



UniCredit Bank S.A.

MANAGEMENT BOARD'S REPORT

for the financial period ended 31 December 2016

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1. 2016 activity overview

In 2016, UniCredit Bank S.A. (the “Bank”) focused its attention and resources on improving the market position, risk management, growth and development aimed at safeguarding the Bank’s assets and capital, value creation for corporate and retail customers, society and shareholders, enhancing quality of products and services, strong management of credit, market and operational risks and internal controls in line with statutory and UniCredit Group regulations and best international practices.

In 2016, the main performance indicators of the Bank evolved as follows:

- Total assets increase of 6.7%, up to RON 32.7 bn;
- Net profit: increase of 20,3% yoy;
- Loan portfolio increase of 2.9% compared with 2015;

A special attention was granted to ensure prudent levels of liquidity and capital adequacy in compliance with regulations. A particular emphasis was laid on overall risk management, and especially on credit risk management in order to ensure proper assets quality and adequate provision coverage.

The Bank finalized with a strong and balanced financial position in 2016 despite of macroeconomic slowdown evolution:

| Indicator | % |
|-----------------------------------|----------|
| ROE | 8.32 |
| ROA | 0.82 |
| Solvency ratio* | 13.97 |
| Cost/Income ratio | 49.76 |
| Cash coverage of deposits ratio | 54.05 |
| Loan portfolio provision coverage | 6.95 |

**Solvency ratio is calculated before inclusion of net profit 2016*

As at 31 December 2016, the Bank carried out its activity through 159 branches (in 2015: 182 branches) operating in Romania.

As of 31 December 2016, the total assets of the bank are RON 32.7bn. The net profit for 2016 is RON 266.5mn.

During 2016, the members of the Management Board acted in accordance with statutory laws and regulations in force and ruling UniCredit Group and Bank’s regulations. The Supervisory Board and Management Board members acted according to their responsibilities as defined in the Constitutive

Act of the Bank and within the limits of their competences assigned by the General Shareholders Meeting. The Management Board has acted under the supervision and control of the Supervisory Board.

The activity of the Management Board as the main decision making corporate body in the Bank has been consistently and efficiently supported by staff of the Bank, in accordance with their responsibilities and competences operating in compliance with their authorities and set of responsibilities. The Management Board has coordinated the Bank's activity and has taken all necessary measures for the proper management of the Bank in compliance with the Constitutive Act of the Bank.

2. Separate Financial Statements of Commercial Bank UniCredit Bank S.A. as at 31 December 2016

2.1. Legal framework

The annual separate financial statements as at 31 December 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by EU applicable to credit institutions through NBR Order 27/2010, including subsequent amendments.

The annual financial statements have been prepared on the basis of the Bank's trial balance which corresponds to documents and accounting records concerning the economic and financial operations for the period 1 January – 31 December 2016.

The duties stipulated by law, related to organization and management of accounting activity, accounting principles (prudence, permanence of methods, continuity, independence, intangibility, non-compensation, separate evaluation of assets and liabilities', materiality, substance over form) have been followed. The Accounting Law no. 82/1991 provisions, with subsequent changes and accounting regulations and methods stipulated by regulations in force, were abided by the Bank.

The annual financial statements provide a true and fair view on the assets and liabilities, the economic and financial position of UniCredit Bank S.A., and are audited by the auditor Deloitte Audit SRL.

2.2. The Separate Statement of financial position

The separate Statement of financial position of UniCredit Bank SA as of 31.12.2016 is presented below:

| ASSETS | thș RON | % in Total Assets |
|--|-------------------|--|
| Cash and cash equivalents | 5,760,948 | 17.62 |
| Financial assets at fair value through profit or loss | 393,210 | 1.20 |
| Derivatives assets designated as hedging instruments | 17,326 | 0.05 |
| Loans and advances to banks | 737,782 | 2.26 |
| Loans and advances to customers | 18,826,508 | 57.60 |
| Financial assets available for sale | 6,369,108 | 19.49 |
| Investment in subsidiaries | 143,116 | 0.44 |
| Property and equipment | 206,582 | 0.63 |
| Intangible assets | 146,937 | 0.45 |
| Deferred tax assets | 19,732 | 0.06 |
| Other assets | 63,070 | 0.19 |
| Non-current assets and disposal groups classified as held for sale | 2,914 | 0.009 |
| TOTAL ASSETS | 32,687,232 | 100.00 |
| LIABILITIES | thș RON | % in Total Liabilities and Equity |
| Financial liabilities at fair value through profit or loss | 99,363 | 0.30 |
| Derivatives liabilities designated as hedging instruments | 98,685 | 0.30 |
| Deposits from banks | 3,173,396 | 9.71 |
| Loans from banks and other financial institutions | 2,545,618 | 7.79 |
| Deposits from customers | 22,443,451 | 68.66 |
| Debt securities issued | 551,025 | 1.69 |
| Subordinated liabilities | 223,356 | 0.68 |
| Provisions | 64,106 | 0.20 |
| Current tax liabilities | 41,003 | 0.13 |
| Other liabilities | 190,712 | 0.58 |
| TOTAL LIABILITIES | 29,430,713 | 90.04 |
| EQUITY | | |
| Share capital | 1,101,604 | 3.37 |
| Share premium | 0.055 | 0.00 |
| Reserve on available for sale financial assets | 36,698 | 0.11 |
| Cash flow hedging reserve | (50,940) | (0.16) |
| Revaluation reserve on property and equipment | 10,893 | 0.03 |
| Other reserves | 240,535 | 0.74 |
| Retained earnings | 1,917,730 | 5.87 |
| TOTAL EQUITY | 3,256,519 | 9.96 |
| TOTAL LIABILITIES AND EQUITY | 32,687,232 | 100.00 |

A more detailed explanation on main Statement of financial position's captions is presented below.

2.3. Assets

Cash and cash equivalents – The balance of current accounts with the National Bank of Romania represents the minimum reserve requirements. As at 31 December 2016, the minimum reserve requirements settled of 8% (31 December 2015: 8%) for liabilities to customers in RON and 10% (31 December 2015: 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 longer than 2 years with reimbursement, transfer and anticipated withdrawals clause, or 0% for all the other liabilities included in the calculation base.

Loans and advances to customers - a total amount of RON 18.8bn which is 57.60% of total assets.

The outstanding credit balance as at 31.12.2016 is distributed as follows:

- 66.51% non-financial institutions;
- 23.55% households, individuals;
- 9.84% public administrations and other financial institutions.

Term loans granted to customers are classified, according to the remaining maturity, into the following time buckets:

- up to one year 50.54%
- between 1 and 5 years 25.75%
- over 5 years 23.71%

Loans are collateralized mainly by mortgages, assignments of receivables, pledges, corporate guarantees from parent company and letters of guarantee. The risk structure of total loan portfolio (including individuals and companies) at the end of 2016 is as follows:

- Neither past due nor impaired 87.49%;
- Past due but not impaired 4.76%;
- Other impaired loans 1.02%;
- Individually significant impaired loans 6.73%.

Investments in subsidiary - The Bank holds interests in the following subsidiaries which are directly controlled, and are accounted at cost in the separate financial statements:

- 50.1% direct and indirect control (50.1% as of 31st December 2015) in UniCredit Consumer Financing IFN SA (“UCFIN”), a company providing consumer financing loans to individuals, with net carrying amount RON 64,767,136 (RON 64,767,136 as of 31st December 2015);
- 99.98% indirect control (99.98% as of 31st December 2015) and 99.96% direct control (99.96% as of 31st December 2015) in UniCredit Leasing Corporation IFN S.A. (UCLC), a company providing leasing services to domestic and foreign customers, with net carrying

amount RON 78,348,547 as of 31st December 2016 (RON 78,348,547 as of 31st December 2015). UCLC was an associate entity, until April 2014 when it became a UCB's subsidiary.

Other assets of RON 63.07mn (0.19% of total assets) include:

- RON 30.70mn sundry debtors;
- RON 18.23mn prepayments;
- RON 5.25mn amounts receivable;
- RON 1.91mn inventories;
- RON 6.98mn other assets.

2.4 Liabilities

Deposits from banks in total amount of RON 3,173.39mn (9.71% of total liabilities), include:

- RON 859.37mn sight deposits of credit institutions and amounts in transit;
- RON 2,314.02mn term deposits and long term funding from credit institutions.

Deposits from customers in total amount of RON 22.4bn, (68.66% of total liabilities), include:

- RON 15,821mn sight deposits (70.50% of total deposits from customers);
- RON 6,520mn term deposits (29.05% of total deposits from customers);
- RON 100.86mn other amounts due to customers, (0.45% of total deposits from customers).

Other liabilities in total amount of RON 190.71mn (0.58% of total liabilities) representing debts to the state budget (RON 19.66mn), accruals for third party services (RON 50.36mn), amounts payable to suppliers (RON 59.60mn), deferred income (RON 24.14mn), amounts due to employees (RON 28.65mn), other liabilities (RON 8.3mn).

Provisions of RON 64.1mn (0.20% of total liabilities) are presented below:

-mn RON-

| | |
|--|-------------|
| Provisions for financial guarantees | 38.4 |
| Provisions for off-balance sheet commitments | 17.9 |
| Provisions for legal disputes | 5.9 |
| Other provisions | 1.9 |
| Total | 64.1 |

Subordinated loans of RON 223.4mn (0.68% of total liabilities) represent the outstanding value of subordinated loans borrowed from UniCredit Bank Austria AG.

2.5. Shareholders' equity

At 31 December 2016, the value of shareholders' equity of the Bank is RON 3,257mn.

As of 31 December 2016, the shareholders' equity includes:

- **Subscribed share capital** is in total amount of RON 1,101.6mn out of which RON 379.1mn represents the paid-in capital at nominal value divided into 40,760,784 ordinary shares of RON 9.3 par value each. The remaining difference represents the hyperinflation effect from application of IAS 29 — Financial Reporting in Hyperinflationary Economies.
- **Other reserves** of RON 240.5mn include:
 - Statutory general banking reserves of RON 115.8mn;
 - Statutory legal reserves of RON 78.7mn;
 - Other reserves of RON 26.9mn;
 - Effect of hyperinflation due the application of IAS 29 of RON 19.1mn.
- **Share premium** of RON 55.
- **Revaluation reserve** of property and equipment of RON 10.8mn.
- **Other reserves related to hedge accounting and to fair value investments securities, available for sale** of RON -14.2mn (net amount);
- **Retained earnings (including 2016 net profit)** as of 31.12.2016 are in amount of RON 1,917.7mn (in 2015: RON 1,762mn).

2016 current net profit is RON 266.6mn (in 2015: RON 222.1mn).

2.6. Off balance-sheet accounts

The off balance-sheet accounts at the end of 2016 amounts to RON 5,691.2mn which include:

- RON 1,883.9mn loan commitments;
- RON 189.8mn letters or credit;
- RON 3,617.5mn issued guarantees.

2.7. Separate Profit and loss account

2016 Separate IFRS Income Statement of UniCredit Bank SA is presented below:

| Items | 31-Dec-16 the RON |
|--|----------------------|
| Interest income | 989,665 |
| Interest expense | (257,417) |
| Interest on effect of swap transactions to refinancing lines with UniCredit Group companies | 0 |
| Net interest income | 732,248 |
| Fee and commission income | 356,175 |
| Fee and commission expense | (74,068) |
| Net fee and commission income | 282,108 |
| Net income from trading and other financial instruments at fair value through profit or loss | 236,185 |
| Fair value adjustments in hedge accounting | (3,811) |
| Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss | 121,914 |
| Dividends incomes | 1,914 |
| Other operating income | 7,819 |
| Operating income | 1,378,375 |
| Personnel expenses | (303,712) |
| Depreciation and impairment of tangible assets | (42,712) |
| Amortisation and impairment of intangible assets | (46,699) |
| Other administrative costs | (283,673) |
| Other operating costs | (9,136) |
| Operating expenses | (685,932) |
| Net operating income | 692,443 |
| Net impairment losses on financial assets | (324,099) |
| Net provision losses | (39,579) |
| Net gains/losses from other investment activities | (2,375) |
| Profit / (Loss) before taxation | 326,389 |
| Income tax | (59,835) |
| Net profit for the year | 266,554 |
| Other comprehensive income, net of tax | |
| Items that will not be reclassified to profit or loss | |
| Revaluation of property, plant and equipment (net of deferred tax) | 48 |
| Total Items that will not be reclassified to profit or loss | 48 |
| Items that may be reclassified to profit or loss | |
| Net change in revaluation reserve for available for sale financial assets (net of deferred tax) | (44,094) |
| Net change in cash flow hedging reserve (net of deferred tax) | (4,312) |
| Total items that may be reclassified to profit or loss | (48,406) |
| Other comprehensive income for the year, net of tax | (48,357) |
| Total comprehensive income for the year | 218,197 |

3. Profit distribution

The gross loss before tax for 2016 is RON 326.4mn. **The net profit is RON 266,554,448** due for distribution according to the law.

The Board Members proposes to the Annual General Shareholders Meeting, the 2016 net profit distribution, as follows:

- dividend distribution in amount of RON 126,986,295
- set-up of a reserve for the amount of RON 4,292,943 related to the reinvested profit of the year 2016, for which the Bank applied the income tax exemption according to art. 22 of Law 227/2015
- reinvestment of the net profit in total amount of RON 135,275,210 in order to support the capital base and solvency ratio of the Bank.

4. Forecast related to future evolution of the Bank

Romania's economic growth was particularly high in 2016, driven mainly by strong consumption which was boosted by the VAT cuts, the double-digit growth of real wages, the revitalized consumer confidence, job creation and strong lending in local currency. Although the growth pace tempered in 3Q2016, we estimate a growth rate of 4.5% for the full year 2016, slightly below the 4.8% growth in the first nine months of 2016. However, the sector performance is not balanced and a slowdown is likely in 2017-2018, as some of past growth stimuli fade. The contribution to growth from internal consumption in 9M2016 was 6.1pp, while investments picked up only slightly (1.0pp) and net exports subtracted from growth (-1.4pp). On the supply side, retail sales were the main contributor to growth by 1.8pp, followed by IT (0.8pp), professional activities (0.4pp), industry (0.4pp), construction and agriculture (0.2pp each).

The government will struggle to keep the budget deficit below 3% of GDP in 2017 and 2018, as the new fiscal easing measures and salary hikes implemented in 2017 could push the deficit above 4% of GDP. As a result, planned infrastructure investment and co-financing for EU funds may be cut this year by a quarter (more than 1% of GDP) to meet the deficit target.

The NBR kept the monetary policy rate unchanged at 1.75% in 2016. The minimum reserve requirements for RON-denominated liabilities were kept unchanged (at 8%), while the ones for FCY-denominated liabilities were reduced in two steps by a cumulated 4pp to 10%, releasing RON 4.2bn. Annual inflation continued to be negative in 2016 (-0.5% in December and -1.5% on average in 2016), due to the VAT cuts (by 15pp to 9% for food products in June 2015 and by 4pp to 20% for the general VAT rate in January 2016). However, the NBR could not continue monetary easing,

given the expansionary fiscal stance and the fast growth in wages. We estimate that inflation will return inside the 1.5-3.5% target range in 2017, but could remain below the 2.5% target after the VAT and excise duty cuts implemented in January 2017. Although the NBR may want to align the policy interest rate to the new inflation level, it could choose to look through the initial reflation episode in 1H17 and start raising rates only when inflation approaches the 2.5% target, in late 2017.

Market liquidity remained abundant throughout the year, keeping ROBOR rates at very low levels and enabling them to touch even new historical lows. The EURRON stood in the 4.40-4.50 preferred interval for most of the year, although the RON was subject to episodes of depreciation, triggered by both internal (discussions on the CHF loan conversion bill, political tensions at year-end) and external events (such as the Brexit vote, Donald Trump's surprise victory in the US Presidential elections and monetary policy decisions by the ECB and the Fed). Escalating external worries and the discussion around Romania's 2017 budget could lead to temporary depreciation pressures throughout 2017 as well, but we expect the EURRON to trade mostly in the 4.40-4.50 range, closer to the upper limit of the range.

The clean-up of banks' balance sheet continued in 2016, depressing the stock of credit, especially the one of companies. Lending to households picked up (+4.2%yoy in November 2016; FCY-adjusted), but the stock of credit to companies continued to contract from 2015 (-3.5%yoy in November 2016; FCY-adjusted), as companies prefer first to reinvest their profit, second to borrow from parent companies, third to widen the commercial credit between companies and the last option is taking banking loans.

Similar the previous year, new lending in 2016 was done predominantly in LCY for both individuals and companies, with the LCY stock reaching a share of 56.9% in total private sector loans at the end of November 2016 (up from 50.7% at the end of 2015). This evolution strengthens the transmission of the monetary policy, helps mitigate risks to financial stability and enhances the robustness of the economy. The main drivers for this change were the central bank's efforts and regulations to protect customers against depreciation risks, together with LCY interest rates slipping to historical lows. The loan-to-depo ratio decreased slightly to 83.8% at the end of November 2016, down 2pp in comparison to end-2015. The portfolio clean-up continued to have a limited impact on banks' profitability in 2016, with loan loss provisions of only RON 3bn in 9M2016, in line with those in the corresponding period of 2015. Consequently, although the low interest environment and keen competition continued to pressure revenue margins, banks registered RON 3.7bn profit in 9M2016. The banking system remains well capitalized, with a solvency ratio of 18.76% in September 2016.

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

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

5. Research and development activity

The research and development activity of UCB, including the know-how received from UniCredit Group, was mainly directed to improvement of efficiency and productivity of:

- Products and services offered to customers;
- Risks management systems;
- Internal control systems and compliance;
- Financial accounting systems;
- IT systems;
- Human resources management;
- Decision making systems.

Learning & Development

- Focus of training activity on developing the technical skills and knowledge of the employees from all divisions;
- Network employees had access to special training programs for developing technical knowledge as well as competencies needed in their daily activity. School branches were actively involved in delivering these trainings. There was an increase in number of School Branches in 2016, reaching a total of 6 in Bucharest and the main cities in the country. More than 700 colleagues participated at in-class trainings.
- The internal e-learning and testing platform, including that from UniCredit Group were actively used both for on-line education, as well as for periodical testing sessions, for topics as: AML Compliance, Information Security, Physical Security, Antifraud, market abuse, financial sanctions, transparency and consumer protection, MIFID, Volcker Rule. Using this platform were delivered also technical trainings for employees in the network;

- An improved format of the induction program was relaunched, including in class training, online as well as on the job training
- Continued development of the leadership pipeline, as one of our strategic objective, relying on UniCredit Group Talent Management Programs addressing executives and talents (Executive Development Program, Talent Management Review);
- Growing Talents, an internal talent program was launched and included 120 colleagues from all entities of UniCredit in Romania. Currently, these colleagues are undergoing a customized development program. The employees with managerial position had access to trainings and specialized programs: managerial trainings, business simulations, leadership events and conferences, , coaching – in order to further developed managerial competencies and performance;
- Cooperation with local students associations in Bucharest and within the country.

Integrity/Corporate Social Responsibility

Approximately EUR 450.000 was invested in sponsorship and Corporate Social Responsibility projects. The Bank was involved and sustained a number of educational, social, cultural and creative entrepreneurial projects in cooperation with different NGOs and partners.

Educational projects:

- Together with the team from Teach for Romania program, the Romanian educational system has a boost of confidence and hope supporting 3 teachers – financially covering their wedges for the entire working year of 2016 – which are currently teaching in a school in Fundeni, Calarasi.
- The Bank was main partner of the sixth edition of The Power of Storytelling 2016 conference. An event built around the idea that stories can change our worlds, connect people, move action and drive change. The only one in Eastern Europe of its kind, it brings together storytellers in all fields.
- Continued to be partners of Creative Mornings Bucharest, a lecture series for the creative community, for 12 editions in 2016, one at the end of each month, with a constant rising awareness and engagement throughout the Romanian audience (100 participants on each session).
- We continued the project we launched in 2015 – together with our partners from Decat o Revista (DoR) – entitled 24/7 the social entrepreneurial guide, an inspirational and educational tool for the creative community in Romania offering them the documented

stories and advice of different creative businesses across sectors. A big success on its second edition, which will be continued on public demand in 2017.

- The Bank was the main partner of DIPLOMA for the second year in a row, an educational festival dedicated to the creative students in Romania, that are graduating from vocational universities, offering them tailored conferences, workshops and exhibitions.

Social projects:

- 13 philanthropic projects sustained by the Bank and co-sponsored by UniCredit Foundation, within the framework of the regular GIFT MATCHING campaign. The projects are driven and financially supported by its employees and UniCredit Foundation, matching individuals' donations.
- As a part of GIFT MATCHING program, the Bank financially supported the fourth edition of the charity marathon between Bucharest and Sofia and back – 1000Balkan Charity Challenge - <http://1000balkan.com/>.
- UCB together with NESst Foundation Romania, UniCredit Foundation and UniCredit Business Integrated Solutions (UBIS) organized a competition where 5 social businesses from NESst portofolio were awarded through Your Choice Your Project (YCYP) initiative. The project involved 850 employees from UniCredit Bank and UBIS, who selected the winners based on a nominal voting system. The financial support of approximately EUR 50.000 was granted to social businesses through direct grants, knowhow and trainings.

Culture:

- Main partner of the International Theatre Festival in Sibiu (FITS) and for Summer Well music festival. For FITS in 2016, the Bank continued its support for the redecoration of the Fabrica de Cultura performance venue and printed out the festival program for the audience. For Summer Well in 2016, the Bank supported for the festival itself, and provided the attendees with custom designed ATM, special festival wallet holders, bracelets, t-shirts, engaging with the audience in their own creative language. We also supported free public transport to the venue in branded buses, a special designed area where everybody could take pictures on Instagram and get them printed on the spot, and the most important of all we provided the FestiPay paying system so that the festival goers could buy everything they needed inside the premises with a special designed card (in a partnership with Visa).

Creative entrepreneurial projects:

- UniCredit Bank was the main partner of ZAIN Design Festival and Business Accelerator in Cluj-Napoca. The design festival almost 9000 visitors and very good media coverage. The business accelerator was a week long program that at the end awarded one designer with 3000 EUR so that they could develop their business.

Environmental projects:

- UniCredit Bank continued the partnership with Planting Good Deeds in Romania Association through which we supported the association in planting more than 15.000 square meters of wood sapling all over the country. Our colleagues participated as volunteers in planting actions in Gostinari (Giurgiu), Letcani (Iasi) and Jegalia (Calarasi).

6. Management

The Bank's senior management has applied strictly all acting statutory and UniCredit Group regulations. The Bank's performance was strictly and regularly monitored and corrective or enhancement decisions were made in a timely manner. The Bank maintained its solid financial standing, covering all potential risks.

The Bank was properly represented on due managerial level in different bodies and forums in Romania and internationally at UniCredit Group level.

7. Risk Management***7.1. The foreign exchange risk***

The Bank is exposed to foreign exchange risk as a consequence of its foreign exchange transactions performed between RON and foreign currencies in which the assets and the liabilities are denominated.

The main foreign currencies held by the Bank are EUR and USD. The Bank strictly monitors and manages the foreign currency position. It has strictly observed the regulatory limits set by the NBR and other internal regulations.

7.2. Interest risk

The Bank faces interest rate risk that could be a result of exposure to unfavorable fluctuations of the interests on the market. The change of the interest rates on the market directly influences the income and expenses related to the financial assets and liabilities bearing variable interests, as well as the effective value of those bearing fixed interest rates.

For the financial receivables and financial liabilities in RON, the Bank aims to correlate the current interest rates on the market and to obtain a positive interest margin.

For the financial assets and liabilities denominated in foreign currencies, the Bank aims to maintain a positive net position. Most of its interest-earning assets and interest-bearing liabilities in foreign currencies have variable interest rates which could be updated at Bank's initiative or are related to a reference variable interest rate on the inter-banking market.

7.3. Credit risk

The Bank is exposed to credit risk, representing the risk of negative impact on revenues generated by debtors not fulfilling the contractual obligations of loans granted on short, medium or long run. The Bank manages credit risk through a comprehensive set of measures, both at transaction or debtor level, as well as at overall bank level, by:

- Strict evaluation of debtors creditworthiness and of loan applications;
- Continuous monitoring of the exposures in order to identify any changes that may affect negative the overall risk status or generate the breach of risk limits set out by the internal procedures;
- Set up of general loan loss provisions in correlation with the estimated expected losses for all credit portfolio, as well as specific loan loss provisions for high risk or defaulted exposures;
- Capital allocation for credit risk unexpected losses in accordance with the regulatory and UniCredit Group regulations;
- Regular monitoring of the credit risk profile of the Bank in order to ensure compliance within the tolerance limits defined in accordance with the risk management strategy and the Bank risk appetite.

In respect of the assurance of prudent management for credit counterparty risk, the Bank deals with adequate ranking international banks based on the specific assessment criteria and strict internal rules. Therefore specific limits are set up for transactions with other banks, related to deposits and foreign currency exchange.

7.4. Liquidity risk

The liquidity risk is the probability of the bank falling short of its due payments resulting from its contractual relations with clients and third parties. Under normal conditions of market functioning, the liquidity risk may materialize also through the need for the bank to pay a premium over market rates to be able to access liquidity.

Among the main potential generators of liquidity risk, UCB distinguishes between liquidity mismatch risk/refinancing risk; liquidity contingency Risk; market Liquidity Risk.

In line with the Group's liquidity framework, the main goal of UCB's overall liquidity management is to keep the liquidity exposure at such a level that the bank is able to honor its payment obligations on an on-going basis, but also during a crisis without jeopardizing its franchise value or its brand's name.

Hence, two main operating models for the liquidity management are defined: Going Concern Liquidity Management and the Contingent Liquidity Management.

From a liquidity risk governance perspective UCB keeps two layers Managing Bodies acting as strategic decision taking functions and Operational units acting as operative liquidity management functions, i.e. ALM, Market Risk, Markets – Trading.

In accordance with the strategic goal of self-sufficient funding, Bank's medium and long term funding strategy is centered on:

- encouraging sticky client deposits
- development of strategic funding through own bonds issues, covered bonds issues.
- development of relations with various international financial institutions and foreign banks for special financing programs

The liquidity cost benefit allocation is an important part of the liquidity management framework. Liquidity is a scarce resource and accordingly a proper management of costs and benefits is essential

in order to support sound and sustainable business models. Therefore, the Bank has put in place proper funds transfer pricing mechanism.

Key measures used by the Bank for measuring liquidity risk are:

- the daily short-term liquidity report, through which cash inflows and outflows mainly coming from inter-bank transactions are monitored;
- the structural liquidity gap –used to determine the gap between assets and liabilities with maturities over one year;
- regulatory indicators: the Bank has to comply with the limits imposed by National Bank of Romania, such as the liquidity indicator calculated according to NBR Regulation no. 25/2011, Liquidity covered ratio, Net stable funding ratio;
- other key indicators for the management of liquidity and funding needs used to assess the liquid assets, the concentration of funding, the immediate liabilities, the difference between the commercial funding and the commercial loans

The Bank sets the limit and triggers levels for the main indicators used to measure the liquidity risk and in case a breach is observed or anticipated, specific requested actions are taken for correcting the structure of the asset and liability mix of the bank.

A regular stress testing assessment is done in order to evaluate the liquidity position of the Bank. In case of a deteriorating position, liquidity stress tests are one of the main metrics in order to support management's decisions before and also during stress situations. In particular, liquidity stress test results are useful in order to assess the "right" sizing and composition of a liquidity buffer on a regular basis. As such, liquidity stress testing serves as an essential tool of assessment of the liquidity risk in an on-going basis, rather than in a crisis situation only.

7.5. Cash flow management

The Bank focused its attention to mitigate the exposure to cash flow risk within its regular course of business, but also for longer periods of time.

The main monitored areas in order to mitigate cash flow are: operational activity, investment activity and financing activity.

7.6. Derivative financial instruments

The Bank deals with certain types of derivatives, aiming to hedge underlying risk positions, such as interest rate swaps, exchange rate swaps, forward contracts, exchange rate options and interest rate options. The derivatives are traded on the OTC market.

On 31 December 2016, the Bank had outstanding a number of FX swap contracts, as well as forward contracts, interest rate swaps, cross currency swaps, FX options and interest rate options. FX and interest rate options, commodities options and swaps, as well as IRS concluded with clients and closed back to back, mainly with the Group.

In designating financial instruments in qualifying hedge relationships, the Bank has determined that it expects the hedges to be highly effective over the period of the hedging relationship. The Bank designated certain interest rate swap and cross currency swap contracts as hedging instruments and certain loans and deposits from customers of the Bank and foreign currency Romanian sovereign bonds as hedged items, within cash flow and fair value hedge relationships. For hedge accounting purposes, only instruments that involve an external party to the Bank (or intra-group transactions directly replicated with third parties outside the Group) are designated as hedging instruments.

7.7. Tax risk

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient and effective tax function within the organization. The Bank strictly complies with the fiscal laws regarding taxes and duties.

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

The Bank is constantly focused on transfer pricing risk monitoring, including proper documentation of intra-group transactions with proactive approach.

Romania has recently adhered to the BEPS Implementation Forum, in order to implement the BEPS (base erosion and profit shifting) measures nationally. BEPS measures mention transfer pricing as an important component of the action plan, but also the intensification of the exchange of information

and legislative changes aimed at fighting base erosion and profit shifting. These measures will be introduced within domestic fiscal legislation starting with 2017.

7.8. Compliance risk

Within a complex legal framework, the Bank is subject to the compliance risk, defined as the actual or future risk to impact the profits and capital, which may lead to fines, claims and/or cancellation of contracts or which may affect the reputation of a credit institution, as a result of breaching or non-compliance with the regulatory framework, agreements, recommended practices or ethical standards.

In this respect, compliance function in order to meet the requirements of the law, supported Management Board to manage the conformity risk. In this respect, the compliance risk function gives support to identify, evaluate, monitor and report the compliance risk associated to different activities, including consultancy to respect the legal and internal requirements and UniCredit Group's requirements.

8. Shareholders' equity

At 31 December 2016 the paid-in capital of the Bank was RON 379,075,291.20 split into 40,760,784 shares at RON 9.3 par value each.

The structure of the Bank's shareholders as at 31 December 2016 is the following:

| <i>Shareholder</i> | <i>Shares' number</i> | <i>Value (RON)</i> | <i>%</i> |
|--------------------------------|--------------------------|------------------------------|-------------------|
| <i>UniCredit S.p.A.</i> | <i>40,079,109</i> | <i>372,735,713.70</i> | <i>98.328</i> |
| <i>Romanian Individuals</i> | <i>639,259</i> | <i>5,945,108.70</i> | <i>1.568</i> |
| <i>Romanian Legal Entities</i> | <i>25,048</i> | <i>232,946.40</i> | <i>0.061</i> |
| <i>Foreign Individuals</i> | <i>10,028</i> | <i>93,260.40</i> | <i>0.025</i> |
| <i>Foreign Legal Entities</i> | <i>7,340</i> | <i>68,262.00</i> | <i>0.018</i> |
| <i>TOTAL</i> | <i>40,760,784</i> | <i>379,075,291.20</i> | <i>100</i> |

During 2016, there were changes in the shareholding structure as follows:

- Romanian individuals, in 2015: 3.9957% of total share capital, in 2016: 1.568 % of total share capital;
- Romanian legal entities, in 2015: 0.1801% of total share capital, in 2016: 0.061% of total share capital;

- Foreign Individuals, in 2015: 0.1346% of total share capital, in 2016: 0.025% of total share capital.
- On March 21, 2016, UniCredit Bank Austria addressed a purchase offer to the minority shareholders of UniCredit Bank S.A. The outcome of this project was that UniCredit Bank Austria acquired 1,104,229 shares from the minority shareholders and increased its participation to the share capital of UniCredit Bank S.A. to 98,328%.
- On October 1st, 2016 UniCredit Bank Austria transferred its CEE Business including its participation in UniCredit Bank S.A., by way of a demerger by absorption to a newly incorporated receiving company, namely to UCG Beteiligungsverwaltung GmbH. Simultaneously with the demerger, UniCredit S.p.A., merged with UCG Beteiligungsverwaltung GmbH, UniCredit S.p.A. becoming the main shareholder of UniCredit Bank S.A. and the owner of the Shares, representing 98.328% from the total share capital.

9. Corporate Governance

The Bank is responsible for the existence of a rigorous management framework designed to include at least the following aspects:

- organizational structure and organization;
- the Bank's Governing body: duties and responsibilities;
- composition and function, general framework for the activity;
- risk management;
- internal control;
- informational systems and business continuities;
- transparency requirements.

The Bank has internal regulations regarding management of the business, in the light of the Group's guidelines. The Bank adapted management framework depending on nature, scale and complexity of the inherent risks in the business model.

9.1. General Shareholders' Meeting ('GSM')

The General Shareholders' Meeting is constituted as the **supreme authority** of the Bank.

The rights, responsibilities and working methods of the GSM are established in the Constitutive Act of the Bank and they are carried out in compliance with the applicable Romanian laws and regulations.

The detailed tasks and responsibilities are set forth in the Bank's Constitutive Act,

The General Shareholders' Meeting could delegate a part of its competences to Supervisory Board and Management Board in the cases mentioned in the Constitutive Act and in compliance with the applicable laws.

The roles and responsibilities are detailed in the specific regulation/rule of procedure.

The **General Meetings of the Shareholders** shall be convened at least once a year, within 5 months since the financial year end in accordance with the legal requirements, and at any time it is needed to make decisions in its area of responsibility, in accordance with the provisions of law or the Constitutive Act.

Extraordinary General Meeting of Shareholders shall be convened whenever decisions in its responsibilities must be adopted.

The **Ordinary General Meeting of Shareholders** shall:

- discuss, approve or modify the annual financial statements, based upon the reports of the Management Board, Supervisory Board and financial auditor, and shall determine the dividends;
- appoint the Supervisory Board members from among the candidates nominated by the existing Supervisory Board members or by the Bank's shareholders and revoke the Bank's Supervisory Board members;
- appoint and revoke the financial auditor and establish the minimum duration of the financial audit contract following the proposal of the Supervisory Board;
- approve the remuneration of the Bank's Supervisory Board' members;
- express its opinion about the Management Board's management;
- approve the budget of income and expenses, and the program of activity for the next financial year as established by the Management Board and after preapproval by the Supervisory Board;
- approve the pledging, renting out or dissolving of one or more of the Bank's units.

9.2. Supervisory Board

The Supervisory Board is the statutory body of the Bank which is responsible for supervision and control of the Bank, in particular shall supervise the exercise of powers by the Management Board and the conduct of the Bank's business activities. As of 31st December 2016, Supervisory Board has 4 members elected for a 3 year term, allowing reappointment.

The Supervisory Board shall supervise the financial and business activities of the Bank and shall control the observance of the provisions of the Constitutive Act and of any relevant legal provisions by the Bank's management bodies, The Supervisory Board shall further review the annual financial statements including the proposal for the distribution of profits, and the annual report prior to submitting them to the Ordinary General Meeting of Shareholders for approval.

The competences of the Supervisory Board are established by the Constitutive Act and the Romanian laws and regulations in force.

The Supervisory Board acts in 2016 through the Audit Committee, Remuneration Committee, Risk Administration Committee, Nomination Committee and any other consultative committee with the scope to assist the management in specific areas.

9.3. Management Board

The Management Board is the statutory body responsible for current management of the Bank, has 7 members as of 31st of December 2016 elected for a 3 year term, allowing reappointment.

The Management Board is the statutory body of the Bank which is responsible for the management and execution of all activities of the Bank, including monitoring and control of the business objectives of the Bank, The Management Board takes decisions on any matters of the Bank, unless such decisions are reserved to other bodies according to legal regulations or this Constitutive Act.

The Management Board manages and coordinates collectively the Bank's activity in accordance with the competences assigned by the Constitutive Act and the Rules of Procedure of the Management Board.

The members of the Management Board are appointed and/or revoked by the Supervisory Board.

The mechanism of the functioning of Management Board's meetings is described in the Rules of Procedure regarding the preparation and holding of the Management Board's meetings.

Both Supervisory Board and Management Board operate through specialized committees, whose role is to assist the management structure in specific areas.

9.4. Committees subordinated to Supervisory Board

Committees subordinated to Supervisory Board are:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Risk Administration Committee

9.4.1. Audit Committee

The Audit Committee is directly subordinated to the Supervisory Board.

The Audit Committee is a consulting body of the Supervisory Board, with specialized attributions, The Audit Committee shall oversee the internal control system of the Bank with assessment, consultative and proposing functions.

The Audit Committee will be composed of 3 elected non-executive members of the Supervisory Board, The members of the Audit Committee and the Chairman will be elected by the Supervisory Board.

The roles, responsibilities and functioning mechanisms of the Audit Committee are detailed in the Audit Committee Regulation.

9.4.2. Remuneration Committee

The Remuneration Committee is directly subordinated to the Supervisory Board.

The Remuneration Committee is set up to:

- determine the compensation (fixed and variable part) to be paid to each of the Bank's Management Board members, as well as Heads of Audit, Compliance and Risk Management;
- approve the terms and conditions of the management contracts to be concluded between the Bank and the members of the Management Board;

- Approve the goals of the Management Body and Head of Audit, Compliance and Risk Management.

The remuneration Committee is formed of three members selected from among the Supervisory Board members. The Chairman of the Remuneration Committee is appointed by the Supervisory Board. The Remuneration Committee members shall be appointed for the period of three years, reappointments being allowed.

The roles and responsibilities and functioning mechanisms of the Remuneration Committee are detailed in the Remuneration Committee Rules of Procedure.

9.4.3. Nomination Committee

The Nomination Committee is a permanent committee established by the Supervisory Board having as main duties:

- to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body;
- to assess the balance of knowledge, skills, diversity and experience within the management body;
- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and to make recommendations to the management body with respect to any changes;
- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;
- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.

The nomination committee consists of minimum 3 (three) and maximum 5 (five) members selected from amongst the Supervisory Board members.

The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation.

9.4.4. Risk Management Committee

Risk Management Committee is directly subordinated to the Supervisory Board, Risk Management Committee is a permanent committee of UniCredit Bank having a consultative and support function to the Management Body composed by the Management Board and the Supervisory Board and carry out its duties in plenary session.

The RMC shall be composed of minimum 3 (three) and maximum 5 (five) members among of the SB's members.

The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation/rule of procedure.

9.5. Committees subordinated to Management Board

Committees subordinated to Management Board are:

- Risk Management Operative Committee;
- Credit Committee;
- Assets and Liabilities Committee (ALCO);
- Disciplinary Committee;
- Norms and Procedures Committee;
- Projects Committee;
- Branch Network Committee;
- Security and Healthy Committee;
- Fraud Risk Management Committee;
- Special Credit Committee;
- Business Continuity & Crisis Management Crisis Committee;
- Conflict of Interest Committee;
- Professional Assessment Committee;
- Cost Committee;
- Internal Control Business Committee;
- Operational Permanent Work Group Committee.

Activities of the most important committees subordinated to the Management Board are presented below.

9.5.1. Risk Management Operative Committee

Risk Management Operative Committee is a permanent committee of UniCredit Bank SA, The Committee shall exercise a consultative and proposing function and carry out its duties in plenary session, The Risk Management Operative Committee regulation will be reviewed periodically, if necessary.

The number of members of Risk Management Operative Committee with voting rights (permanent members) is 10.

The roles and responsibilities and functioning mechanism of the Risk Management Operative Committee are detailed in own regulation.

9.5.2. Credit Committee

The Credit Committee is a permanent committee responsible for making decisions regarding credit facilities under its area of competence in order to ensure an adequate quality of loans portfolio, according to the approved credit policy. The number of members of Credit Committee is 4.

The roles and responsibilities and functioning mechanisms of the Credit Committee are detailed in the Credit Committee Regulation.

9.5.3. Special Credit Committee

The Special Credit Committee is organized with the purpose of advising, recommending, approving, rejecting loan applications and related memos for amendments to already approved transactions or other requests, for corporate clients (watch list 2), and all restructuring and workout clients (corporate clients, retail clients, private banking clients).

The roles and responsibilities and functioning mechanisms of the Special Credit Committee are detailed in the own regulation.

9.5.4. Assets and Liabilities Committee (ALCO)

The ALCO Committee is responsible for ensuring an adequate and sound management of the bank's Balance Sheet in a proactive manner, All members of the ALCO must be aware of all relevant business and market changes in order to ensure a balanced decision making process, The ALCO monitors and establishes limits for Liquidity and Market Risks, The ALCO evaluates regularly the

market risk profiles of the bank with the aim of optimizing the profit of the bank within the boundaries of approved risk limits, Number of members is 10.

The roles and responsibilities and functioning mechanisms of the Assets and Liabilities Committee are detailed in the own regulation of the committee.

9.5.5. Disciplinary Committee

The Disciplinary Committee meets in order to investigate and analyze whether the employees subject to disciplinary and professional investigation procedure committed the types of violations regarding Code of Conduct, job description, Labor Contract, The number of members is 7.

The roles and responsibilities and functioning mechanisms of this committee are detailed in the Disciplinary Committee regulation.

9.5.6. Normes and Procedures Committee

The Norms and Procedures Committee analyzes and issues recommendation for approval/ rejecting or adjusting internal regulations before approval, Number of members is 10.

The roles and responsibilities and functioning mechanisms of the NPC are detailed in the Norms and Procedures Committee regulation.

9.5.7. Projects Committee

The Projects Committee creates the bases for easier and centralized management of the existing projects or identification of the new ones, in line with bank's strategy, for efficiently usage of resources participating in the projects, Number of members is 9.

The roles and responsibilities and functioning mechanisms of the PC are detailed in the Project Committee regulation.

9.5.8. Branch Network Committee

The Branch Network Committee analyzes and proposes actions for improvement of the activity of the branch network, Number of members is 6.

The roles and responsibilities and functioning mechanisms of the BNC are detailed in the Branch Network Committee regulation.

9.5.9. Security and Health Committee

The Security & Health Committee ensures a real secure and healthy working environment for the employees, in accordance with and with respecting of the specific local legislation in force and the Labour Code.

The Security & Health Committee functioning regulation establishes clear duties for both banks' management and employees, according to local specific legislation, number of members is 8.

The roles and responsibilities and functioning mechanisms of the S&HC are detailed in the Security & Health Committee regulation.

9.5.10. Fraud Risk Management Committee

The main purpose of Fraud Risk Management Committee (hereby "The Committee"), is the evaluation, the monitoring and the control of the fraud risk, by its periodical evaluation with the aim of minimizing the loss produced by the possible frauds (where it is necessary, as the competences permit it).

In Committee mission (composed of 7 members) is included immediate mitigation of fraud risk, depended of situation.

The roles and responsibilities and functioning mechanisms are detailed in the committee's regulation.

9.5.11. Business Continuity & Crisis Management Crisis Committee

The Business Continuity & Crisis Management committee and work teams are established by the decision of the MB.

Decision-making, coordination and operational support during the business as usual and crisis stage.

The number of members is 14.

The roles and responsibilities and functioning mechanisms of the Crisis Committee are detailed in the specific regulation of the Committee.

9.5.12. Professional Assessment Committee

The Professional Assessment Committee meets in order to evaluate and analyze whether the employees subject to professional assessment procedure are professionally suitable for the job,

The number of members is 3.

The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation of the Committee.

9.5.13. Cost Committee

To be a management decision body responsible for the operational monitoring, forecasting and optimization of operational HR and non-HR and capital expenditure of the bank, The number of members is 7.

The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation of the Committee.

9.5.14. Internal Control Committee

Internal Control Committee (10 members) has the role to support the President of the Bank in the assessment of the overall Internal Control adequacy at the Bank's level through the analysis of the critical topics, monitoring and prioritization of the corrective actions related to internal control, in order to contribute to the efficiency and effectiveness of the internal control.

The roles and responsibilities and functioning mechanisms of the Committee are detailed in the specific regulation of the Committee.

9.5.15. Operational Permanent Work Group Committee

Operational Permanent Work Group Committee is responsible for analyzing the operational risk events, as well as, Key Risk Indicators (KRIs) and scenarios, if case, in order to identify mitigation actions aiming at reducing operational risk and losses from operational risk in the future.

The roles, responsibilities and functioning mechanisms of the Committee are detailed in the specific rule of procedures.

9.6. Internal Control

The UCB's internal control is based on:

- the existence of the Internal Control framework

- the existence of the independent internal control function

In the internal control functions, which must be independent, are included:

- risk management function, being composed by risk control function on each business line;
- compliance function and
- internal audit function

The Internal Control framework represents the frame that ensures the deployment of efficient and effective operations, adequate risks control, prudent conduct of activity, credibility of the reported financial and non-financial information, both internally and externally, The Internal Control framework also represents the frame that ensures the compliance with legal and regulatory requirements, supervision requirements and Bank's internal rules and decisions.

The internal control frame covers all Bank's structures, as a whole, including activities of all operational units, of support and control functions.

The internal control functions periodically sends official reports regarding major deficiencies identified to the management body, These reports include monitoring measures for the previous findings and for any new major deficiency identified involved relevant risks, an assessment of the impact and recommendation, per the case.

10. Relations with shareholders/investors

Conduct of General Meetings Shareholders is in accordance with legal requirements of the applicable laws regarding capital market with a special attention to meet the rights and obligations of the shareholders.

11. Communication schedule for 2017

Bank prepares every year a financial communication schedule, for information of their shareholders, this schedule will be published also on Bucharest Stock Market site.

The schedule for 2017 is the following:

| | |
|--|------------|
| 2016 local financial results | 13.03.2017 |
| Annual General Shareholders' Meeting (GSM) for 2016 local financial results approval | 14.04.2017 |
| Presentation of H1 2017 financial results | 04.08.2017 |

12. Members of the Management Board during 2016

- 1. Catalin Rasvan Radu**, Romanian citizen, Executive President (CEO), Chairman of the Management Board.
- 2. Daniela Margareta Bodirca**, Romanian citizen, Executive Vice-President, member of the Management Board.
- 3. Septimiu Postelnicu**, Romanian citizen, Executive Vice-President, member of the Management Board, until 04.05.2016.
- 4. Alina Marinela Dragan**, Romanian citizen, Executive Vice-President, member of the Management Board.
- 5. Marco Giuseppe Esposito**, Italian citizen, Executive Vice-President, member of the Management Board.
- 6. Mihaela Alina Lupu**, Romanian citizen, Executive Vice-President, member of the Management Board.
- 7. Jakub Dusilek**, Czech citizen, Executive Vice-President, member of the Management Board starting with 06.07.2016.
- 8. Marco Cravario**, Italian citizen, nominated as First Executive Vice-President (Deputy CEO), member of the Management Board.

In their activity, the Management Board's members acted in compliance with specific economic legislation in force, norms and regulations issued by National Bank of Romania, Group rules and internal rules and regulations of UniCredit Bank SA.

The Management Board members' activity had as primary goal effective and efficient management of the bank's patrimony in full compliance with the law and statutory regulations.

In conclusion, the main focus of the Management Board members was put on:

- Strong financial standing of the Bank, including solid capital base and liquidity;
- Prudent risk management, including credit, market and operational risks;
- Strict and effective internal control of activity and operations, carried out in accordance with the legal provisions in force;
- Value added of all types of businesses, geographies and operations;
- Completion of the targets set in the budget;
- Business sustainability;
- Corporate social responsibility;

- Increasingly productive and efficiently functioning organizational structure of the Bank, focused on rendering qualitative and competitive banking services and products to the clients of the Bank;
- Increased efficiency of logistical organization and infrastructure;
- Higher automation and systems development, risk management and specialized applications in order to satisfy the bank's operating needs, acting accounting and legal requirements, and enhance decision making process;
- Continuous development and professional training of the bank's employees.

13. Protection of the environment

UniCredit Bank SA is compliant with the applicable legal framework regarding the environmental protection and is concerned to decrease the impact of its operational activities on environment.

14. Conclusion

Despite of local and international challenging economic and market environment, UniCredit Bank SA has a solid financial standing and marked a strong performance in 2016, reconfirming its high value added and growth potential capacity.

The future development objectives will continue to be focused on commercial banking operations in retail, corporate and to put great emphasis on value added servicing, risk management, profitability, productivity and strengthening of market position through higher service quality, enrichment of the spectrum of products and services offered, as well as strict compliance with the acting laws and by-laws.

Catalin Rasvan Radu
Executive President

