

Half Yearly Report for 1st Semester of 2014

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

Date of Report: 31 Iulie 2014

Name of the legal entity:	UniCredit Tiriac Bank S.A.
Corporate address:	Romania, Bucharest, 1F, Expozitiei Bd., 1st District
Corporate Contact Details:	Tel +40 21 200 2000; Website: www.unicredit-tiriac.ro Email: office@unicredittiriac.ro
Trade Register Registration Number:	J40/7706/1991
Sole Registration Code:	RO361536
Bank Register No:	RB-PJR - 40 - 011/1999
Operator of personal data nb. ANSPDCP	10964
Subscribed and paid-up share capital:	RON 379,075,291.20
The regulated capital market on which the issued bonds are traded:	Bursa de Valori Bucuresti (BVB) - Bucharest Stock Exchange (www.bvb.ro)
Main characteristics of the bonds issued by UniCredit Tiriac Bank S.A.:	55,000 corporate bonds having a nominal value of RON 10,000/bond, market symbol UCT18 (ISIN ROUCTBDBC014). (http://www.bvb.ro/ListedCompanies/SecurityDetail.aspx?s=UCT18&t=0)

UniCredit Tiriac Bank S.A.

Bulevardul Expozitiei nr. 1F,
Sector 1, Bucuresti
Tel +40 21 200 2000
e-mail: office@unicredittiriac.ro

Banca membra a UniCredit Group, societate administrata in sistem dualist, cu sediul in Romania, Bucuresti, Bulevardul Expozitiei nr. 1F, sector 1, inregistrata in Registrul Comertului sub nr. J40/7706/1991, in Registrul Bancar sub nr. RB-PJR-40-011/18.02.1999 si inregistrata la ANSPDCP cu notificarea nr. 10964, cod unic de inregistrare 361536, atribut fiscal RO, capital social subscris si varsat 379.075.291.20 RON- Cod



1.1 Main strategic aspects regarding the business development in 1st semester

The UniCredit Tiriac Group (the “Group”) consists of UniCredit Tiriac Bank S.A. (the “Bank”) as parent company and its subsidiaries, UniCredit Consumer Financing IFN S.A. (“UCFIN”), UniCredit Leasing Corporation IFN S.A (“UCLC”), UniCredit Leasing Romania SA (“UCLRO”), ALLIB Leasing SRL (“ALLIB”), Debo Leasing IFN SA (“DEBO”) and UniCredit Insurance Broker SRL (“UCIB”).

The interim condensed consolidated financial statements as at and for the six months ended 30 June 2014 comprise the Bank and its subsidiaries, while the comparative information as of 30 June 2013 represents the financial information of the Group consisting of the Bank and UCFIN.

In the 1st semester of 2014, UniCredit Tiriac Bank Group, consisting of UniCredit Tiriac Bank and its subsidiaries focused its attention and resources on consolidation of market positions, risk management, growth and sound 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 2014 were summarized below:

- Strengthening of capital position by fully reinvesting the 2013 net profit of the Group as approved by the Annual General Shareholders Meeting held on 11th of April 2014;
- Consolidation of the market position;
- Further improvement of the quality of service, reflected in a short response time and improvement in the complaint management system, targeting further better customer relationship management and increasing customer satisfaction;
- Further development of supporting systems, with focus on Information Computer Technology and processes;
- Following the implementation of the Leasing Reorganisation Project of the Holding at Romania level, the Bank acquired a direct controlling interest in UCLC and in UCLRO in April 2014, when UCLC had a direct controlling interest in DEBO and in ALLIB. All the above mentioned legal entities are operating in the leasing sector under the coordination of UCLC, the number one leasing company in the sector providing financial lease services to corporate clients and individuals. Moreover, starting with June 2014, UCLC obtained the direct controlling interest over UCIB, one of the most active players in the insurance policies brokerage area, mainly related to leasing activities. All these steps were targeting the consolidation of UniCredit Group activities in Romania, to enhance the support for the development of clients’ businesses and to respond better to their needs by providing the full range of top quality banking and leasing services.

1.2 Assets, Liabilities, Equity

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 Group:

	30 June 2014	31 December 2013	30 June 2013	Sem I 2014 / Sem I 2013 change
	RON	RON	RON	%
Assets				
Cash and cash equivalents	3,100,705,913	5,235,422,569	3,261,327,770	-4.9
Financial assets held for trading	825,648	-	-	n/a
Derivative assets at fair value through profit and loss	96,848,311	75,614,112	105,390,983	-8.1
Derivative assets designated as hedging instruments	35,461,071	13,606,582	4,401,342	705.7
Fair value changes of the hedged items in portfolio hedge	702,934	859,908	1,003,579	-30.0
Loans and advances to banks	433,019,133	378,166,622	109,244,112	296.4
Loans and advances to customers	17,084,673,226	16,867,193,505	16,498,302,403	3.6
Net lease receivables	2,426,386,233	-	-	n/a
Investment securities, available-for-sale	4,839,918,702	5,402,692,661	4,637,014,809	4.4
Equity investments, available-for-sale	5,029,092	2,683,310	2,691,727	86.8
Investment in associate	-	823,800	4,055,229	-100.0
Property and equipment	228,500,487	224,043,931	242,249,875	-5.7
Intangible assets	125,985,463	126,566,889	112,970,523	11.5
Current tax asset	-	32,100,976	5,279,378	-100.0
Deferred tax assets	87,946,462	61,700,916	43,998,959	99.9
Other assets	430,683,227	95,997,318	110,866,962	288.5
Total assets	28,896,685,902	28,517,473,099	25,138,797,651	14.9
Liabilities				
Derivative liabilities at fair value through profit and loss	92,192,327	91,322,302	124,545,943	-26.0
Derivative liabilities designated as hedging instruments	70,694,079	62,878,808	66,416,866	6.4
Deposits from banks	3,355,037,501	3,670,345,104	3,124,674,436	7.4
Loans from banks and other financial institutions	7,768,969,409	5,261,207,277	4,880,782,056	59.2
Deposits from customers	12,750,788,787	15,120,823,928	12,627,373,810	1.0
Debt securities issued	549,972,825	549,912,266	549,420,509	0.1
Subordinated liabilities	594,367,580	503,874,631	502,205,958	18.4
Provisions	196,776,876	227,239,331	204,758,196	-3.9
Current tax liabilities	3,420,812	-	-	n/a
Deferred tax liabilities	20,145,405	16,552,261	2,600,313	674.7
Other liabilities	434,600,929	147,397,184	127,072,486	242.0
Total liabilities	25,836,966,530	25,651,553,092	22,209,850,573	16.3
Equity				
Share capital	1,101,604,066	1,101,604,066	1,101,604,066	0.0
Revaluation reserve on property and equipment	15,003,377	14,966,066	16,244,714	-7.6
Cash flow hedging reserve	(41,791,820)	(31,601,811)	(47,928,133)	-12.8
Reserve on available for sale financial assets	72,244,539	41,377,457	4,323,187	1571.1
Other reserves	213,573,522	213,573,522	213,573,522	0.0
Retained earnings	1,619,859,289	1,461,433,847	1,567,735,321	3.3
Total equity	2,980,492,973	2,801,353,147	2,855,552,677	4.4
Non-controlling interests	79,226,399	64,566,860	73,394,401	7.9
Total Group equity	3,059,719,372	2,865,920,007	2,928,947,078	4.5
Total liabilities and equity	28,896,685,902	28,517,473,099	25,138,797,651	14.9

1.2 Assets, Liabilities, Equity (continued)

At the end of 1st Semester of 2014, total assets were RON 28,896.7 mio, compared to RON 28,517.4 mio as of 31 December 2013 (increase by 1.3%) and respectively to RON 25,138.8 mio as of 30 June 2013 representing an increase by 14.9%.

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

- 1. Cash and cash equivalents:** decrease by RON 160.6 mio (4.9%) from RON 3,261.3 mio in June 2013 to RON 3,100.7 mio in June 2014.
- 2. Loans and advances to customers:** Increase by RON 586.4 mio (3.6%) from RON 16,498.3 mio in June 2013 to RON 17,084.7 mio in June 2014. The non-performing loans with 90 days overdue are 12.2% of the loan portfolio as at 30 June 2014 (30 June 2013: 11.2%). The structure of loan portfolio consists of 69% for legal entities and 31% for individuals (30 June 2013: 71% for corporate and 29% for individuals). The credit risk provisions increased at RON 1,973.2mio. (30 June 2013: RON 1,498 mio).
- 3. Investment securities, available-for-sale:** Increase by RON 202.9 mio (4.4%) from RON 4,637.0 mio in June 2013 to RON 4,839.9 mio in June 2014.
- 4. Investments in associates:** The Bank has held a 20% equity stake in UniCredit Leasing Corporation IFN S.A. until 1st of April 2014 when it has become a subsidiary of the Bank.

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

- 1. Deposits from banks:** Increase by RON 230.4 mio (7.4%) from RON 3,124.5 mio (30 June 2013) to RON 3,355.1 mio (30 June 2014).
- 2. Deposits from customers:** Increase by RON 123.4 mio (1%) from RON 12,627 mio (30 June 2013) to RON 12,750 mio (30 June 2014).
- 3. Subordinated loans:** increase by RON 92.2 mio (18.4%) from RON 502.2 mio to RON 594 mio due to the new subsidiary UCLC subordinated loan.

1.2. Income statement

Income statement for the 6 months period for 2013 and 2014 is presented below:

	Six months ended 30 June 2014	Six months ended 30 June 2013	1st Sem 2014 / 1st Sem 2013 Change
	RON	RON	%
Interest income	696,426,989	693,906,803	0.4
Interest expense	(280,417,521)	(300,325,501)	-6.6
Net interest income	416,009,468	393,581,302	5.7
Fee and commission income	176,909,890	168,081,431	5.3
Fee and commission expense	(34,170,138)	(25,425,584)	34.4
Net fee and commission income	142,739,752	142,655,847	0.1%
Net income from trading and other financial instruments at fair value through profit and loss	124,555,896	146,244,231	-14.8
Net gains /(losses) on disposal of financial assets and liabilities not measured at fair value through profit or loss	63,602,647	(2,341,579)	-2816.2
Dividends and similar income	186,271	1,054,315	-82.3
Other operating income	7,435,959	1,922,731	286.7
Operating income	754,529,993	683,116,847	10.5
Personnel expenses	(167,960,416)	(154,536,437)	8.7
Depreciation and amortization	(40,247,720)	(39,302,758)	2.4
Other administrative costs	(159,223,348)	(144,548,356)	10.2
Other net operating expense	(7,359,801)	(1,232,324)	497.2
Operating expenses	(374,791,285)	(339,619,875)	10.4
Net operating result	379,738,708	343,496,972	10.6
Net impairment losses on financial assets	(263,668,509)	(192,380,005)	37.1
Net provision (charge) / releases	26,381,503	(11,917,964)	-321.4
Net loss on investments in associates	(351,447)	(657,155)	-46.5
Profit before taxation	142,100,255	138,541,848	2.6
Income tax	(20,768,820)	71,035,157	-129.2
Net profit for the period	121,331,435	209,577,005	-42.1
Attributable to:			
Equity holders of the parent	106,716,647	205,399,007	-48.0
Non-controlling interests	14,614,788	4,177,998	249.8
Net profit for the year	121,331,435	209,577,005	-42.1

The gross profit as at 30 June 2014 is RON 142.1 mio, higher by 2.6% than that for the same period of the previous year (RON 138.5 mio). The net profit as at 30 June 2014 is RON 121.3 mio, smaller than that for previous period of RON 209.5 mio since previous net profit incorporated the effect resulted from the release of RON 91 mio RON deferred tax related to prudential filters set up at 1 January 2012.

The total operational income were RON 754.5 mio as at 30 June 2014, higher than that for the period ended at 30 June 2013 in amount of RON 683.1 mio, recording the same increase of 10.5%. as made by total operational expenses from RON 340 mio as at 30 June 2013 to RON 374 mio as at 30 June 2014.

As at 30 June 2014, the cost/income ratio, one of the main indicator closely monitored by the Management, has the same level of 49.7% as that of 30 June 2013.

1.3. Cash flows

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

<i>In RON</i>	Six months ended 30 June 2014	Six months ended 30 June 2013	1st Sem 2014 / 1st Sem 2013 Change %
Profit before taxation	142,100,255	138,541,848	2.6
Adjustments for non-cash items:			
Depreciation and amortization	38,025,580	34,248,927	11.0
Net impairment losses on financial assets	263,668,509	192,380,005	37.1
Change in fair value of derivatives at fair value through profit or loss	(20,355,155)	33,366,977	-161.0
Other items for which the cash effects are investing or financing	(117,729,639)	(1,178,009)	9894.0
Other non-cash items	(84,280,976)	7,616,256	-1206.6
Operating profit before changes in operating assets and liabilities	221,428,574	404,976,004	-45.3
Change in operating assets	9,697,728	-815,186,283	101.2
Change in operating liabilities	-2,211,168,985	-446,638,538	395.1
Cash flows used in operating activities	(1,980,042,683)	(856,848,817)	131.1
Cash flows used in investing activities	(86,113,054)	(14,163,268)	508.0
Cash flows generated used in financing activities	(68,560,919)	(297,312,769)	-76.9
Net decrease in cash and cash equivalents	(2,134,716,656)	(1,168,324,854)	82.7
Cash and cash equivalents at 1 January	5,235,422,569	4,429,652,624	18.2
Cash and cash equivalents at 30 June	3,100,705,913	3,261,327,770	-4.9
Cash flow from operating activities include:	30 June 2014	30 June 2013	
Interest received	626,353,649	681,515,390	-8.1
Interest paid	297,817,481	237,385,338	25.5

The liquidity ratio calculated in accordance with NBR Regulation 25/2011 was between 1.24 and 16.77 (depending on the residual maturity of the assets and the liabilities) during the period January – June 2014 (2013: between 1.25 and 50.84).



2. Activity analysis

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

Excess RON liquidity remained a main characteristic of the banking system for the broad majority of 1H14. The monetary base increased rapidly from the onset of the year (13.7% yoy in May), but the creation of money was not fully absorbed by the dynamic of lending (-2.4% yoy in May on FX adjusted data). Furthermore, the central bank cut the minimum reserves requirement ratio for RON liabilities by 3pp from the onset of the year, respectively 4pp for FX liabilities. We expect liquidity conditions to remain adequate in the remainder of the year, as lending activity will pick up gradually and as the NBR still can release liquidity from minimum reserve requirements, which remain the largest in the CEE region.

The main risk associated with our baseline scenario is the volatility of the EURRON in the event that risk appetite in the international markets deteriorates. Episodes of exchange rate depreciation could potentially spill over into the money market, as was the case in January 2014. Nevertheless, recent experiences suggest that these episodes would be of temporary nature and liquidity in the banking system would return quickly.

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 354.5 mio as of 30 June 2014 compared to RON 355.2 mio (30 June 2013), representing a small decrease by 0.2% due to normal depreciation of these assets counterbalanced by the increase related to 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 2014 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 2014, 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:

The following changes in the governing body of the Group have been incurred:

- Supervisory Board Member mandate of Mr. Heinz Tschiltsch has expired starting with 13th of April 2014;
- Appointment of Mrs Susanne Malibas as Supervisory Board member (NBR approval was issued on 11th of July 2014).

4. Significant transactions

Following the implementation of the Leasing Reorganisation Project of the Holding at Romania level, the Bank has acquired a direct controlling interest of 99.90% in UniCredit Leasing Corporation IFN S.A ("UCLC") and respectively of 99.98% in UniCredit Leasing Romania SA ("UCLRO"), in order to increase the synergies of banking and leasing activities in the local market.

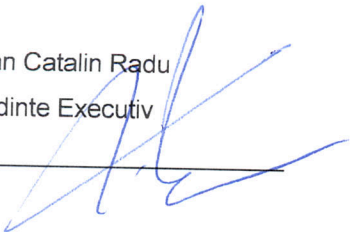
5. Annexes

There are attached to the present report the following documents:

5.1. Interim Condensed Consolidated Financial Statements as of 30 June 2014 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 2014.

Rasvan Catalin Radu
Presedinte Executiv



Mihaela Alina Lupu
Executive Vicepresident

