

## Half Yearly Report for 1st Semester of 2013

This Half yearly report is prepared in accordance with CNVM Regulation no. 1/ 2006.

Date of Report: 25 August 2013

Name of the legal entity:	S.C. UniCredit Tiriac Bank S.A.
Corporate address:	Romania, Bucharest, 1F, Expozitiei Bd., 1st District
Corporate Contact Details:	Tel +40 21 200 2000; Email: <a href="mailto:office@unicredittiriac.ro">office@unicredittiriac.ro</a>
Trade Register Registration Number:	J40/7706/1991
Sole Registration Code:	RO361536
Bank Register No:	RB-PJR - 40 - 011/1999
Subscribed and paid-up share capital:	RON 379,075,291.20

The regulated capital market on which the issued bonds are traded is Bursa de Valori Bucuresti (BVB) - Bucharest Stock Exchange.



The UniCredit Tiriac Group (the "Group") consists of UniCredit Tiriac Bank S.A. (the "Bank"), and UniCredit Consumer Financing IFN S.A. ("UCFIN"). The interim condensed consolidated financial statements as at and for the six months ended 30 June 2013 comprise the Bank and its subsidiary and the Group interest in associates, while the comparative information as of 30 June 2012 represents the financial information of the Bank.

## 1.1 Assets, Liabilities, Equity

In the 1<sup>st</sup> semester of 2013, UniCredit Tiriac Bank Group, consisting of UniCredit Tiriac Bank and its subsidiary UniCredit Consumer Financing IFN SA focused its attention and resources on consolidation of market positions, risk management, growth and development of its business aiming meanwhile at the safeguarding of the Bank's assets and capital, value creation for customers, society and shareholders through enhancement of the quality of products and services, strong management of credit, market and operational risks and internal controls fully aligned with statutory and UniCredit Group regulations and best international practices.

The main achievements of the Grup for the 6 months of 2013 were summarized below:

- Strengthening of capital position by fully reinvesting the 2012 net profit of the Group as approved by the Annual General Shareholders Meeting of the Bank;
- Active liquidity management in providing for sufficient and adequate in structure and pricing funding and also proper maturity matching, including diversification through the successful issue of bonds by the Bank in amount of RON 550 mio at the end of June 2013;
- Consolidation of the market position;
- Further improvement of the quality of service, reflected in a short response time, better customer relationship management, improvement in the complaint management system, better customer satisfaction;
- Further development of supporting systems, with focus on Information Computer Technology and processes;
- Taking over of control of UniCredit Consumer Financing IFN SA from UniCredit SpA (UniCredit Group), which has become Bank's subsidiary since the beginning of January 2013 in order to strengthen the link between the Bank and consumer finance company, exploiting the commercial and managerial potential of the business in Romania and strongly increasing the business reactivity to clients and local markets needs.

The structure and the evolution of the main categories of assets, liabilities and equity of the Group are presented below, compared also with 1st semester of the previous year for the Bank:



	Consolidated 30 June 2013	Individual 31 December 2012	Individual 33 June 2012	Sem I 2013 / Sem I 2012
Assets	RON	RON	RON	%
Cash and cash equivalents	3,261,327,770	4,429,652,624	2,829,536,244	115.3
Derivative assets at fair value through profit and loss	105,390,983	156,042,671	110,835,791	95.1%
Derivative assets designated as hedging instruments	4,401,342	-	-	n/a
Fair value changes of the hedged items in portfolio hedge	1,003,579	-	-	n/a
Loans and advances to banks	109,244,112	51,423,603	284,024,108	38.5%
Loans and advances to customers	16,498,302,403	15,904,310,098	15,737,448,244	104.8%
Investment in associate	4,055,229	58,000,779	55,566,371	7.3%
Investment securities, available-for-sale	4,637,014,809	3,945,757,938	3,138,902,192	147.7%
Equity investments, available for sale	2,691,727	2,233,832	3,523,009	76.4%
Property and equipment	242,249,875	261,954,327	264,160,040	91.7%
Intangible assets	112,970,523	120,940,183	104,429,353	108.1%
Current tax asset	5,279,378	-	8,556,692	61.7%
Deferred tax assets	43,998,959	-	60,687,444	72.5%
Other assets	110,866,962	123,107,796	110,696,983	100.1%
<b>Total assets</b>	<b>25,138,797,651</b>	<b>25,053,423,851</b>	<b>22,708,366,471</b>	<b>110.7%</b>
<b>Liabilities</b>				
Derivative liabilities at fair value through profit and loss	124,545,943	140,609,534	148,398,434	83.9%
Derivative financial instruments designated as hedging instruments	66,416,866	94,235,076	77,134,640	86.1%
Deposits from banks	3,124,674,436	2,611,205,753	2,460,174,414	127.0%
Loans from banks and other financial institutions	4,880,782,056	4,703,547,992	4,802,410,262	101.6%
Deposits from customers	12,627,373,810	13,839,475,142	11,724,906,545	107.7%
Subordinated liabilities	502,205,958	500,335,612	406,350,893	123.6%
Debt securities issued	549,420,509	-	-	n/a
Provisions	204,758,196	291,465,317	262,602,982	77.9%
Current tax liabilities	-	19,234,372	-	n/a
Deferred tax liabilities	2,600,313	36,656,957	122,572,676	2.1%
Other liabilities	127,072,486	121,568,598	124,507,607	102.1%
<b>Total liabilities</b>	<b>22,209,850,573</b>	<b>22,358,334,353</b>	<b>20,129,058,453</b>	<b>110.3%</b>
<b>Equity</b>				
Share capital	1,101,604,066	1,101,604,066	1,101,604,066	100.0%
Retained earnings	1,567,735,321	1,401,942,668	1,298,001,820	120.8%
Reserve on available for sale financial assets	4,323,187	28,381,699	9,582,308	45.1%
Cash hedge reserve	(47,928,133)	(66,746,097)	(59,896,323)	80.1%
Other reserves	229,818,236	229,907,162	230,016,147	99.9%
<b>Equity attributable to equity holders of the parent</b>	<b>2,855,552,677</b>	<b>2,695,089,498</b>	<b>2,579,308,018</b>	<b>110.7%</b>
Non-controlling interests	73,394,401	-	-	n/a
<b>Total equity</b>	<b>2,928,947,078</b>	<b>2,695,089,498</b>	<b>2,579,308,018</b>	<b>113.6%</b>
<b>Total liabilities and equity</b>	<b>25,138,797,651</b>	<b>25,053,423,851</b>	<b>22,708,366,471</b>	<b>110.7%</b>



At the end of 1st Semester of 2013, total assets were RON 25,138.8 mio, compared to RON 25,053.4 mio as of 31 December 2012 (increase by 0.3%) and respectively to RON 22,708.4 mio as of 30 June 2012 representing an increase by 10.7%.

The main significant increase of assets were for the following categories:

1. **Cash and cash equivalents:** Increase by RON 431.8 mio ( 15.3%) from RON 2,829.5 mio in June 2012 to RON 3,261.3 mio in June 2013;
2. **Loans and advances to customers:** Increase by RON 760.9 mio ( 4.8%) from RON 15,737.4 mio in June 2012 to RON 16,498.3 mio in June 2013. The non-performing loans with 90 days overdue are 11.17% of the loan portfolio as at 30 June 2013. The structure of loan portfolio consists of 71% for legal entities and 29% for individuals.  
The credit risk provisions increased at RON 1,498 mio. (30 June 2012: RON 1,344 mio).
3. **Investment securities, available-for-sale:** Increase by RON 1,498.1 mio ( 47.7%) from RON 3,138.9 mio in June 2012 to RON 4,637.0 mio in June 2013;
4. **Investments in associates:** The Bank holds a 20% equity stake in UniCredit Leasing Corporation IFN S.A., a company providing leasing services to resident and non-resident customers as of 30 June 2013.(30 June 2012: the Bank held 46.06% stake in UniCredit Consumer Financing IFN S.A., a company providing consumer financing loans to individuals, recognized also as an associated entity; UCFIN which has become a subsidiary of the Bank starting with January 2013).

The main significant increase of liabilities were for the following categories:

1. **Deposits from banks:** Increase by RON 665 mio (27%) from RON 2,460 mio (30 June 2012) to RON 3,125 mio (30 June 2013).
2. **Deposits from customers:** Increase by RON 902 mio (7.7%) from RON 11,725 mio (30 June 2012) to RON 12,627 mio (30 June 2013).
3. **Subordinated loans:** Increase by RON 96 mio (23.6%) from RON 406.4 mio to RON 502.2 mio.

The solvency ratio calculated as of 30 June 2013 without the incorporation of the net profit for the 1st HY, 2013 is 13.73%.



## 1.2. Income statement

Income statement for the 6 months period for 2013 compared with that for same period of 2012 is presented below:

	Consolidat perioada incheiata la 30 iunie 2013 RON	Individual perioada incheiata la 30 iunie 2012 RON	Sem I 2013 / Sem I 2012 %
Interest income	673,032,805	610,228,411	110.3%
Interest expense	(308,128,562)	(303,192,268)	101.6%
Interest related effect of swap transactions related to refinancing lines with Group companies	28,677,059	41,997,615	68.3%
<b>Net interest income</b>	<b>393,581,302</b>	<b>349,033,758</b>	<b>112.8%</b>
Fee and commission income	168,179,237	144,806,046	116.1%
Fee and commission expense	(25,425,584)	(27,598,148)	92.1%
<b>Net fee and commission income</b>	<b>142,753,653</b>	<b>117,207,898</b>	<b>121.8%</b>
Dividends income	1,054,315	636,562	165.5%
Net income on foreign exchange and on derivatives held at fair value through profit and loss	146,244,231	103,740,200	141.0%
Net gains on financial assets available for sale	49,916,184	8,301,642	601.3%
Other net operating income	1,922,731	12,102,417	15.9%
<b>Operating income</b>	<b>735,472,416</b>	<b>591,022,477</b>	<b>124.4%</b>
Personnel expenses	(154,536,437)	(144,581,655)	106.9%
Depreciation and amortization	(39,302,758)	(34,201,760)	114.9%
Other administrative costs	(144,548,356)	(132,676,764)	108.9%
Other net operating expense	(1,232,324)	(1,263,336)	97.5%
<b>Operating expenses</b>	<b>(339,619,875)</b>	<b>(312,723,515)</b>	<b>108.6%</b>
<b>Net operating income</b>	<b>395,852,541</b>	<b>278,298,962</b>	<b>142.2%</b>
Net impairment loss on financial assets	(244,735,574)	(131,447,213)	186.2%
Impairment of tangible and intangible assets	-	(1,564,878)	0.0%
Net provision charges	(11,917,964)	(57,922,934)	20.6%
Loss on investments in associates	(657,155)	1,628,840	-140.3%
<b>Profit before taxation</b>	<b>138,541,848</b>	<b>88,992,777</b>	<b>155.7%</b>
Income tax expense	71,035,157	(13,988,055)	607.8%
<b>Net profit for the period</b>	<b>209,577,005</b>	<b>75,004,722</b>	<b>279.4%</b>

The gross profit as at 30 June 2013 is RON 138.5 mio, higher than the same period of the previous year RON 49.5 mio (55.6%). The net profit as at 30 June 2013 is RON 209.5 mio, higher than the same period of the previous year by RON 134.5 mio.

The total operational income were RON 735.5 mio as at 30 June 2013, higher than 30 June 2012 by RON 144.5 mio (24.5%). The total operational expenses were RON 340 mio, approximately similar with the same period of the previous year.

The cost/income ratio as at 30 June 2013 was 46% (30 June 2012: 53%). The ratio is one of the main indicator closely monitored by the Management.



### 1.3. Cash flows

The structure of cash flows is summarized by the statement of cash flows:

	Consolidated Six months ended 30 June 2013	Individual Six months ended 30 June 2012
<i>In RON</i>		
<b>Operating activities</b>		
Profit before taxation	138,541,848	88,992,777
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	34,248,927	35,766,638
Net charge of provision for impairment on financial assets	257,702,430	131,843,987
(Gain)/Loss from investments in associates	-	(1,628,840)
Change in fair value of derivatives held for risk management	33,366,977	67,956,450
Other items for which the cash effects are investing or financing	(1,178,009)	(1,472,390)
Other non-cash items	(57,706,169)	14,774,491
<b>Operating profit before changes in operating assets and liabilities</b>	<b>404,976,004</b>	<b>336,233,113</b>
<b>Change in operating assets:</b>		
(Increase)/decrease in investment securities available-for-sale	(710,926,194)	280,103,152
(Increase)/decrease in loans and advances to banks	(57,820,509)	21,585,031
Increase in loans and advances to customers	(71,758,292)	(1,324,469,598)
(Increase)/decrease in other assets	25,318,712	(32,462,827)
<b>Change in operating liabilities:</b>		
Increase/(decrease) in deposits from banks	480,995,412	(1,199,206,417)
Increase/(decrease) in deposits from customers	(888,511,066)	173,377,719
Decrease in other liabilities	(8,627,724)	(3,090,841)
Income tax paid	(30,495,160)	(8,215,000)
<b>Cash flows used in operating activities</b>	<b>(856,848,817)</b>	<b>(1,756,145,668)</b>
<b>Investing activities</b>		
Acquisition of property and equipment	(8,207,003)	(25,152,135)
Proceeds from sale of property and equipment	123,689	-
Increase in equity investments	(6,194,696)	(11,468,940)
Decrease in investment securities in held to maturities	-	9,109,414
Proceeds from sale of equity investments	-	1,095,443
Dividends received	114,742	636,562
<b>Cash flows used in investing activities</b>	<b>(14,163,268)</b>	<b>(25,779,656)</b>



<i>In RON</i>	Consolidated Six months ended 30 June 2013	Six months ended 30 June 2012
<b>Financing activities</b>		
Proceeds from issue debt securities	549,133,454	-
Payment of finance lease liability	-	(45,444)
Repayments of loans from financial institutions	(1,215,635,617)	(800,409,706)
Drawdowns from loans from financial institutions	369,189,394	1,410,382,900
<b>Cash flows generated from/(used in) financing activities</b>	<b>(297,312,769)</b>	<b>609,927,750</b>
Net decrease in cash and cash equivalents	(1,168,324,854)	(1,171,997,574)
<b>Cash and cash equivalents at 1 January</b>	<b>4,429,652,624</b>	<b>4,281,427,161</b>
<b>Cash and cash equivalents at 30 June</b>	<b>3,261,327,770</b>	<b>3,109,429,587</b>

The liquidity ratio calculated in accordance with NBR Regulation 25/2011 was between 1.25 and 50.84 (depending on the residual maturity of the assets and the liabilities) during the period January – June 2013.

## 2. Activity analysis

### 2.1. Presentation of main events, factors of uncertainty that can affect the Bank's liquidity

Over 1H13, the combination of rising demand for Romanian bonds from foreign investors, a low net new issuance from the MinFin and a falling Loan/Depo ratio for the banking system have lead to a material improvement of liquidity conditions. Our baseline scenario assumes that these trends will continue in H2 and that liquidity conditions will remain adequate. Furthermore, the Romanian central bank has recently initiated a new monetary easing cycle, which should help liquidity conditions further.

The main factors for uncertainty in the second semester of the year are of exogenous nature. The FED's decision to taper down asset purchases under the quantitative easing programme has created some disruptions in capital flows to emerging markets. Romania finds itself in a benign financing position (the country recorded a current account surplus during the first half of the year), but risks abide. Similarly, a sharp acceleration of the deleveraging process may take a toll on liquidity conditions.

There have been no aspects or uncertain factors which affect or might affect the Group's liquidity compared to the reporting period of previous year.

The Group has not been in the situation to not respect its financial obligations during the respective reporting period.



## **2.2. Presentation and analysis of the effects on the financial position of the Group regarding the capital expenditures, current or in advanced, compared to those related to the same reporting period of the previous year**

Tangible and intangible assets were in amount of RON 355.2 mio as of 30 June 2013 compared to RON 368.6 mio (30 June 2012), representing a small decrease by 3.6% due to normal depreciation of these assets; the only increase of RON 8.5 mio (approx. 8%) represents the capitalization of the expenses related to upgrade, development and improvement of the IT software applications of the Group.

## **2.3. Presentation and analysis of the events, transactions, economic changes which significantly affect the operational income**

The business transactions related to 1st semester of 2013 have been properly and correctly recorded in the Group's ledgers, based on the appropriate legal evidence and documents.

All the law requirements regarding the organization and running of the accounting activity have been met, respecting all accounting principles, rules and accounting methods provided by the applicable laws and regulations.

The data presented for the 1st semester of 2013, have taken into account the organization and management of the accounting activity in accordance with the Law no 82 / 1991, republished and with further amendments and updates, NBR Order 27/16.12.2010 amended by NBR Order no. 29/28.12.2011 for approval of the accounting regulations in accordance with International Financial Reporting Standards („IFRS”) applicable to credit institutions starting with 01.01.2012.

All the state budget liabilities have properly booked and paid in accordance with local regulations in force.

## **3.Changes which impact the shareholders equity and management of the Group**

### **3.1. Description of the cases where the entity has not respected its financial obligations during the respective reporting period:**

- Not applicable.

### **3.2. Description of any change of the rights of the holders of the securities issued by the Group:**

- Not applicable.

### **3.3. Changes in the Group governing bodies:**

- Mr. Niccolò Ubertalli was confirmed by National Bank of Romania as Deputy CEO, Executive First Vice-president and member of the Management Board of the Bank on 18 April 2013.





#### 4. Significant transactions

At the beginning of January 2013, the Bank acquired UCFIN 417,208 shares from UniCredit SpA resulting in the increase of its shareholding in UCFIN from 46.06% to 50.10%. Simultaneously, the Shareholders Agreement and respectively UCFIN Articles of Associations have been amended to reflect the transfer of control over UCFIN from UniCredit SpA to the Bank, including Bank's right to nominate the majority of UCFIN Supervisory Board members. As a consequence, UCFIN, previously associate entity, has become a subsidiary of the Bank since January 2013.

In June 2013, the Group has issued 55,000 medium term bonds, in RON having the following characteristics: nominal value of a bond: RON 10,000/bond, annual fixed interest rate of 6.35%, half-yearly interest coupon and maturity date on 15th of June 2018.

Unicredit Tiriac Bank and UCFin have signed with RBS (Bank) Romania S.A. ("RBS Romania") an agreement on 30th of April 2013 to acquire the Retail and Royal Preferred Banking business of RBS (Bank) Romania S.A. ("RBS Romania"), representing performing loans (with less than 90 days past due) and deposits, current accounts products and services; UCFin will take over the consumer loans portfolio, while all the other loans and retail products will be transferred to Unicredit Tiriac Bank. This transaction is delivering a new amount of business and revenues, being fully in line with the Strategic Plan of the Bank. The transaction was authorized by the Competition Council and the National Bank of Romania, and it will be completed in the second half of this year.

#### 5. Annexes

There are attached to the present report the following documents:

5.1. Interim Condensed Consolidated Financial Statements as of 30 June 2013 prepared in accordance with IAS 34 "Interim Financial Reporting", reviewed by external independent auditor Deloitte.

5.2. Statement of the Directorate Members who has assumed the responsibility for the preparation of the interim consolidated financial statements related to the 1st semester of 2013.

Rasvan Catalin Radu  
Presedinte Executiv



Gina Badea  
Director Contabilitate

