



Welcome to  
 **UniCredit Bank**

**UniCredit Bank S.A.**

Interim Condensed Consolidated  
Financial Statements

For the six months period  
ended 30 June 2017

Prepared in accordance with  
IAS 34 “Interim Financial Reporting”

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of UniCredit Bank S.A.

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of UniCredit Bank S.A. (the 'Bank') and its subsidiaries: UniCredit Consumer Financing S.A., UniCredit Leasing Corporation IFN S.A, Debo Leasing IFN S.A. and UniCredit Insurance Broker S.R.L. as of 30 June 2017 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management of the Bank is responsible for the preparation and fair presentation of these interim condensed consolidated financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing adopted by the Romanian Chamber of Financial Auditors and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information of the Bank is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

***For signature, please refer to  
the original Romanian version.***

Deloitte Audit S.R.L.  
Bucharest, Romania  
August 1, 2017

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Chapter 1. Interim condensed consolidated statement of comprehensive income  
for the six months period ended 30 June 2017



Chapter 1 Interim condensed consolidated statement of comprehensive income for the six months period ended 30 June 2017

	Note	30 June 2017 RON	30 June 2016 RON
Interest income	6	634,028,262	643,030,110
Interest expense	6	(158,059,285)	(173,452,692)
<b>Net interest income</b>		<b>475,968,977</b>	<b>469,577,418</b>
Fee and commission income		231,301,984	196,863,219
Fee and commission expense		(40,239,959)	(36,483,578)
<b>Net fee and commission income</b>		<b>191,062,025</b>	<b>160,379,641</b>
Net income from trading and other financial instruments at fair value through profit or loss	7	131,032,864	111,717,332
Fair value adjustments in hedge accounting		(3,126,981)	3,320,461
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss		53,854,471	102,603,385
Dividends incomes		2,115,561	1,843,154
Other operating income		9,548,670	4,392,686
<b>Operating Income</b>		<b>860,455,587</b>	<b>853,834,078</b>
Personnel expenses	8	(183,028,328)	(173,974,402)
Depreciation and impairment of tangible assets		(23,402,799)	(19,075,240)
Amortisation and impairment of intangible assets		(25,557,109)	(25,524,486)
Other administrative costs	9	(210,046,643)	(175,022,525)
Other operating costs		(7,479,654)	(14,326,341)
<b>Operating expenses</b>		<b>(449,514,533)</b>	<b>(407,922,994)</b>
<b>Net operating income</b>		<b>410,941,054</b>	<b>445,911,083</b>
Net impairment losses on financial assets	10	(126,880,972)	(149,396,420)
Net provision losses	21	(10,095,423)	(17,184,729)
Net gains/(loss) from other investment activities		(3,282,233)	(274,513)
<b>Profit / (Loss) before taxation</b>		<b>270,682,426</b>	<b>279,055,422</b>
Income tax	11	(45,478,388)	(53,066,771)
<b>Net profit for the period</b>		<b>225,204,038</b>	<b>225,988,651</b>
<b>Attributable to:</b>			
Equity holders of the parent		208,330,681	213,697,744
Non-controlling interests		16,873,357	12,290,906
<b>Net profit for the period</b>		<b>225,204,038</b>	<b>225,988,650</b>

Notes attached form an integral part of these interim condensed consolidated financial statements

**Chapter 1 Interim condensed consolidated statement of comprehensive income for the six months period ended 30 June 2017 (continued)**

Note	30 June 2017 RON	30 June 2016 RON
<b>Other comprehensive income, net of tax</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Revaluation of property, plant and equipment (net of deferred tax)	26,833	26,831
<b>Total items that will not be reclassified to profit or loss</b>	<b>26,833</b>	<b>26,831</b>
<b>Items that may be reclassified to profit or loss</b>		
Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	(5,936,658)	(45,528,669)
Net change in cash flow hedging reserve (net of deferred tax)	5,881,549	(12,615,407)
<b>Total items that may be reclassified to profit or loss</b>	<b>(55,109)</b>	<b>(58,144,076)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>(28,276)</b>	<b>(58,117,245)</b>
<b>Total comprehensive income for the period</b>	<b>225,175,762</b>	<b>167,871,405</b>
<b>Attributable to:</b>		
Equity holders of the parent	208,302,405	155,580,499
Non-controlling interests	16,873,357	12,290,906
<b>Total comprehensive income for the period</b>	<b>225,175,762</b>	<b>167,871,405</b>

The interim condensed consolidated financial statements were approved by the Management Board on August 1, 2017 and were signed on its behalf by:

  
**Mr. Rasvan Catalin Radu**  
 Chief Executive Officer

  
**Mrs. Mihaela Alina Lupu**  
 Chief Financial Officer

Chapter 2. Interim condensed consolidated statement of financial position for the six months period ended 30 June 2017



Chapter 2 Interim condensed consolidated statement of financial position as of 30 June 2017

		30 June 2017	31 December 2016
	Note	RON	RON
<b>Assets</b>			
Cash and cash equivalents	12	4,234,740,907	5,806,429,168
Financial assets at fair value through profit or loss	13	404,984,902	393,119,265
Derivatives assets designated as hedging instruments	13	22,387,088	17,325,503
Fair value changes of the hedged items in portfolio hedge	13	-	26,783
Loans and advances to banks		1,556,597,757	737,782,299
Loans and advances to customers	14	21,424,903,435	20,476,755,183
Net lease receivables	15	3,441,665,476	3,157,684,553
Financial assets available for sale	16	6,417,271,437	6,371,453,618
Property and equipment		233,698,784	263,863,595
Intangible assets		144,886,639	158,409,354
Current tax assets		-	-
Deferred tax assets		55,290,352	58,521,224
Other assets		199,896,165	161,416,898
Non-current assets and disposal groups classified as held for sale		1,319,971	2,913,821
<b>Total assets</b>		<b>38,137,642,913</b>	<b>37,605,701,264</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	13	89,138,874	99,316,461
Derivatives liabilities designated as hedging instruments	13	65,657,049	98,730,581
Deposits from banks	17	3,363,106,620	3,173,396,014
Loans from banks and other financial institutions	18	6,984,330,219	7,433,468,355
Deposits from customers	19	22,607,498,893	21,995,286,812
Debt securities issued		551,121,519	551,024,752
Subordinated liabilities	20	324,220,848	323,260,540
Provisions	21	77,242,201	67,301,041
Current tax liabilities		26,043,945	49,968,517
Deferred tax liabilities		-	-
<b>Other liabilities</b>		<b>429,478,386</b>	<b>292,333,298</b>
<b>Total liabilities</b>		<b>34,517,838,554</b>	<b>34,084,086,371</b>



Chapter 2 Interim condensed consolidated statement of financial position as of 30 June 2017 (continued)

		30 June 2017	31 December 2016
	Note	RON	RON
<b>Equity</b>			
Share capital	22	1,101,604,066	1,101,604,066
Share premium		55	55
Reserve on available for sale financial assets		30,760,994	36,697,652
Cash flow hedging reserve		(45,058,903)	(50,940,452)
Revaluation reserve on property and equipment		10,919,762	10,892,930
Other reserves		244,827,555	240,534,612
Retained earnings		2,130,907,965	2,053,856,522
<b>Total equity</b>		<b>3,473,961,494</b>	<b>3,392,645,385</b>
Non-controlling interest		145,842,865	128,969,508
<b>Total Group Equity</b>		<b>3,619,804,359</b>	<b>3,521,614,893</b>
<b>Total liabilities and equity</b>		<b>38,137,642,913</b>	<b>37,605,701,264</b>

The interim condensed consolidated financial statements were approved by the Management Board on August 1, 2017 and were signed on its behalf by:

  
 Mr. Rasvan Catalin Radu  
 Chief Executive Officer

  
 Mrs. Mihaela Alina Lupu  
 Chief Financial Officer

Chapter 3. Interim condensed consolidated statement of changes in shareholders' equity for the six months period ended 30 June 2017



**Chapter 3 Interim condensed consolidated statement of changes in shareholders' equity for the six months period ended 30 June 2017**

In RON	Share capital	Reserve on available for sale financial assets	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2016	1,101,604,066	36,697,652	(50,940,452)	10,892,930	240,534,612	55	2,053,856,522	3,392,645,385	128,969,508	3,521,614,893
<b>Total comprehensive income for the period</b>										
Net profit for the period	-	-	-	-	-	-	208,330,681	208,330,681	16,873,357	225,204,038
<b>Other comprehensive income, net of tax</b>										
Dividends distributed during the period	-	-	-	-	-	-	(126,986,295)	(126,986,295)	-	(126,986,295)
Revaluation surplus transfer to retain earnings net of tax	-	-	-	-	4,292,943	-	(4,292,943)	-	-	-
Revaluation surplus, net of tax	-	-	-	26,832	-	-	-	26,832	-	26,832
Net change in available for sale financial assets, net of tax	-	(5,936,658)	-	-	-	-	-	(5,936,658)	-	(5,936,658)
Net change in cash flow hedging reserve, net of tax	-	-	5,881,549	-	-	-	-	5,881,549	-	5,881,549
<b>Total other comprehensive income for the period</b>										
Total comprehensive income for the period	-	(5,936,658)	5,881,549	26,832	4,292,943	-	(131,279,238)	(127,014,572)	-	(127,014,572)
Balance at 30 June 2017	1,101,604,066	30,760,994	(45,058,903)	10,919,762	244,827,555	55	2,130,907,965	3,473,961,494	145,842,865	3,619,804,359

The interim condensed consolidated financial statements were approved by the Management Board on August 1, 2017 and were signed on its behalf by:

**Mr. Rasvan Catalin Radu**  
Chief Executive Officer

**Mrs. Mihaela Alina Lupu**  
Chief Financial Officer

Chapter 3 Interim condensed consolidated statement of changes in shareholders' equity for the six months period ended 30 June 2017 (continued)

in RON	Share capital	Reserve on available for sale financial assets	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserves	Share premium	Retained earnings	Total	Non-Controlling Interest	Total
Balance at 31 December 2015	1,101,604,066	80,791,377	(46,628,751)	10,844,909	240,534,612	55	1,856,780,170	3,243,826,438	107,715,089	3,351,641,527
<b>Total comprehensive income for the period</b>										
Net profit for the period	-	-	-	-	-	-	213,697,744	213,697,744	12,290,906	225,988,650
<b>Other comprehensive income, net of tax</b>										
Dividends distributed during the period	-	-	-	-	-	-	(111,027,487)	(111,027,487)	-	(111,027,487)
Revaluation surplus transfer to retain earnings net of tax	-	-	-	-	-	-	-	-	-	-
Revaluation surplus, net of tax	-	-	-	26,831	-	-	-	26,831	-	26,831
Net change in available for sale financial assets, net of tax	-	(45,528,669)	-	-	-	-	-	(45,528,669)	-	(45,528,669)
Net change in cash flow hedging reserve, net of tax	-	-	(12,615,407)	-	-	-	-	(12,615,407)	-	(12,615,407)
<b>Total other comprehensive income for the period</b>	-	(45,528,669)	(12,615,407)	26,831	-	-	(111,027,487)	(169,144,732)	-	(169,144,732)
<b>Total comprehensive income for the period</b>	-	(45,528,669)	(12,615,407)	26,831	-	-	102,670,257	44,553,012	12,290,906	56,843,918
Balance at 30 June 2016	1,101,604,066	35,262,708	(59,244,158)	10,871,740	240,534,612	55	1,959,450,427	3,288,479,450	120,005,995	3,408,485,445

The interim condensed consolidated financial statements were approved by the Management Board on August 1, 2017 and were signed on its behalf by:

Mr. Rasvan Catalin Radu  
Chief Executive Officer

Mrs. Mihaela Alina Lupu  
Chief Financial Officer

Notes attached form an integral part of these interim condensed consolidated financial statements

Chapter 4 Interim condensed consolidated statement of cash flows for the six months period ended 30 June 2017

	Note	30 June 2017	30 June 2016
<b>Operating activities</b>			
Profit before taxation		270.682.426	279.055.421
<b>Adjustments for non-cash items:</b>			
Amortization and impairment on tangible/intangible assets		48.959.908	44.599.727
Net impairment losses on financial assets	10	126.880.972	149.396.420
Change in fair value of derivatives at fair value through profit or loss		(25.115.605)	(7.192.703)
Other items for which the cash effects are investing or financing		762.660	7.401.908
Other non-cash items		28.319.093	122.102.726
<b>Operating profit before changes in operating assets and liabilities</b>		<b>450.489.454</b>	<b>595.363.499</b>
<b>Change in operating assets:</b>			
(Increase)/ Decrease financial assets at fair value through profit or loss		(97.275.696)	148.270.212
(Increase)/ Decrease in loans and advances to banks		(817.341.279)	(206.251.968)
(Increase)/ Decrease in loans and advances to customers		(1.079.104.890)	(814.173.682)
(Increase)/ Decrease in lease receivable		(301.899.129)	(352.286.979)
(Increase)/ Decrease in other assets		(28.866.022)	(11.450.730)
<b>Change in operating liabilities:</b>			
Increase / (Decrease) in deposits from banks		187.486.342	(1.612.920.201)
Increase in deposits from customers		617.516.510	1.277.022.096
Decrease in other liabilities		7.122.749	8.080.424
Income tax paid		(66.561.684)	10.483.135
<b>Cash flows used in operating activities</b>		<b>(1.128.433.645)</b>	<b>(957.864.194)</b>
<b>Investing activities</b>			
Acquisition of property and equipment and intangible assets		(19.929.975)	(30.801.095)
Proceeds from sale of property and equipment		13.362.274	45.225.829
Disposal of equity investments		-	-
Dividends received		2.115.561	1.843.154
<b>Cash flows used in investing activities</b>		<b>(4.452.140)</b>	<b>16.267.888</b>

Notes attached form an integral part of these interim condensed consolidated financial statements

**Chapter 4 Interim condensed consolidated statement of cash flows for the six months period ended 30 June 2017 (continued)**

	30 June 2017	30 June 2016
<b>Note</b>		
<b>Financing activities</b>		
Dividends paid	(677.815)	(107.021.634)
Repayments of loans from financial institutions	(2.978.356.188)	(1.157.942.104)
Drawdowns from loans from financial institutions	2.540.231.527	533.980.543
<b>Cash flows used in financing activities</b>	<b>(438.802.476)</b>	<b>(730.983.195)</b>
Net (decrease)/increase in cash and cash equivalents	(1.571.688.261)	(1.672.579.501)
<b>Cash and cash equivalents at 1 January</b>	<b>5.760.947.655</b>	<b>4.594.566.616</b>
<b>Cash and cash equivalents at 30 June</b>	<b>4.189.259.395</b>	<b>2.921.987.115</b>
	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Cash flow from operating activities include:</b>		
Interest received	624.469.334	700.922.555
Interest paid	(157.495.915)	(144.217.173)

The interim condensed consolidated financial statements were approved by the Management Board on August 1, 2017 and were signed on its behalf by:

\_\_\_\_\_  
**Mr. Rasvan Catalin Radu**  
 Chief Executive Officer

  
 \_\_\_\_\_  
**Mrs. Mihaela Alina Lupu**  
 Chief Financial Officer

## 1. REPORTING ENTITY

The UniCredit Group (the "Group") consists of UniCredit 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"), Debo Leasing IFN SA ("DEBO") and UniCredit Insurance Broker SRL ("UCIB"). These consolidated financial statements comprise the Bank and its subsidiaries.

UniCredit Bank S.A. (the "Bank"), the new brand of formerly UniCredit Tiriac Bank SA until August 2015, having its current registered office at 1F, Expozitiei Boulevard, District 1, Bucharest, Romania was established as a Romanian commercial bank on 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank) and is licensed by the National Bank of Romania to conduct banking activities.

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

UniCredit Bank S.A. is directly controlled by UniCredit SpA (Italy), with registered office in Rome, Italy, Via Alessandro Specchi, 16.

The Group is exercising direct and indirect control over the following subsidiaries:

- UniCredit Consumer Financing IFN S.A., having its current registered office at 23-25 Ghetarilor Street, 1<sup>st</sup> and 3<sup>rd</sup> floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.1% in UCFIN since January 2013.
- UniCredit Leasing Corporation IFN S.A., having its current registered office at 23-25 Ghetarilor Street, 1st, 2nd and 4th floor, District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. UCLC, previously associate entity, has become a subsidiary of the Bank starting with April 2014 when the Bank obtained 99.95% direct and indirect controlling interest (direct controlling interest: 99.90%). The Bank has an indirect shareholding interest of 99.98% as of 30 June 2017 (direct controlling interest: 99.96%), as a result of the merger of UCLC with UniCredit Leasing Romania SA ("UCLRO") finalized by June 2015, when UCLRO was absorbed by UCLC.
- Debo Leasing IFN S.A., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity, has become a subsidiary of the Bank starting with April 2014. The Bank has an indirect controlling interest of 99.97% (31 December 2016: 99.97%) through UCLC.
- UniCredit Insurance Broker S.R.L., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, in which the Bank has an indirect controlling interest of 99.98% (31 December 2016: 99.98%) through UCLC.

As at 30 June 2017, the Group carried out its activity in Romania through Bank having 158 branches (31 December 2016: 160) located in Bucharest and the country.

## 2. BASIS OF PREPARATION

### a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 – *Interim Financial Reporting*. These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Bank as at and for the year ended 31 December 2016.

### b) Functional and presentation currency

The consolidated financial statements are presented in Romanian Lei ("RON"), which is the functional and presentation currency. Except as indicated, financial information presented in RON has been rounded to the nearest unit. The exchange rates of major foreign currencies were:

Currencies	30 June 2017	31 December 2016	Change
Euro (EUR)	1: RON 4.5539	1: RON 4.5411	0.28%
US Dollar (USD)	1: RON 3.9915	1: RON 4.3033	(7.25%)

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Bank in its annual consolidated financial statements as at and for the year ended 31 December 2016. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period and specific disclosures are presented in the corresponding notes to the financial statements.

## 4. FINANCIAL RISK MANAGEMENT

The Group's liquidity indicator Loans/Deposits ratio is as follows:

Ratio	30 June 2017	31 December 2016
Loans / Deposits ratio	118%	116%

There were no significant changes to financial risk management policies of the Bank as compared with those presented in the annual IFRS consolidated financial statements for the year ended 31.12.2016.

## 5. USE OF ESTIMATES AND JUDGMENTS

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing the interim condensed consolidated financial statements the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at for the year ended 31.12.2016.



6. NET INTEREST INCOME

In RON	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Interest income</b>		
<b>Interest and similar income arising from:</b>		
Loans and advances to customers *	462,687,161	462,772,161
Net Lease receivables	74,199,713	75,459,661
Treasury bills and bonds	61,168,500	74,658,194
Current accounts and placements with banks	15,248,772	15,535,104
Hedging instruments	610,234	-
Others (including derivatives)	20,113,882	14,604,989
<b>Total interest income</b>	<b>634,028,262</b>	<b>643,030,110</b>
<b>Interest expense</b>		
<b>Interest expense and similar charges arising from:</b>		
Deposits from customers	42,104,191	41,431,397
Loans from banks and other financial institutions	70,343,462	82,626,311
Deposits from banks	14,328,350	21,634,319
Repurchase agreements	5	57
Interest related to the bonds issued	17,511,843	17,549,213
Others (including derivatives)	13,771,433	6,967,060
Hedging derivatives		3,244,334
<b>Total interest expense</b>	<b>158,059,285</b>	<b>173,452,692</b>
<b>Net interest income</b>	<b>475,968,977</b>	<b>469,577,418</b>

\*) Included in interest income for a total amount of RON 31,789,845 (30 June 2016: RON 48,277,253) related to interest income on impaired loans. Interest income and expenses for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.

**7. NET INCOME FROM TRADING AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS**

In RON	Six months ended 30 June 2017	Six months ended 30 June 2016
Net gains from foreign exchange operations (including FX derivatives)	129,597,766	122,628,545
Net gains /(losses) from interest derivatives	(1,828,729)	(17,983,840)
Net income from trading bonds	3,237,544	6,950,120
Net gains /(losses) from commodities derivatives	26,283	122,508
<b>Net income from trading and other financial instruments at fair value through profit or loss</b>	<b>131,032,864</b>	<b>111,717,332</b>

**8. PERSONNEL EXPENSES**

In RON	Six months ended 30 June 2017	Six months ended 30 June 2016
Wages and salaries	148,687,040	141,634,120
Social security charges, unemployment fund and health fund	33,926,931	33,914,646
Other (income)/costs	414,357	(1,574,364)
<b>Total</b>	<b>183,028,328</b>	<b>173,974,402</b>

The Group number of employees at 30 June 2017 was 3,327 (31 December 2016: 3,350).

For the Management Board members, the performance measurement is calculated taking into account the variable remuneration component which include an adjustment for all current and potential risk types and also considers the cost of capital and required liquidity.

For Management Board members, at least 50% of variable remuneration consists in non-cash instruments and at least 40% of variable remuneration is deferred for a period of at least 3-5 years.

The remuneration policies and practices of the Group are also implemented at level of the directly controlled entities.

**9. OTHER ADMINISTRATIVE COSTS**

In RON	Six months ended 30 June 2017	Six months ended 30 June 2016
Office space expenses (rental, maintenance, other)	56,984,354	51,274,456
IT services	41,843,524	37,606,570
Other taxes and duties	67,862,487	31,310,164
Communication expenses	10,985,227	11,558,914
Advertising and promotional expenses	10,470,281	14,056,967
Consultancy, legal and other professional services	5,975,836	5,520,826
Materials and consumables	5,692,643	8,402,203
Personnel training and recruiting	1,913,780	1,939,504
Insurance expenses	1,716,462	2,080,971
Other	6,602,049	11,271,951
<b>Total</b>	<b>210,046,643</b>	<b>175,022,525</b>

**10. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS**

In RON	Six months ended 30 June 2017	Six months ended 30 June 2016
Net provision charges for loans and advances to customers	124,863,907	138,341,615
Loans written-off	472,541	4,803,790
Net provision charges for lease receivables	18,910,696	20,054,164
Recoveries from loans previously written-off	(14,982,786)	(19,254,830)
Net provisions charges for other financial instruments	(2,383,386)	5,451,681
<b>Net impairment losses on financial assets</b>	<b>126,880,972</b>	<b>149,396,420</b>

## 11. INCOME TAX

In RON	Six months ended 30 June 2017	Six months ended 30 June 2016
Direct taxes at 16% (2016: 16%) of taxable profits determined in accordance with Romanian law	(42,273,861)	(22,731,121)
Correction of current income tax arising from previous year	63,673	(356,799)
Deferred tax income/ (loss)	(3,268,200)	(29,978,851)
<b>Income tax</b>	<b>(45,478,388)</b>	<b>(53,066,771)</b>

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

In RON	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Profit/ (Loss) before tax</b>	<b>270,682,426</b>	<b>279,055,421</b>
<b>Taxation at statutory rate of 16%</b>	<b>(43,309,188)</b>	<b>(44,648,867)</b>
Non-deductible expenses	(11,071,497)	(7,770,084)
Non-taxable revenues	2,511,568	1,586,632
Origination and reversal of temporary differences	4,908,640	(3,361,924)
Fiscal credit	1,482,089	1,127,472
<b>Income tax in the income statement</b>	<b>(45,478,388)</b>	<b>(53,066,771)</b>

## 12. CASH AND CASH EQUIVALENTS

In RON	30 June 2017	31 December 2016
Balances with National Bank of Romania	2,537,585,921	4,471,752,828
Short term Money Market placements	729,926,678	871,587,581
Cash (including cash in ATMs)	905,125,491	373,328,816
Current balances with other banks	62,102,817	89,759,943
<b>Total</b>	<b>4,234,740,907</b>	<b>5,806,429,168</b>

The balance of current accounts with the National Bank of Romania represents the minimum reserve maintained in accordance with the National Bank of Romania requirements. As at 30 June 2017, the minimum reserve level was set as 8% (31 December 2016: 8%) for liabilities to customers in RON and 8% (31 December 2016: 14%) for liabilities to customers in foreign currency both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity greater than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.

**13. FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING AND DERIVATIVES USED FOR HEDGING**

*(i) Financial assets at fair value through profit or loss*

<b>(i) Financial assets at fair value through profit or loss</b>		
<b>In RON</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Derivatives	84,363,168	105,829,721
Investment securities held for trading	320,621,734	287,289,544
<b>Total</b>	<b>404,984,902</b>	<b>393,119,265</b>

*(ii) Derivatives assets / liabilities*

The derivative assets and liabilities held at fair value through profit and loss at 30 June 2017 may be summarized as follows:

<b>In RON</b>		<b>30 June 2017</b>	
		<b>Present value</b>	
	<b>Notional</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Foreign currency derivatives</b>			
Forward contracts	3,911,126,607	24,205,650	31,179,193
Purchased options	159,551,208	968,149	0
Sold options	159,551,208	-	953,970
<b>Total foreign currency derivatives</b>	<b>4,230,229,023</b>	<b>25,173,799</b>	<b>32,133,163</b>
<b>Interest rates derivatives</b>			
Interest Rate Swaps	3,199,991,195	37,029,456	34,825,127
<i>of which: derivatives for risk</i>	<i>50,092,900</i>	<i>313,411</i>	<i>0</i>
Purchased options	668,473,902	22,003,218	
Sold options	668,473,902		22,027,741
<b>Total interest rate derivatives</b>	<b>4,536,938,999</b>	<b>59,032,674</b>	<b>56,852,868</b>
Other derivatives	1,526,923	156,695	152,843
<b>Total</b>	<b>8,768,694,945</b>	<b>84,363,168</b>	<b>89,138,874</b>

13. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING AND DERIVATIVES USED FOR HEDGING (continued)

(ii) Derivatives assets / liabilities (continued)

The derivative assets and liabilities held at fair value through profit and loss at 31 December 2016 may be summarized as follows:

<b>(ii) Derivative assets/ liabilities</b>			
<b>In RON</b>	<b>31 December 2016</b>		
		<b>Present value</b>	
	<b>Notional</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Foreign currency derivatives</b>			
Forward contracts	3,852,301,945	34,036,774	34,155,088
Purchased options	124,218,536	275,828	25,312
Sold options	124,218,536	-	362,846
<b>Total foreign currency derivatives</b>	<b>4,100,739,017</b>	<b>34,312,602</b>	<b>34,543,246</b>
<b>Interest rates derivatives</b>			
Interest Rate Swaps	3,249,271,986	45,633,121	38,770,025
<i>of which: derivatives for risk management</i>	<i>118,068,600</i>	<i>779,793</i>	<i>568,516</i>
Purchased options	703,784,673	25,408,269	-
Sold options	703,784,675	-	25,527,951
<b>Total interest rate derivatives</b>	<b>4,656,841,334</b>	<b>71,041,390</b>	<b>64,297,976</b>
Other derivatives	4,326,397	475,729	475,239
<b>Total</b>	<b>8,761,906,748</b>	<b>105,829,721</b>	<b>99,316,461</b>

**13. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING AND DERIVATIVES USED FOR HEDGING (continued)**

*(ii) Derivatives assets / liabilities (continued)*

The fair values of derivatives designated as cash flow hedges are:

In RON Cash Flow Hedge	30 June 2017			31 December 2016		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate swap	326,849,771	-	65,657,049	367,170,827	-	81,460,827
Cross currency swap	296,914,280	12,362,069	-	296,079,720	10,326,089	-
<b>Total</b>	<b>623,764,051</b>	<b>12,362,069</b>	<b>65,657,049</b>	<b>663,250,547</b>	<b>10,326,089</b>	<b>81,460,827</b>

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

Hedge (portfolio and micro hedge)	30 June 2017			31 December 2016		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate swap	478,159,500	10,025,019	-	1,000,036,068	6,999,414.00	17,269,754
<b>Total</b>	<b>478,159,500</b>	<b>10,025,019</b>	<b>-</b>	<b>1,000,036,068</b>	<b>6,999,414.0</b>	<b>17,269,754</b>

#### 14. LOANS AND ADVANCES TO CUSTOMERS

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

In RON	30 June 2017	31 December 2016
Mortgages	10,300,866,581	9,128,661,032
Corporate loans	5,838,748,724	5,743,670,835
Revolving credit lines	2,038,174,960	1,889,734,158
Factoring	503,564,191	469,899,123
Credit cards and personal loans	2,220,737,943	1,908,433,877
Impaired assets	2,009,847,910	2,808,605,972
<b>Loans and advances to customers before provisions</b>	<b>22,911,940,309</b>	<b>21,949,004,997</b>
Less provision for impairment losses on loans	(1,487,036,873)	(1,472,249,814)
<b>Net loans and advances to customers</b>	<b>21,424,903,436</b>	<b>20,476,755,183</b>

The Group 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:

In RON	30 June 2017	31 December 2016
Private entities (including individuals)	6,913,102,650	6,312,242,502
Manufacturing	4,626,438,318	4,552,772,353
Commerce - wholesale and retail	3,433,415,759	3,177,233,947
Real estate	1,536,460,029	1,246,734,199
Agriculture - forestry - fisheries	967,419,702	1,109,327,613
Construction and civil engineering	613,857,140	695,886,394
Information and communication	600,720,684	618,966,395
Transport and storage services	542,929,083	517,267,503
Public administration and defence; social security insurance	381,776,822	502,948,310
Financial and insurance institutions	559,786,196	476,186,850
Professional, scientific and technical activities	421,251,326	402,874,065
Production and supply of electricity, gas, steam and air conditioning	305,797,547	383,955,326
Water supply	125,225,369	145,079,396
Administrative and support service activities	118,437,554	114,548,582
Hotels and public commercial concern	155,326,717	104,015,194
Medical and social activities	34,952,719	36,012,694
Extractive industry	37,073,125	31,270,224
Arts, entertainment and recreation	8,592,296	10,261,234
Education	6,293,318	4,167,711
Other services, private entities (including individuals)	36,047,082	35,004,691
<b>Total</b>	<b>21,424,903,436</b>	<b>20,476,755,183</b>

Notes attached form an integral part of these interim condensed consolidated financial statements



**14. LOANS AND ADVANCES TO CUSTOMERS (continued)**

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

In RON	30 June 2017	30 June 2016
<b>Specific adjustments for impairment</b>		
<b>Balance at 1 January</b>	<b>1,343,845,430</b>	<b>1,681,298,157</b>
Net impairment charge for the period	130,391,976	126,284,312
Foreign currency exchange effect	1,203,734	(604,105)
Release of allowance for impairment of loans written-off and loans sold	(145,167,613)	(541,804,229)
Unwinding effect on provisions	33,915,033	28,953,023
<b>Balance at 30 June</b>	<b>1,364,188,560</b>	<b>1,294,127,158</b>
<b>Collective adjustments for impairment</b>		
<b>Balance at 1 January</b>	<b>128,404,384</b>	<b>120,852,795</b>
Net impairment charge / (release) for the period	(5,528,069)	12,648,223
Foreign Currency Exchange Effect and other adjustments	(27,983)	(90,298)
Other adjustments	(19)	
<b>Balance at 30 June</b>	<b>122,848,313</b>	<b>133,410,720</b>
<b>Total opening balance at 1 January</b>	<b>1,472,249,814</b>	<b>1,802,150,952</b>
<b>Total closing balance at 30 June</b>	<b>1,487,036,873</b>	<b>1,427,537,878</b>

14. LOANS AND ADVANCES TO CUSTOMERS (continued)

Exposure to credit risk

In RON	30 June 2017	31 December 2016
<b>Individually significant impaired loans</b>		
Grade 8-: Impaired **	1,165,592,275	1,920,252,455
Grade 9: Impaired	182,040,936	168,916,181
Grade 10: Impaired	297,594,874	316,910,232
<b>Gross amount</b>	<b>1,645,228,085</b>	<b>2,406,078,868</b>
Allowance for impairment	(1,163,188,268)	(1,132,861,293)
<b>Carrying amount</b>	<b>482,039,817</b>	<b>1,273,217,575</b>
<b>Fair value of collateral</b>	<b>444,357,246</b>	<b>1,234,486,711</b>
Property	363,539,931	873,223,888
Goods	44,626,617	40,744,386
Assignment of receivables	27,313,961	18,220,112
Other collateral*	8,876,737	302,298,325
<b>Other impaired loans</b>		
Grade 8-: Impaired	219,818,513	233,392,238
Grade 9: Impaired	1,783,515	4,640,032
Grade 10: Impaired	143,014,246	164,492,799
<b>Gross amount</b>	<b>364,616,274</b>	<b>402,525,069</b>
Allowance for impairment	(201,000,292)	(210,965,802)
<b>Carrying amount</b>	<b>163,615,982</b>	<b>191,559,267</b>
<b>Fair value of collateral</b>	<b>147,604,934</b>	<b>184,123,165</b>
Property	136,743,980	166,683,696
Goods	3,933,734	3,119,346
Assignment of receivables	354,251	686,516
Other collateral	6,572,969	13,633,607
<b>Past due but not impaired</b>		
<b>Grade 1 - 7</b>	<b>967,244,360</b>	<b>709,674,459</b>
Less than 90 overdue days	964,230,048	704,751,219
More than 90 overdue days	3,014,312	4,923,240
<b>Grade 8</b>	<b>310,078,920</b>	<b>301,717,397</b>
Less than 90 overdue days	292,556,893	288,896,277
More than 90 overdue days	17,522,027	12,821,120
<b>Gross amount</b>	<b>1,277,323,280</b>	<b>1,011,391,856</b>
Allowance for impairment	(26,757,235)	(26,170,304)
<b>Carrying amount</b>	<b>1,250,566,045</b>	<b>985,221,551</b>
<b>Neither past due nor impaired</b>		
Grade 1 - 7 **	19,500,006,374	17,835,364,141
Grade 8	124,766,296	293,643,487
<b>Gross amount</b>	<b>19,624,772,670</b>	<b>18,129,007,628</b>
Allowance for impairment	(96,091,078)	(102,250,838)
<b>Carrying amount</b>	<b>19,528,681,592</b>	<b>18,026,756,789</b>
<b>Total carrying amount</b>	<b>21,424,903,436</b>	<b>20,476,755,183</b>

\* Other collateral includes cash and financial risk insurance.

\*\* The variation is mainly due to migration of client Palas 1 S.R.L from the category individually significant impaired loans in neither past due nor impaired

15. NET LEASE RECEIVABLES

In RON	30 June 2017	31 December 2016
Lease receivables up to one year, gross	2,094,629,467	1,919,293,249
Lease receivables from one to five years, gross	1,442,818,290	1,333,284,442
Lease receivables over five years, gross	219,394,687	227,383,348
<b>Total lease receivables, gross</b>	<b>3,756,842,444</b>	<b>3,479,961,039</b>
Total lease receivables, net of future interest	3,756,842,444	3,479,961,039
Impairment allowance for lease receivables	(315,176,968)	(322,276,486)
<b>Total net lease receivables</b>	<b>3,441,665,476</b>	<b>3,157,684,553</b>

Concentration of credit risk related to lease receivables

In RON	30 June 2017	31 December 2016
Transport and storage services	829,199,444	766,747,226
Commerce - wholesale and retail	866,075,292	743,899,783
Manufacturing	478,169,284	452,782,101
Construction and civil engineering	261,410,415	232,272,313
Agriculture - forestry - fisheries	196,507,374	181,906,668
Production and supply of electricity, gas, steam and air conditioning	147,453,856	158,767,890
Real estate	143,527,671	139,406,711
Professional, scientific and technical activities	135,073,260	129,687,005
Administrative and support service activities	95,165,994	98,050,028
Medical and social activities	70,943,804	66,670,595
Hotels and public commercial concern	52,934,175	48,203,065
Water supply	36,961,910	31,243,596
Information and communication	35,088,929	30,775,998
Extractive industry	25,097,036	26,328,620
Arts, entertainment and recreation	7,214,794	7,069,279
Financial and insurance institutions	10,495,079	6,575,683
Education	4,097,414	3,788,270
Public administration and defence; social security insurance	2,492,380	3,254,447
Other services, private entities (including individuals)	43,757,365	30,255,275
<b>Total</b>	<b>3,441,665,476</b>	<b>3,157,684,553</b>

**15. NET LEASE RECEIVABLES (continued)**

The movements in finance lease allowances for impairment are summarized as follows

In RON	30 June 2017	30 June 2016
<b>Specific adjustments for impairment</b>		
<b>Balance at 1 January</b>	<b>303,922,270</b>	<b>311,636,969</b>
Net impairment charge for the period	15,271,464	15,305,721
Foreign currency exchange effect	992,158	(241,072)
Release of allowance for impairment of loans written-off and loans sold	(26,972,191)	(36,226,781)
Unwinding effect on provisions	(30,164)	(309,841)
<b>Balance at 30 June</b>	<b>293,183,537</b>	<b>290,164,996</b>
<b>Collective adjustments for impairment</b>		
<b>Balance at 1 January</b>	<b>18,354,196</b>	<b>13,881,122</b>
Net impairment charge / (release) for the period	3,639,235	5,279,645
Foreign Currency Exchange Effect and other adjustments		(19,839)
<b>Balance at 30 June</b>	<b>21,993,431</b>	<b>19,140,928</b>
<b>Total opening balance at 1 January</b>	<b>325,426,266</b>	<b>325,518,091</b>
<b>Total closing balance at 30 June</b>	<b>315,176,968</b>	<b>309,305,924</b>

15. NET LEASE RECEIVABLES (continued)

In RON	30 June 2017	31 December 2016
<b>Finance leases individually impaired</b>		
Grade 8-: Impaired	57,242,691	57,708,927
Grade 9: Impaired	204,755,734	246,233,698
Grade 10: Impaired	232,687,385	232,718,772
<b>Gross amount</b>	<b>494,685,810</b>	<b>536,661,397</b>
Allowance for impairment	(261,733,977)	(272,250,673)
<b>Carrying amount</b>	<b>232,951,833</b>	<b>264,410,724</b>
<b>Fair value of collateral</b>	<b>258,093,321</b>	<b>262,316,729</b>
Property	170,232,995	179,649,559
Other collateral	87,860,326	82,667,170
<b>Other impaired finance leases</b>		
Grade 8-: Impaired	16,839,923	18,205,505
Grade 9: Impaired	1,358,490	1,482,344
Grade 10: Impaired	33,989,426	34,736,398
<b>Gross amount</b>	<b>52,187,839</b>	<b>54,424,247</b>
Allowance for impairment	(31,449,563)	(31,671,617)
<b>Carrying amount</b>	<b>20,738,276</b>	<b>22,752,630</b>
<b>Fair value of collateral</b>	<b>21,323,707</b>	<b>15,797,222</b>
Property	18,930,165	15,775,075
Other collateral	2,393,542	22,147
<b>Finance lease past due but not impaired</b>		
<b>Grade 1 - 7</b>	<b>418,543,368</b>	<b>807,660,180</b>
Less than 90 overdue days	417,949,059	802,500,757
More than 90 overdue days	594,309	5,159,423
<b>Grade 8</b>	<b>24,332,891</b>	<b>13,355,978</b>
Less than 90 overdue days	24,332,891	13,355,978
More than 90 overdue days		
<b>Gross amount</b>	<b>442,876,259</b>	<b>821,016,158</b>
Allowance for impairment	(4,685,259)	(6,356,918)
<b>Carrying amount</b>	<b>438,191,000</b>	<b>814,659,240</b>
<b>Finance lease neither past due nor impaired</b>		
Grade 1 - 7	2,749,270,677	2,053,238,036
Grade 8	17,821,862	14,621,201
<b>Gross amount</b>	<b>2,767,092,539</b>	<b>2,067,859,237</b>
Allowance for impairment	(17,308,172)	(11,997,278)
<b>Carrying amount</b>	<b>2,749,784,367</b>	<b>2,055,861,959</b>
<b>Total carrying amount</b>	<b>3,441,665,476</b>	<b>3,157,684,553</b>

## 16. AVAILABLE-FOR-SALE

In RON	30 June 2017	31 December 2016
Investment securities available for	6,395,324,446	6,351,173,099
Equity investments available for sale	21,946,991	20,280,519
<b>Total</b>	<b>6,417,271,437</b>	<b>6,371,453,618</b>

### a) Investment securities available for sale

As at 30 June 2017 the Group included in investment securities, available for sale bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON 6,395,324,446 (31 December 2016: RON 6,351,173,099).

As at 30 June 2017 the investment securities available for sale are pledged in amount of RON 827,711,644 (31 December 2016: RON 684,670,104).

The Group transferred to profit or loss during 2017 an amount of RON 52,128,908 (June 2016: RON 33,403,686) representing net gain from disposal of available for sale investment securities. Net change in fair value booked in other comprehensive income was a decrease of RON 9,106,226 before tax (30 June 2016: RON 53,643,513), respective RON 7,649,230 net of tax (30 June 2016: RON 45,060,551).

### b) Equity investments available for sale

The Group held the following unlisted equity investments, available for sale as at 30 June 2017:

30 June 2017	Nature of business	% Interest held	Gross carrying amount	Impairment	Net carrying amount
Unicredit Leasing Fleet Management	Operational leasing	9.99%	2,345,998		2,345,998
Transfond SA	Other financial services	8.04%	1,164,862		1,164,862
Biroul de Credit SA	Financial services	6.80%	645,525		645,525
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	1,786,564	960,253	826,311
Casa de Compensare Bucuresti SA	Market studies & research	0.91%	9,727	9,267	460
VISA Inc *	Cards	0.00%	16,963,835		16,963,835
<b>Total</b>			<b>22,916,511</b>	<b>969,520</b>	<b>21,946,991</b>

*\*) Following to the closing of the purchase of Visa Europe Limited ("Visa Europe") by Visa Inc. on 21<sup>st</sup> of June 2016, 3,868 VISA In Series C preferred shares were granted to the Bank in accordance with the terms and conditions of the respective transaction agreement.*

**16. AVAILABLE-FOR-SALE (continued)**

**b) Equity investments available for sale (continued)**

The Group held the following unlisted equity investments, available for sale as at 31 December 2016:

31 December 2016	Nature of business	% Interest held	Gross carrying amount	Impairment	Net carrying amount
Unicredit Leasing Fleet Management	Operational leasing	9.99%	2,345,998		2,345,998
Transfond SA	Other financial services	8.04%	1,164,862		1,164,862
Biroul de Credit SA	Financial services	6.80%	645,525		645,525
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Financial services	3.10%	1,786,564	960,253	826,311
Pioneer Asset Management S.A.I. SA **	Other financial services	2.58%	194,560	155,496	39,064
Casa de Compensare Bucuresti SA	Market studies & research	0.91%	9,727	2,230	7,497
VISA Inc *	Cards	0.00%	15,251,262		15,251,262
<b>Total</b>			<b>21,398,498</b>	<b>1,117,979</b>	<b>20,280,519</b>

\*) The fair value of the VISA Europe Ltd share has been made based on the estimated proceeds consisting in cash and preferred shares to be received by the Bank from Visa Inc following to the transaction made publicly on 2<sup>nd</sup> November 2015 by Visa Inc. and Visa Europe Ltd.

\*\*) The equity investments held in Pioneer Asset Management S.A.I. SA have been reclassified as of 30.06.2017 in the category of Non-current assets and disposal groups classified as held for sale

**17. DEPOSITS FROM BANKS**

In RON	30 June 2017	31 December 2016
Term deposits	2,761,664,240	2,314,018,490
Sight deposits	215,581,591	690,748,059
Amounts in transit	385,860,789	168,629,465
<b>Total</b>	<b>3,363,106,620</b>	<b>3,173,396,014</b>

**18. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

In RON	30 June 2017	31 December 2016
Commercial Banks	6,354,476,148	6,899,661,910
Multilateral development banks	18,485,143	25,855,079
International financial institutions	611,368,928	507,951,366
<b>Total</b>	<b>6,984,330,219</b>	<b>7,433,468,355</b>

As at 30 June 2017, the final maturity of loans varies from August 2017 to June 2024.

**19. DEPOSITS FROM CUSTOMERS**

In RON	30 June 2017	31 December 2016
Term deposits	5,225,706,136	5,746,276,675
Payable on demand	16,647,633,406	15,389,513,092
Collateral deposits	703,458,293	758,635,727
Amounts in transit	30,580,700	100,757,423
Certificates of deposits	120,358	103,895
<b>Total</b>	<b>22,607,498,893</b>	<b>21,995,286,812</b>

**20. SUBORDINATED LIABILITIES**

In RON	30 June 2017	31 December 2016
UniCredit Bank Austria AG	324,220,848	323,260,540
<b>Total</b>	<b>324,220,848</b>	<b>323,260,540</b>



**20. SUBORDINATED LIABILITIES (continued)**

At 30 June 2017, the following agreements were outstanding:

- Subordinated loan from UniCredit Bank Austria AG in total amount of EUR 48,500,000 principal, maturing on July 2022 (31 December 2016: facility amount of EUR 48,500,000).
- Subordinated loan from UniCredit Bank Austria AG in total amount of EUR 22,000,000, indefinite maturity.

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

**21. PROVISIONS**

In RON	30 June 2017	31 December 2016
Provision for financial guarantees	42,498,492	38,431,523
Provision for legal disputes	8,326,078	8,604,692
Provision for off-balance commitments	24,711,949	18,469,047
Other provisions	1,705,682	1,795,779
<b>Total</b>	<b>77,242,201</b>	<b>67,301,041</b>

The movements in provisions could be summarized as follows:

In RON	30 June 2017	31 December 2016
<b>Balance at 1 January</b>	<b>67,301,041</b>	<b>68,875,833</b>
Provision set up during the period	53,004,886	27,620,940
Provision used during the period	(181,479)	-
Provision reversed during the period	(42,730,944)	(8,746,353)
FX effect related to off-balance exposure (financial guarantees and commitments)	(151,303)	(44,666)
<b>Balance at 30 June</b>	<b>77,242,201</b>	<b>87,705,754</b>

## 22. ISSUED CAPITAL

The statutory share capital of the Bank as at 30 June 2017 is represented by 40,760,784 ordinary shares (31 December 2016: 40,760,784 ordinary shares) having a face value of RON 9.30 each. The shareholders of the Bank are as follows:

<b>30 June 2017</b>	
	<b>%</b>
UniCredit SPA *	98.3280
Other shareholders	1.6720
<b>Total</b>	<b>100.00</b>

<b>31 December 2016</b>	
	<b>%</b>
UniCredit SPA *	98.3280
Other shareholders	1.6720
<b>Total</b>	<b>100.00</b>

\* UniCredit SpA has taken over the CEE operations and subsidiaries from UniCredit Bank Austria AG since 1<sup>st</sup> of October 2016.

The share capital comprises of the following:

<b>In RON</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Statutory share capital	379,075,291	379,075,291
Effect of hyperinflation – IAS 29	722,528,775	722,528,775
<b>Share capital under IFRS</b>	<b>1,101,604,066</b>	<b>1,101,604,066</b>

### 23. RELATED PARTY TRANSACTIONS

The Group entered into a number of banking transactions with UniCredit S.p.A and with members of the UniCredit Group in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

<b>30 June 2017</b>		
<b>In RON</b>	<b>Parent Company</b>	<b>Other related parties</b>
Derivative assets at fair value through profit or loss	74,218.00	8,461,013
Derivatives assets designated as hedging instruments	3,607,187	18,779,901
Current accounts and deposits at banks	1,356,909,175	12,159,198
Loans and advances to banks	-	50,184
Loans and advances to customers	-	57,435,329
Other assets	10,612,297	9,129,049
<b>Outstanding receivables</b>	<b>1,371,202,877</b>	<b>106,014,674</b>
Derivative liabilities at fair value through profit or loss	4,792,116	68,841,111
Derivatives liabilities designated as hedging	-	65,657,047
Current accounts	12,286,943	58,552,213
Deposit	2,566,237,338	2,056,886,031
Loans received	1,890,187,225	2,456,466,559
Debts securities issued	-	20,681,416
Subordinated liabilities	-	324,220,848
Other liabilities	139,364,775	19,878,891
<b>Outstanding payables</b>	<b>4,612,868,397</b>	<b>5,071,184,116</b>
Interest income	13,379,834	782,022
Interest expense	(15,802,963)	(75,869,996)
Fee and commission income	957,844	2,336,624
Fee and commission expense	(2,797,723)	(2,967,366)
Management fees	9,523,550	2,961,136
Other operating income	(166,511)	(26,275,280)
<b>Net revenue / (expense)</b>	<b>5,094,031</b>	<b>(99,032,860)</b>

23. RELATED PARTY TRANSACTIONS (continued)

<b>31 December 2016</b>		
<b>In RON</b>	<b>Parent Company</b>	<b>Other related parties</b>
Derivative assets at fair value through profit or loss	-	10,733,093
Derivatives assets designated as hedging instruments	3,045,827	14,279,676
Current accounts and deposits at banks	106,357,151	84,686,096
Loans and advances to banks	662,234,223.00	8,488,054
Loans and advances to customers	-	39,520,416
Other assets	4,718,761	42,403,614
<b>Outstanding receivables</b>	<b>776,355,962</b>	<b>200,110,949</b>
Derivative liabilities at fair value through profit or loss	5,537,570	78,607,590
Derivatives liabilities designated as hedging instruments	14,695	98,669,827
Current accounts	2,970,916	294,293,701
Deposit attracted	1,370,187,997	2,488,137,401
Loans received	-	2,010,267,302
Debts securities issued	-	20,648,400
Subordinated liabilities	-	323,260,540
Other liabilities	7,490,529	47,461,665
<b>Outstanding payables</b>	<b>1,386,201,707</b>	<b>5,361,346,426</b>
Interest income	13,086,306	220,431
Interest expense	(96,896,117)	(23,180,430)
Fee and commission income	3,912,324	1,583,037
Fee and commission expense	(1,521,574)	(2,221,831)
Other operating expenses	-	(23,674,267)
<b>Net revenue / (expense)</b>	<b>(81,419,061)</b>	<b>(47,273,060)</b>

### 23. RELATED PARTY TRANSACTIONS (continued)

#### Transactions with key management personnel

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

In RON	30 June 2017	31 December 2016
Loans	7.937.673	5.307.978
Current accounts and deposits	18.774.945	7.664.854
Interest and similar income	113.820	180.557
Interest expenses and similar charges	(20.316)	(14.881)

No provisions have been recognized in respect of loans given to related parties.

In RON	30 June 2017	30 June 2016
Key management compensation	10,107,205	5,294,046
<b>Total</b>	<b>10,107,205</b>	<b>5,294,046</b>

In addition to their salaries, the Bank also provides non-cash benefits to directors and executive officers and they participate in the UniCredit Group's Incentive system. The Group Incentive System is fully aligned with relevant regulatory requirements and the UniCredit Group Compensation Policy.

### 24. COMMITMENTS AND CONTINGENCIES

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

In RON	30 June 2017	31 December 2016
Loan commitments	2,132,724,572	2,337,349,132
Letters of credit	166,962,149	189,849,695
Guarantees issued	3,474,460,291	3,617,490,759
<b>Total</b>	<b>5,774,147,011</b>	<b>6,144,689,586</b>

**24. COMMITMENTS AND CONTINGENCIES *(continued)***

The Group acts as a security agent, payment agent and hedging agent for a series of loan contracts between UniCredit SpA and other entities within UniCredit Group as lender and Romanian companies as borrowers. For each of these contracts there is a risk participation agreement by which the Group takes the obligation to pay to UniCredit SpA any instalment that the borrowers failed to pay.

The total amount of such risk participation agreements in force as at 30 June 2017 is EUR 39,088,442, and CHF 885,039 (31 December 2016 is EUR 118,373,681 and CHF 885,039).

As compensation for the financial guarantees assumed by the risk participation agreements and for providing security and payment agent services to UniCredit SpA, the Bank receives the commissions paid by the borrowers plus a portion of the interest margin collected from the borrowers. The Group defers the commissions collected upfront from the risk participation agreements over the time period that remains until the maturity of the facilities.

The Bank concluded with UniCredit SpA a series of novation contracts through which loan contracts initially concluded by UniCredit Bank Austria with Romanian companies were transferred to the Bank in exchange for full reimbursement of borrowers' exposure towards UniCredit SpA. Subsequent to the signing of the novation contracts, the Group becomes lender of record while related the risk participation agreement is cancelled.

Starting with 1<sup>st</sup> October 2016 UniCredit SpA took over all rights and obligations derived from the above transactions as a consequence of the reorganisation project of its CEE Business.

**25. FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY**

The table below present the fair value of financial instruments measured at amortised cost, respectively at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised as of 30 June 2017:

In RON	Level 1	Level 2	Level 3	Total fair value	Total book value
<b>Assets held for trading and for hedging</b>					
Financial assets held for trading at fair value through profit or	320,621,734	82,787,659	1,575,509	404,984,902	404,984,902
Derivatives financial instruments designated as hedging instruments	-	22,387,088	-	22,387,088	22,387,088
<b>Total assets held for trading and hedging</b>	<b>320,621,734</b>	<b>105,174,747</b>	<b>1,575,509</b>	<b>427,371,990</b>	<b>427,371,990</b>
<b>Available for sale assets</b>					
Investment securities, available for sale	4,983,070,838	1,412,253,608	21,946,991	6,417,271,437	6,417,271,437
<b>Total available for sale assets</b>	<b>4,983,070,838</b>	<b>1,412,253,608</b>	<b>21,946,991</b>	<b>6,417,271,437</b>	<b>6,417,271,437</b>
<b>Liabilities designated for trading and for hedging</b>					
Financial liabilities at fair value through profit or loss	-	86,091,526	3,047,348	89,138,874	89,138,874
Derivatives financial instruments designated as hedging instruments	-	65,657,049	-	65,657,049	65,657,049
<b>Total liabilities designated for trading and hedging</b>	<b>-</b>	<b>151,748,575</b>	<b>3,047,348</b>	<b>154,795,923</b>	<b>154,795,923</b>

**25. FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY (continued)**

The table below present the fair value of financial instruments measured at amortised cost, respectively at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2016:

In RON	Level 1	Level 2	Level 3	Total fair value	Total book value
<b>Assets held for trading and for hedging</b>					
Financial assets held for trading at fair value through profit or	287,289,544	100,337,213	5,492,508	393,119,265	393,119,265
Derivatives financial instruments designated as hedging instruments	-	17,325,503.00	-	17,325,503	17,325,503
<b>Total assets held for trading and hedging</b>	<b>287,289,544</b>	<b>117,689,499</b>	<b>5,492,508</b>	<b>410,471,551</b>	<b>410,471,551</b>
<b>Available for sale assets</b>					
Investment securities, available for sale	5,433,371,375	917,801,687	20,280,556	6,371,453,618	6,371,453,618
<b>Total available for sale assets</b>	<b>5,433,371,375</b>	<b>917,801,687</b>	<b>20,280,556</b>	<b>6,371,453,618</b>	<b>6,371,453,618</b>
<b>Liabilities designated for trading and for hedging</b>					
Financial liabilities at fair value through profit or loss	-	92,693,440	6,623,021	99,316,461	99,316,461
Derivatives financial instruments designated as hedging instruments	-	98,730,581	-	98,730,581	98,730,581
<b>Total liabilities designated for trading and hedging</b>	<b>-</b>	<b>191,424,021</b>	<b>6,623,021</b>	<b>198,047,042</b>	<b>198,047,042</b>



## 26. SUBSEQUENT EVENTS

The Bank has repaid in advance the subordinated loan from UniCredit Bank Austria AG who replaced it with a new subordinated loan granted by UniCredit S.p.A. with the same value (EUR 48,500,000) and the same initial duration (10 years).

In July 2017 the Bank issued 61,000 medium and long term bonds denominated in RON listed on Bucharest Stock Exchange with nominal value of RON 10,000/bond.

The 3 tranches have following characteristics:

- Symbol UCB20, ISIN ROUCTBDBC022, number of instruments 14,600, floating rate ROBOR 6M + 0.65%, interest coupon half-yearly payable and redemption date on 15 July 2020
- Symbol UCB22, ISIN ROUCTBDBC030, number of instruments 28,050, floating rate ROBOR 6M + 0.85%, interest coupon half-yearly payable and redemption date on 15 July 2022
- Symbol UCB24, ISIN ROUCTBDBC048, number of instruments 18,350, floating rate ROBOR 6M + 1.05%, interest coupon half-yearly payable and redemption date on 15 July 2024

The interim condensed consolidated financial statements were approved by the Management Board on August 1, 2017 and were signed on its behalf by:

  
\_\_\_\_\_  
**Rasvan Catalin Radu**  
Chief Executive Officer

  
\_\_\_\_\_  
**Mrs. Mihaela Alina Lupu**  
Chief Financial Officer

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