,511,881	20.1%
Total assets (eop)	17,450,958	12,828,316	36.0%
Bank customer deposits (eop)	8,649,217	6,595,097	31.1%
Bank customer deposits (av.)	7,622,157	6,231,860	22.3%
Bank customer loans (eop)	12,298,904	8,050,424	52.8%
Bank customer loans (av.)	10,174,664	7,351,266	38.4%
Earnings per share (in RON)*	8.79	6.44	36.5%
Income			
Net interest income	250,137	358,051	-30.1%
Net fee and commission income	228,652	210,247	8.8%
Net trading income**	656,528	262,531	150.1%
Net operating income	602,387	406,950	48.0%
Expenses			
Operating expenses	560,740	429,996	30.4%
Impairment losses and provisions	169,009	68,126	148.1%
Integration costs	-	18,378	-100.0%
Income tax expense	73,218	57,296	27.8%
Ratios (%)			
Return on average assets (ROA)	2.4	2.2	0.2pp
Return on average equity (ROE)	21.5	19.0	2.5pp
Capital/Asset ratio*** (eop)	11.5	14.6	-3.1pp
Capital adequacy ratio*** (eop)	10.2	13.4	-3.7pp
Tier 1 capital ratio*** (eop)	7.9	9.7	-1.5pp
Impaired loans/Gross loans	1.4	1.1	0.3pp
Loan/Deposit ratio	142.2	122.1	20.1pp
Cost/Income ratio	48.2	51.4	-3.2pp
Resources (number) - (eop)			
Bank Operating outlets	242	142	100
Employees	3,297	2,711	586
Foreign exchange rate at period-end (RON/EUR)	3.6811	3.3336	10.42%
Annual average foreign exchange rate (EUR/RON)	3.9852	3.6102	10.39%

** Net profit / no. of shares*

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

****All Capital, Capital adeq ratios are as according to statutory regulations, under Basel II in 2008 and under Basel I in 2007 as at the date of this report.*

Contents

Introduction

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD AND CEO

Dear Reader of this report,

It is our pleasure to present our 2008 annual accounts.

For us 2008 was the first year after the completion of a series of banking mergers in 2006 and 2007. We focused our attention on business growth and expansion, almost doubling our distribution network. We increased the size and improved the income and the market positions of the bank. At the last quarter of the year when the collapse of Lehman Brothers led to unprecedented freeze of the international money market, we made fast decisions for strengthening the bank's liquidity and leverage position, aimed at passing save through the turbulent times in best protecting the interests of our customers, the public and the shareholders.

2008 as a whole registered another high growth for the Romanian economy. The real GDP growth was 7.1%, driven by near 10% increase in private consumption, near 20% in investments and over 35% in bank loans. Clear indications of overheating of the economy were available after a 7-year period of some 6% annual compounded economic growth. The current account deficit of 12.3% of GDP and budget deficit of 4.8% of GDP remained main structural challenges. The last quarter of the year was marked by a sudden break in private consumption, fixed capital formation, trading turnover and foreign direct investments growth and by an emerging trend of drop in all main indicators for the period to come. After turbulence in October, not different from the rest of the world, the money market stabilised somewhat by the end of the year. The local currency depreciated 10% last year, mainly in the last quarter.

Within the context of this environment, UniCredit Tiriac Bank registered a net profit of RON 358.3 million, up 36.5% compared to 2007. Balance sheet total grew 36%, customer loans 52.8% and customer deposits 31.1%. The bank remained well capitalised with 10.2% total capital ratio under statutory standards and 11.4% if including current year profit. Profitability improved with Return-on-equity up to 21.5% and Return-on-assets to 2.4%. Cost-to-income ratio was reduced to 48.2%, thus improving efficiency. Cost of risk on loans increased, mainly in the last quarter of the year, but stayed below one percentage point. Loan loss provisions more than cover the amount of the non-performing loans.

In 2008, we carried out an expansion program opening 100 new outlets, thus increasing the total number of branches to 242. In further boosting retail banking we established a new business and service model for small businesses (companies with annual turnover of up to EUR 3mn) and registered a joint venture, together with UniCredit Consumer Financing Bank Spa, for consumer lending in Romania. Service model was further developed with focus on quality, customer relationship and customer care. In the corporate segment the bank grew significantly, more than 50% in loan portfolio. The factoring portfolio grew several-fold making the bank leader in the local market. Treasury business support to customers was expanded in terms of volumes and product offered. Processes were further streamlined and centralised for greater efficiency. A number of projects for enhancement of the internal control, risk management, performance measurement, business sustainability, HR and decision making were initiated. The bank paid special attention to its human resources with focus on performance and development. The social responsibility initiatives expanded with emphasis on children's health and care, environment and culture.

In the last quarter we started seeing the effects of the crisis, such as sharp drop in demand, customers' liquidity shortages, asset quality deterioration, high volatility in the market and greater level of uncertainty reshaping customer sentiment and behaviour. We designed our next year plans so that we strengthen in terms of asset quality management, liquidity and capitalisation. We plan to further deleverage our funding position. Cost cautiousness and optimisation is critical for profitability next year yet without allowing negative impact on business. We do not plan further geographical expansion until we get aware of the magnitude and length of the crisis in front of us. However we still see plenty of business opportunities ahead, which we will analyse and explore with great prudence. We will not discontinue our investment program in system development that will allow us to enlarge the product spectrum, improve quality of service, risk management, operational efficiency and decision making processes.

In conclusion, we would like to thank our customers, partners and shareholders for their trust in us. We would like to express our gratitude to our managers and employees, who are the backbone of our business. We want to thank all Supervisory Board and Management Board members who managed the institution successfully and prudently through this period of changes.

We believe that we as company and team are in possession of the necessary resources, maturity and support from our shareholders to proceed successfully through the crisis ahead partnering our customers in the lean times and getting better positioned in the marketplace.

Rasvan Radu

Chairman
of the Management Board and CEO

17 February 2009
Bucharest

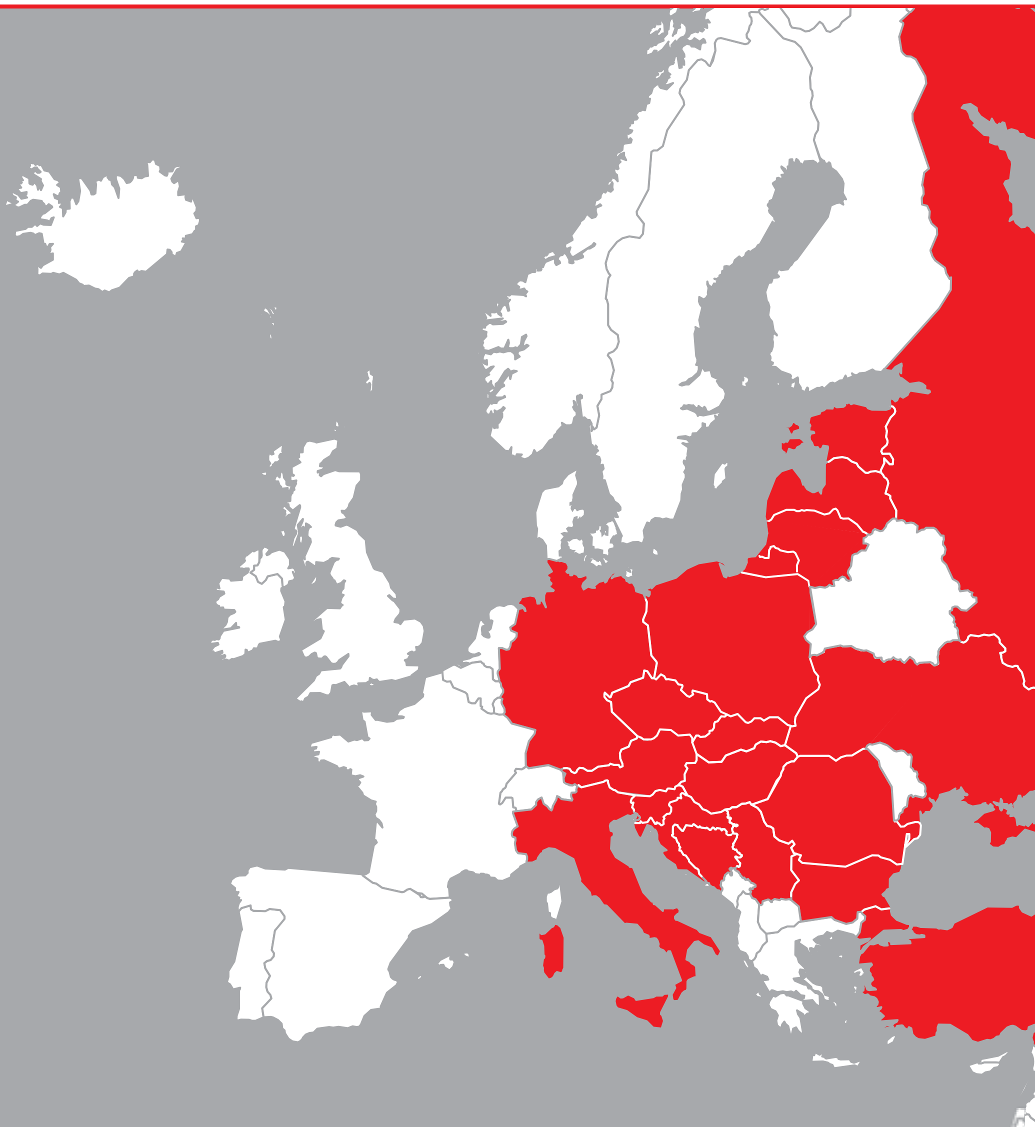
Strategy and Results

UniCredit Group Profile

Highlights

UniCredit Group operates in 22 European countries, with more than 174,000 employees and over 10,200 branches.

UniCredit Group benefits from a strong European identity, extensive international presence and broad customer base. Its strategic position in Western and Eastern Europe allows it to have one of the region's highest market shares.



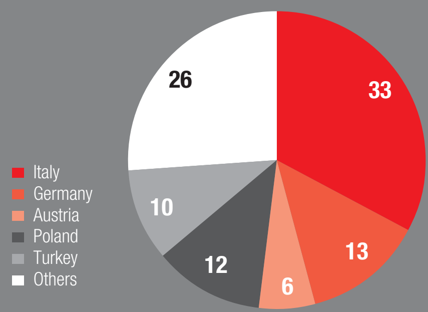
■ Countries where UniCredit Group has banking subsidiaries or banks in which it has a significant equity interest.

EMPLOYEES[1]

over 174,000

1. FTE = number of employees including delegation from, excluding delegation to and unpaid leaves. All the people are counted for the rate of presence (paid quota). This number includes Apprentices.

EMPLOYEES BY COUNTRY[1] (%)

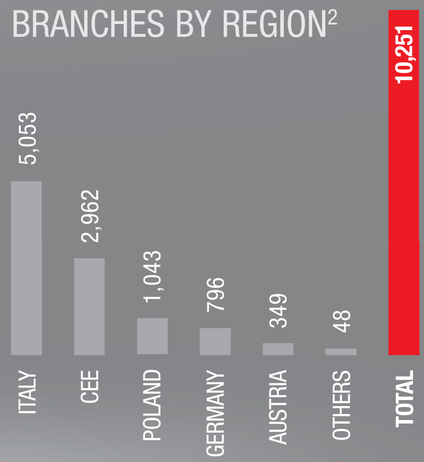


BRANCHES[2]

over 10,200

2. These figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches. The increase over December 31, 2007 is partly due to the inclusion of Ukrsotsbank (472 branches as at December 31, 2008).

BRANCHES BY REGION[2]

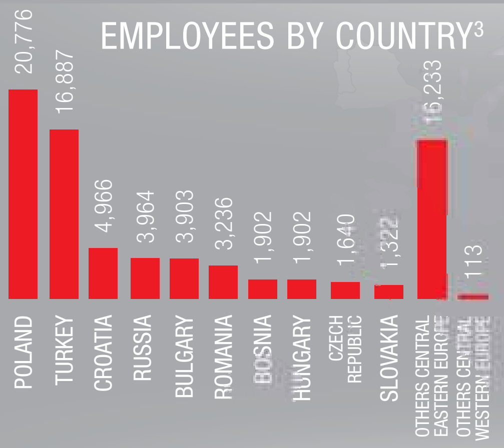


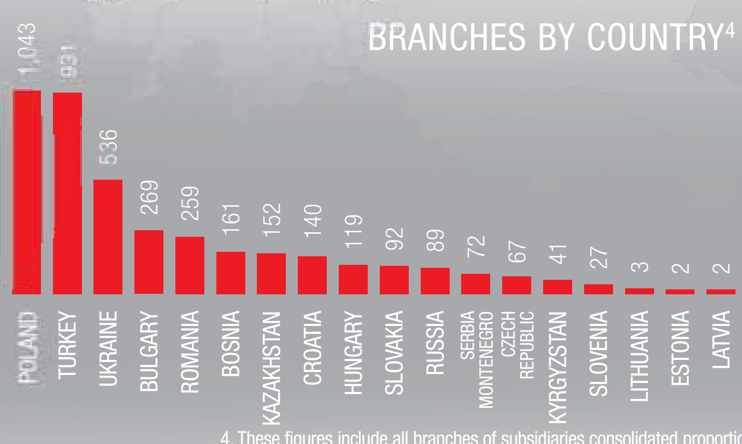
UniCredit Group Profile (Continued)

Focus on CEE

UniCredit Group is a market leader in Central and Eastern Europe. As long-term investor, its approach has always been the pursuit of growth through a well-articulated strategy, carefully executed that builds on the region's structural strengths.

Operating in 19 CEE countries, UniCredit Group benefits from geographical diversity and lends its strength to its local CEE banks in the form of substantial competitive advantages, which include its strong brand and reputation, its network's access to international markets and significant economies of scale.





3. FTE = number of employees including delegation from, excluding delegation to and unpaid leaves. All the people are counted for the rate of presence (paid quota). This number includes Apprentices.

4. These figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches. The increase over December 31, 2007 is partly due to the inclusion of Ukrsotsbank (472 branches as at December 31, 2008).

Divisional Model

NETWORK MANAGEMENT

Retail Networks, Corporate Banking and Private Banking - in charge of customer coverage to maximize long-term value and customer satisfaction.

CENTRALIZED PRODUCT FACTORIES/ KEY BUSINESS FUNCTIONS

Markets & Investment Banking, Asset Management, Leasing, Household Financing, Global Transaction Banking and Retail Marketing & Segments - as value added centers for all geographies.

Divisional Model

GLOBAL SERVICE FACTORIES

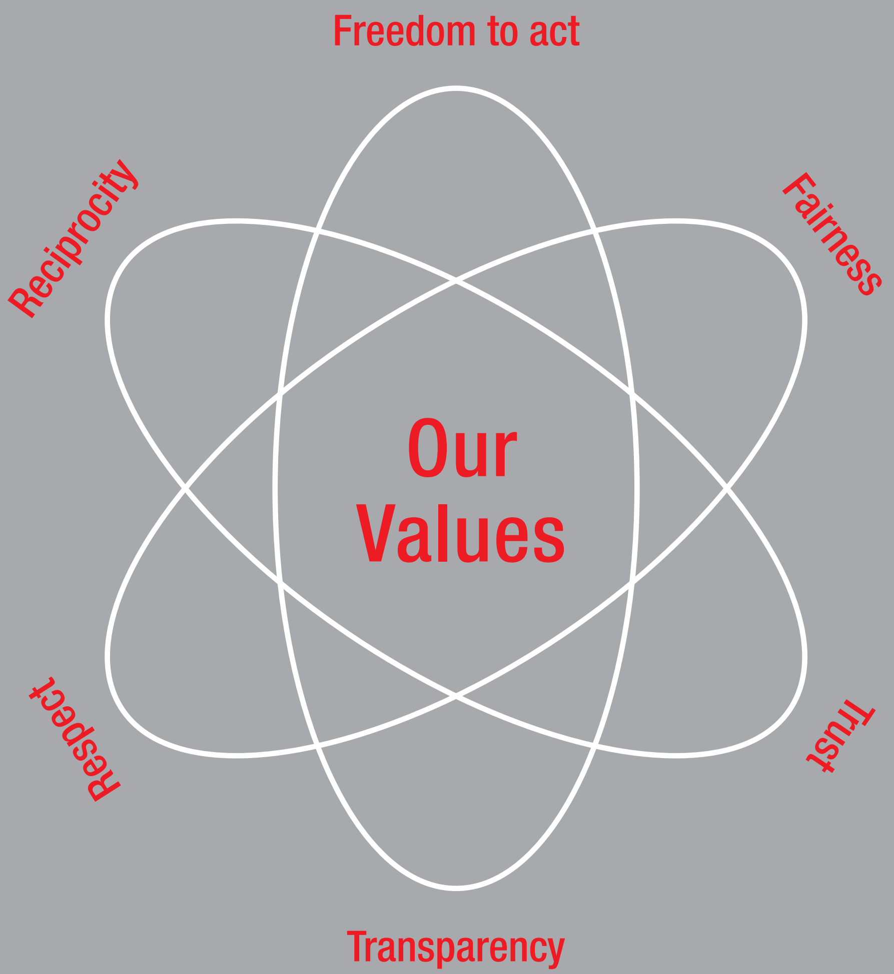
Back office, ICT, credit collection, procurement services and real estate - supplying network management divisions and product factories with specialized services.

MULTI-LOCAL APPROACH

Empowering Group's local banks to oversee distribution network and customer relationships.

UniCredit Group Profile (Continued)

Our Values



For UniCredit Group, generating profit is an essential, but not sufficient, condition for success and growth over time. To ensure the sustainability of profits, the latter must be pursued with integrity, thereby building our reputation both internally and externally.

The Group created the Integrity Charter to reflect the shared Values that are the foundation of our identity. It is the guide for our day-to-day professional life and it sets forth our Values: **T**rust, **T**ransparency, **F**airness, **F**reedom to act, **R**espect and **R**eciprocity.

The Integrity Charter is the framework upon which our daily professional behaviors are based. It informs our actions when we are faced with both routine and unanticipated challenges at work and it helps us make consistent and responsible working decisions.

The Integrity Charter: the Foundation of Our Group's Identity

The Integrity Charter is a living document designed to evolve over time to be current with the ever-changing needs of the environment in which all UniCredit Group companies exist.

The creation of our integrity framework started in 2003, when we defined our core Values. In 2005, these Values were codified in the Integrity Charter, which was the year we first launched "**Integrity Charter Day**" in Italy. We have steadily extended this initiative, year by year, to include all of the countries and companies that comprise UniCredit Group. This annual event, devoted to our Values, provides a time each year to discuss "where we are" in our work to apply our Values to our professional life.

In 2006, in order to guarantee that Integrity Charter Values were properly applied among all colleagues in the Group, we established the **Restorative Justice System** and the Ombudsmen network. These two institutions commenced operations in 2007.

The Restorative Justice System is now operational in 15 countries and will be progressively extended across the entire Group.

All colleagues can consider the Restorative Justice System as a forum in which the dispute can be mediated through dialogue if relationships have been damaged by behavior deemed inconsistent with the Values set out in the Integrity Charter. The Restorative Justice System is brought to life by a group-wide Ombudsmen network composed of Ombudsmen and Mediators.

The Ombudsmen are independent appointees who report directly to UniCredit Group's Chairman. The Mediators are third parties, external to UniCredit Group, who seek to facilitate dialogue between the involved parties.

The Restorative Justice System is testament to the fact that we strongly believe in the Integrity Charter and that we are committed to bringing our Values to life for each colleague in our Group.

Our Integrity Charter:

the Values that Drive our Business.

Counterparty Credit Rating (Fitch Ratings)

COUNTERPARTY CREDIT RATING (FitchRatings)

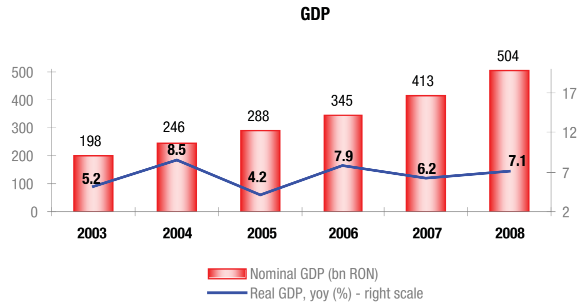
Foreign Currency Long-term IDR[1]	BBB[2]
Foreign Currency Short-term IDR	F3
Individual rating	D
Support rating	2
Outlooks	Negative

[1]Issuer Default Rating.
[2] Equal to the Romania country ceiling assigned by FitchRatings.

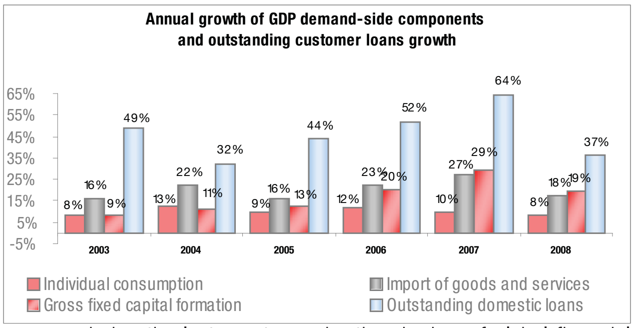
Romanian Economy

ROMANIAN ECONOMY

2008 Overview of economy



Despite robust economic growth of 8.9% year-on-year in the first three quarters of 2008, Romania started to face a challenging adjustment



process during the last quarter under the shadow of global financial crises. In Q4 the real economy slowed down to 2.9% resulting in full-year 2008 growth of 7.1% year-on-year. The performance of the economy in 2008 has been driven by the still buoyant construction (above 26% year-on-year growth in 2008) and good agricultural production (21.4% year-on-year 2008). Investment demand registered an impressive level of 19.3% year-on-year in 2008, strongly supported by the construction sector. The solid growth momentum of investments has also been sustained by the impressive inflow of FDI that has reached EUR 9 billion in 2008 despite the global recession and liquidity crunch. The sharp rise in total investment in 2008, besides construction oriented investments, was boosted by investment in capital goods including transport equipment (14% year-on-year in 2008), allowing for further upgrades of production capacity to sustain business opportunities of the country on the longer-term.

On the positive side, parallel to the economic slowdown, the Romanian current account balance showed the first signs of improvement in 4Q driven by strongly contracting imports that resulted in a lower than expected end of year deficit of EUR 16.9 billion, or 12.3% of GDP, down from its peak of 13.7% seen in 2007. The RON depreciation exerted a positive effect on the C/A deficit correction, mostly through rising import prices that put a brake on import-oriented consumption (-19% year-on-year drop in Nov-Dec), exports did, however, also fall in Nov-Dec (-12% year-on-year) on the back of collapse in global trade and this way entering negative territory for the first time in five years.

During the rapid growth period with strong rise in capital inflows since 2004 driven by the expectations of fast convergence with the EU, Romania has also accumulated significant vulnerabilities reflected by the unsustainably high current account deficit and the private sector exposure to external financing conditions through the foreign currency

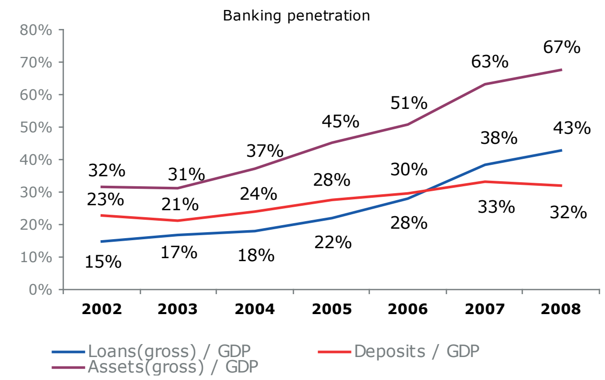
Selected economic indicators	2008	2007	2006	2005	2004	2003	2002	08/07 (%, pp, #)
Nominal GDP (€ bln)	137	124	98	80	61	53	49	11%
GDP per capita (€)	6,391	5,751	4,530	3,678	2,806	242	2,224	11%
Real GDP growth (%)	7.1	6.2	7.9	4.2	8.5	5.2	5.1	0.9
Inflation (CPI) yoy, Dec	6.3	6.6	4.9	8.6	9.3	14.1	17.8	-0.3
Inflation (CPI) yoy, avg	7.9	4.8	6.6	9.0	11.9	15.3	22.5	3.062
Unemployment rate (%)	4.0	4.3	5.4	5.8	6.7	7.6	10.2	-0.3
Exchange rate /€, eop	4.0	3.6	3.4	3.7	4.0	4.1	3.5	10%
Exchange rate /€, avg	3.7	3.3	3.5	3.6	4.1	3.8	3.1	11%
Intervention rate (Dec)	10.3	7.5	8.8	7.5	17.0	21.3		2.75
Consolidated Gov. Balance / GDP(%)	- 4.8	- 2.3	- 1.5	- 0.8	- 1.2	- 2.2	- 2.6	-2.5
Current account balance (€ mln)	- 16,877	- 16,677	- 10,156	- 6,888	- 5,099	- 3,060	- 1,623	1%
Current account/ GDP (%)	- 12.3	- 13.5	- 10.4	- 8.7	- 8.4	- 5.8	- 3.3	1.1
FDI (€ mln)	9,024	7,185	8,723	5,237	5,183	1,946	1,212	26%
FDI/GDP	6.6	5.8	8.9	6.6	8.5	3.7	2.5	0.8
External Public debt (€ mln)	10,267	9,507	10,066	10,947	10,271	9,638	9,168	8%
External Public debt % of GDP	8.1	8.3	9.9	13.9	16.5	20.1	21.1	-0.2
Internal Public Debt (€ mln)	15,054	11,589	7,637	4,386	3,633	2,799	3,328	30%
Trade Balance-Goods (€ mln)	- 18,199	- 17,822	- 11,759	- 7,806	- 5,323	- 3,955	- 2,752	2%
International Reserves (of NBR, € mln)	28,269	27,187	22,935	18,259	11,933	7,492	7,009	4%
Number of banks	43	41	38	39	39	38	39	2

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

Romanian Economy (Continued)

denominated liabilities amid high volatility of the exchange rate. Despite the first signs of improving current account deficit, the external financing gap has been one of the major sources of concern, given the heightened risks of an abrupt slowdown in private capital inflows. Such concerns have been reflected also by sovereign credit ratings (Standard & Poor's and Fitch downgraded Romania's sovereign debt to BB+, below investment grade in October and November respectively) that also intensified the country risk premium, revealed most aptly by CDS topping 7.45% in November 2008 from an average of 0.3% for 2007.

2008 Overview of banking sector



Banking penetration set to decelerate in 2008 with total gross assets of banking system reaching 67% of GDP from 63% in 2007. Despite of the deteriorated financing conditions, the Romanian banking system total loans expanded in 2008 by 35% year-on-year, supported also by the external credit lines still available for local banks through their international financial group to which they belong. Moreover, the banking sector proved to remain sound with high solvency ratio of 12.3% (minimum 8%) and strong profit growth of 83% year-on-year (45% excluding gains from divestments). While ROE reached the level of 19.6%, the cost-to-income ratio improved to 51.3% at the end of 2008 from 59.7% in 2007, despite of the still continuing investments in the network expansion (additional 1,068 new branches opened in 2008) and fast growth in wages (18% year-on-year).

Some negative impacts of the credit boom of last three years on credit quality started to materialise and become visible in 2008 NPL figures. The credit risk ratio[3] deteriorated to 6.5% in 2008 from the 4% registered one year earlier.

[3] Unadjusted exposure from loans and interests falling under "Doubtful" and "Loss" divided by total classified loans and interests, excluding off-balance-sheet items, under statutory rules.

Following the strong growth in the first half of the year, credit market conditions have tightened significantly after the turbulences in September 2008, that proved to be a turning point for lending activity with signs of a marked deceleration. Overall, loans' growth tempted in 2008, both on the corporate and the retail side (+30% and +39% year-on-year, respectively). On the other hand, strong surge has been registered in government loans (up by 72% year-on-year) excluding the newly issued treasury securities purchased by the banking system.

On the funding side, despite the sharply increasing interest rates, the bank deposits growth has been decelerated (19% year-on-year in 2008 compared to 34% year-on-year in 2007) mainly driven by the dried up liquidity in the corporate sector.

Outlook for 2009

Economic growth is forecast to enter negative territory in 2009 with -7.5% year-on-year, against a scarce global capital flow and sharply falling external and local demand. The positive flipside of this, however, is a significant reduction in the current account deficit and lower inflationary pressures due to weakening domestic demand. The full year 2009 current account deficit set to diminish by 60% to around EUR 7 billion or 6% of GDP.

In 2009 households' balance sheet will become gradually more stretched on the back of high interest rates, rising unemployment, less job security and significantly lower wage growth. As a result, private consumption (representing 73.5% of GDP in 2008) is expected to loose its growth engine role this year with negative growth phase during the whole year, while investment activity, especially in the construction side is anticipated to drop in real terms compared to the last year.

While the Romanian economy has inherent strengths on the longer-term, on the short term economic activity is projected to contract. Given the outlook of economic recession, there is an urgent need for appropriate macro policies to place the economic development on a sound footing and reinforced certainty through pro-business long-term commitments. Amid fears of capital outflow, the commitment of banks to pursue their long-term strategies would be a major support for the economy (bearing around one-third of the country's external debt). On the fiscal side, the high fiscal deficit became one of the major risk factor of the country and will need bold austerity measures. The rebound of the credit activity to provide the necessary funding for the real economy expected to occur with a lag to the monetary policy loosening. The reduction of the level of minimum reserve requirements and gradual policy rate cuts are expected to mitigate the negative crisis effects.

World Economy

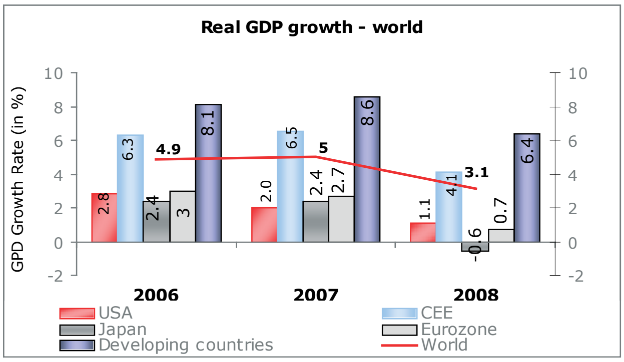
WORLD ECONOMY

2008 Overview

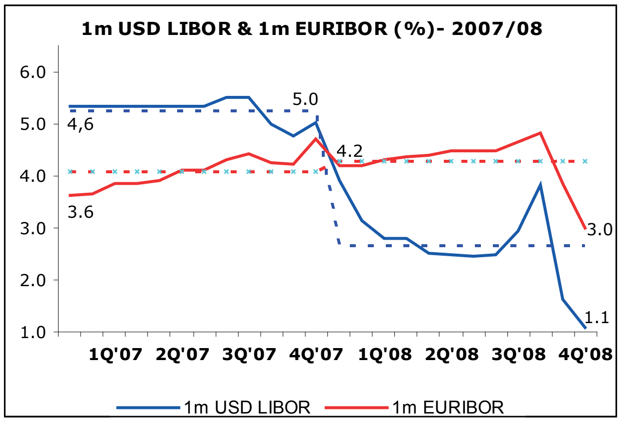
Global economy is experiencing the most serious financial crisis and deepest economic downturn in the post-World War II period. In the year following the outbreak of the US sub-prime crisis in August 2007, advanced economies fall into mild recession by the middle of 2008 amid tightening credit conditions. Despite the policymakers' effort to sustain market liquidity and solvency, the losses from bad assets and collapse of several large US and European financial institutions prompted a huge increase in financial risk and volatility. European banks has been also involved with instruments and vehicles exposed to the US sub-prime sector. The year 2008 revealed painful losses of high number of European banks as well[4]. Based on IMF estimates[5], write-downs on US- originated assets by financial institutions during the current crises is estimated at USD 2.7 trillion, while the expected total write-downs of global exposures are estimated at about USD 4 trillion, of which two-thirds fall on banks while the remaining on other financial institutions. After the failure of Lehman Brothers and the rescue of American International Group (AIG) in September, fears about growing losses on sub-prime-related assets at major European banks caused wholesale markets to freeze in September 2008, with a number of failing banks requiring state intervention.

In Europe, as in the United States, the financial system remained under heavy stress since September 2008, housing corrections has been intensifying especially in US and UK, and industrial production suffered serious drop being hit by the sharp decline in durables demand. The financial crisis has lowered household wealth severely in many advanced economies through strong fall in asset prices and housing markets. The unexpected loss in net worth has driven consumer confidence to record lows and consumers have cut their current spending.

The financial crisis rapidly transformed into a crisis for the real economy during the fourth quarter of 2008. Overall, the US economy has contracted by 6.3% (annualised) in the fourth quarter while Euro area experienced three consecutive quarters of drop in GDP with 1.6% decline in the fourth quarter of 2008. Full-year figures although decelerated, stayed positive at 6.4% and 3.1% year-on-year for developing countries and world economy, respectively. The Euro area after two years in a row a buoyant growth of 3.0% year-on-year in 2006, and 2.7% year-on-year real growth in 2007, experienced a significant deceleration, ending the year with only 0.7% year-on-year real growth. Also Japan lost momentum ending the year 2008 already on negative territory with GDP drop by 0.6% year-on-year after two years of strong gains of above 2% year-on-year.



Emerging markets, which earlier have been considered to be relatively sheltered from financial strains by their limited or no direct exposure to the sub-prime market, have been hit by the risk reevaluation and curtail of capital flows. Moreover, international turmoil exposed internal vulnerabilities within emerging economies. Instead of acting as a buffer for developed economies, Emerging markets proved to be less resistant to the second round effects channelled through external financing and trade channels. Industrial production and merchandise trade plummeted in the last quarter of 2008 across both developed and emerging economies.



[4] Among the biggest to mention, The Royal Bank of Scotland Plc, which became almost 70% owned by the British government, warned of a 2008 loss of up to EUR 31 bn. Fortis Holding's, rescued during 2008 from the bankrupcy by the Belgian, Dutch and Luxemburg Governments recorded EUR 28bn loss while Britain's Lloyds Banking Group reported that its HBOS Halifax Bank of Scotland division suffered a 2008 pre-tax loss of about EUR 11.2 bn.

[5] Source: Global Financial Stability Report of IMF

World Economy (Continued)

The US dollar heavily suffered from the financial turmoil, depreciating to the level of 1.58 USD/EUR in the first half of the year 2008 and regaining some value till the end of the year at 1.34 USD/EUR. World merchandise trade have sharply decelerated to 3.3% from 72% registered a year before.[6] Emerging Europe, especially the New EU member states have been gaining more importance as trading partners of EU countries, which under current context means higher exposure to the collapse in demand of advanced economies. After peaking at an all-time record high of $143 a barrel on July 11, oil prices collapsed to about $38 by end-2008. The turnaround in global oil demand has been the major factor that triggered the oil prices drop. Global oil demand fell for the first time since the early 1980s, on the back of sharply decelerating demand in advanced economies, especially in US and Japan.

Outlook for 2009

Despite wide-ranging national and international policy actions financial strains remain acute, pulling down the real economy to the deepest global recession since the Great Depression. Global economic prospects have been marked down and it is projected to decline by 1.1% year-on-year in 2009, even assuming continuous macroeconomic policy support and moderation in the contraction starting with the second half of the year. Based on UniCredit Research forecasts for 2009, the US economy is projected to drop by 2.4% year-on-year, while the Euro area is estimated to contract deeply by 4.0% year-on-year.

Financial market is still facing a bumpy road ahead till recovery. According to IMF estimates, out of The USD 4 trillion only one-third of estimated losses have been recognized and substantial amount of new capital will be needed for the new write-downs. Banks and insurance companies will face during 2009 increasing losses as the deepening recession takes a toll, adding to the debts racked up from sub-prime mortgages. A sustained economic recovery will be conditioned on the restoring of the financial sector's functionality and unclogging of credit markets. The projected recovery implies strong macroeconomic support with monetary policy interest rates near the zero bound in major advanced economies and at 1% in Euro area.

The further balance sheet adjustment will have negative consequences on external financing of emerging countries. Central and Eastern Europe expected to weaken its performance and its GDP is anticipated to contract by 5.8% in 2009.

Stable evolution of oil and commodity price in the $50–$75 range is expected during 2009 which means an average yearly drop of around 40-50% year-on-year, given the record high prices in 2008. The relatively low commodity prices and rising output gaps will trigger a sharp deceleration of global inflation.

[6] Source: Global Financial Stability Report of IMF

Retail Division

2008 was for UniCredit Tiriac Bank the year of growth strategy on business side within the Crescendo Program including 8 stream-lines aimed at increasing the overall division results:

1) SMEs
2) Consumer Lending
3) Affluent Lending
4) Account Services
5) Investments Products

The first five stream lines included actions related to product improvements, campaigns and processes efficiency.

In the SMEs sector, the bank constantly outperformed the revenue targets by improving products and processes and by communicating them accordingly. Budget objectives were achieved as of the month of October already.

We launched a SME savings account, particularly interesting for SMEs towards the end of the year, when financial resources became scarce and the need to better manage the cash flow became more acute. We also offered a new term deposit with weekly/monthly payment of interest, also aimed at encouraging savings and careful cash management.

On the lending side, UniCredit Tiriac Bank launched 3 new types of loans (working capital lines/overdraft, investment loans and mortgage loans) and a dedicated SME credit card with international usage and a 30,000 EUR credit line to facilitate the access to the much needed financial resources.

We also conducted a pre-approved loan campaign for maintaining the existing customer base and acquiring new clients and developed a partnership program with Metro Cash & Carry, the wholesale hypermarket network.

In the area of processes, we streamlined credit process targeting 5 days TTY and piloted a new workflow tool CWR – Ezy SME Lending (1st phase) in 17 branches.

For Consumer Lending were launched new products: grace period personal loans, loans with same installment, constant annuities, personal loan with fix interest rate and goods acquisition products. There were done simplifications in term of documentation requirements and simplified flow for all personal loans.

Also in 2008 we established UniCredit Consumer Financing, a dedicated consumer finance company with experience in the Group, thus introducing new products and new streamlined processes targeting mainly mass market clients.

For Affluent Lending was launched a new Refinancing Mortgage backed loan – Umbrella Loan, New Mortgage loan for Investors, loans directly linked to Euribor/Robor/Libor 6 Months and possibility of changing the pricing structure and loan currency during loan life. Also it was launched in February DUET product – a combination with an high yielding UCT Term Deposit and local Pioneer mutual funds, in 50/50 proportion.

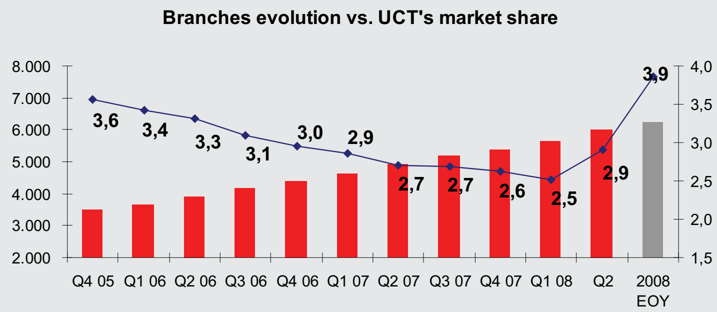
On Account services, products like salary packages and overdrafts became more friendly for the customers and new services and products were implemented: SMS Banking, Multi – tiered Term Deposits, Multi –tiered Savings Account, 2 months term deposit.

Intensive commercial campaigns targeting both affluent and mass clients were implemented: Top-up campaigns – pre-approved loans and credit cards, cross-sell campaigns on current account clients, special offers for new branches and dedicated campaigns for Metro Cash&Carry.

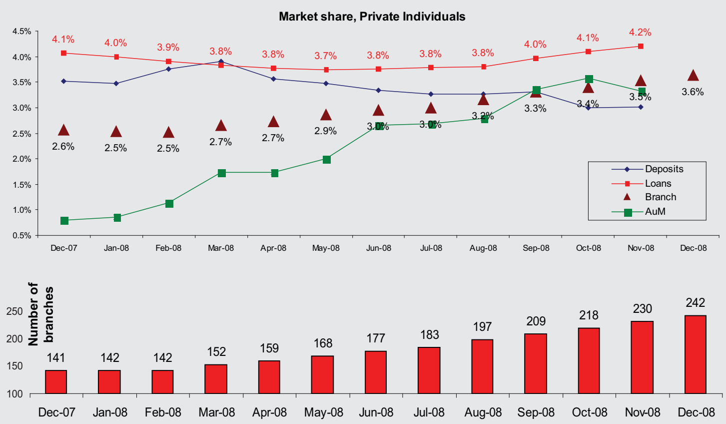
Processes were simplified in terms of documentation requirements and simplified flow for all personal loans.

The other two stream-lines were:
7) Sales Force Effectiveness.
8) Network Development

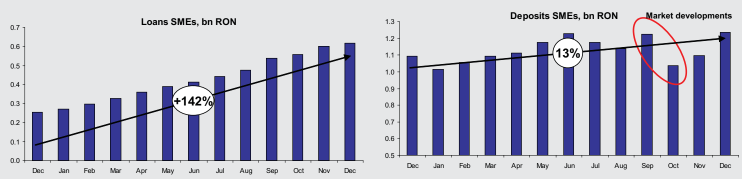
Sales Force Effectiveness constantly supported the overall 2008 retail growth and Network Development successfully completed an aggressive expansion program of our nation wide network of branches. In December 2008, we opened our 100th new unit, thus taking our network up to 245 branches throughout Romania.



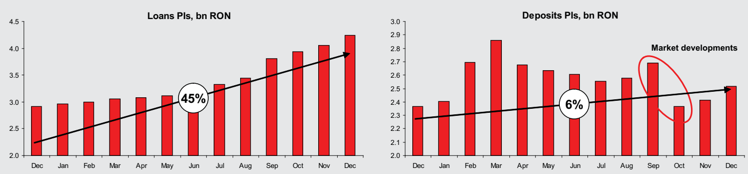
Branch expansion project was a key strategic move considering the gap between business and distribution channels market shares



2008 volumes evolution reflected a successful implementation of bank's strategy.



- Strong increase of lending, following the implementation of Partnership Program
- Deposits volume impacted by Oct market rumors and seasonality

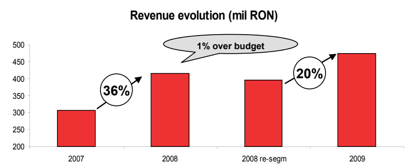


- Consistent increase in lending after Crescendo strategy implementation
- The new focus on deposits – after Jul – paid off but the volumes were affected by Oct moves

The results were an increase of 142% in terms SMEs loans and 13% on deposit side. For individuals, the growth was of 45% on loans and 6% on deposits.

However, towards the end of the year, we faced the challenge of maintaining the positive trends of the first three quarters, in a rapidly deteriorating market environment. Our focus rapidly shifted from loans to deposits, in order to balance the loan to deposits ratio, an objective we have achieved quickly.

Revenues increased by 36% but after the process of passing to corporate of some SMEs, due to the increased revenues, the final increase was of 20% on retail side.



With a view to continuing the positive trend in a difficult market situation, with significant ups and downs, our attention in 2008 also focused on optimizing customer satisfaction, exploiting the cross selling potential while keeping risks and costs under control, and achieving growth in the three sub-segments of the Retail Division customer base – Mass Market, Affluent Customers and Small and Medium Enterprises.

For 2009, on SMEs the target is to continue with the successful efforts of 2008 on our path to gaining market share and becoming the 5th bank on this segment. On mass Segment, to continue acquisition of new clients through salary packages & cash loans and to have a strong focus on depositary products. Affluent Segment is a higher value segment wich we will target through better service and tailored products. Convenience through remote services is planned to become a key part of our value proposition through Call Center & Online Banking product. Together with the challenges, 2009 brings us a lot of opportunities:

Retail Division (Continued)

- Strengthen our BRAND POSITIONING in the market place
  - People need a financial partner during these times, opportunity to leverage our brand essence ('empowering optimism') to increase key image indicators
  - Strengthen awareness and trust of UniCredit Tiriac Bank by communicating the stability and power of the bank
  - Strengthen our position as 'top of mainstream' quality bank for intelligent people that build the future by their own.

- Improve the QUALITY OF SERVICE that we provide to the Customer
  - 2009: shift in consumer behavior from 'the best price only" to competitive advantage & value added
  - The way that we provide and communicate our added values (both at general & product level) is key

- Improve the QUALITY OF OUR PEOPLE
  - All teams should understand the bank Customer Focused strategy and undertake the Business Sustainability projects
  - Sales force should be empowered in order to answer to customer needs and ensure the desired bank image:
  - Product knowledge & Consumer benefits
  - Competition understanding and knowledge
  - Bank positioning & strategy

Customer Care through quality services will become a key pillar in the bank's strategy.

2009 Customer Care Program

Service Model	Develop segment specific service model	**IT support**	Improve IT services quality (uptime, time to market)
Processes	Streamline fulfillment operations/processes	**Comm-unication**	Strengthen brand perception – internal & external
Staffing & knowledge	Improve knowledge, just-in-time replacement	**SLA**	Implement SLA with the business

Key strategic initiatives launched to improve risk management and increase cost efficiency and productivity.

Credit Risk

- Selective re-pricing of existing portfolio (SMEs)
- Anticipate re-structuring needs by launching hassle-free options: maturity extension, payment holidays
- Strong risk co-ownership of network for a pro-active risk administration

Cost management

- Cost/ operations effectiveness – realigning structure
- Follow up the campaigns efficiency and adjust tactics
- Network efficiency / rightsizing

Audit & compliance

- Strengthen focus on audit & compliance
- Seamless resolution of findings
- Audit included in MBO

Corporate Division

As the only Romanian bank with a dedicated corporate network, UniCredit Tiriac Bank is also recognized as the best bank specializing in real estate. As a matter of fact, we are the only bank with a division dedicated to this type of projects. Additionally, we have unparalleled cross border capabilities via our international desk, being able to provide seamless customer banking relationships in multiple countries at the same quality of services as in the home country of any client.

In 2008, the Corporate Division continued its development strategy leveraging its key differentiators and focusing on cross selling opportunities, either at a bank level or at a Group level. By virtue of our Group-wide best practice approach, we have enjoyed access to a wealth of experience gained by one of Europe's leading banks serving the corporate customer segment and were able to make this expertise available to both Romanian and multinational corporate customers.

We responded quickly to the deteriorating economic situation in the last quarter of 2008, and the additional demands it placed on our customers, with initiatives such as Working Capital Check, whereby our advisory services were focusing on areas of concern to our clients, such as liquidity management and assistance schemes. As a strong and reliable partner, we will continue to work together with our customers, as they try to navigate through the crisis on the international financial markets.

Given the slowing economy, customer demand focused primarily on financing – however for different reasons during the first three quarters of the year as for the last quarter. Thus in the last quarter, customers showed a greater interest in measures aimed at managing cashflow. While developing strategies for our customers, we worked carefully to integrate both financing and investment requirements. This approach enabled UniCredit Tiriac Bank to achieve healthy risk/return ratios.

Moreover, our cross-border business solutions were well received by large and multinational corporates. As part of UniCredit Group, we were able on various occasions to help our customers successfully leverage important market opportunities.

Mid Market – Significant consolidation of the growth was achieved via intensive, direct commercial actions. In 2008, more than 2,000 visits to clients resulted in the acquisition of 641 new clients; road shows for promoting factoring, F/X and leasing stirred further interest in the services of the bank and increased the number of leads generated.

Large Corporate and Public Sector – with a strong track record in terms of quality of services towards large clients, UniCredit Tiriac Bank has significantly increased its portfolio by acquiring new clients and concluding major, multi-million deals during the year. The bank has also managed to become the preferred banking partner for major companies, taking over accounts from other top 3 banks in Romania.

Multinationals - The overall yearly results achieved were excellent, leveraging the unique services of our international desk and opening opportunities for client acquisitions and cross sales. During the first semester, the focus was on selling of new loans while the second semester was supported mainly by interest on deposits and revenues consolidation.

New loans were mainly granted to major multinationals with a high potential on cross-sale. On the revenues side – leaving aside the big re-pricing effort conducted after 15th October in order to reflect the new realities of the financial market, the bank succeeded in implementing important FX lines on major customers in the oil and FMCG industries, as well as acquired and activated multinational customers mainly from retail & energy industries – thus brining in significant non-lending revenues.

Factoring – We successfully launched our factoring product in January and have seen rapid growth starting with May (accomplishing 143% of 2008 budgeted turnover, with 110 clients and 2 debtors approved). With the impact of the international financial situation starting in October, factoring may further prove a valid alternative to traditional lending to a large segment of companies.

Cross Selling – leveraging joint business opportunities together with other specialized members of our Group

Leasing – as of February a co-operation agreement was signed with UniCredit Leasing for cross-selling of leasing and banking products. The partnership resulted in a five times increase of the overall values of the deals concluded, compared to the full year 2007. The results were particularly impressive as they take into account the last quarter of the year, when sales of cars and new leasing contracts have recorded massive drops.

Leasing, a flexible form of financing, offers both private and corporate customers a wide range of attractive financing possibilities. As a universal leasing provider, UniCredit Leasing offers a broad range of services in the areas of vehicle, equipment and real estate leasing. Complementary, customized serviced include insurance, construction management and fleet management.

Retail – we liaised with our major corporate clients to present them retail packages tailor made for the needs of their personnel. Leveraging the support of the retail division, we negotiated over 1000 such packages in bundle deals.

Treasury – With the onset of the international financial crisis in Romania, treasury products and hedging lines in particular became more important.

Interest rate hedging transactions during January and May in Real Estate amounted to 752,000 EUR in revenues. We signed on significant, multimillion EUR FX lines, with clients in the auto industry, FMCG, pharma and retail & leasing. Our intensive efforts on promoting hedging solutions to major clients resulted in major contracts exceeding 30 million EUR.

Outstanding successes in 2008:

1.The first factoring deal booked in overflow - USD 33.5 mio short-term
2.The first agricultural deal - EUR 1 mio First Farms
3.The first non-German/Austrian retailer acquired by our bank - EUR 15 mio loan
4.Acquisition of new retailers in DYI and apparel
5.Big successes in attracting significant term deposits from energy & oil sector
6.Successful repricing of loans for 80% of the portfolio, as per the realignment with the new financial market conditions

Commercial initiatives with the double aim of improving Loans/Liabilities ratio and optimizing the RWA:

- Shifting part of existing credit exposures to overflow
- Transforming all remaining commitment facilities to un-committed
- Increasing the assets on less riskier industries like infrastructure, food&beverages, energy
- Focus on increasing the c/acc weight in the total of so-called deposits (which is less volatile and more healthy in terms of profitability, predictability etc) – in other words, increasing the business relationship/t/o (existing and new) mainly in case of retailers, energy traders, utilities and insurance companies

Human Resources

Human Resources

HR Role in UniCredit Țiriac Bank

As an organization, we commit ourselves passionately to creating a new way of Banking by constantly striving to serve our clients with innovative solutions. Our reputation is built on trust, accountability for results and quality in business. Our set of values is based on Integrity as a condition of sustainability, which makes it possible to transform profit into value for our stakeholders. The objectives of the Human Resources Department are established in order to support the overall attainment of our strategic business plans and objectives, constantly evaluating the effectiveness of the organization and initiating, stimulating, developing and supporting required strategic changes in the company. HR Department is responsible to promote and maintain the overall success of the Company in all aspects. It listens to the voice of Employees and works with the Management of the bank, acting as a Strategic Business Partner. UniCredit Tiriac Bank is actually the first bank in the CEE region which implemented the HR Business Partner function in 2008. Having an experienced HR person dedicated to each division in the bank, who acts as a business representative in the HR team, made an important difference in the way we worked in 2008. The mission of the Human Resources Department in UniCredit Tiriac Bank is to enable and support the development of our employees in all aspects, from their performance and execution of job duties and responsibilities to the improvement of their skills, competencies and talents.

Strategic HR Initiatives in 2008

Strategic Workforce Planning

UniCredit Tiriac Bank is the new bank that came into existence on 1st June 2007, once the merger between HVB Tiriac Bank and UniCredit Romania was completed. Given the different cultures and trends of the merged entities, there were unanswered questions about the future of the new bank in terms of its employees and the future trends of the workforce. Taking into account also the growth strategy of the newly integrated bank, which meant opening 100 branches all through 2008, there was definitely a need for an in-depth analysis of the threats and opportunities lying ahead. Therefore, towards the end of 2007, with support from the Group level and the new bank management and under the coordination of HR Executive Vice President, the company started a complex project of Strategic Workforce Planning. With the input of a prestigious consultancy company, the HR team started this project that had as main goals to:

- do a high level analysis of the Romanian labor market for the jobs most relevant for UniCredit Tiriac Bank;
- anticipate demand and supply of workforce in the company starting from last year's data and projecting it for the next 5 years;
- provide insights into measures for closing the identified gaps.

The work on this project involved market research, company data analysis, interviews with employees, interviews with the main stakeholders in the company. The result of this complex analysis was that there were 38 initiatives identified and grouped under 2 main drivers: Recruitment and Retention. Each of these initiatives got a scoring and function of their impact and importance, they were prioritized, and 10 of them got the green light first. Each project was run by a person in the Human Resources team who became responsible for the development and implementation of the project. All the projects were discussed in a weekly coordination meeting under the guidance and patronage of the HR Executive Vice President. Some of the initiatives that have been finalized and also implemented during 2008 are the following:

Re-define Recruitment Process

As the recruitment needs in 2008 amounted to more than 100 people per month, there was first of all a necessity of having a "recruitment machine" functioning so well that it could bring in so many people every month. That is why the entire recruitment process was re-defined overall: re-defining of recruitment procedure, creation of interview guides based on competency model and interview feedback forms, introduction of an IT application that functions as a candidate database, internal recommendation system, and participation in different recruiting events. The project was a success as the recruitment process started running much more smoothly than it did before and throughout 2008 the team closed 1,653 open positions with internal and external candidates.

Participation to Job Fairs

The participation to the job fairs organized at country level was meant both to explore the talent pool on the market and supply for the newly opened branches according to schedule, but also to give more exposure to the company brand. We've participated to 6 job fairs where we gathered hundreds of CVs from which we could select valuable candidates for our vacancies.

University Events

This initiative was also included under the Recruitment pool of projects and was targeted at the young student population both in economic and non-economic universities. The road show involved 6 major cities in Romania where UniCredit Tiriac Bank representatives hosted 20 events. For that we made partnerships with universities, raising brand awareness, exposing the job opportunities that students and fresh graduates could have access to. The calendar of events was put up on a dedicated web site created especially for this project and the online campaign raised our visibility in the student environment and helped us receive more applications (over 700 CVs received).

Internship

Internship project objective was to attract motivated and talented students with different academic profiles by creating a framework in which they had the possibility to do internship in the bank, in branches or head office.The students could apply for internship within UniCredit Tiriac Bank through the university where they studied, or on their own.
On this project, we've managed to create an internship application dedicated to students, an Intern's Guide and a banking dictionary with most frequently used financial terms. The internship period was mapped on an approved plan and there were feedback forms in place in order to evaluate the intern and the internship period. The initiative proved to be a success as we had over 200 interns in UniCredit Tiriac Bank in 2008 and most of them received great recommendation from the manager of the department they were allocated to. These interns were further interviewed by HR and the ones who were keen on starting their career also got a job offer which matched their skills and profile.

Employee Training & Development

Welcome Package & Induction Process

The Welcome Package was implemented in November and newly hired employees received it at the Induction Training in 2008. It contains general information about our company (presentations of company and employee benefits, organizational charts, useful contacts, general policies and procedures, etc.) all in a very attractive package that the new employees can keep with them and access at any time they need. All new employees participated in the Induction Training program on their first days in our bank. The program included the Induction Day One Training - relating to the organization, values, structure, history, health and safety issues - and the On-the-Job Training – relating to the position of the new employee, each new person in the bank received a two-week training in a mature branch or in several departments of Head Office.

Training in UniCredit Tiriac Bank in 2008

In 2008 we had in UniCredit Tiriac Bank over 140 training programs which were delivered both by the internal training team and by external providers. The area of training courses ranged from the technical courses on different applications, operational risk and financial analysis to the soft skills ones on communication, time management or conflict management. Managers in the company were included in a leadership program, which was customized to their development needs so as to offer them all the knowledge and skills in order to become effective leaders. Also, in 2008 UniCredit Tiriac Bank employees benefited from the E-learning platform where they could access training manuals and also take different tests.

Performance Appraisal Process in UCT

Performance Appraisal system is designed with the main aim of providing a process by which the performance and achievements of each UniCredit Tiriac Bank employee are periodically and regularly appraised. It is a system which includes evaluating competencies (behaviors) and defining and evaluating individual performance objectives. The Competencies evaluated during Performance Appraisal are based on UniCredit Group's Competency Model, a common framework for UniCredit appraisal and development.

The performance of each employee is appraised bi-annually by the immediate supervisor (who has first hand knowledge of the work being performed). The written performance appraisal is an opportunity for the supervisor and employee to review whether previously discussed performance expectations and goals have been met, to discuss professional development opportunities, and to identify options for acquisition of additional skills and knowledge to foster performance improvement and career growth.
At UniCredit Tiriac Bank we developed and implemented an on-line Performance Appraisal system which makes the process easier to go through and follow, as well as giving a history of each employee from the previous year.

Human Resources (Continued)

Talent Management Program

As an international banking institution, UniCredit Group aims at having a strong Leadership Team, marking its business performance superior over time. As the success and value of our Group is built upon its employees, UniCredit Group is committed to the development of its internal talent. We aim to invest in raising potential and providing opportunities for professional growth. The High-Potential programs in UniCredit Tiriac Bank provides a framework for meeting these objectives. High-potential employees embody passion and are characterized by a fast development through various roles in the company and a carefully monitored career path.
As the future leaders of the organization, high-potential employees slide into new positions, develop through coaching, mentoring, new and challenging experiences. Ideally, these top performers are identified as early as possible using the Group Leadership Competence model which focuses on 12 competences that every leader should posses.
Talents who are managers and executives are part of the Group development programs: Talent Management Review (TMR) and Executive Development Plan (EDP).

- TMR is a process that allows the early identification of the UniCredit Talent pipeline, supporting Divisions and Competence Lines in structuring challenging development actions and career paths in order to prepare talents to become highly qualified and passionate leaders. Within EDP System a specific process has been set up to provide the Group with in-depth information about its organizational vitality and the opportunity to discuss the business strategy, organizational implications and its staff taking a fair, honest, accurate and non-discriminatory approach. The process is addressed to Executives and Managers of the organization according to the position currently held and their potential.

UniQuest is the Group's international talent development program that signals our Group's commitment to grow top talent internally and to ensure a continuous inflow into the management and leadership pipeline. The program aims to identify early on and to realize the full potential of the most promising talent coming from all the companies of our Group, talent who aspire to an international career and who have the potential to rise to executive ranks. UniQuest is a special program that allows participants all over the Group to form project teams and work on initiatives in different areas of expertise. The best projects are approved by Group Top Management and they may be implemented at company or Group level. UniCredit Tiriac Bank had a very good representation in this program in 2008, being the 3rd bank in the Group according to the number of participants – 14. This is the highest participation rate from UniCredit Tiriac Bank in this program compared to the 3 participants in 2007 and 6 colleagues in 2006.
Local High Potential Program. Locally we have developed a High-Potential Program – Local HiPos - that supports the bank's commitment to build a workforce that exemplifies the qualities of leadership, excellence, and diversity. The local high-potential employees are split in "Talents" and "High-value specialists". At the end of 2008, there was a number of 204 local HiPos in UniCredit Tiriac Bank who benefited from special attention from HR team who designed development action plans for them in collaboration with their direct managers.

Mentoring is the process whereby an experienced, highly regarded, empathic person (the Mentor), guides another individual (the Mentee) to develop and re-examine ideas to improve learning and professional development. It should be based on a development planning and learning approach that focuses on the mentee's learning needs. Dialogue and the exchange of knowledge should come in a balance from both parties. Mentoring enables the organization to use its existing talent to share the knowledge and expertise to one another. Everyone - the organization, the mentor, and the mentee - benefits from the mentoring process. The first 2 editions of Mentoring were organized in 2008 and had 60 mentors enrolled, starting with the members of the Management Board of the bank. A number of more than 180 mentees were allocated to mentors in both editions of the program and their feedback indicated that the program was a success for both parties and an experience that is worth going through.

Buddy System

New employees of UniCreditTiriac Bank in 2008 had a 'Buddy' who volunteered to help them settle into their new working environment quickly and easily. The Buddy, who is not necessarily from the same branch or department, is there to provide support, particularly in the early days and weeks, to give guidance on UniCredit Tiriac Bank culture and handy information for any questions and concerns the new colleague may have. The Buddy was not required to provide any job-related training but to act as a source of general information and support during the first month of employment for the new joiners.
The Buddy Program was introduced in 2008 and more than 150 of our more experienced

colleagues volunteered to become Buddies. The program was coordinated by the Human Resources Department and supported by the line managers and got very good feedback both from the Buddies and the new colleagues.

Career Maps for Development

In 2008, we developed Career Maps for every Division in the Bank and every department, thus giving a much clearer image of the career planning opportunities for each position. The connections on the Career Maps represent the guidelines for job movement within our organization and they are meant to be used by both employees and their managers, especially in their development discussions. These movements depend obviously on every employee, their competencies, skills and potential and their desire to move forward in their career, be it a vertical or a lateral move.

Voice of Employees in UniCredit Tiriac Bank

People Survey and Pulse Check

"Your Voice Our Future" is our key listening moment during the year. Launched with the aim of getting feedback from the entire staff, it gives all of us the opportunity to express our opinions, expectations, and even doubts regarding the initiatives undertaken by the Group. In 2008, the participation rate was of over 70% in UniCredit Tiriac Bank and after analysing the results we understood what our strength areas are, as well as the ones that we need to focus on further.

Besides the People Survey which is done at Group level, in UniCredit Tiriac Bank we introduced the local survey called Pulse Check which was organized every quarter in 2008. Thus we could constantly receive feedback from our employees, listen to their suggestions for improvement and act upon them. Both People Survey and Pulse Check aim at measuring employee's satisfaction related to work environment in our organization. The action plans that are developed are then approved by the Management Board of the bank, they are implemented and carefully monitored throughout the year.

Compensation Policy and Employee Benefits

In UniCredit Tiriac Bank we believe in fair compensation, in accordance with each employee's experience and expertise, knowledge and performance on the job. In determining the compensation level of our employees we take these criteria into account but also the market benchmarks, so as to be a fair employer in this respect.
In addition to this philosophy, starting with 2007 and continuing in 2008 we adhered to the comprehensive and efficient performance management system called MbO (Management by Objectives) for managers and other non-managerial positions in the bank. This process starts with the set up of SMART and quantifiable objectives, aligned with the business strategy and unit goals. These are measured on scorecards and they are evaluated either quarterly or yearly, depending on the respective position in the bank Having this system in place, business activity could be better monitored and individual contribution better assessed and awarded.
In addition to this system, in 2008 the Human Resources Department developed an initiative meant to offer better banking packages to employees, encouraging them to access bank products. Likewise, UniCredit Tiriac Bank employees benefited in 2008 from a health subscription with a private medical clinic, they received gift tickets for their children twice a year, seniority gifts acknowledging their loyalty to the company and they could enjoy sports activities on the tennis and football courts put at their disposal by the bank.

Corporate Sustainability

Business Sustainability

UniCredit Group focuses on the fact that the long-term sustainability of our business represents a competitive advantage that also contributes to the development of territories, markets and social cohesion.

BUSINESS SUSTAINABILITY DEPARTMENT

Starting with the second part of 2008, a new approach of the UniCredit Tiriac Bank activity was launched through the new department of BUSINESS SUSTAINABILITY, following the Group policy of CUSTOMER CENTRICITY.

Business Sustainability Department reports directly to the CEO of the Bank is the enabling condition for a successful Customer Satisfaction program and is the right organizational way to ensure the highest management commitment and the efficiency of a structure responsible for sustainable growth driver.

1. The mission:

Business Sustainability aims at planning, controlling and fostering drivers and KPIs different from short term profitability for granting sustainable results, following up closely the implementation of approved Action Plans.

The entire Bank's organization must be oriented to the customer satisfaction goal so that the Business Sustainability achieves its targets working together with all the other Bank Units related to Customers management.

The Group guidelines are applied and market best practices are adapted to the Romanian market in order to achieve the Customer satisfaction goals and growth objectives of the bank.

Customer Care and business performance are both fundamental for defining a sustainable revenue growth strategy, being a measure of Bank success in meeting target Client Expectations as it allows ex ante anticipation of potential dissatisfactions arising from either commercial policies or operational decisions, rather than monitoring of effects within an ex post approach.

The overall methodology allows for calculating a synthetic indicator of customer care and identifying of actionable recommendations – per segment and per region in order to sustain and increase market share. It enables the Bank to drive the decisions straight to the network thanks to the concreteness of results and the possibility of identifying and analyzing the "cause-effect" approach.

2. Five main pillars for bank sustainable results

The bank's divisions can rely upon the Business Sustainability which is based on the 5 MAIN PILLARS strictly connected and inter-related one another for a sustainable performance

REPUTATION BUILDING:

- Measurement and Action plan to find main drivers to build a good reputation of the bank
- Plans and action on macro- processes to prevent any reputational risk

CUSTOMER SATISFACTION*: Methodology, maintenance and evolution*

- Standardization of measurement systems

Identifying drivers of influence

- Operational quality control

Alignment and pondering MBO systems

INTERNAL CUSTOMER SATISFACTION: *Methodology maintenance and evolution*

- Internal survey at the level of final internal customers
- Requirements and needs definition
- Best practice in business divisions and outside banks
- Implementation processes
- Action plans

PEOPLE ENGAGEMENT: *Analysis and planning of drivers impacting on business sustainability*

- Identifying drivers with impact on business sustainability
- Action plans for all the activities connecting business sustainability and people satisfaction

MARKET SHARE: *Service models, Processes & Steering Models refocus to ensure sustainable growth linked to customer satisfaction*

- Reshaping, implementing and monitoring the sale processes which lead to the right product for customer needs
- Identifying regional priority

3. The new customer care approach: goals

This new approach combines perceived and delivered quality from internal and external point of view with the aim to identify the killer variables most impacting on customer satisfaction and to come out with actionable recommendations to keep the satisfaction high, supporting bank growth in medium – long term

- **Customer Satisfaction Survey** has two main **goals:**
  - monitor, on a yearly basis, the clients' level of satisfaction through a standard methodology widely used within UniCredit Group
  - define service models, products, network functioning, brand image, strengths and weaknesses in order

to increase Customer Satisfaction level. UniCredit Tiriac Bank adopted the standard TRI*M questionnaire respecting the Group Guidelines

- **Service Quality analysis** aims at:
  - detecting the perceived service quality delivered by the network
  - analyzing the customer experience within the branch
  - measuring the acquisition performances of branches

- Employee Perception analysis has a twofold perspective:
  - understanding from the network viewpoint the most important constraints for excellence in branch operations
  - mirroring with clients' feedback

- Operational Performance analysis reveals:
  - the fit of the service model selected (possibly) for each customer segment
  - the most critical operational variables impacting on Customer Satisfaction and on the attrition rate

The overall methodology allows to calculate a synthetic indicator of Customer Care and to identify actionable recommendations.

MAIN OUTCOMES vs. RATIONALES

- **The Customer Care Index (CCI)** - A new indicator to understand customer satisfaction from the internal & external point of view considering both perceived and delivered service quality
- **The 4 Customer Care Indicators (TRI*M, SQI, EPI, OPI)** - A wider analysis comprehensive of variables related to quality delivered (SQI; OPI) and bank internal perception (EPI)
- **Synthesis of major "killer variables"** impacting on CS and supporting market share growth - Identification of variables heavily impacting on each segment and evaluation of market share returns
- **Final actionable recommendations** - Definition of products/services offering improvement by geography and client segment

The approach further step evaluating the impact on Market Share and the bank has the possibility to better understand the impact of those quality factors on market share and to develop a sustainable growth strategy, having in view that:

- There is **a clear and linear correlation between branch service quality and customer attrition**
- **A correlation** is also observed **between service quality and customer satisfaction** although rather than linear, the relationship appears to be more
- Also it is evident that higher customer satisfaction leads to greater acquisition rates and it is a key driver for income growth:
- **A correlation exists between satisfaction and acquisition** showing the importance of customer referrals in acquiring new customers.
- In terms of customer satisfaction, in high performing banks the net acquisition rates increase
- These banks normally use a strong incentive system (30% of advisor incentives are linked to acquisition), local marketing initiatives and empowerment, aggressive pricing on key products and a very strong focus on customer satisfaction.
- **The relationship between customer satisfaction and financial performance measured in terms of AuM** and assets gathered **provides** that **most satisfied customers holding much more** assets with the bank than the least satisfied.
- In terms of net new assets gained, the difference is even more pronounced.

Correlating all these results, **Business Sustainability** elaborates for the top management the "Tableau de Bord" with specific "Action Plans" tailored for business lines and main "killer variables" with aim to improve quality of services, business models, products, flows and processes and ensure the business sustainable growth.

Based on the results of the analyses developed in 2008, 7 initiatives in Retail, with dedicated initiative managers, have been formed and preparation for launching of specific internal projects for 2009 was finished.

During the year, specific research may be performed for both business lines (Retail and Corporate) by Business Sustainability and new initiatives may be launched either inside Initiatives Program, when it is noticed any deviation of expected profitability due to efficiency of flows, processes, business models, products etc, or, at business line request, on punctual subjects.

The outcome has a high level of fairness as Business Sustainability acts as an internal consultant, with a pro-active approach, for long-term viability and integrity of the entire business.

Moreover, potential impact on business related to specific norms and regulations (NBR, Ministry of Finance, EU, etc.) newly issued or modified, as well as internal modifications, may be considered in the future.

Corporate Social Responsibility

At UniCredit Tiriac Bank, we are looking at our CSR activities from the perspective of sustainable development – a vision we are sharing with the entire UniCredit Group and which enables us to pledge long term commitments to relevant causes. Apart from donations and sponsorships, we are strong believers in the value of volunteering, as this is also a good indication that our volunteer colleagues share our CSR vision and are happy to be a part of it.
Fond as we are of our CSR activities, we set up a dedicated section on the UniCredit Țiriac Bank site, thus making the information about our projects available to everybody. The Sustainability section on the site follows closely the areas where we chose to invest our time, money, energy and enthusiasm, reflecting our most successful projects.
In 2008, the bank was involved in more CSR projects than in the previous years and has addressed both external audiences, namely customers, investors, shareholders and NGOs and internal ones, employees and partners.

Social Projects

Last year, we got involved through the Group's nonprofit organization, Unidea, in several sponsorship activities, for the benefit of children. We donated computers to schools in rural areas.
As part of our Christmas Joy program, we redirected the money we would have normally spent on Christmas gifts to a better use, donating it towards several NGOs.
As part of our volunteering activities, we developed the Gift Matching program, which is implemented internationally and has had a great success in our country too. Gift Matching reached its fourth edition in 2008 and the program raised a considerable sum of money for the children in need. The principle of the program is involving the employees of the bank in donating money for needy children and people, and, at the end of the fund-raising period, Unidea doubles the sum already raised, and therefore the donation is substantial.
In 2008, ten NGOs and foundations from all over Romania benefited from the money raised by the employees of UniCredit Tiriac Bank and offered help to those who needed it most.

Art and Culture

Nurturing the belief that culture is an engine for progress, in 2008 Unicredit Tiriac Bank continued to encourage artistic initiatives. The bank offered its support to the fields of film – making, architecture, urban art and literature. These are some of our most important initiatives:
The Anonimul International Film Festival – organised together with Anonimul Foundation, the festival addresses mainly young independent film makers and is held in a unique location, the Danube Delta natural reservation. The competition had two main sections, feature films and short films (fiction and animation), and it gathered international and national film makers and critics.
In 2008, UniCredit Tiriac Bank had a unique contribution to the festival. In support of its eco spirit we printed all our promotional materials for Anonimul on recycled, recyclable and eco-friendly materials.
Bucharest International Biennale for Contemporary Art, a major event that reached its third edition in 2008, transformed Bucharest in an artistic action field for almost a month. The event encouraged creativity and the dissemination of art among the public, as well as intercultural dialogue that promotes cultural values. The bank was a strategic partner of the event and offered an exhibitional space, Pavilion UniCredit, in one of its former branches. The space was officially opened in 2009, as one of the first centers for contemporary art and culture in Romania. Pavilion UniCredit had great media coverage even before its official launch, because of the association with the Biennale.
Following the encouragement of artistic initiatives, the bank offered its support to yet another event, important for the cultural development of the society, The Walls & Floors Catalogue (Without the ceiling). The publication of these, otherwise perishable works of art, represents an illustration of a project by two artists, Dan Perjovschi and Nedko Solakov, who used text and images to graphically decorate the walls of Bank Austria Kunstforum Gallery in Vienna. The drawings have been covered after being exhibited for two months, in order to make room for other works of art. By gathering the images in a published form, the works became permanent and therefore would be available for future generations. UniCredit offered its full support for keeping this artistic initiative alive for years to come.
UniCredit Tiriac Bank believes that art contributes to progress, therefore, it encouraged Bucharest metroArt, a project of urban art that aimed at involving both public institutions and private companies in the process of improving the aesthetics of several public spaces of Bucharest. Our bank offered help for the redecoration of Victoria underground station, an important reference point in the area, close not only to UniCredit Tiriac Bank's headquarters, but also to three important museums.
However, visual art is not our sole concern, we are also very interested in the development of the cultural projects, therefore we came up with such a project ourselves, called UniCredit Literary Debut Competition. The contest targets young writers, who have not had their work published before, and has three main sections: poetry, novel and short stories. The winners had the chance to see their works in print. Through this competition, UniCredit Tiriac Bank opened the path to stardom

for the talented artists and at the same time, contributed to the Romanian cultural heritage.

Moving away from the art segment, our bank has been actively involved in protecting the environment for quite some time and in 2008 it launched three awareness campaigns that would bring about the efficient use of natural resources. As a group, UniCredit has implemented a program that aimed at reducing the carbon emissions and encouraging the use of green energy in its buildings. UniCredit Tiriac Bank launched both internal campaigns, such as The Paper Forest and Our Forest, as well as external ones, who addressed the general public, such as Cicloteque.

Our Forest was developed in collaboration with the Association MaiMultVerde and was based on an online game, through which all our colleagues were encouraged to purchase trees in a virtual forest. After the game ended, the virtual forest became a real one, 2.000 fir trees were planted by our bank's volunteers in Piatra Craiului National Park.

The Paper Forest also addressed the UniCredit Tiriac Bank team, encouraging every employee to use the paper responsibly. The complex campaign rolled on under the slogan „The paper forest wants to be alive" and aimed at informing the internal public about the importance of saving and recycling paper. In this respect, all the paper used in the headquarters of the bank was replaced by recycled paper and special containers were placed in the bank's headquarters and branches.

The external public was also informed about our environmental policy, through the initiative Cicloteque, another joint project with MaiMultVerde. The bank contributed to the opening of the first center for renting bicycles in Bucharest. After the opening of Cicloteque, the inhabitants of Bucharest as well as tourists have the chance to choose a comfortable means of transportation that also reduces the pollution. In line with its commitment to protecting the environment, UniCredit Tiriac Bank set up special parking lots for bicycles in front of its major branches and encourages both employees and public to take up a healthy means of transportation as often as possible.

Education and sports

We are well aware that supporting education is crucial for the future of the society we live and work in and therefore we encourage performance in all its shapes and formats. Our bank employed its resources in the process of helping students achieve excellence and we offered scholarships to the students at masters' level in the Bucharest National University of Art. A jury formed of one representative of our bank and one of the University selected the students that would benefit from the scholarships.

UniCredit Tiriac Bank understands that creating a link between the academic environments and corporations is very useful because it offers students a pragmatic overview of the future work they will be involved in. Besides, the collaboration is a useful one for the bank too, because it has the chance to do all it can in order to have better prepared future employees.

UniCredit Tiriac Bank continues the tradition started by the Group in what concerns sports and initiated in Romania a yachting competition, together with Romanian Royal Yacht Club. Regata UniCredit Tiriac Bank was open to children's clubs all over the country and offered as a prize sails for the Optimist and Laser classes' boats, waterproof equipment and other boats. The competition took place in Herastrau Park, in Bucharest, lasted for two days and comprised six races, divided by categories.

In 2009, UniCredit Tiriac Bank will continue its initiatives to support value generating projects in all fields, thus contributing to the progress of the community where it operates.

Financial Statements

UniCredit Tiriac Bank activity review

UNICREDIT TIRIAC BANK ACTIVITY REVIEW

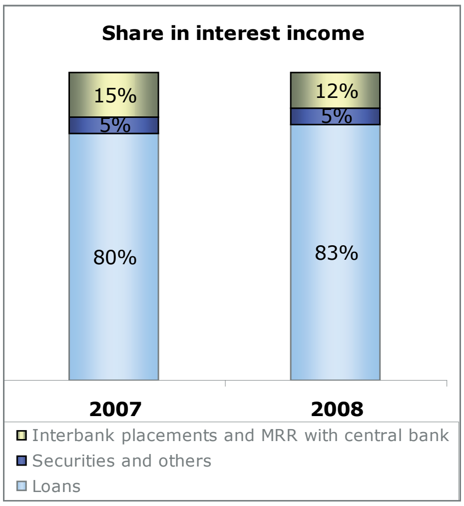
Financial results

UniCredit Tiriac Bank reports a consolidated net profit of RON 358.3 million in 2008, up 36.5% from RON 262.5 million in 2007. Total net operating income is up 48% to RON 603 million and operating income up 39% reaching RON 1,163 million.

RON Millions

RON Millions Summary Income statement	2008	2007	Growth (%)	Growth (amount)
Net interest income	250.1	358.1	-30.2	-108
Net fees and commissions income	228.7	210.2	8.8	19
Dividends income	4.4	2.1	109.5	2
Net income on foreign exchange and on derivatives held for risk management	630.4	261.6	141.0	369
Net gains on financial assets available for sale	26.2	1.0	2,520.0	25
Other operating income	23.4	4.0	485.0	19
OPERATING INCOME	**1,163.2**	**837.0**	**39.0**	**326**
Operating Expenses	-560.7	-430.0	30.4	(131)
NET OPERATING INCOME	**602.5**	**407.0**	**48.0**	**196**

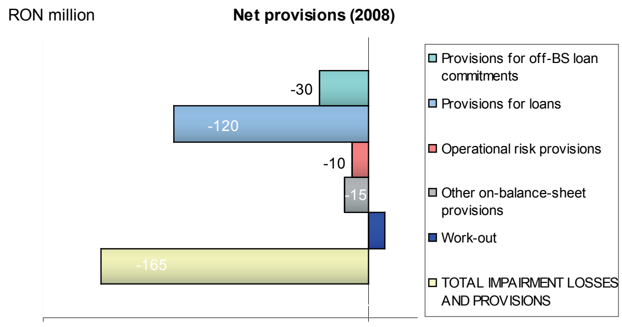
Profitability and efficiency improved: Return-on-asset is 2.4%, Return-on-equity 21.5%, earnings per share RON 8.79 (up 36.5%) and Cost-to-income ratio is down by 3.2 percentage points to 48.2%.



Net interest income was influenced by the significant increase in the RON-EUR interest differential and growing costs of customer deposits, particularly in the last quarter. It dropped 30% in nominal terms to RON 250 million. Yet if sterilised with the actual interest related effect of swapping operations from the parent company, it reaches RON 606 million or 52% of total operating income. Lending interest income, representing 83% of total interest income, grew by 60%, supported by the 38.4% increase in the bank's average annual loan portfolio. Interest income from inter-bank deposits and minimum reserves with the central bank accounted for 12% of total interest income going up 12%. Interest income was supported by the increase in the major base interest rates. Average 1-month EURIBOR was up from 4.08% in 2008 to 4.26% in 2007 and the average 1-month ROBOR was up from 7.85% to 13.03%. Interest expenses on customer deposits and loans from banks went up more than two-fold due to the increase in both prices and average volumes. The cost of funding rose significantly with the 5Y USD CDS (current default swap) for Romania going up to 646 basis points at the end of the 2008 from 82 basis points at the end of the previous year. Lending and deposit spreads for the year as a whole went up in line with market trends. In the last quarter however the total interest margin shrank due to the high cost of funding and lower liquidity in the market.

Fee income was up by 8.8% to RON 229 million, accounting for 20% of operating income. The growth is mainly attributable to the 35% increase in payment transactions and 52% increase in commissions from the risk participation on externalised loans with UniCredit Bank Austria. Loan administration fees went down, while trade finance ones remained flat.

The bank realised a good trading income. Net income on foreign exchange and on derivatives held for risk management more than doubled to RON 630 million in nominal terms. However sterilising the RON 356 million gains from the foreign currency swaps related to funding from UniCredit Bank Austria the related gain is RON 275 million, growing compared to previous year. This reflects higher customer and proprietary FX transaction volume and higher earnings on derivatives. The bank operated in strict compliance to the related market risk statutory standards and group policies. During the year the UniCredit Tiriac earned also RON 25 million from disposal of investments and dividends. The gain from disposal of TBills and TBonds was RON 15 million, higher than previous year.
Operating costs reached RON 561 million. The growth rate of 30.4% was below the one of operating income and was mainly linked to the network expansion and higher HR costs also driven by the growing remuneration levels in the market. Personnel costs grew by 31.4% to RON 268 million or 48% of total operating expenses, reflecting also the increase in number of staff by near 600 people (22% growth of headcount). Other administrative costs were up 31.6% in 2008, mostly as a result of 72% increase in number of outlets, higher rent, higher volumes and high inflation rate (7.9% average annual CPI).



Net impairment losses on financial assets, mainly provisions on loans, grew 3.6 times to RON 124.6 million. The increase was mainly driven by provision charges on loans which reached RON 120 million, representing a 96 basis point cost of risk[1]. UniCredit Tiriac Bank continued to pursue a strict and prudent risk assessment and provisioning policy, thus properly covering potential risks in the

[1] Cost of risk is calculated as net provisions on loans through the income statement for the year/ gross loan portfolio at the end of the year.

Balance sheet

The value of the balance sheet total reached RON 17.5 billion, up by 36% compared with the end of 2007. Interest-earning assets accounted for 96% of total assets.

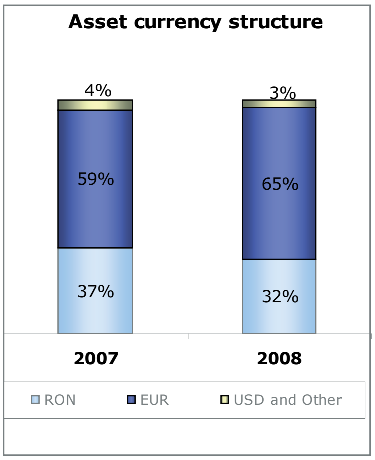
RON Millions

Summary Balance Sheet[1]	2008	2007	Growth (%)	Growth (amount)
Assets				
Cash and balances with Central Bank	3,541	3,196	10.8	345
Due from Banks (net)	809	557	45.2	252
Securities	635	854	(25.7)	(219)
Loans and Advances to customers (net)	12,009	7,879	52.4	4,130
Property, equipment and intangible assets	**302**	**232**	**30.2**	**70**
Other assets, net	155	110	41.0	45
Total assets	**17,451**	**12,828**	**36.0**	**4,623**
Liabilities and shareholders' equity				
Deposits from banks	1,399	237	490.3	1,162
Customer deposits	8,649	6,595	31.1	2,054
Long-term borrowings	5,080	4,081	24.5	999
Other liabilities	507	403	25.8	104
Total liabilities	**15,635**	**11,316**	**38.2**	**4,319**
Shareholders' equity	**1,816**	**1,512**	**20.1**	**304**
Total liabilities and shareholders' equity	**17,451**	**12,828**	**36.0**	**4,623**

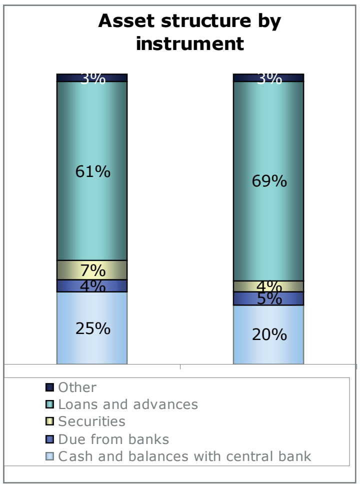
(1) Balance Sheet Structure from the financial statements is adjusted for analytical purpose.

UniCredit Tiriac Bank activity review (CONTINUED)

rapidly expanding lending market and increasing credit risk. As a result, the bank's NPL ratio[2] is 1.61% covered comfortably with 2.26% provisions coverage. All off-balance-sheet loan commitments and identified operational risks are also covered with provisions reaching RON 40 million, up 16.9% compared to 2007.
Income tax was RON 73.2 million, up 28% year-on-year, in line with the increase of the profit before tax.



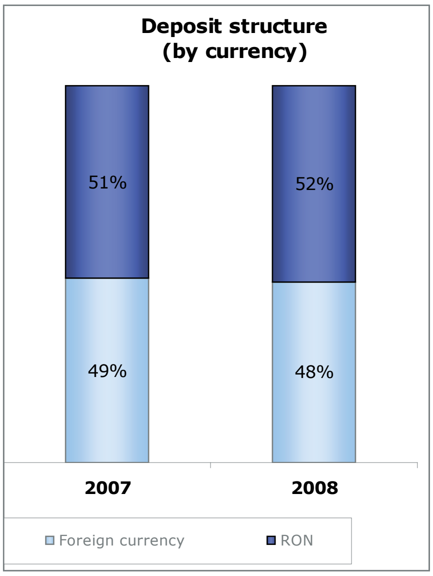
The currency structure of assets remained with prevailing EUR denominated component, similar to the market, with 65% share. Local currency component is 32% in 2008.

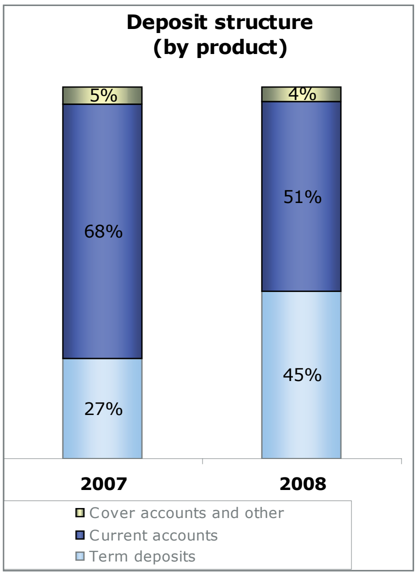


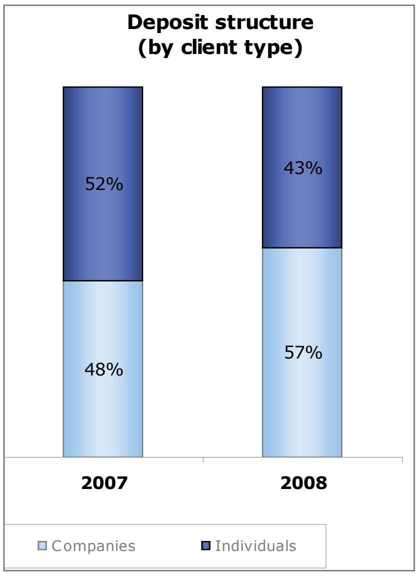
The loan portfolio weight rose to 69% of total assets against 61% for the previous year, reaching BGN 12.3 billion in gross terms (up 52.8% year-on-year). Securities portfolio dropped 26%, still marginal as share in assets with 4%. Cash and balances with the central bank stayed high with a 20% share in assets or RON 3.5 billion, mainly balances with the central bank, due to the minimum reserves to be kept of 40% of the eligible foreign currency denominated deposits and 20% of the ones denominated in local currency. Property and equipment increased by 30% reflecting the impact on the ongoing development capital expenditure.
UniCredit Tiriac Bank owned shares in 21 companies at the end of 2008. The total carrying value of these investments was RON 9.4 million, up from RON 11.3 million in 2007. During the year, the bank established UniCredit Consumer Finance in a joint venture with UniCredit Consumer Financing Bank SpA, Italy, as a specialised consumer lender operating in Romania. In 2008 the bank acquired the assets and liabilities of the Romanian branch of Banca di Roma, as a part of the overall integration of Banca do Roma and UniCredit Group, including RON 90 million customer loans and RON 43 million customer deposits. The capital gain from the transaction was RON 7.1 million.
On the liability side the bank largely preserved its funding structure, yet started reducing its leverage in the last quarter of 2008. Customer deposits increased 31% to RON 8.6 billion or 55% of total liabilities. External long-term borrowings increased from to RON 5.1 billion, funding from the mother company.
Shareholders' equity amounted to RON 1,816 million, up 20.1% for the year (RON 1,512 million in 2007). The whole 2007 net profit was reinvested. The equity ratio decreased to 11.5%, down from 14.6% in 2007 due to fast growth in loan portfolio. Total capital adequacy ratio under statutory standards was 10.2% at the end of 2008 (13.4% in 2007), and Tier 1 ratio was 7.9% (9.7% in 2007), all indicators higher than the regulatory norm and excluding the current year profit.

Customer deposits
In 2008, customer deposits increased by a healthy 31.1% and reached RON 8.6 billion. About 48% of all deposits are denominated in foreign currency, particularly in Euro. Local currency deposits slightly increased their share of total deposits by one percentage point to 52%.

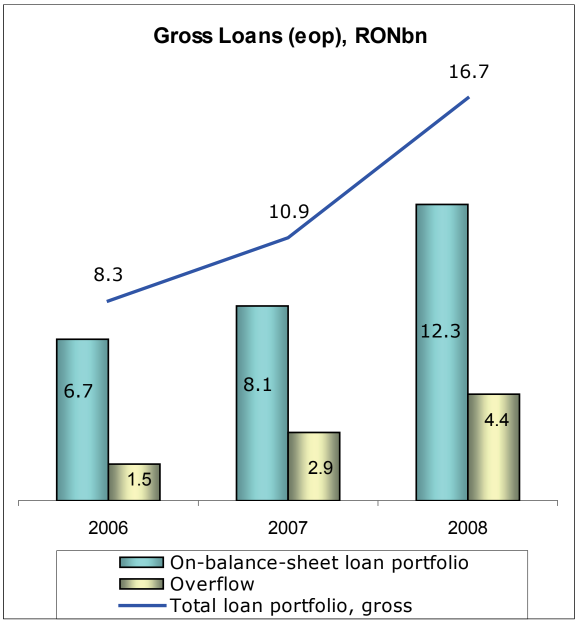
[2] Loans with default over 90 days and loans to companies classified above certain internal credit rating threshold/ gross loans.







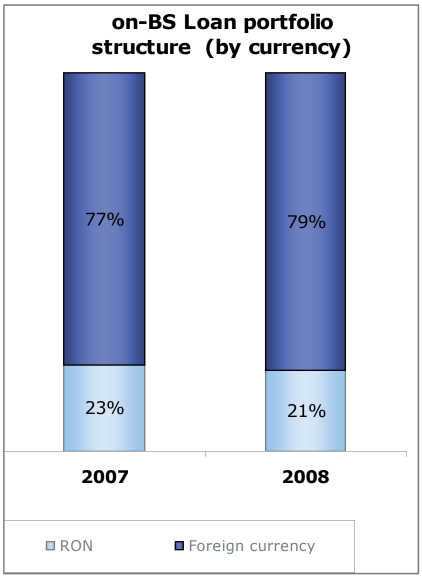
Company deposits increased 56% to RON 4.9 billion at the end of 2008, 57% of total. Deposits of individuals are up by 8.4% to RON 3.8 billion or 43% of total. Current accounts decreased their share from 68% to 51% of total, still prevailing in total deposit portfolio.

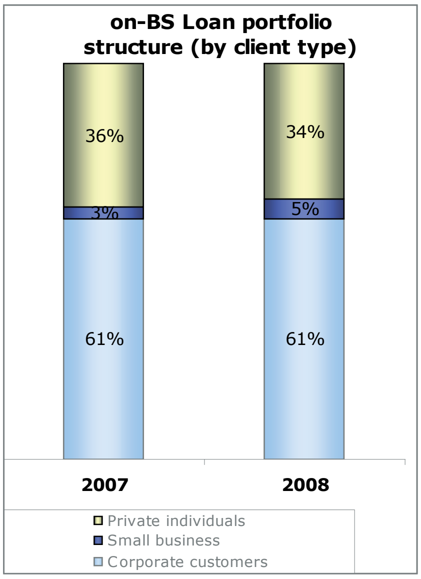


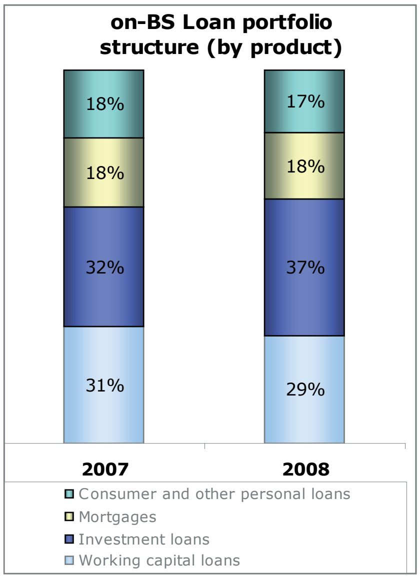
Bank loan portfolio

In 2008, the on-balance-sheet loan portfolio of the Bank experienced another year of strong growth. It increased by 52.8% to RON 12.3 billion on a gross basis from RON 8.1 billion last year. Adding the outstanding externalised loans to UniCredit Bank Austria, for which UniCredit Tiriac Bank is a party through a risk participation agreement and administration, the total amount of the gross loan portfolio was RON 16.7 billion, up 53.3% from RON 10.9 billion a year earlier. The average annual on-balance-sheet loan portfolio was RON 10.2 billion in 2008, up 38.4% compared to 2007. The loan-to-deposit ratio at the end of the year is 142% up from 122% at the end of 2007, but down from 163% at the end of the 3rd quarter of the year when the financial and economic crisis started in Romania.

UniCredit Tiriac Bank activity review (Continued)







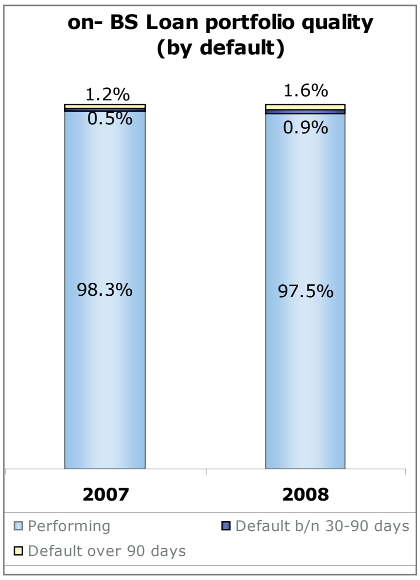
The structure of the portfolio stayed relatively stable, reflecting the commercial activities during the year. Corporate loans surged by 52% keeping their 61% share in total portfolio. The share of loans to individuals slightly dropped to 34% (36% in 2007) although growing 44% in nominal terms. Small business portfolio grew near 2.5-fold on a low base reaching 5% of total loans. The proportion of foreign currency loans slightly increased from 77% to 79%. Investment loans and working capital loans held the highest portion of portfolio with 37% and 29% respectively. Mortgages and consumer (including also overdrafts, car loans and cards) loans represented each near 18% of total portfolio.

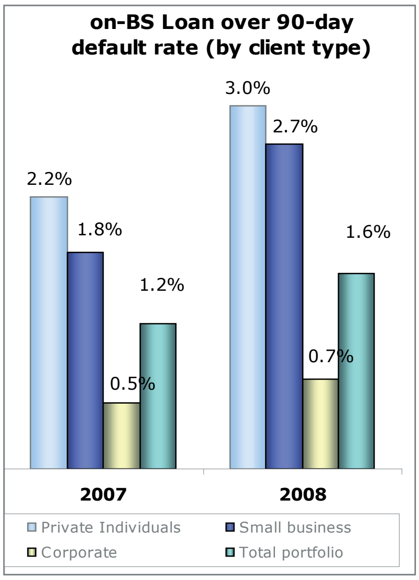
Loan quality remained good although starting deteriorating in the last quarter of the year. Performing loans are 97.5% of total portfolio and Default rate (over 90 days) is 1.6% only, up from 1.2% at the end of 2007. The over 90-day default rate is highest for private individuals with 3% at the end of 2008. The quality of all segment loans deteriorated in the last quarter in 2008 when the financial and economic crisis embarked on, similar to the whole market.

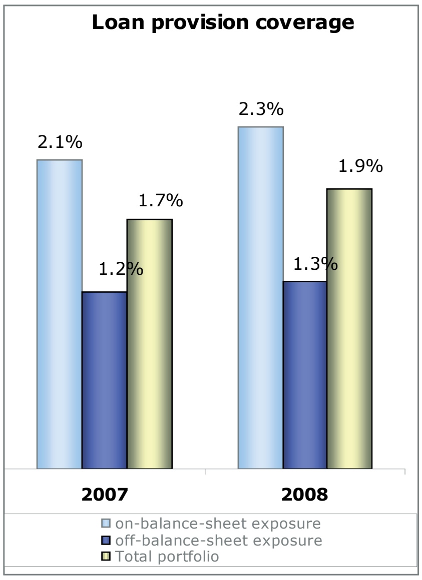
The industry structure was generally preserved with private individuals and commerce holding together near 50% of total net portfolio.

RON Millions

Net loan portfolio – Industry structure		**2008**		**2007**
	Amount	Share	Amount	Share
Private entities (incl. private individuals)	3,882	32%	2,789	35%
Commercial, recovery and repair services	2,097	17%	1,203	15%
Real estate	1,413	12%	756	10%
Construction and civil engeneering	552	5%	470	6%
Other seleable services	515	4%	328	4%
Energy products	498	4%	204	3%
Foodstuffs, beverages and tobacco-based products	415	3%	286	4%
Inland transport services	396	3%	344	4%
Other	2,241	19%	1,499	19%
Total	**12,009**	**100%**	**7,879**	**100%**







During the year, the bank continued adopting its prudent policy of loan loss provisioning. Total on-balance-sheet portfolio provision coverage as of December 2008 was 2.3% more than covering the over 90-day defaults. The bank did also strictly impair its off-balance-sheet commitments and contingencies (related to guarantees on externalised loans and trade finance, and loan commitments), mainly through IBNR provisions, with a coverage rate of 1.3% of the portfolio. The overall provision coverage of total on- and off-balance-sheet exposure is 1.9%.

Income statement

for the year ended 31 December

(RON)

	Note	31 December 2008	31 December 2007
Interest income		1,175,065,305	783,629,866
Interest expense		(924,928,627)	(425,579,096)
Net interest income	**7**	**250,136,678**	**358,050,770**
Fee and commission income		257,001,843	232,203,917
Fee and commission expense		(28,349,603)	(21,956,598)
Net fee and commission income	**8**	**228,652,240**	**210,247,319**
Dividends income	9	4,411,229	2,062,239
Net income on foreign exchange and on derivatives held for risk management	10	630,357,824	261,556,851
Net gains on financial assets available for sale	24,30	26,169,737	973,972
Other operating income	11	23,399,042	4,054,011
Operating income		**1,163,126,750**	**836,945,162**
Personnel expenses	12	(267,805,532)	(203,910,669)
Depreciation and amortisation	13	(44,359,863)	(40,257,015)
Other administrative costs	14	(241,137,854)	(183,205,616)
Other operating costs		(7,436,954)	(2,622,271)
Operating expenses		**(560,740,203)**	**(429,995,571)**
Net impairment loss on financial assets	15	(124,602,129)	(33,815,237)
Impairment on tangible and intangible assets		(4,291,684)	
Net provision charges	16	(40,114,854)	(34,311,224)
Integration costs	17		(18,378,129)
Loss on associate investments	23	(1,857,356)	(674,616)
Profit before taxation		**431,520,524**	**319,770,385**
Income tax expense	18	(73,218,236)	(57,296,187)
Net profit for the year		**358,302,288**	**262,474,198**

The financial statements were approved by the Directorate on 27 February 2009 and were signed on its behalf by:

Mr. Rasvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

The accompanying notes from pages 55 to 125 form an integral part of these financial statements.

Balance sheet

at 31 December

Assets			(RON)
	Note	31 December 2008	31 December 2007
Cash and cash equivalents	19	3,541,401,764	3,196,422,334
Derivative assets held for risk management	20	66,810,021	19,054,763
Loans and advances to banks	21	809,230,963	556,515,452
Loans and advances to customers	22	12,009,051,483	7,879,789,226
Investment in associate	23	5,600,951	478,257
Investment securities, available-for-sale	24	618,116,484	798,436,450
Equity investments, available for sale	25	2,785,794	9,936,986
Investments securities, held to maturity	26	8,323,355	45,664,280
Property and equipment	27	259,333,354	205,898,044
Intangible assets	28	42,275,843	26,285,367
Deferred tax assets	29	32,124,455	27,744,308
Non current assets classified as held for sale	30	1,003,578	870,785
Other assets	31	54,899,849	61,219,304
TOTAL ASSETS		**17,450,957,894**	**12,828,315,556**

Liabilities and equities			(RON)
	Note	31 December 2008	31 December 2007
Derivative liabilities held for risk management	20	191,620,248	146,618,463
Deposits from banks	32	1,399,474,832	236,531,536
Loans from banks and other financial institutions	33	4,685,369,866	3,697,023,206
Deposits from customers	34	8,649,217,208	6,595,096,819
Subordinated liabilities	35	394,855,960	384,083,298
Provisions	36	130,024,235	101,909,381
Current tax liabilities		7,390,300	45,275,964
Deferred tax liabilities	29	27,813,039	2,745,089
Other liabilities	37	149,209,261	107,150,697
TOTAL LIABILITIES		**15,634,974,949**	**11,316,434,453**
Share capital	38	1,101,604,066	1,101,702,737
Retained earnings		563,668,527	205,688,711
Reserve on available for sale financial assets		(62,863,171)	(9,083,868)
Other reserves	39	213,573,523	213,573,523
Total equity		1,815,982,945	1,511,881,103
TOTAL LIABILITIES AND EQUITY		**17, 450,957,894**	**12,828,315,556**

The financial statements were approved by the Directorate on 27 February 2009 and were signed on its behalf by:

Mr. Rasvan Radu
Chief Executive Officer

Mr. Stanislav Georgiev
Chief Financial Officer

The accompanying notes from pages 55 to 125 form an integral part of these financial statements.

Statement of changes in equity

at 31 December

(RON)

	Share capital	Reserve on available for sale financial assets	Other reserves	Treasury shares reserves	Retained earnings*	Total
Balance at 31 December 2006	**1,292,197,837**	**(2,180,682)**	**201,521,448**		**(235,034,078)**	**1,256,504,525**
Cancellation of UniCredit Romania S.A. share capital at merger	(229,637,200)					(229,637,200)
Share capital increase of HVB Tiriac Bank S.A. at merger	39,142,100					39,142,100
Transfer of retained earnings at merger					190,300,666	190,300,666
Distribution to reserves			12,052,075		(12,052,075)	
Net change in available-for-sale financial assets, net of tax		(6,903,186)				(6,903,186)
Net profit for the year					262,474,198	262,474,198
Balance at 31 December 2007	**1,101,702,737**	**(9,083,868)**	**213,573,523**		**205,688,711**	**1,511,881,103**
Redemption of treasury shares				(421,143)		(421,143)
Cancellation of treasury shares	(98,671)			421,143	(322,472)	
Net change in available-for-sale financial assets, net of tax		(53,779,303)				(53,779,303)
Net profit for the year					358,302,288	358,302,288
Balance at 31 December 2008	**1,101,604,066**	**(62,863,171)**	**213,573,523**		**563,668,527**	**1,815,982,945**

*) Retained earnings include merger premium based on statutory figures of RON 199,022,359 as at 31 December 2006 and RON 386,550,633 as at 31 December 2007 and as at 31 December 2008. Please refer to note 3a.

The accompanying notes from pages 55 to 125 form an integral part of these financial statements.

Cash flow statement

for the year ended 31 December

	Note	31 December 2008	31 December 2007
			(RON)
Operating activities			
Profit before taxation	18	431,520,524	319,770,385
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible assets	13	48,651,547	40,257,015
Net charge of provision for impairment on financial assets	15	134,231,322	46,886,856
Share of loss form associates	23	1,857,356	674,616
Other items for which the cash effects are investing or financing		(23,113,608)	(3,193,447)
Other non–cash items		164,336,952	191,152,505
Operating profit before changes in operating assets and liabilities		**757,484,093**	**595,547,930**
Change in operating assets:			
(Increase)/decrease in investment securities available-for-sale		103,926,206	(689,147,045)
(Increase) in investment securities held-to-maturity		36,705,202	
(Increase)/Decrease in loans and advances to banks		(157,493,288)	7,537,472
(Increase) in loans and advances to customers		(4,166,678,187)	(1,282,232,294)
(Increase)/Decrease in other assets		(19,576,375)	10,248,764
Change in operating liabilities:			
(Decrease)/increase in deposits from banks		1,155,332,235	(119,787,894)
Increase in deposits from customers		1,994,032,702	732,669,030
Increase/(decrease) in other liabilities		22,549,896	31,399,200
Income tax paid		(77,141,740)	(17,652,144)
Cash flows generated used in operating activities		**(350,859,256)**	**(731,416,981)**
Investing activities			
Proceeds from sale of property and equipment		3,446,936	2,327,687
Acquisition of property and equipment		(123,482,108)	(27,603,538)
Increase in equity investments		(47,494,781)	(917,940)
Proceeds from sale of equity investments		14,447,462	973,973
Dividends received	9	4,411,229	2,062,239
Cash flows used in investing activities		**(148,671,262)**	**(23,157,579)**
Financing activities			
Redemption of own shares		(421,143)	
Payment of finance lease liability		(523,149)	(1,356,549)
Dividends paid			
Repayments of loans from financial institutions		(253,635,458)	(1,084,963,213)
Drawdowns from loans from financial institutions		1,189,701,000	1,246,837,000
Cash flows from financing activities		**935,121,250**	**160,517,238**
Net increase/(decrease) in cash and cash equivalents		435,590,732	(594,057,322)
Cash and cash equivalents at 1 January		**3,741,112,510**	**4,335,169,832**
Cash and cash equivalents at 31 December		**4,176,703,242**	**3,741,112,510**

The accompanying notes from pages 55 to 125 form an integral part of these financial statements.

Cash flow statement (Continued)

for the year ended 31 December

Cash flow form operating activities include:	31 December 2008	31 December 2007 (RON)
Interest received	1,188,842,042	789,079,448
Interest paid	881,634,903	485,925,659

Analysis of cash and cash equivalents		31 December 2008	31 December 2007 (RON)
Cash and cash equivalents comprise:			
Cash on hand	19	248,153,020	348,517,499
Current accounts held with banks	21	31,993,737	29,667,453
Current accounts held with the National Bank of Romania	19	3,293,248,744	2,847,904,835
Placements with NBR and other banks – less than 3 months	21	603,307,741	515,022,723
Cash and cash equivalents in the cash flow statement		**4,176,703,242**	**3,741,112,510**

The accompanying notes from pages 55 to 125 form an integral part of these financial statements.

Notes to the financial statements

(1) Reporting entity

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

Banca Comerciala HVB Tiriac S.A. was formed on 31 August 2006 upon the merger by acquisition of the former HVB Bank Romania S.A. (the absorbed bank) by Banca Comerciala "Ion Tiriac" S.A. (the absorbing bank).

Following each merger, the absorbing bank undertook all the rights and obligations of the absorbed bank and the latter was dissolved without liquidation by transmitting all its assets and liabilities to the former. Also, after each merger the absorbing bank's name was changed into Banca Comerciala HVB-Tiriac S.A. and UniCredit Tiriac Bank S.A., respectively.

At the date of mergers all three entities were controlled by UniCredit Bank Austria AG (former Bank Austria Creditanstalt AG incorporated in Austria) and the ultimate parent, UniCredit SpA (Italy).

On 31 May 2007 the legal merger between former Banca Comerciala HVB Tiriac S.A. and UniCredit Romania S.A. was completed, including an organizational re-design and the migration to a Group Standard core IT-system. After the merger a long-term strategic growth programme has been developed aiming at a fast organic growth, strengthening of sales activities and sustainable value creation by the new entity created UniCredit Tiriac Bank S.A.

The financial statements comprise the Bank and its associated companies UniCredit Leasing Corporation IFN S.A. and UniCredit Consumer Finance IFN S.A..

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.

The associate company UniCredit Leasing Corporation IFN S.A. provides financial leasing services to corporate and individual clients while UniCredit Consumer Finance IFN S.A. provides consumer finance loans to individual clients.

The Bank operates through the Head Office located in Bucharest and through its network of 242 branches and agencies (31 December 2007: 142) located in Bucharest and the country. The Bank employed at 31 December 2008 a number of 3,297 people (31 December 2007: 2,970).

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

(2) Basis of preparation

a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In estimating impairment losses for loans and receivables, the Bank has applied the internal methodology described in Note 3j to assess impairment for loans and advances to customers.

The calculation of financial instruments' amortised cost is performed using the linear method as presented hereinafter, which represents management's best estimate for the value of the corresponding amortisation and the financial effect generated is not significantly different from that provided by using the effective interest rate method.

Differences between IFRS and statutory accounts

These accounts have been restated to reflect the differences between the statutory accounts and the IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements in line, in all material respects, with IFRS.

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

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

(3) Significant accounting policies

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

a) Basis of consolidation

Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

As at 31 December 2008, the Bank has no subsidiary as it had not exercised control to any of its equity investments.

Associates

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The financial statements include the Bank's share of the income and expenses of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Bank's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

The Bank holds a 20% investment in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to local and external customers, respectively a 35% investment in UniCredit Consumer Finance IFN S.A. The Bank has included the financial statements information of these associates in accordance with IAS 28, Investments in associates.

b) Foreign currency

Foreign currency transactions

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 balance sheet date 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:

			(RON)
Currencies	**31 December 2008**	**31 December 2007**	**%**
Euro (EUR)	1: RON 3.9852	1: RON 3.6102	10.39%
US Dollar (USD)	1: RON 2.8342	1: RON 2.4564	15.38%

(3) Significant accounting policies (CONTINUED)

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 be stated in terms of the measuring unit current at the balance sheet date (i.e. non-monetary items are restated using a general price index from the date of acquisition or contribution). As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1 January 2004 the Bank no longer applied the provisions of IAS 29.

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

d) Interest

Interest income and expenses for financial instruments is recognised in the income statement at amortised cost using the linear method for loans to customers and the effective interest rate method for the other financial instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The linear method is a method of calculating the amortised cost of loans to customers whereby up-front fees received between parties to the contract and related transaction costs that should be integral part of the effective interest rate, are amortised linearly and recognized as interest income over the relevant period. The linear amortisation method used to determine the amortised cost for loans to customers represents the management's best estimate for the value of the corresponding amortisation and the financial effect generated is not significantly different from that provided by using effective interest method.

Starting 2007, UniCredit Bank Austria AG (former Bank Austria Creditanstalt AG), as the Bank's major shareholders, has designed a plan for implementing an effective interest rate application within the countries from Central and Eastern Europe.

The Bank was considered a pilot bank from the implementation of the effective interest method. The project has started in Romania in 2008 with a completion date in 2009 and will consider implementing the necessary applications to meet the relevant and material requirements of the effective interest rate calculation.

Interest income and expense on all trading assets and liabilities are included in net interest income.

e) Fee and commission

Fee and commission directly attributable to the financial asset or liability origination (both income and expense) is recognised in the income statement as an adjustment to the effective interest rate calculation, other than those fees and commissions generated from the origination of the loans and advances to customers, which are deferred and recognized using the linear amortization method.

Other fee and commission income arising on the financial services provided by the Bank, including account servicing fees, investment management fees, advisory 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.

(3) Significant accounting policies (CONTINUED)

f) Dividend income

Dividend income is recognised in the income statement on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders. The only profit available for distribution is the profit for the year recorded in the Romanian statutory accounts, which differs from the profit in these financial statements, prepared in accordance with IFRS, due to the differences between the applicable Romanian Accounting Regulations and IFRS.

g) Net income on foreign exchange and on derivatives held for risk management

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

h) Lease payments made

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

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

i) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, 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 balance sheet date.

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 2008 is 16% (2007: 16%).

(3) Significant accounting policies (Continued)

j) Financial assets and liabilities

(i) Recognition

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

(ii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the 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.

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

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

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

- Either UniCredit Bank Austria AG directly financed some large 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 the Romanian corporate customers and also undertook the role of security agent and payment agent.

For each of the contracts concluded with UniCredit Bank Austria AG, there is a risk participation agreement by which the Bank is obliged to pay to UniCredit Bank Austria AG any instalment the customer failed to pay.

As the Bank has transferred the right to receive cash flows from the loans financed by UniCredit Bank Austria AG, has neither retained nor transferred all risks and rewards of ownership, nor has retained control, such loans are not recognized in the Bank's balance sheet. (refer also to note 41).

(iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

(iv) 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 linear method for loans and advances to customers and the effective interest rate method for other financial instruments of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.
The linear amortised method used by the Bank to determine the amortised cost of loans to customers represents the management's best estimate for the value of the corresponding amortization and the financial effect generated is not significantly different from that provided by using effective interest method.

(v) Fair value measurement principles

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

(3) Significant accounting policies (CONTINUED)

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

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

Where a fair value cannot be reliably be 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.

(vi) Identification and measurement of impairment

The Bank assesses at each balance sheet date 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 at the initial moment of the contract. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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

Loans and advances to customers

The Bank, based on its internal impairment assessment methodology, has included observable data on the following loss events that comes to its attention as objective evidence that loans to customers or groups of loans to customers are impaired:

(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 and 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) is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

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

(3) Significant accounting policies (Continued)

The Bank first assesses whether objective evidence of impairment exists individually for loans to customers that are individually significant or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. 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 and the time value of money.

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).

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.

Where the provision estimated individually is null, the asset is included into a group of financial assets with similar credit risk characteristics and assessed collectively for impairment.

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 expert judgement and experience of the Bank's employees (e.g. the Bank uses credit risk grading, customer's industry, past due status, product type).

Management considers that these 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 and the Bank's historical experience and the expert judgment 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.

The practical use of the Bank's internal methodology was limited by the lack of information regarding the original effective interest rate and by the lack of historical experience on obtaining reliable information about the timing and amounts of the expected future cash flows from the borrowers. Because of the inherent limitations related to the historical experience in obtaining information for individual impaired loans, incurred loss information, complexity of methodology applied and to the significant uncertainties on the international and local markets regarding asset valuation mentioned in note 4h that estimate could be revised after the date of the approval of the financial statements.

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 equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity 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 equity 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.

(3) Significant accounting policies (Continued)

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

Financial assets carried at cost

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

(vii) Designation at fair value through profit and loss

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

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

The Bank did not designate any financial asset or liability in this category as at 31 December 2008 and 31 December 2007.

k) Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand, balances held with central banks, and are carried at amortised cost in the balance sheet.

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

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

l) Trading assets and liabilities

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

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

The Bank does not have any trading instruments at 31 December 2008.

(3) Significant accounting policies (Continued)

m) Derivatives held for risk management purposes

Derivative financial instruments include currency 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. The changes in the fair value of derivatives are included in the income statement.

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 balance sheet. 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, and are presented in the balance sheet together with the host contract.

n) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the linear method. The linear amortisation method represents the management's best estimate for the value of the corresponding amortisation and the financial effect generated is not significantly different from that provided by using 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 investments

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 utilize the held to maturity classification. Held-to-maturity investments comprise debt securities.

(ii) Available-for-sale

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

(3) Significant accounting policies (Continued)

p) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at their restated cost less accumulated depreciation value (see below) and impairment losses.

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 costs

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

(iii) Depreciation

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

The estimated useful lives are as follows:

Buildings	
- property	40-50 years
- improvements (rentals)	contract period
Office equipment and furniture	2-30 years
Motor vehicles	4 years
Computer equipment	3-4 years

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

(iv) Leased assets-lessee

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

q) Intangible assets

(i) Recognition

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

(3) Significant accounting policies (Continued)

r) Impairment of non-financial assets

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

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

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

s) Deposits, borrowings from banks and subordinated liabilities

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

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

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

t) Provisions

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

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

u) Financial guarantees

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

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

The Bank entered into the several transactions with UniCredit Bank Austria AG and other entities within UniCredit Group related to loans granted to non-banking customers financed by such entities within UniCredit Group (please refer to Note 3j(ii)). In accordance with risk participation agreements related to such loans, the Bank is required to make specified payments to reimburse UniCredit Bank Austria AG and UniCredit Group, if the non-banking customer fails to make payment when due in accordance with the terms of a loan contract. Such financial guarantees are carried at balance sheet date 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)

(3) Significant accounting policies (Continued)

v) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit.

All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognised as an expense in the income statement as incurred. The Bank does not have any further obligations.

The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other defined benefit plan or post retirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

(iii) 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 liability which is measured at fair value.

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

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

w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

1. IFRIC 13 Customer Loyalty Programmes. It addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Bank's 2009 financial statements and will be applicable retrospectively. The Bank is currently in the process of evaluating the potential effect of this interpretation.

2. Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations. It clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Bank's 2009 financial statements, with retrospective application.

(3) Significant accounting policies (CONTINUED)

The Bank is currently in the process of evaluating the potential effect of this amendment.

3. Revised IFRS 3 Business Combinations (2008). It incorporates the following changes that are likely to be relevant to the Bank's operations when it shall have subsidiaries:
– The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
– Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
– Transaction costs, other than share and debt issue costs, will be expensed as incurred.
– Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
– Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory starting with 2010, will be applied prospectively and therefore there will be no impact on prior periods in the Bank's 2010 financial statements.

4. IFRS 8 Operating Segments. It introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Bank's 2009 financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Bank presents segment information in respect of its business and geographical segments (see note 6). This standard will have no effect on the Bank's reported total profit or loss or equity. The Bank is currently in the process of determining the potential effect of this standard on the Bank's segment reporting.

5. Revised IAS 1 Presentation of Financial Statements (2007). It introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Bank's 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements as the Bank plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.

6. Revised IAS 23 Borrowing Costs. It removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. Revised IAS 23 will become mandatory for the Bank's 2009 financial statements and will constitute a change in accounting policy for the Bank. In accordance with the transitional requirements, the Bank will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Banks's 2009 financial statements. Currently this is not applicable to the Bank as there are no qualifying assets.

7. Amended IAS 27 Consolidated and Separate Financial Statements (2008). It requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Bank's 2010 financial statements, are not expected to have a significant impact on the financial statements. Currently the Bank has no subsidiaries.

(3) Significant accounting policies (CONTINUED)

8. Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. They require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Bank's 2009 financial statements with retrospective application required, are not expected to have any significant impact on the financial statements.

9. Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items. They clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Bank's 2010 financial statements, with retrospective application required. The Bank is currently in the process of evaluating the potential effect of this amendment although the amendments to IAS 39 are not relevant to the Bank's operations as the Bank does not apply hedge accounting.

10. IFRIC 16 Hedges of a Net Investment in a Foreign Operation clarifies that:
– net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation;
– the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged;
– on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. IFRIC 16, which becomes mandatory for the Bank's 2009 financial statements, will be applied prospectively to the Bank's hedge relationships and net investments if it is the case. The interpretation is not relevant to the Bank's operations as the Bank does not have investments in foreign operations as at 31 December 2008.

(4) Financial risk management

a) Introduction and overview

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

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

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

b) Risk management framework

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

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

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

c) Credit risk

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

(i) Management of credit risk

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

The functions of the Risk Committee:

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

(4) Financial risk management (CONTINUED)

The functions of the Credit Committee:

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

(4) Financial risk management (Continued)

(ii) Exposure to credit risk

Loans and advances to customers	31 December 2008	(RON) 31 December 2007
Individually impaired/Non performing loans		
Grade 8: Impaired	3,680,215	122,995
Grade 9: Impaired	17,317,687	11,666,912
Grade 10: Impaired	22,891,757	7,926,907
Gross amount	43,889,659	19,716,814
Allowance for impairment	(28,952,397)	(14,078,883)
Carrying amount	**14,937,262**	**5,637,931**
Fair value of collateral	13,034,520	6,866,733
Property	5,711,975	3,812,656
Goods	3,775,892	1,959,281
Assignment of receivables	3,272,943	210,114
Other*	273,710	884,682
Past due but not individually impaired		
Grade 7 - 8: Watch loans	41,547,094	3,855,939
Other impaired loans**	129,668,928	67,778,334
Gross amount	171,216,022	71,634,273
Allowance for impairment	(100,229,370)	(57,853,094)
Carrying amount	**70,986,652**	**13,781,179**
Neither past due nor individually impaired		
Grade 1 - 6: Performing	7,167,272,007	4,880,149,303
Private loans with less than 30 days overdue/Performing	3,935,872,555	2,855,974,088
Grade 7 - 8: Watch loans	797,783,400	186,217,243
Private loans with 30 to 90 days overdue/watch loans	182,870,053	36,731,889
Gross amount	12,083,798,015	7,959,072,523
Allowance for impairment	(160,670,446)	(98,702,407)
Carrying amount	**11,923,127,569**	**7,860,370,116**
Total carrying amount	**12,009,051,483**	**7,879,789,226**

* Other collateral includes cash and financial risk insurance.
** Exposure on private clients with overdue by more than 90 days.

The loans and advances to advances to banks and investment securities were neither impaired nor past due.

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

Impaired loans and securities

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

Individually impaired exposures (non-performing loans) comprises all private individuals exposures more than 90 days overdue and Grade 8, 9,10 according to the internal rating of the Bank.

(4) Financial risk management (Continued)

For all of them, the collaterals are divided between property, debt securities, equities and other. Pledge on stocks (raw materials, merchandise), machinery, assignment of receivables are all included in other assets category.

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

Past due and not individually impaired includes all exposures which are more than 90 days overdue but have not received a rating downgrade yet (except private individuals which are included above); they can be either performing or watch loans.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Neither past due nor individually impaired
It includes all exposures not classified in the above categories. The loans in this category can be performing or watch. All private individuals between 30 and 90 days overdue and all clients with 6 and 7 grade are classified as Watch Loans. All private individuals with less than 30 days overdue and all clients with 1-5 rating are classified as Performing loans.

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

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

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

		(RON)
	Gross amounts	Net amounts
31 December 2008		
Grade 8: Impaired	3,680,215	-
Grade 9: Impaired	17,317,687	6,840,036
Grade 10: Impaired	22,891,757	8,097,226
Total	**43,889,659**	**14,937,262**
31 December 2007		
Grade 8: Impaired	122,995	-
Grade 9: Impaired	11,666,912	3,425,023
Grade 10: Impaired	7,926,907	2,212,908
Total	**19,716,814**	**5,637,931**

(4) Financial risk management (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 (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:

Concentration of credit risk		(RON)
	31 December 2008	31 December 2007
Private entities (including individuals)	3,881,881,496	2,789,393,442
Commercial, recovery and repair services	2,097,325,520	1,203,072,404
Real estate	1,412,570,005	755,726,485
Construction and civil engineering	552,184,212	469,809,658
Other saleable services	515,158,999	328,004,982
Energy products	498,215,293	204,194,009
Foodstuffs, beverages and tobacco-based products	414,629,921	286,198,491
Inland transport services	396,316,739	344,279,593
Rubber and plastic products	308,778,448	182,397,965
Ores, ferrous and non-ferrous metals (except fissile and fertile ones)	297,708,619	137,386,637
Metal products except cars and means of transport	218,368,496	88,343,109
Other public entities	197,500,601	138,026,096
Office machines, data processing machines, precision	137,671,372	75,654,193
Other industrial products	136,420,299	178,909,739
Financial companies	132,378,869	103,691,609
Agriculture - forestry - fisheries	132,124,316	127,599,442
Communications services	118,171,941	12,425,445
Transport-related services	84,827,293	42,732,818
Textiles, leather and footwear and clothing products	74,551,775	90,201,518
Ores and non-metal ore products	72,296,000	70,751,320
Paper, paper products, printing and publishing	68,402,496	66,257,122
Farming and industrial machinery	67,717,513	28,897,045
Hotel and public commercial concern services	66,565,580	57,238,035
Chemicals	56,543,448	40,678,047
Sea and air transport services	38,201,959	26,515,536
Means of transport	32,540,273	31,404,486
Total	**12,009,051,483**	**7,879,789,226**

Concentration of credit risk		(RON)
	31 December 2008	31 December 2007
Loans and advances to customers	12,009,051,483	7,868,443,338
Loan related commitments and contingencies	8,208,001,862	6,129,269,334
	20,217,053,345	**13,997,712,672**

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

(4) Financial risk management (Continued)

included in the allowance for doubtful loans.

d) Liquidity risk

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

Liquidity risk has the following subtypes:
• Liquidity mismatch risk – depending on the maturity structure of the balance sheet;
• Liquidity contingency risk – arising due to unpredictable customer behaviour;
• Market liquidity risk – arising due to monetary market malfunctions generating the impossibility of selling liquid assets at market prices.

Management of liquidity risk

By its very nature, the liquidity risk is a systemic risk with a high contagion potential for the whole banking system. Therefore, in order to limit the potential damage caused by liquidity problems, the Bank is permanently assessing the broad macroeconomic conditions, with a special focus on data concerning the banking system.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Assets and Liabilities Management is the department responsible for managing liquidity risk, reporting directly to Assets and Liabilities Committee (ALCO).

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 and medium and long term liquidity management (structural liquidity).

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

Regarding structural liquidity, the Bank pursues the following goals:
• Encouraging the attracting of long term customer deposits, by developing and promoting complex products with a higher value added;
• 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, in order to attain mutual benefits from each company's specialization profile in sales activities (conveying to a diversification of funds), asset & liability management activities etc.
• Development of collaboration with international financial institutions and foreign banks with the purpose of obtaining long term finance.

Exposure to liquidity risk

Key measures used by the Bank for measuring liquidity risk are:
• the daily short-term liquidity report, in which, starting from maturities of inter-bank assets and liabilities, a daily liquidity profile is estimated for the coming 3 months. 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 generated by inter-bank operations, in all currencies;
• the daily indicator on immediate liquidity. Every day, based on the balance sheet 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;
• liquidity indicators by time buckets (similar computation to the indicator described above), as established by the Bank's lead regulator (National Bank of Romania) plus indicators set at UniCredit Bank Austria AG level (for example, we have to comply with structural liquidity limits at 15M and 6Y required by the Group policy).

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

The ratio of net liquid assets to deposits to customers is 52.24% as at 31 December 2008 (31 December 2007: 60.15%).

(4) Financial risk management (Continued)

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

(RON)

	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Year	No fixed maturity	Total
2008						
Financial assets						
Cash and cash equivalents	3,541,401,764					3,541,401,764
Derivative assets held for risk management	20,460,675	6,421,616	12,711,743	27,215,987		66,810,021
Loans and advances to banks	779,069,921	23,494,375	6,666,667			809,230,963
Loans and advances to customers	4,840,217,690	1,474,309,655	3,065,353,570	2,629,170,568		12,009,051,483
Investments in associate					5,600,951	5,600,951
Investment securities, available for sale	198,089,873	141,572,398	157,260,171	121,194,042		618,116,484
Equity investments, available for sale					2,785,794	2,785,794
Investment securities, held-to-maturity			8,323,355			8,323,355
Total financial assets	**9,379,239,923**	**1,645,798,044**	**3,250,315,506**	**2,777,580,597**	**8,386,745**	**17,061,320,815**
Financial liabilities						
Derivative liabilities held for risk management	103,496,489	35,988,883	25,002,481	27,132,395		191,620,248
Loans & deposits from banks and subordinated liabilities	1,006,065,815	1,455,146,056	3,473,566,565	544,922,222		6,479,700,658
Deposits from customers	8,442,904,550	204,370,148	1,814,414	128,096		8,649,217,208
Total financial liabilities	**9,552,466,854**	**1,695,505,087**	**3,500,383,460**	**572,182,713**		**15,320,538,114**
Maturity surplus/ (shortfall)	**(173,226,931)**	**(49,707,043)**	**(250,067,954)**	**2,205,397,884**	**8,386,745**	**1,740,782,701**
2007						
Financial assets						
Cash and cash equivalents	3,196,422,334					3,196,422,334
Derivative assets held for risk management		279,828	3,066,081	15,708,854		19,054,763
Loans and advances to banks	544,680,176		11,835,276			556,515,452
Loans and advances to customers	2,576,835,477	1,334,693,965	2,517,876,077	1,450,383,707		7,879,789,226
Investments in associate					478,257	478,257
Investment securities, available for sale	225,777,942	391,302,422	160,756,030	20,600,056		798,436,450
Equity investments, available for sale					9,936,986	9,936,986
Investment securities, held-to-maturity		38,129,516	7,534,764			45,664,280
Total financial assets	**6,543,715,929**	**1,764,405,731**	**2,701,068,228**	**1,486,692,617**	**10,415,243**	**12,506,297,748**
Financial liabilities						
Derivative liabilities held for risk management	127,105,150	6,290,264	4,089,873	9,133,176		146,618,463
Loans & deposits from banks and subordinated liabilities	251,870,690	198,561,000	3,437,393,298	429,813,052		4,317,638,040
Deposits from customers	6,292,254,792	196,559,999	31,409,187	74,872,841		6,595,096,819
Total financial liabilities	**6,671,230,632**	**401,411,263**	**3,472,892,358**	**513,819,069**		**11,059,353,322**
Maturity surplus/ (shortfall)	**(127,514,703)**	**1,362,994,468**	**(771,824,130)**	**972,873,548**	**10,415,243**	**1,446,944,426**

(4) Financial risk management (Continued)

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

							(RON)
	Carrying amount	Gross nominal inflow /(outflow)	Less than 1 month	1 to 3 Months	3 months to 1 year	1-5 years	More than 5 years
31 December 2008							
Derivative assets	**66,810,021**	**54,659,015**	35,125,509	1,539,253	(1,604,052)	17,398,105	2,200,200
Outflow		(1,640,511,408)	(1,286,365,654)	(182,535,437)	(143,904,377)	(20,261,814)	(7,444,126)
Inflow		1,695,170,423	1,321,491,163	184,074,690	142,300,325	37,659,919	9,644,326
Derivative liabilities	**(191,620,248)**	**(179,469,237)**	(104,524,914)	(15,172,138)	(34,344,402)	(23,153,669)	(2,274,114)
Outflow		(6,043,656,126)	(5,077,779,135)	(418,128,582)	(474,358,902)	(59,710,927)	(13,678,580)
Inflow		5,864,186,889	4,973,254,221	402,956,444	440,014,500	36,557,258	11,404,466
31 December 2007							
Derivative assets	**18,383,717**	**18,383,717**	5,743,357		19,622	(3,506)	12,624,244
Outflow		(511,573,901)	(307,458,850)		(491,280)	(8,316,514)	(195,307,258)
Inflow		529,957,618	313,202,207		510,902	8,313,007	207,931,502
Derivative liabilities	**(145,947,418)**	**(145,947,418)**	(31,900,162)	(88,061,721)	(9,002,045)	(7,454,975)	(9,528,515)
Outflow		5,146,316,370	1,142,642,370	3,885,473,407	174,033,549	146,882,500	(202,715,456)
Inflow		(5,292,263,787)	(1,174,542,532)	(3,973,535,127)	(183,035,594)	(154,337,475)	193,186,941

(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 Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

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

The Risk Management Committee provides advice and recommendations in respect of decisions taken by the Chief Executive Officer and in drawing up proposals made by the Chief Executive Officer to the Directorate or the Supervisory Board with regards to the following:
• guidance as to the methods to be used to realize models for the measurement and monitoring of Bank risks;
• the Bank's risk policies (identification of risk, analysis of the level of propensity to risk, definition of capital allocation objectives and the limits for each type of risk, assignment of related functional responsibilities to the relevant Departments and Divisions);
• corrective action aimed at rebalancing the Bank's risk positions.

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

Asset and Liability Management unit, in coordination with International Markets (INM) Trading manages strategic and operational ALM, 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 INM 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 INM Trading unit. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Exposure to market risks – Value at Risk Tool
The principal tool used to measure and control market risk exposure is Value at Risk (VaR). VaR is the maximum estimated loss that will arise on the entire portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level).
The VaR model used by the Bank is based upon a 99 percentage confidence level and assumes a 1 day holding period. Use of a 1-day time-horizon makes it possible to make an immediate comparison between profits/losses realized.
Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:
- A 1 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

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

(4) Financial risk management (Continued)

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

				(RON)
	At 31 December	**Average**	**Maximum**	**Minimum**
2008				
Foreign currency risk	1,463,971	289,429	3,125,692	9,361
Interest rate risk	14,275,102	5,870,136	38,378,273	1,113,979
Covariance	(1,367,593)	(272,432)		
Overall	14,371,480	5,887,133	38,356,036	1,139,743
2007				
Foreign currency risk	154,397	233,976	844,429	10,088
Interest rate risk	1,166,109	1,601,944	5,204,369	621,027
Covariance	(182,474)	(227,373)		
Overall	1,138,032	1,608,547	5,206,852	639,887

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.

(4) Financial risk management (Continued)

Foreign exchange (FX) Sensitivity analysis

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

The limits are expressed in EUR equivalent and the exposure to the limits is monitored on a daily basis by Market Risk department. The table shows the average usage of the limits during 2007 and 2008, which correlate also with the stable FX VaR figure.

Foreign exchange (FX) Open Position (RON)

		Average usage	
Currency	**Limits (EUR equivalent)**	**2007**	**2008**
AUD	1,000,000	1.75%	0.91%
CAD	1,000,000	6.16%	3.03%
CHF	1,000,000	10.32%	4.05%
DKK	1,000,000	3.19%	1.09%
EUR	17,500,000	43.75%	16.60%
GBP	1,000,000	7.93%	6.01%
HUF	250,000	13.35%	16.09%
JPY	1,000,000	1.95%	4.95%
NOK	1,000,000	0.33%	2.36%
PLN	100,000	25.12%	25.38%
RON	17,500,000	45.84%	17.95%
RUB	500,000	94.66%	74.03%
SEK	1,000,000	3.24%	1.89%
USD	5,000,000	7.27%	2.74%

(4) Financial risk management (Continued)

Basis Point Value (BPV) Report

The Bank is currently monitoring daily the using sensitivity analysis based on the BPV (Basis Point Value) Report. Market Risk Department prepares, analyses this report and submits daily the usage limits and excesses to the Management of the Bank and to Unicredit Bank Austria AG.

BPV (Basis Point Value) represents how much the present value of the current positions will move when interest rate moves up with 1 b.p. and it is aimed at a better economic interpretation of the evolution for different variables and their effects. For example, if the yield curve increases by 1 basis point = 0.01% (a parallel shift), the question to be answered is how much money does the bank gain or loose out of the respective positions.

The present value is calculated in order to bring all the positions with different maturities to the same moment in time (today). Accordingly to the formula used, the sign of the BPV is opposite from the sign of the "cash flow". Thus, an increase in the interest rate will generate positive BPV (gain) for short positions and negative BPV (loss) for long positions.

The figures shown in the BPV report aggregate all the positions, irrespective to their "sign" (long or short). The Limits and the actual exposure to these limits are presented in EUR equivalent for the main currencies and time buckets as well as for the Total.

The Interest Rate (IR) BPV Shift report as at 31 December 2008 is as follows:

(RON)

Ccy	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years to 10 Years	Over 10 Years	SUM
CHF	4	(15)	0	0	0	(11)
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	0.11%	0.17%	0.00%	0.00%	0.00%	0.05%
EUR	1,648	7,081	(111)	1,237	0	9,855
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	10.99%	20.23%	0.44%	3.53%	0.00%	11.59%
GBP	5	5	0	0	0	10
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	0.13%	0.06%	0.00%	0.00%	0.00%	0.05%
RON	(2,100)	(5,474)	(8,327)	(18,618)	(291)	(34,810)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	14.00%	15.64%	33.31%	53.19%	2.91%	40.95%
USD	147	723	(599)	(2,321)	0	(2,050)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	0.98%	2.07%	2.40%	6.63%	0.00%	2.41%
TOTAL	3,904	13,298	9,037	22,176	291	46,736
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	26.03%	37.99%	36.15%	63.36%	2.91%	54.98%

(4) Financial risk management (CONTINUED)

The Interest Rate (IR) BPV Shift report as at 31 December 2007 is as follows:

(RON)

Ccy	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	5 Years to 10 Years	Over 10 Years	SUM
CHF	349	(7)	0	0	0	342
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	9.31%	0.08%	0.00%	0.00%	0.00%	1.61%
EUR	(3,246)	(2,838)	(2,255)	1,703	(4,274)	(10,910)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	21.64%	8.11%	9.02%	4.87%	42.74%	12.84%
GBP	6	7	0	0	0	13
Limit	3,750	8,750	6,250	8,750	2,500	21,250
Usage	0.16%	0.08%	0.00%	0.00%	0.00%	0.06%
RON	959	(7,235)	(5,844)	(10,645)	(809)	(23,574)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	6.39%	20.67%	23.38%	30.41%	8.09%	27.73%
USD	232	1,113	(620)	(2,372)	1	(1,646)
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	1.55%	3.18%	2.48%	6.78%	0.01%	1.94%
TOTAL	4,792	11,200	8,719	14,720	5,084	36,485
Limit	15,000	35,000	25,000	35,000	10,000	85,000
Usage	31.95%	32.00%	34.88%	42.06%	50.84%	42.92%

For 31 December 2007, the net EUR positions for the time bucket "Up to 3 months" will generate a loss of EUR 3,246 if the yield curve increases by 1 basis points = 0.01% parallel shift, limit is 15,000 while limit usage is 21.64% (in absolute terms).

Compare to 2007, for 31 December 2008, the same net EUR positions for the time bucket "Up to 3 months" will generate a profit of EUR 1,246 if the yield curve increases by 1 basis point = 0.01% parallel shift, limit is 15,000 while limit usage is 10.99% (in absolute terms).

(4) Financial risk management (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 re pricing bands. ALCO is the monitoring body for compliance with these limits and it is assisted by Market Risk in its day to day monitoring activities.

A summary of the Bank's interest rate gap position on interest earnings assets and liabilities is as follows:

The Interest Rate (IR) BPV Shift report as at 31 December 2008 is as follows:

(RON)

2008	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	SUM
Cash and cash equivalents	3,541,401,764					3,541,401,764
Derivative assets held for risk management	(19,102,561)	2,889,269	24,238,864	11,572,732		19,598,304
Placements with banks	780,126,376	29,104,587				809,230,963
Loans and advances to customers	11,425,939,002	523,577,313	59,535,168			12,009,051,483
Investment securities, available for sale	198,089,873	141,572,398	157,260,171	121,194,042		618,116,484
Investment securities, held-to-maturity			8,323,355			8,323,355
Total	**15,926,454,454**	**697,143,567**	**249,357,558**	**132,766,774**		**17,005,722,353**
Derivative liabilities held for risk management	(25,941,221)	(1,508,328)	25,547,866	13,661,643		11,759,960
Loans and deposits from banks	5,962,364,913	517,335,745				6,479,700,658
Deposits from customers	8,441,475,127	205,799,571	1,942,510			8,649,217,208
Total	**14,377,898,819**	**721,626,988**	**27,490,376**	**13,661,643**		**15,140,677,826**
Interest sensitivity surplus/(shortfall)	**1,548,555,635**	**(24,483,421)**	**221,867,182**	**119,105,131**		**1,865,044,527**

The Interest Rate (IR) BPV Shift report as at 31 December 2008 is as follows:

(RON)

2007	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	SUM
Cash and cash equivalents	3,196,422,334					3,196,422,334
Derivative assets held for risk management	14,185,702	(253,303)	2,006,816	(11,326,873)		4,612,342
Placements with banks	544,680,176	10,175,100	1,660,176			556,515,452
Loans and advances to customers	5,949,002,521	843,421,449	287,284,131	800,081,125		7,879,789,226
Investment securities, available for sale	234,560,893	408,030,787	151,495,127	4,349,643		798,436,450
Investment securities, held-to-maturity		38,129,516	7,534,764			45,664,280
Total	9,938,851,626	1,299,503,549	449,981,014	793,103,895		12,481,440,084
Derivative liabilities held for risk management	16,334,959		(7,434,940)	(7,381,262)		1,518,757
Loans and deposits from banks	4,217,169,506	100,468,534				4,317,638,040
Deposits from customers	6,292,254,792	199,218,434	94,303,531	9,320,062		6,595,096,819

(4) Financial risk management (CONTINUED)

Total	10,525,759,257	299,686,968	86,868,591	1,938,800	10,914,253,616
Interest sensitivity surplus/(shortfall)	(586,907,631)	999,816,581	363,112,423	791,165,095	1,567,186,468

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2008 for its interest-bearing assets and liabilities:

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2008 (RON)

	RON Range		EUR Range		USD Range	
Assets	Min	Max	Min	Max	Min	Max
Current accounts with the National Bank of Romania	2.50	5.60	1.25	2.80	n/a	n/a
Placements with banks*	2.00	150.00	1.75	7.50	1.50	6.10
Investment securities	6.00	18.00	4.13	10.63	n/a	n/a
Loans and advances to customers	0.10	55.00	0.67	28.50	2.11	24.00
Liabilities						
Deposits from banks	2.10	75.00	2.75	6.56	0.75	20.00
Deposits from customers	0.10	37.50	0.10	9.00	0.10	6.00
Loans from banks	8.04	48.06	3.07	6.44	3.88	5.63

* The Bank lent and borrowed local currency (RON) deposits on short term at very high rates in October 2008 due to the turbulence recorded on the Romanian interbank market.

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2007 for its interest-bearing assets and liabilities:

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2007 (RON)

	RON Range		EUR Range		USD Range	
Assets	Min	Max	Min	Max	Min	Max
Current accounts with the National Bank of Romania	1.90	2.50	0.80	1.35	1.00	1.20
Placements with banks*	1.50	75.00	3.09	6.50	4.10	7.00
Investment securities	5.38	10.04	4.12	10.62	8.90	9.14
Loans and advances to customers	0.45	55.00	0.20	19.75	4.46	17.90
Liabilities						
Deposits from banks	0.50	50.00	3.10	5.50	4.25	6.75
Deposits from customers	0.10	6.00	0.10	2.50	0.10	3.20
Loans from banks	6.68	12.53	3.95	5.78	5.63	6.15

The interest rates related to the local currency and the major foreign currencies as at 31 December 2008 and 2007 were as follows:

Interest rates (RON)

Currencies	Interest rate	31 December 2008	31 December 2007
RON	Robor 3 months	15.46%	8.4%
EUR	Euribor 3 months	2.892%	4.7%
EUR	Euribor 6 months	2.971%	4.7%
USD	Libor 6 months	1.75%	4.6%

(4) Financial risk management (CONTINUED)

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2008 can be analysed as follows:

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2008 (RON)

	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	1,506,785,006	7,731,535	2,023,337,353	3,547,870	3,541,401,764
Derivative assets held for risk management	12,875,537		53,934,484		66,810,021
Loans and advances to banks	663,689,250	46,357,437	89,637,507	9,546,769	809,230,963
Loans and advances to customers	2,554,217,016	440,611,377	8,984,415,089	29,807,999	12,009,051,481
Investments in associate	5,600,951				5,600,951
Investment securities, available-for-sale	604,128,198		13,988,286		618,116,484
Equity investments, available for sale	2,785,794				2,785,794
Investment securities, held-to-maturity			8,323,355		8,323,355
Total financial assets	**5,350,081,752**	**494,700,349**	**11,173,636,074**	**42,902,638**	**17,061,320,813**
Financial liabilities					
Derivative liabilities held for risk management	152,301,284		39,318,964		191,620,248
Loans & deposits from banks and subordinated liabilities	5,200,438,547	122,020,651	1,135,864,530	21,376,930	6,479,700,658
Deposits from customers	4,503,188,378	385,093,295	3,741,604,025	19,331,510	8,649,217,208
Total financial liabilities	**9,855,928,209**	**507,113,946**	**4,916,787,519**	**40,708,440**	**15,320,538,114**
Net financial assets/(liabilities)	**(4,505,846,457)**	**(12,413,597)**	**6,256,848,555**	**2,194,198**	**1,740,782,699**

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2007 can be analysed as follows:

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2008 (RON)

	RON	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	1,713,953,189	12,326,116	1,465,479,118	4,663,911	3,196,422,334
Derivative assets held for risk management	19,054,763				19,054,763
Placements with banks	290,000,414	131,874,522	130,458,944	4,181,572	556,515,452
Loans and advances to customers	1,798,707,979	359,233,566	5,688,219,389	33,628,292	7,879,789,226
Investments in associate	478,257				478,257
Investment securities, available-for-sale	779,637,154		18,799,296		798,436,450
Equity investments, available for sale	9,936,986				9,936,986
Investment securities, held-to-maturity			45,664,280		45,664,280
Total financial assets	**4,611,768,742**	**503,434,204**	**7,348,621,027**	**42,473,775**	**12,506,297,748**
Financial liabilities					
Derivative liabilities held for risk management	146,618,463				146,618,463
Loans & deposits from banks and subordinated liabilities	3,762,739,541	50,809,195	504,085,207	4,097	4,317,638,040
Deposits from customers	3,373,941,877	493,052,817	2,704,948,163	23,153,962	6,595,096,819
Total financial liabilities	**7,283,299,881**	**543,862,012**	**3,209,033,370**	**23,158,059**	**11,059,353,322**
Net financial assets/(liabilities)	**(2,671,531,139)**	**(40,427,808)**	**4,139,587,657**	**19,315,716**	**1,446,944,426**

(4) Financial risk management (Continued)

f) Operational risk

Definition of operational risk

Operational risk is defined as the risk of loss resulting from error, violation, interruption, inadequate or failed internal processes, people and systems or from external events. This definition includes also legal and compliance risk, but excludes reputation risk.

Operational events are the events resulting from inadequate or failed internal processes, people and systems or from systemic and other external events: internal or external fraud, employment practices and workplace safety, clients' claims, product distribution, fines and penalties due to breaches of regulations, damage to the Group's physical assets, business disruption and system failures or process management.

Operational Risk Framework

The Bank's operational risk management framework is a set of policies and procedures for controlling, measuring and mitigating the operational risk.

The Risk Management Committee monitors the operational risk exposure, defines the risk appetite and mitigating actions and approves measurement and control methods.

The methodology for data classification and completeness, scenario analysis, risk indicators, reporting and measurement of capital at risk is laid down by the Parent's operational risk management function and applies to all Holding entities. A pivotal element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and measurement of capital at risk.

Management and mitigation of operational risk

Operational risk management entails process re-engineering to reduce risk exposure, including outsourcing considerations, and insurance cover management involving the setting of appropriate deductibles and policy limits.

Regularly tested business continuity plans will also ensure operational risk management in the event of interruption of the main business services.

The Risk Management Committee reviews risks tracked by the operational risk functions of the Group, with the support of Operational Risk department, involved in daily operational risk control, and monitors risk mitigation initiatives.

This responsibility is supported by the development of standards for the management of operational risks in the following areas:
• Requirements for appropriate segregation of duties, including the independent authorization of transactions;
• Requirements for the reconciliation and monitoring of transactions;
• Compliance with regulatory and other legal requirements;
• Documentation of controls and procedures;
• Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
• Requirements for the reporting of operational losses and proposed remedial action;
• Development of contingency plans;
• Training and professional development;
• Ethical and business standards;
• Risk mitigation, including insurance where this is effective.

(4) Financial risk management (Continued)

g) Taxation risk

The tax framework in Romania is subject of frequent changes, (some of them resulting from the Romania's liabilities as an EU member state, others from the domestic fiscal policy) and often subject of contradictory interpretations, which might be applied retroactively. For this reason government agencies empowered to carry out tax inspections seem to be exposed to arbitrary decisions and different interpretation of the law, to which Romanian companies are less protected than is usual in other countries.

These changes have been implemented, however they are exposed to a fiscal audit for a period up to five years when the authorities might adopt an aggressive approach and assess additional liabilities and related late-payment penalties.

Moreover, the merged banks have not been audited for the entire period of operation until the date of dissolution, and their duties may be subject to future inspections, any results of these being borne by the bank as a legal successor.

e) Operating environment

The process of risk repricing during 2007 and 2008 in the international financial markets severely affected the performance of those markets, including the Romanian financial and banking market, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, lower level and difficult access to the capital market funding, lower liquidity levels across the Romanian banking sector, and higher interbank lending rates. The significant losses experienced in the global financial market could affect the ability of the Bank to obtain new borrowings and refinance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The determination of compliance with debt agreement and other contract covenants, and the evaluation of significant uncertainties, bring their own challenges.

The borrowers of the Bank may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on the management cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessment.

Such ongoing concerns that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping minimising the effects of the financial crisis and finally restoring normal market functioning.

Management is unable to predict all developments which could have an impact on the Romanian banking sector and consequently what effect, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Bank's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances by:

- preparing liquidity crisis strategy and establishing specific measures, together with the Parent Bank, to address potential liquidity crisis
- daily monitoring its liquidity position and over-dependence on specific funds
- forecasting on short-term basis its net liquidity position
- obtaining formal commitment from the major shareholder regarding the latter's continuous support of the Bank's operations in Romania
- monitoring incoming and outgoing cash flows on daily basis and assessing the effects on its borrowers of the limited access to funding and the sustainability of growing businesses in Romania
- examining terms and conditions of financing agreements and considering the implications of obligations imposed and risks identified such as approaching maturity dates or the implications of any terms or covenants that may have been breached or which may be breached in the foreseeable future.

(4) Financial risk management (CONTINUED)

i) Capital management

Regulatory capital

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

The Bank's regulatory capital is analyzed into two tiers:
• Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, legal, statutory and other reserves, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
• Tier 2 capital, which includes qualifying subordinated liabilities, other long term debt, fair value reserves for fixed assets and other regulatory adjustments.

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

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

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

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

Concentration of credit risk		(RON)
	31 December 2008	**31 December 2007**
Tier 1 capital		
Ordinary share capital	379,075,291	379,109,246
Share premium	386,550,688	386,550,688
Retained earnings	675,267,321	464,187,215
Less intangible assets	(45,411,169)	(22,661,015)
Other regulatory adjustments (equity investments)	(3,593,816)	(1,567,872)
Total	**1,391,888,315**	**1,205,618,262**
Tier 2 capital		
Revaluation reserve (fixed assets)	68,648,632	74,371,390
Qualifying subordinated liabilities	336,481,398	383,334,558
Other regulatory adjustments (equity investments)	(3,593,816)	(1,567,872)
Total	**401,536,214**	**456,138,076**
Total regulatory capital	**1,793,424,529**	**1,661,756,338**
Risk-weighted assets	n/a	12,423,123,538
Capital requirements for credit risk	1,285,482,502	n/a
Capital requirements for market risk	3,773,033	n/a
Capital requirements for operational risk	115,629,119	n/a
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets / capital requirements	10.21%	13.38%
Total tier 1 capital expressed as a percentage of risk-weighted assets / capital requirements	7.93%	9.70%

(4) Financial risk management (CONTINUED)

*) This calculation is based on statutory figures. Please refer to note 42 and 43 reconciliation profit and of equity reported under statutory accounts/IFRSs

Capital allocation

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

(5) Use of estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually 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. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The loan impairment assessment considers the visible effects on current market conditions on the individual / collective assessment of loans and advances to customers' impairment. Because of the significant uncertainties on the international and local financial markets such estimates could be revised in the near future. Hence, the Bank has estimated the impairment loss provision for loans and advances to customers based on the internal methodology harmonized with Group policies and assessed that no further provision for impairment losses is required except as already provided for in the reporting package. Because of the inherent limitations related to the historical experience in obtaining cash flow information, in methodologies applied and to the uncertainties on the international and local financial markets regarding assets valuation, that Bank's estimate could be revised after the date of the approval of the financial information included in the financial statements.

To the extent that the probability of default parameter for the collective assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 25,982 thousand higher (31 December 2007: RON 9,874 thousand) or RON 25,982 thousand lower (31 December 2007: RON 9,874 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 21,309 thousand higher or RON 21,009 thousand lower, at 31 December 2008.

To the extent that the degree of collateral recognition parameter for the individual assessment differs by +/-10 percent, the provision for impairment losses on loans for the Bank would be estimated RON 65 thousand higher (31 December 2007: RON 192 thousand) or RON 55 thousand lower (31 December 2007: RON 126 thousand).

(5) Use of estimates and judgements (Continued)

Sensitivity analysis for available-for-sale

The fair value of available-for-sale financial assets is direct dependant on the market yield variable and its changes impact significantly the financial position and the net assets of the Bank. In case of the market yield varies by +/-10 percent, the negative reserve recorded as at 31 December 2008 on available for sale financial assets would vary as follows:

Sensitivity analysis for available-for-sale			(RON)
	Market Yield -10%	Initial	Market Yield +10%
Available-for-sale denominated in RON	53,118,723	67,495,955	80,837,966
Available-for-sale denominated in EUR	5,912,788	6,773,205	7,573,474
Available-for-sale Total	**59,031,511**	**74,269,160**	**88,411,440**

(5) Use of estimates and judgements (CONTINUED)

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

Financial assets and liability classification

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

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

Financial assets			(RON)
31 December 2008	**Listed**	**Unlisted**	**Total**
Investment securities, available-for-sale	1,385,085	616,731,399	618,116,484
Equity investments, available for sale		2,785,794	2,785,794
Investment securities, held to maturity		8,323,355	8,323,355
31 December 2007			
Investment securities, available-for-sale	2,117,061	796,319,389	798,436,450
Equity investments, available for sale	922,013	9,014,973	9,936,986
Investment securities, held to maturity		45,664,280	45,664,280

(5) Use of estimates and judgements (Continued)

-The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:
• In classifying financial assets or liabilities as "derivative assets / liabilities held for risk management", the Bank has determined that it meets the description set out in accounting policy 3(m).
• In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(o)(i).

The Bank measures fair values using the following hierarchy of methods:
• Quoted market price in an active market for an identical instrument.
• Valuation techniques based on observable inputs. The Bank's valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models incorporated in the risk software tools used. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other estimates used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. Such valuation techniques are applied to derivatives held for risk management. An illustration of it is presented below:

 o FX Outright Forward and FX Swaps – the forward legs are revalued daily by Core 02 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 CCM (Conticap) page is used.
 o FX Options - are revalued daily by the Front-office application software "Wall street" – consistent with the Group revaluation. The revaluation performed by Wall street System is input as of each end of month into Core02.
 o IR Options and IRS - are revalued daily by the F/O System OPUS – consistent with the Group revaluation. The revaluation performed by OPUS is input as of each end of month into Core02.
 o Available for sale financial instruments – the fair value is calculated using discounted cash flow techniques based on market observable inputs (i.e. bid quotations from banks, official published quotations).

• Fair value was approximated by cost. This method was applied for variable interest rate debt instruments and participations (which were also tested for impairment at the balance sheet dates).

(5) Use of estimates and judgements (CONTINUED)

The table below analyses financial instruments carried at fair value, by valuation method:

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2008 (RON)

	Valuation market prices in active inputs	Valuation techniques -observable inputs	Fair value was approximated by cost *)	Total
31 December 2008				
Assets				
Derivative assets held for risk management	-	66,810,021	-	66,810,021
Investment securities, available-for-sale	1,385,085	610,421,027	6,310,372	618,116,484
Equity investments, available for sale	-	-	2,785,794	2,785,794
	1,385,085	**677,231,048**	**9,096,166**	**687,712,299**
Liabilities				
Derivative liabilities held for risk management		191,620,248		191,620,248
		191,620,248		**191,620,248**
31 December 2008				
Assets				
Derivative assets held for risk management		19,054,763		19,054,763
Investment securities, available-for-sale	2,117,061	787,455,147	8,864,242	798,436,450
Equity investments, available for sale			9,936,986	9,936,986
	2,117,061	**806,509,910**	**18,801,228**	**827,428,199**
Liabilities				
Derivative liabilities held for risk management		146,918,463		146,918,463
		146,918,463		**146,918,463**

*) This category contains variable interest rate debt instruments and participations (which were also tested for impairment at the balance sheet dates).

The Bank does not have complex financial instruments valued by techniques using unobservable data.

(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.

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2008 (RON)

	Note	Financial assets at fair value through profit	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	19			3,541,401,764			3,541,401,764	3,541,401,764
Derivative assets held for risk management	20	66,810,021					66,810,021	66,810,021
Loans and advances to banks	21			809,230,963			809,230,963	809,230,963
Loans and advances to customers	22			12,009,051,483			12,009,051,481	11,994,949,397
Investment in associate	23					5,600,951	5,600,951	5,600,951
Investment securities, available-for-sale	24				618,116,484		618,116,484	618,116,484
Equity investments, available for sale	25					2,785,794	2,785,794	2,785,794
Investment securities, held to maturity	26		8,323,355				8,323,355	7,591,552
		66,810,021	**8,323,355**	**16,359,684,210**	**618,116,484**	**8,386,745**	**17,061,320,815**	**17,046,486,926**
Derivative liabilities held for risk management	20	191,620,248					191,620,248	191,620,248
Deposits from banks	32					1,399,474,832	1,399,474,832	1,399,474,832
Loans from banks and other financial institutions, including subordinated liabilities	33					5,080,225,826	5,080,225,826	4,877,700,165
Deposits from customers	34					8,649,217,208	8,649,217,208	8,648,629,918
		191,620,248				**15,128,917,866**	**15,320,538,114**	**15,117,425,163**

The amounts of assets and liabilities held in RON and in foreign currencies as at 31 December 2007 (RON)

	Note	Financial assets at fair value through profit	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	19			3,196,422,334			3,196,422,334	3,196,422,334
Derivative assets held for risk management	20	19,054,763					19,054,763	19,054,763
Loans and advances to banks	21			556,515,452			556,515,452	556,515,452
Loans and advances to customers	22			7,879,789,226			7,879,789,226	7,868,901,439
Investment in associate	23					478,257	478,257	478,257
Investment securities, available-for-sale	24				798,436,450		798,436,450	798,436,450
Equity investments, available for sale	25					9,936,986	9,936,986	9,936,986
Investment securities, held to maturity	26		45,664,280				45,664,280	45,179,487
		19,054,763	**45,664,280**	**11,632,727,012**	**798,436,450**	**10,415,243**	**12,506,297,748**	**12,494,925,168**
Derivative liabilities held for risk management	20	146,618,463					146,618,463	146,618,463
Deposits from banks	32					236,531,536	236,531,536	236,589,077
Loans from banks and other financial institutions, including subordinated liabilities	33					4,081,106,504	4,081,106,504	3,745,081,294
Deposits from customers	34					6,595,096,819	6,595,096,819	6,500,920,818
		146,618,463				**10,912,734,859**	**11,059,353,322**	**10,629,209,652**

(7) Net interest income

		(RON)
	2008	2007
Interest income		
Interest and similar income arising from:		
Current accounts and placements with banks	137,732,025	110,704,620
Treasury bills and bonds	39,737,368	63,153,250
Loans and advances to customers	977,649,544	609,491,662
Others (including derivatives)	19,946,368	280,334
Total interest income	**1,175,065,305**	**783,629,866**
Interest expense		
Interest expense and similar charges arising from:		
Deposits from banks	62,236,527	35,570,537
Loans from banks and other financial institutions	588,786,349	273,998,100
Treasury bills and bonds	17,085,938	6,063,409
Deposits from customers	237,923,270	109,801,271
Others (including derivatives)	18,896,543	145,779
Total interest expense	**924,928,627**	**425,579,096**
Net interest income	**250,136,678**	**358,050,770**

The Bank's financing in RON from the parent company UniCredit Bank Austria AG is immediately swapped into EUR. The effect of these swap transactions on the Bank's income statement is recognized in net income on foreign exchange and on derivatives held for risk management. These swap transactions have a significant interest component, their interest related effect based on the Bank's management information system (refer to Note 10) can be summarised as follows:

	(RON)
	2008
Net interest income	**250,136,678**
Interest related effect of Swapping RON from the UniCredit Bank Austria AG	355,479,353
Net interest income including Swap effect	**605,616,031**

(8) Net fees and commissions income

	2008	2007
		(RON)
Fees and commissions income		
Payments transactions	152,101,030	113,679,203
Loan administration	19,513,065	35,059,363
Guarantees and letters of credit	17,104,992	17,245,025
Risk participation fee (refer to Note 41)	49,848,647	32,656,260
Other	18,434,109	33,564,066
Total fees and commission income	**257,001,843**	**232,203,917**
Fees and commissions expense		
Payments transactions	6,776,763	5,025,772
Other	21,572,840	16,930,826
Total fees and commissions expense	**28,349,603**	**21,956,598**
Net fees and commissions income	**228,652,240**	**210,247,319**

(9) Dividend income

The Bank received dividends income from the following companies:

	2008	2007
		(RON)
Visa	2,596,547	
Transfond SA	1,496,413	1,879,045
Romcard SA	158,367	90,659
Biroul de credit SA	145,983	92,535
Other	13,919	
Total dividend income	**4,411,229**	**2,062,239**

(10) Net income on foreign exchange and on derivatives held for risk management

(RON)	2008	2007
Net foreign exchange loss from revaluation of foreign currency denominated assets and liabilities	658,723,136	277,348,212
Net foreign exchange gain from foreign exchange transactions	147,827,690	129,518,803
Net fair value gain from interest derivatives held for risk management	171,201	1,918,855
Net fair value loss from FX derivatives held for risk management	(190,037,135)	(147,121,509)
Other items	13,672,932	(107,510)
Net income on foreign exchange and on derivative held for risk management	**630,357,824**	**261,556,851**

The interest related effect of swapping RON financing from the Parent Bank into EURO, is presented below (see also details given in Note 7):

(RON)	2008
Net income on foreign exchange and on derivative held for risk management	630,357,824
Less: Interest related effect of Swapping RON from the UniCredit Bank Austria AG (refer Note 7)	(355,479,353)
Net income on foreign exchange and on derivative held for risk management, excluding Swap effect	**274,878,471**

(11) Other operating income

(RON)	2008	2007
Gains on disposals of investments	12,906,887	-
Revenues from sales of property and equipment and intangible assets	3,446,936	2,348,183
Sundry operational revenues	7,045,219	1,705,828
Total	**23,399,042**	**4,054,011**

(12) Personnel expenses

		(RON)
	2008	2007
Wages and salaries	204,223,467	156,803,910
Social security charges	54,222,061	40,656,883
Equity settled share-based payments	635,848	353,398
Other costs	8,724,156	6,096,478
Total	**267,805,532**	**203,910,669**

The number of employees at 31 December 2008 was 3,297 (31 December 2007: 2,711). Remuneration of Supervisory Board's and Directorate's members for 2008 amounted to RON 8,742,376 (2007: RON 5,893,661). The Bank has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is incurred by the Bank and not by its Parent, and as a consequence, it is recognised as an employee benefit expense (please refer to Note 3 v (iii)).

(13) Depreciation and amortisation

		(RON)
	2008	2007
Depreciation on property and equipment	31,813,727	25,868,307
Amortisation on intangible assets	12,546,136	14,388,708
Total	**44,359,863**	**40,257,015**

(14) Other administrative costs

(RON)	2008	2007
Office space expenses (rental, maintenance, other)	98,580,592	64,817,278
Advertising and promotional expenses	19,661,232	16,627,035
Materials and consumables	16,276,112	9,147,014
Communication expenses	13,845,207	13,121,527
Other taxes and duties	7,618,018	8,530,244
Insurance expenses	3,245,575	3,055,186
IT services	24,593,155	24,674,448
Consultancy, legal and other professional services	21,205,459	22,274,167
Personnel training & recruiting	8,558,043	3,263,744
Other	27,554,461	17,694,973
Total	**241,137,854**	**183,205,616**

(15) Net impairment loss on financial assets

(RON)	2008	2007
Net charge of provision for loans and advances to customers	119,217,828	35,537,061
Loans written-off	260,400	8,649,795
Net charge of provisions for equity investments	6,399,498	2,700,000
Recoveries from loans previously written-off	(9,628,733)	(13,071,619)
Charge of provision for debit balances of dormant current accounts	8,353,136	
Net impairment losses on financial assets	**124,602,129**	**33,815,237**

(16) Net provisions charges

(RON)	2008	2007
Net provision charge for off-balance loan commitments and contingencies	30,070,459	23,588,248
Net provision charge for litigations	4,865,569	5,230,977
Provision for cards operations	4,232,301	2,464,314
Other provisions	946,525	3,027,685
Net provisions for risk and charges	**40,114,854**	**34,311,224**

(17) Integration costs

For the respective two mergers processes undertaken during 2006 and 2007 (refer to Note 1) the Bank incurred the following integration costs. The provision was fully utilised by 31 December 2008:

	2008	2007 (RON)
One-off costs (severance costs, assets write offs)	-	221,074
Legal and consultancy fees	-	1,643,170
Audit	-	
Information technology expenses	-	14,847,600
Marketing and rebranding expenses	-	5,366,285
Restructuring provision	-	(3,700,000)
Total	**-**	**18,378,129**

(18) Taxation

	2008	2007 (RON)
Direct taxes at 16% (2006: 16%) of taxable profits determined in accordance with Romanian law	49,702,507	51,687,981
Correction of current income tax arising from previous year	(9,887,610)	8,454,736
Deferred tax (income)/ expense	33,403,339	(2,846,530)
Total tax expense	**73,218,236**	**57,296,187**

Reconciliation of profit before tax to income tax expense in the income statement (RON)

	2008	2007
Profit before tax	**431,520,524**	**319,770,385**
Taxation at statutory rate of 16% (2006: 16%)	**69,043,284**	**51,163,262**
Non-deductible expenses	27,472,032	24,633,963
Non-taxable revenues	(16,317,166)	(10,469,279)
Tax effect of other non-temporary differences	(3,581,678)	(5,185,229)
Origination and reversal of temporary differences	(3,398,236)	(2,846,530)
Taxation in the income statement	**73,218,236**	**57,296,187**

(19) Cash and cash equivalents

	2008	2007
		(RON)
Cash	181,694,090	288,047,915
Cash in ATMs	66,458,930	60,469,584
Balances with National Bank of Romania	3,293,248,744	2,847,904,835
Total	**3,541,401,764**	**3,196,422,334**

The cash held with the central bank (i.e. Balances with the National Bank of Romania) ensures compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. As at 31 December 2008, the reserve was set up at 18% for RON (2007: 20%) and 40% (2007: 40%) for USD and EUR denominated funds.

(20) Derivative assets/liabilities held for risk management

	2008			2007		(RON)
	Notional	Present value		Notional	Present value	
		Assets	Liabilities		Assets	Liabilities
Foreign currency derivatives						
Forward contracts	6,673,673,202	8,830,517	144,681,740	5,972,653,440	5,743,357	136,399,280
Spot contracts	1,187,461,895	3,202,647				
Purchased Options	341,440,645	7,629,086	842,374	992,697	19,622	
Sold Options	491,223,888	842,374	7,629,086	992,697		19,622
Total foreign currency derivatives	**8,693,799,630**	**20,504,624**	**153,153,200**	**5,974,638,834**	**5,762,979**	**136,418,902**
Interest rates derivatives						
Interest Rate Swap	657,853,973	19,598,304	11,759,955	338,462,409	4,610,979	1,518,756
Purchased Options	807,436,750	26,707,093		353,138,864	8,680,805	
Sold Options	807,436,750		26,707,093	353,138,864		8,680,805
Total interest rate derivatives	**2,272,727,473**	**46,305,397**	**38,467,048**	**1,044,740,137**	**13,291,784**	**10,199,561**
Total	**10,966,527,103**	**66,810,021**	**191,620,248**	**7,019,378,971**	**19,054,763**	**146,618,463**

The Bank classified as financial assets/liabilities at fair through profit and loss only derivative contracts. These are held for management risk purposes.

(21) Loans and advances to banks

		(RON)
	31 December 2008	**31 December 2007**
Current accounts with other banks	31,993,737	29,667,453
Sight deposits with other banks	69,267,902	128,387,766
Term deposits with other banks	679,365,373	378,382,535
Loans to banks	23,574,645	18,697,964
Other advances to banks	5,029,306	1,379,734
Total	**809,230,963**	**556,515,452**

Current accounts, sight and term deposits with banks are at immediate disposal of the Bank and no assets were pledged as at 31 December 2008 and 31 December 2007.

(22) 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 balance sheet date by type of loan was as follows:

		(RON)
	31 December 2008	**31 December 2007**
Revolving credit lines	3,118,194,981	1,997,090,562
Mortgages	933,530,515	1,123,809,115
Credit cards and personal loans	1,387,554,262	1,494,993,008
Factoring	79,292,991	3,744,275
Corporate loans	5,515,040,355	3,017,616,960
Impaired assets *	1,265,290,592	413,169,690
Loans and advances to customers before provisions	**12,298,903,696**	**8,050,423,610**
Less provision for impairment losses on loans	(289,852,213)	(170,634,384)
Net loans and advances to customers	**12,009,051,483**	**7,879,789,226**

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

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

Specific allowances for impairment		(RON)
	31 December 2008	**31 December 2007**
Balance at 1 January	14,078,883	12,338,778
Impairment loss for the year		
Net charge for the year *)	14,873,514	1,740,105
Balance at 31 December	**28,952,397**	**14,078,883**

Collective allowances for impairment		(RON)
	31 December 2008	**31 December 2007**
Balance at 1 January	156,555,501	117,358,231
Net impairment charge / (release) for the year	104,344,315	39,197,270
Balance at 31 December	**260,899,816**	**156,555,501**
Total opening balance	170,634,384	129,697,009
Total closing balance	**289,852,213**	**170,634,384**

*) For the year ended 31 December 2007 this caption also includes foreign exchange rate variances effect.

(23) Investment in associates

(RON)

	Nature of business	Country of incorporation	31 December 2008 % interest held	31 December 2008 Carrying amount	31 December 2007 % interest held	31 December 2007 Carrying amount
UniCredit Leasing Corporation IFN S.A.	Leasing services	Romania	20%	987,869	20%	478,257
UniCredit Consumer Finance IFN S.A.	Consumer finance	Romania	35%	4,613,082	-	-
Total				**5,600,951**		**478,257**

The following information is relevant and is related to the figures already reported based on IFRS by the associated companies:

(RON)

In RON	Ownership	Total assets	Total liabilities	Revenues	Profit(Loss)
2008					
UniCredit Leasing Corporation IFN S.A	20%	3,187,032,051	3,182,092,706	31,060,545	48,304
UniCredit Consumer Finance IFN S.A.	35%	16,772,322	3,592,086	836,634	(6,762,764)
2007					
UniCredit Leasing Corporation IFN S.A	20%	1,773,121,404	1,770,730,120	22,285,739	(3,373,079)

(24) Investment securities, available-for-sale

As at 31 December 2008, the Bank included in investment securities, available for sale bonds, government T-bills, Oradea bonds, Eurobonds, certificates of deposits issued by National Bank of Romania and bonds issued by Ministry of Economy and Finance in amount of RON 618,116,484 (31 December 2007: RON 798,436,450).

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

		(RON)
	2008	2007
At 1 of January	**798,436,450**	**219,672,959**
Additions	3,532,514,886	4,701,589,118
Disposals (redemption)	(3,712,834,852)	(4,122,825,627)
At 31 December	**618,116,484**	**798,436,450**

As at 31 December 2008, the investment securities available for sale are pledged in amount of RON 28,127,237
(31 December 2007: RON 27,720,000).

From the disposal of these investment securities, the Bank realized in 2008 a gain in amount of RON 15,001,608.

(25) Equity investments, available-for-sale

The Bank held the following unlisted equity investments, available-for-sale as at 31 December 2008 and 31 December 2007:

					(RON)
31 December 2008	**Nature of business**	**% interest held**	**Gross Carrying amount**	**Impairment**	**Net Carrying amount**
Romcard SA	card processing	20.0000	208,962		208,962
Biroul de Credit SA	financial activities	4.2398	187,635		187,635
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	other credit activities	3.1035	1,786,564	795,540	991,024
Casa de Compensare (SNCDD SA)	other financial services	0.1192	46,975	26,498	20,477
Transfond SA	other financial services	8.0357	1,164,862		1,164,862
Cibela Group SRL	food industry	19.627	2,116,665	2,116,665	
Pioneer Asset Managent (CAIB Asset Management S.A.I.)	financial activities	3.967	139,450		139,450
UniCredit CAIB Securities Romania SA	financial activities	19.9763	73,330		73,330
UniCredit Leasing Romania SA	leasing services	0.00002	14		14
Pirelli Re Romania	real estate	20.0000	168,000	168,000	
VISA INCORPORATED	cards	0.0438	3		3
VISA EUROPE LIMITED	cards	0.01	37		37
Total			**5,892,497**	**3,106,703**	**2,785,794**

The above mentioned companies are incorporated in Romania, except VISA Incorporated (incorporated in the United States of America) and VISA Europe Limited (incorporated in the United Kingdom).

					(RON)
31 December 2007	**Nature of business**	**% interest held**	**Gross Carrying amount**	**Impairment**	**Net Carrying amount**
HVB Banca pentru Locuinte SA	Building society	9.9992	5,499,560	2,700,000	2,799,560
Apulum SA	Ceramics	10.0001	3,192,325		3,192,325
Cibela Group SRL	Food industry	19.6270	2,116,665	2,116,665	
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	other credit activities	3.1035	1,786,564	795,540	991,024
Transfond SA	Other financial services	8.0357	1,164,862		1,164,862
Argus SA	Oil manufacturing	1.1607	1,122,107	200,094	922,013
Auto Mondo Company SA	Car spare and accessories	20.0000	382,959	368,751	14,208
Biroul de Credit SA	Financial activities	7.0497	304,302		304,302
Romcard SA	Card processing	20.0000	208,962		208,962
Pirelli Re Romania	Real estate	20.0000	168,000		168,000
CAIB Asset Management S.A.I.	Financial activities	3.9670	94,250		94,250
Bursa Romana de Marfuri SA	Capital market management	1.0540	56,989		56,989
SNCDD SA	Other financial services	0.1192	46,975	26,498	20,477
UniCredit Leasing Romania SA	Leasing services	0.0001	14		14
Total			**16,144,534**	**6,207,548**	**9,936,986**

The above mentioned companies are incorporated in Romania, except VISA Incorporated (incorporated in the United States of America) and VISA Europe Limited (incorporated in the United Kingdom).
The movement in available-for-sale equity investments may be

summarised as follows:

		(RON)
	2008	2007
Gross Carrying amount		
At 1 of January	**16,144,534**	**22,724,287**
Additions	368,550	917,940
Disposals (sale, repurchase)	(116,667)	(6,626,908)
Transfer to non current asset held for sale *)	(10,503,920)	(870,785)
At 31 December	**5,892,497**	**16,144,534**
Impairment		
At 1 of January	**6,207,548**	**9,947,242**
Charge for the year	168,000	2,700,000
Release during the year *)		(6,439,694)
Transfer to non current asset held for sale *	(3,268,845)	
At 31 December	**3,106,703**	**6,207,548**

*) Refer to note 30 - As of 31 December 2007, the Bank classified the equity investments considered to be non-core business from the Bank and UniCredit Group perspective as held for sale, according to IFRS 5 – Non-current assets held for sale and discontinued operations.

(26) Investment securities, held-to-maturity

At 31 December 2008, the Bank included in investment securities, held-to-maturity bonds issued by Ministry of Economy and Finance in amount of RON 8,323,355 (31 December 2007: RON 45,664,280, bonds issued by Ministry of Economy and Finance).
The movement in held-to-maturity investment securities may be summarised as follows:

		(RON)
	2008	2007
At 1 of January	**45,664,280**	**57,857,467**
Additions	-	150,000,000
Disposals (redemption)	(38,090,925)	(164,961,030)
Other non-cash changes*	750,000	2,767,843
At 31 December	**8,323,355**	**45,664,280**

* Other non-cash charges include the effect of the foreign exchange rate and unwinding of premiums and discounts. The investments securities held to maturity were not pledged as at 31 December 2008 and 31 December 2007.

(27) Property and equipment

(RON)	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Cost						
Balance at 1 January 2008	198,292,303	69,941,052	13,659,734	55,948,797	7,681,772	345,523,658
Additions	32,867,445	10,267,735	313,908	14,602,935	97,966,531	156,018,554
Disposals	(4,966,049)	(7,876,508)	(13,375,853)	(1,931,899)	(61,819,256)	(89,969,565)
Balance at 31 December 2008	**226,193,699**	**72,332,279**	**597,789**	**68,619,833**	**43,829,047**	**411,572,647**
Depreciation and impairment losses						
Balance at 1 January 2008	(59,670,787)	(48,102,580)	(10,460,386)	(21,391,861)		(139,625,614)
Charge for the year	(11,511,979)	(14,949,859)	(100,708)	(5,251,181)		(31,813,727)
Other increases *		(198,474)	(11,008)	(254,807)		(464,289)
Impairment	(4,291,684)					(4,291,684)
Disposals	2,204,223	8,762,973	10,179,492	1,598,846	1,210,487	23,956,021
Balance at 31 December 2008	**(73,270,227)**	**(54,487,940)**	**(392,610)**	**(25,299,003)**	**1,210,487**	**(152,239,293)**
Carrying amounts						
At 1 January 2008	138,621,516	21,838,472	3,199,348	34,556,936	7,681,772	205,898,044
At 31 December 2008	**152,923,472**	**17,844,339**	**205,179**	**43,320,830**	**45,039,534**	**259,333,354**

*) - Additions related to Banca di Roma transaction.

(RON)	Land and buildings	Computers and equipment	Motor vehicles	Furniture and other assets	Assets in course of construction	Total
Cost						
Balance at 1 January 2007	191,427,157	76,342,749	13,513,595	53,439,728	11,571,915	346,295,144
Additions	6,865,146	3,897,623	300,308	5,409,792	2,987,320	19,460,189
Disposals		(10,299,320)	(154,169)	(2,900,723)	(6,877,463)	(20,231,675)
Balance at 31 December 2007	**198,292,303**	**69,941,052**	**13,659,734**	**55,948,797**	**7,681,772**	**345,523,658**
Depreciation and impairment losses						
Balance at 1 January 2007	(50,200,324)	(49,692,471)	(8,548,276)	(18,322,361)		(126,763,432)
Charge for the year	(9,470,463)	(8,705,660)	(2,066,279)	(5,625,905)		(25,868,307)
Disposals	-	10,295,551	154,169	2,556,405		13,006,125
Balance at 31 December 2007	**(59,670,787)**	**(48,102,580)**	**(10,460,386)**	**(21,391,861)**		**(139,625,614)**
Carrying amounts						
At 1 January 2007	141,226,833	26,650,278	4,965,319	35,117,367	11,571,915	219,531,712
At 31 December 2007	**138,621,516**	**21,838,472**	**3,199,348**	**34,556,936**	**7,681,772**	**205,898,044**

Contingent operating lease (rentals)		(RON)
	31 December 2008	31 December 2007
Amounts payable under operational leases		
Up to twelve months	68,500,964	36,640,349
From one to five years	192,876,342	158,673,245
Over five years	131,122,199	74,339,843
Total future lease obligations	**392,499,505**	**269,653,437**

(28) Intangible assets

	Intangible assets	Intangible assets in course	Total
			(RON)
Cost			
Balance at 1 January	86,078,508	9,828,577	95,907,085
Additions	15,533,346	26,147,884	41,681,230
Disposals	(15,286)	(13,025,117)	(13,040,403)
Balance at 31 December	**101,596,568**	**22,951,344**	**124,547,912**
Amortisation and impairment losses			
Balance at 1 January	(69,621,718)		(69,621,718)
Amortisation for the year	(12,546,136)		(12,546,136)
Other increases *	(119,501)		(119,501)
Disposals	15,286		15,286
Balance at 31 December	**(82,272,069)**		**(82,272,069)**
Carrying amounts			
At 1 January	16,456,790	9,828,577	26,285,367
At 31 December	**19,324,499**	**22,951,344**	**42,275,843**

*) - Additions related to Banca di Roma transaction.

	Intangible assets	Intangible assets in course	Total
			(RON)
Cost			
Balance at 1 January	80,368,190	9,828,576	90,196,766
Additions	8,143,349		8,143,349
Disposals	(2,433,030)		(2,433,030)
Balance at 31 December	**86,078,509**	**9,828,576**	**95,907,085**
Amortisation and impairment losses			
Balance at 1 January	(57,640,579)		(57,640,579)
Amortisation for the year	(14,388,708)		(14,388,708)
Disposals	2,407,569		2,407,569
Balance at 31 December	**(69,621,718)**		**(69,621,718)**
Carrying amounts			
At 1 January	**22,727,611**	**9,828,576**	**32,556,187**
At 31 December	**16,456,791**	**9,828,576**	**26,285,367**

(29) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2008 are attributable to the items detailed in the table below:

(RON)	Assets	Liabilities
31 December 2008		
Loans and advances to customers		25,723,465
Property, equipment and intangible assets	1,172,628	
Available-for-sale equity investments	11,884,053	
Available for sale investment securities		374,097
HTM investment securities		
Other assets	1,320,445	
Provisions	15,561,711	
Other liabilities/accruals	2,185,618	1,715,477
Deferred tax liability at 16%	32,124,455	27,813,039

Deferred tax assets and deferred tax liabilities at 31 December 2007 are attributable to the items detailed in the table below:

(RON)	Assets	Liabilities
31 December 2007		
Loans and advances to customers	9,452,255	
Property, equipment and intangible assets	913,123	
Available-for-sale equity investments		439,878
Available for sale investment securities	1,730,261	
HTM investment securities		1,466,330
Other assets	826,414	
Provisions	10,499,134	838,881
Other liabilities/accruals	4,323,121	
Deferred tax liability at 16%	**27,744,308**	**2,745,089**

(30) Non current assets classified as held for sale

(RON)	31 December 2008	31 December 2007
UniCredit CAIB Securities Romania S.A. (refer to Note 25)	-	174,516
UniCredit Securities S.A. (refer to Note 25)	-	696,269
Argus S.A.	748,098	-
HVB Banca pentru Locuinte SA (refer to Note 25)	255,480	-
Total	**1,003,578**	**870,785**

The gain from disposal of UniCredit Securities S.A. in 2008 amounts to RON 7,866,919.
At 31 December 2008 the following companies were reclassified as non current assets classified as held for sale from Equity investments - Available-for-sale:

31 December 2007	Nature of business	% interest held	Gross Carrying amount	Impairment	Net Carrying amount (RON)
Apulum SA	Ceramics	10.0001	3,192,325	3,192,325	
Auto Mondo Company SA	Car spare and accessories	20	382,959	382,959	
Bursa Romana de Marfuri SA	Commodity exchange	1.054	56,989	56,989	
HVB Banca pentru Locuinte SA	Building society	9.9992	5,749,540	5,494,060	255,480
Argus SA	Oil manufacturing	1.1607	1,122,107	374,009	748,098
Total			**10,503,920**	**9,500,342**	**1,003,578**

(31) Other assets

(RON)	31 December 2008	31 December 2007
Prepayments	6,381,139	7,460,784
Inventories	1,441,631	1,028,726
Sundry debtors (gross amounts)	29,042,292	10,340,906
Amounts in transit	10,518,296	10,448,736
Other	19,494,742	35,565,265
Total gross amounts	**66,878,102**	**64,844,417**
Less impairment for sundry debtors	(11,978,249)	(3,625,113)
Total	**54,899,851**	**61,219,304**

The Bank booked as prepayments, during 2008 and 2007: premises rents, local taxes, guarantee fund, premises insurance, bankers blanket bond, subscriptions for several publications.

(32) Deposits from banks

(RON)	31 December 2008	31 December 2007
Sight deposits	426,204,186	213,762,092
Term deposits	973,270,646	22,769,444
Total	**1,399,474,832**	**236,531,536**

(33) Loans from banks and other financial institutions

The caption Loans from banks comprises the following:

a) UniCredit Bank Austria AG : loans facilities in amount of EUR 2,439,194 , USD 16,024,920, RON 4,451,945,286 in total amount of RON 4,507,083,787 maturing on 19 July 2013 (31 December 2007: RON 3,489,980,447).

b) Kreditanstalt fur Wiederaufbau Germany: loan facilities in amount of EUR 25,223,820 in total amount of RON 100,521,974 , maturing on 16 June 2014 (31 December 2007: RON 111,214,872).

c) B.E.R.D.: loan facilities in amount of EUR 8,555,454 in total amount of RON 34,095,197, maturing on 19 May 2017 (31 December 2007: RON 34,533,928).

d) BAN EUROP D'INV LUXN : loan facilities in amount of EUR 10,957,771 in total amount of RON 43,668,908, maturing on 15 June 2016 (31 December 2007: RON 61,293,959).
Loans from banks and other financial institutions in balance as at 31 December 2008 were bearing interest rates which ranged between 3.07% and 15.96% p.a. and the final maturities ranged between March 2009 and May 2017, the maximal percentage originated with the loan received from UniCredit Bank Austria AG in RON (31 December 2007: the interest rates ranged between 4.57% and 8.24% p.a. and the final maturities ranged between September 2008 and May 2017).

(34) Deposits from customers

(RON)	2008	2007
Payable on demand	4,369,105,954	4,515,031,538
Term deposits	3,851,538,488	1,771,269,650
Certificates of deposits	47,419	13,288,816
Collateral deposits	342,339,288	200,652,830
Amounts in transit	86,186,059	94,853,985
Total	**8,649,217,208**	**6,595,096,819**

(35) Subordinated loans

	31 December 2008 Currency nominal amount	31 December 2008	31 December 2007
			(RON)
UniCredit Bank Austria AG	EUR 3,407,155	13,635,100	12,371,021
UniCredit Bank Austria AG	EUR 5,000,000	20,010,686	18,146,552
UniCredit Bank Austria AG	EUR 3,517,824	14,022,006	12,701,921
UniCredit Bank Austria AG	RON 215,730,000	216,650,567	216,003,785
UniCredit Bank Austria AG	RON 70,400,000	70,493,632	70,428,406
UNICREDIT IRELAND	EUR 15,000,000	60,043,969	54,431,613
Total		**394,855,960**	**384,083,298**

At 31 December 2008, the following agreements were in place:

a) Subordinated loans from UniCredit Banca Austria AG are as follows: five facilities in amount of EUR 5,000,000, EUR 3,517,824, EUR 3,407,155, RON 215,730,000 and respectively RON 70,400,000 in total amount of RON 333,653,425 principal, maturing on September 2012, September 2012, August 2012, July 2013 and August 2012 respectively. (31 December 2007: EUR 11,924,978 and RON 286,130,000 in total amount of RON 329,181,558 principal, maturing on 2012 and 2013 respectively).The interest rate for the above-mentioned loans during 2008 and 2007 years ranged between ROBOR + 0.5% and ROBOR +0.53% p.a. and respectively EURIBOR + 0.5% p.a. . The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

b) Unicredit Ireland: subordinated loan facility in amount of EUR 15,000,000 in total amount of RON 59,778,000, maturing on 30 November 2015 (31 December 2007: EUR 15,000,000 i.e. RON 54,153,000 maturing on 2015). The interest rate for the above-mentioned loan ranged at EURIBOR 3M + 0.81 %. The repayment of outstanding principal and accrued interest of the above-mentioned loans is subordinated to all other obligations of the Bank.

(36) Provisions

		(RON)
	31 December 2008	31 December 2007
Provision for off-balance commitments and contingencies	13,916,629	28,926,674
Provision for financial guarantees* (refer to Note 41)	92,596,740	47,516,237
Restructuring provision		12,000,000
Provision for legal disputes	12,619,215	7,753,646
Provisions for cards operations	6,696,616	2,464,314
Other provisions	4,195,035	3,248,510
Total	**130,024,235**	**101,909,381**

As of 31 December 2008, the Bank calculated for off balance sheet commitments and contingencies in amount of RON 13,916,629 (2007: RON 28,926,674) both for undrawn lines and for other off balance sheet credit related commitments items.

The movements in provisions during the year could be summarised as follows:

		(RON)
	2008	2007
Balance at 1 January	**101,909,381**	**73,679,547**
Provision charge	40,114,854	34,311,224
Release *	(12,000,000)	(6,081,390)
Balance at 31 December	**130,024,235**	**101,909,381**

* The Bank included in "Release" for the year ended 2007 the reversal of restructuring provision presented under – "Integration costs", in amount of RON 3,700,000, and reversal of other provisions, presented under "Administration costs: general and administrative expenses – other", in amount of RON 2,381,390. The remaining amount of the above mentioned provision was fully used in 2008

The restructuring provision in amount of RON 12,000,000 as at 31 December 2007 was utilised in 2008 as follows:

	(RON)
	2008
Expenses related to contract for Car Fleet Management	2,399,050
Severance payments and other benefits related to the merger process	5,641,340
Alignment of procedures and set up an unified IT system	571,610
Write-off of old equipment, furniture and other assets	316,000
Expenses with refurbishment related to the branches not included in the project P300	244,000
Optimisation and reallocation of the branches – post merger	355,000
Life insurance costs as a result of technical corrections during the migration process	608,000
Expenses related to the financial risk insurance for non-payment of the contracts in force before the merger	1,865,000
Total	**12,000,000**

(37) Other liabilities

(RON)	31 December 2008	31 December 2007
Accrual of employee bonus	38,227,160	32,252,729
Payable to state budget	16,211,971	12,809,303
Accruals for third party services	23,294,069	8,890,823
Amounts payable to suppliers	26,425,188	21,091,975
Lease liabilities (i)	170,652	693,801
Other	44,880,221	31,412,066
Total	**149,209,261**	**107,150,697**

(i) Lease liability

As at 31 December 2008, the Bank had leasing liabilities in amount of RON 170,652 (31 December 2007: RON 693,801), agreements concluded with UniCredit Leasing Corporation IFN S.A. and Raiffeisen Leasing IFN S.A. representing financial leasing for tangible assets acquisition.

(RON)	31 December 2008	31 December 2007
Amounts payable under finance leases		
Up to twelve months	53,068	528,890
From one to five years	137,069	187,670
Over five years		
Less: future interest payments	**19,485**	**22,759**
Present value of lease obligations	**170,652**	**693,801**

(38) Issued capital

The statutory share capital of the Bank as at 31 December 2008 is represented by 40,760,784 ordinary shares (31 December 2007: 40,764,435 ordinary shares) having a face value of RON 9.30 each. After the merger which took place on 31st of May 2007, the shareholders of the Bank are as follows:

		(RON)
	31 December 2008	**31 December 2007**
UniCredit Bank Austria AG	50.55884	55.20620
Redrum International Investments B.V	24.83104	20.17692
Vesanio Trading Ltd	20.22869	20.22688
Bank Austria – CEE BeteiligungsgmbH	0.01329	0.01329
Arno Grundstucksverwaltungs Gesellschaft m.b.H	0.01329	0.01329
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Bank Austria Creditanstalt Leasing GmbH	0.01329	0.01329
Other shareholders	4.32826	4.33684
Total	**100.00**	**100.00**

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

		(RON)
	31 December 2008	**31 December 2007**
Statutory share capital	379,075,291	379,109,245
Effect of hyperinflation – IAS 29	722,528,775	722,593,492
Restated share capital	**1,101,604,066**	**1,101,702,737**

(39) Reserves

The breakdown of reserves is presented below:

39. Reserves		(RON)
	31 December 2008	31 December 2007
Statutory general banking risks	115,785,348	115,785,348
Statutory legal reserve	78,723,680	78,723,680
Effect of hyperinflation – IAS 29	19,064,495	19,064,495
Total	**213,573,523**	**213,573,523**

Reserves for general banking risks include amounts set aside for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. 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 share capital.

(40) Related party transactions

The Bank entered into a number of banking transactions with UniCredit S.p.A and with members of the UniCredit Group (UniCredit Bank Austria AG, HVB Bank, UniCredit Leasing S.A., Istraturist UMAG, Unicredit Produzioni Accentrate, Bulbank A.D., UniCredito Italiano Ireland, Bank Pekao, Kocbank, Yapi Kredi) 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 S.p.A, UniCredit Bank Austria AG and its subsidiaries:

		(RON)
	31 December 2008	31 December 2007
Derivative assets held for risk management	4,621,344	9,384,655
Current accounts and deposits to banks	44,916,870	167,693,826
Loans to customers	29,689,807	7,750,421
Other assets	27,808,960	14,271,959
Outstanding receivables	**107,036,981**	**199,100,861**
Derivative liabilities held for risk management	127,792,830	119,326,979
Current accounts	47,370,916	30,073,606
Deposits attracted	1,393,292,316	214,365,641
Loans received	4,507,083,788	3,492,185,171
Subordinated liabilities	394,799,392	384,026,728
Other liabilities	1,908,187	98,639,568
Outstanding payables	**6,472,247,429**	**4,338,617,693**

		(RON)
	2008	2007
Interest income	11,924,871	18,883,566
Interest income and similar revenues on derivative instruments	12,623,277	2,570,480
Interest expense	(608,738,226)	(275,669,947)
Interest expense and similar charges on derivative instruments	(7,922,602)	(323,248)
Commission income	44,790,968	1,382,195
Fee and commission expense	(1,413,495)	(1,172,865)
Management fees	(6,628,606)	(1,740,635)
Other operating income	17,193,658	320,378
Net expense	**(538.170.155)**	**(255,750,076)**

Net gain from derivatives held for risk management concluded with Unicredit Group entities amounts to RON 387,629,460 as at 31 December 2008.

Transactions with key management personnel

A number of banking transactions are entered into with key management personnel (executive management, administrators and managers of the Bank) in the normal course of business. These mainly include loans, current accounts and deposits. The volumes of related-party transactions as of year ends are presented in the below tables:

		(RON)
	2008	2007
Loans	3,187,251	943,013
Balance at 31 December	**3,187,251**	**943,013**
Current accounts and deposits	4,973,676	5,210,854
Balance at 31 December	**4,973,676**	**5,210,854**

No provisions have been recognised in respect of loans given to related parties (2007: nil)

		(RON)
	2008	2007
Key management compensation		
Gross salaries	8,742,376	5,893,661
Total	**8,742,376**	**5,893,661**

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.

(41) 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 balance sheet date if counterparties failed completely to perform as contracted.

41. Commitments and contingencies		(RON)
	31 December 2008	**31 December 2007**
Loan commitments	1,086,644,056	1,957,029,246
Letters of credit	101,057,513	66,013,212
Guarantees issued*	7,162,255,762	4,362,838,119
Total	**8,349,957,331**	**6,385,880,577**

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 takes the obligation to pay to UniCredit Bank Austria AG any instalment that the borrowers failed to pay. The total amount of such risk participation agreements in force as at 31 December 2008 is EUR 1,200,167,474, USD 107,500,000 and CHF 8,378,175 (2007: EUR 856,575,258 and USD 53,000,000).

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 takes the obligation to pay to UniCredit Bank Austria AG any installment that the borrowers failed to pay (refer to Note 3(j)(ii)).

The novation contracts concluded with UniCredit Bank Austria AG relates to one entity and their total value is EUR 139,060,000 (31 December 2007: EUR 139,060,000).

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

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 and the interest margins are recorded monthly as collected.

As at 31 December 2008 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 12,619,215 (31 December 2007: RON 28,204,332). The Bank, based upon legal advice, assessed that a provision amounting to RON 7,753,646 as at 31 December 2008 (2007: RON 7,753,646) is necessary to be booked for these claims.

(42) Reconciliation of profit under IFRS and Romanian Accounting Standards as stipulated in Order 5/2005

The financial statements of the Bank prepared in accordance with NBR Order 5/2005 have been approved today together with IFRS financial statements.

42. Reconciliation of profit under IFRS and Romanian Accounting Standards as stipulated in Order 5/2005		(RON)
	31 December 2008	31 December 2007
Net profit under Romanian Accounting Standards	**213,605,739**	**208,434,779**
Release of statutory loan provision		61,685,406
Cancellation of statutory impairment on AFS investment securities	69,578,916	20,271,524
UCR statutory net profit before the merger dated 1st of June 2007		7,483,156
IFRS impairment losses on loans	136,461,323	(20,976,913)
IFRS provisions for off-balance sheet contingent items	(30,070,459)	(25,305,986)
HTM foreign currency revaluation	1,298,427	2,081,403
Cancellation of statutory additional depreciation charges for property, plant and equipment		1,140,955
Correction of depreciation charge due to timing difference		1,873,555
Deferred tax impact during the period	(33,403,339)	2,846,530
Loss on associate investment – IAS 28, Investments in Associates	(1,857,355)	674,616
Amortised costs on loans		221,617
Impairment on buildings	(4,291,684)	
Difference of impairment on equity investments (IAS 29)	(1,709,056)	
Other adjustments	8,689,776	2,043,556
Net profit after tax under IFRS	**358,302,288**	**262,474,198**

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

43. Reconciliation of equity under IFRS and Romanian Accounting Standards		(RON)
	31 December 2008	31 December 2007
Equity under Romanian Accounting Standards	**1,753,667,249**	**1,540,482,652**
Effect of hyperinflation on share capital – IAS 29, Financial Reporting in Hyperinflationary Economies	722,593,493	722,593,493
Effect of hyperinflation on reserves – IAS 29, Financial Reporting in Hyperinflationary Economies	19,064,495	19,064,495
Fair value adjustments of available-for-sale on reserve	(74,837,108)	(10,814,129)
Deferred tax effect recognised in equity	11,973,937	1,730,261
Accounting for investment in associates impact on retained earnings – IAS 28, Investments in Associates	363,161	1,037,777
All IFRS adjustments impact on retained earnings, including IAS 29, Financial Reporting in Hyperinflationary Economies hyperinflation	(761,538,831)	(816,252,865)
IFRS adjustments impact on net profit for the year	144,696,549	54,039,419
Equity under IFRS	**1,815,982,945**	**1,511,881,103**

(44) Subsequent events

The Bank signed a revolving liquidity stand-by agreement with UniCredit Tiriac Bank S.A on 28 January 2009. The object of this borrowing agreement is the financing on a medium term in the case that, in actual conditions of the financial markets, liquidity problems would appear. This financing operation was communicated to the National Bank of Romania and recorder in the Foreign Private Debt Register on 2 February 2009.The liquidity commitment in favor of UniCredit Tiriac Bank SA represents an additional guarantee in respect of the support provided by UniCredit Group to its Romanian subsidiary, especially in the context of financial crisis present in the international markets starting with the end of 2008.

Corporate Governance

Corporate Governance

General Shareholders' Meeting

The General Shareholders' Meeting represents the supreme statutory body of the company, expressing the will of the shareholders.

Within the general framework of the General Shareholders' Meeting's main attributions, the shareholders discuss, approve or amend the annual financial statements, determine the dividend, approve the income and expenses budget. The General Shareholders' Meeting also passes resolutions on the appointment and revocation of the members of the Supervisory Board and expresses opinion on the activity of the Management Board.

In the General Shareholders' Meeting held on April 17th 2008, the Bank's shareholders approved the transition from the sole tier management system (Board of Administration and Management Committee) to the dual tier management system (Supervisory Board and Management Board).
Elaborated as a response to the increasing need of transparency and responsibility of the management, aimed at a better protection of the shareholders' interests and at enhancing their confidence in the company's management, the two-tier management system is mainly defined through the separation of the two functions: a) the control function, fulfilled by the Supervisory Board; and b) the management function, fulfilled by the Management Board.

Supervisory Board

The Supervisory Board controls and supervises the management of the company, being involved in the business decisions, within the limits of the law and the constitutive act. As main functions, the Supervisory Board exercises the permanent control over the management performed by the Management Board, checks the conformity of the management operations of the company with the law, the constitutive act and the decisions of the General Shareholders' Meeting, reports at least once a year to the General Shareholders' Meeting with respect to the activity of supervision carried out.

In its duties, the Supervisory Board is assisted by the Audit Committee, which is responsible for the evaluation of the effectiveness of Internal Control Systems, for the evaluation of the compliance with Bank's Code of Conduct/Business Ethics/Laws and Regulations, for examining the process of preparation of annual and interim financial statements, etc. The Audit Committee reports at least semi-annually to the Supervisory Board.

According to the Bank's acts of association, the Supervisory Board is composed of a number of 7 up to 11 members, elected by the General Shareholders' Meeting, in view of a 3-year mandate, starting with the date of their appointment, with the possibility of being re-elected.

According to the legislation, the potential members of the UniCredit Tiriac Bank Supervisory Board are proposed by its existing members or by shareholders. In order to be validated, they have to meet the requirements detailed in Government Emergency Ordinance 99/2006 concerning credit institutions and capital ratio, in Regulation 6/2008 concerning modifications in the state of credit institutions and Regulation 11/2007 concerning authorization of credit institutions. The members of the Supervisory Board have to show good reputation and experience proper to the nature, expansion and complexity of the credit institution's activity and to the responsibilities to be trusted to them. They have to conduct their activity in accordance to the rules of a prudent and sound banking practice.

According to the Bank's acts of association, at least one member of the Supervisory Board must be independent. Criteria of independence are detailed in Law no. 31/1990 concerning commercial institutions, art. 138, ind. 2.

Management Board

The management of the company lies with the Management Board, which carries out all actions necessary to fulfill the corporate purpose of the company.
The Management Board exercises its attributions under the control of the Supervisory Board; to that end, at least every 3 months, the Management Board presents a written report to the Supervisory Board concerning the management of the company, its activity and its possible evolution.

SUPERVISORY BOARD AND MANAGEMENT BOARD[1]

Supervisory Board	Position	Starting date of mandate
Corneliu Dan Pascariu	Chairman	April 17th, 2008
Friederike Kotz	Member	April 17th, 2008
Peter Koob	Member	April 17th, 2008
Florian Raimund Kubinschi	Member	April 17th, 2008
Carmine Ferraro	Member	April 17th, 2008
Robert Zadrazil	Member	April 17th, 2008
Carlo Vivaldi	Member	July 17th, 2008
Heinz Meidlinger	Member	September 19th, 2008
Federico Ghizzoni	Member	October 22nd, 2008
Management Board	**Position**	**Starting date of mandate**
Catalin Rasvan Radu	Chairman and CEO	April 17th, 2008
Darko Fijan	Member and COO	June 3rd, 2008
Georgiev Stanislav	Member and CFO	April 17th, 2008
Zoltan Major	Member	April 17th, 2008
Melih Mengu	Member	April 17th, 2008
Rohan Daniela	Member	September 17th, 2008

Following the General Shareholders' Meeting on April 17th, 2008, the Bank made the transition to the dual tier management system, characterized by the existence of a Supervisory Board and a Management Board. During 2008 and after April 17th, 2008, the following changes occurred:

In the composition of the Supervisory Board:

- Starting effectively with October 1st, 2008, Mr. Anca Ioan resigned her mandate as member of the Bank's Supervisory Board (the General Shareholders' Meeting acknowledged her resignation in the meeting dated November 13, 2008).
- Mr. Alexandru Leonard Leca was appointed as ad interim member of the Supervisory Board in the Supervisory Board's meeting held on November 4th, 2008.

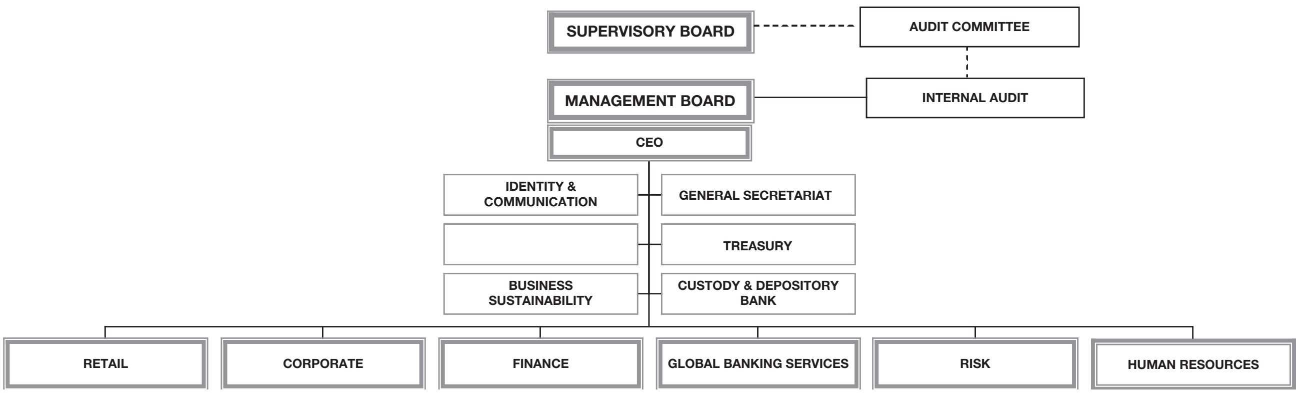
In the composition of the Management Board:

- Armin Huber resigned starting with August 31st, 2008; the Supervisory Board acknowledged his resignation on September 29th, 2008
- on September 29th, 2008 the Supervisory Board appointed Daniela Bodirca as member of the Bank's Management Board;

ORGANISATION CHART1

[1] As of 31 December 2006.

ORGANISATION CHART[2]



[2] As of 31 December 2008.

UniCredit Țiriac Bank