

Annual Report
For the year ended at 31st^h of December 2016

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

Date of Report: 13 March 2017

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

1. ECONOMICAL – FINANCIAL STANDING

1.1. Company's presentation

UniCredit Bank S.A. (the „Bank”) is the new brand name of UniCredit Tiriac Bank SA starting with August 2015, having its current registered office at 1F, Expozitiei Boulevard, District 1, Bucharest, Romania. The bank was established as a Romanian commercial bank as Banca Comerciala Ion Tiriac S.A. in 1991, which merged with HVB Bank Romania SA on 01.09.2006, resulting Banca Comerciala HVB Tiriac S.A. As a result of the merger by absorption of the former UniCredit Romania S.A. (the absorbed bank) by Banca Comerciala HVB Tiriac S.A. (the absorbing bank), the Bank is licensed by the National Bank of Romania to conduct banking activities. The Bank provides banking services in local currency („RON”) and in foreign currency to individuals and companies. UniCredit Bank is part of UniCredit, the European financial group with the most extensive network in Central and Eastern Europe and one of the most important in Europe. UniCredit Bank is a "one-stop-shop" for financial services, serving more than 700,000 customers.

UniCredit Bank S.A. is a joint stock company incorporated in 1991, registered with the Trade Register Bucharest under number J40/7706/1991, sole registration number (CUI) 361536, registered with the Banking Register under number RB-PJR-40-011/18.02.1999 (http://www.bnro.ro/files/d/RegistreBNR/InstitCredit/ban1_raport.html).

As of 31 December 2016, 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”); the Group structure has not been changed since 31 December 2015.

The businesses of the subsidiaries and the percentage stake of the Bank in its subsidiaries are presented in the consolidated financial statements prepared in accordance with IFRS as endorsed by EU for the period year ended at 31 December 2016.

Please see **Note Reporting entity** presented in the notes to the consolidated financial statements for the period ended 31 December 2016.

At 31 December 2016, the Group has conducted its activity through 160 branches (in 2015: 184) opened in Romania.

1.2. Consolidated financial statements

1.2.1. Assets, Liabilities, Equity

The structure and the evolution of the main categories of assets, liabilities and equity of the Group are presented below:

<i>Assets</i>	31-Dec-2016	31-Dec-2015	2016/2015 Variance
Cash and cash equivalents	5,806,429,168	4,662,440,931	24.5%
Financial assets at fair value through profit or loss	393,119,265	291,596,454	34.8%
Derivatives assets designated as hedging instruments	17,325,503	16,477,513	5.1%
Fair value changes of the hedged items in portfolio hedge	26,783	305,851	-91.2%
Loans and advances to banks	737,782,299	849,887,971	-13.2%
Loans and advances to customers	20,476,755,183	19,063,021,580	7.4%
Net lease receivables	3,157,684,553	2,729,569,996	15.7%
Investment securities, available for sale	6,371,453,618	6,362,088,047	0.1%
Property and equipment	263,863,595	234,938,243	12.3%
Intangible assets	158,409,354	156,244,574	1.4%
Current tax asset	0	0	n.a
Deferred tax asset	58,521,224	44,517,708	31.5%
Other assets	161,416,898	155,738,502	3.6%
Non-current assets and disposal groups classified as held for sale	2,913,821	960,324	203.4%
Total assets	37,605,701,264	34,567,787,694	8.8%
Liabilities			
Derivative liabilities at fair value through profit or loss	99,316,461	85,114,106	16.7%
Derivatives liabilities designated as hedging instruments	98,730,581	82,170,287	20.2%
Deposits from banks	3,173,396,014	4,748,273,443	-33.2%
Loans from banks and other financial institutions	7,433,468,355	7,250,081,728	2.5%
Deposits from customers	21,995,286,812	17,858,756,074	23.2%
Debt securities issued	551,024,752	550,659,161	0.1%
Subordinated liabilities	323,260,540	322,072,940	0.4%
Provisions	67,301,041	68,855,710	-2.3%
Current tax liabilities	49,968,517	18,439,954	171.0%
Other liabilities	292,333,298	231,722,764	26.2%
Total liabilities	34,084,086,371	31,216,146,167	9.2%
Equity			
Share capital	1,101,604,066	1,101,604,066	0.0%
Share premium	55	55	0.0%
Reserve on available for sale financial assets	36,697,652	80,791,377	-54.6%
Cash flow hedging reserve	(50,940,452)	(46,628,751)	-9.2%
Revaluation reserve on property and equipment	10,892,930	10,844,909	0.4%
Other reserves	240,534,612	240,534,612	0.0%
Retained earnings	2,053,856,522	1,856,780,170	10.6%
Total equity	3,392,645,385	3,243,926,438	4.6%
Non-controlling interest	128,969,508	107,715,089	19.7%
Total Group Equity	3,521,614,893	3,351,641,527	5.1%
Total liabilities and equity	37,605,701,264	34,567,787,694	8.8%

At the end of 2016, total assets were RON 37,605.7 mio, compared to RON 34,567.8 mio as of 31 December 2015 (increase by 8.8%).

The main significant changes (increase/decrease) of Group assets were for the following categories:

- **Derivatives assets designated as hedging instruments:** increase by RON 0.8 mio (+5.1%) from RON 16.5 mio as at 31 December 2015 to RON 17.3 mio as at 31 December 2016.
- **Fair value changes of the hedged items in portfolio hedge:** decrease by RON 279k (-91.2%) from RON 306k in December 2015 to RON 27k in December 2016.
- **Loans and advances to banks:** decrease by RON 112.1 mio (-13.2%) from RON 849.8 mio in December 2015 to RON 737.8 mio in December 2016.
- **Loans and advances to customers:** increase by 1,413.7mio (+7.4%) from RON 19,063.1 mio in December 2015 to RON 20,476.8 mio in December 2016.
- **Net lease receivables:** increase by 428.1mio (+15.7%) from RON 2,729.6 mio in December 2015 to RON 3,157.7 mio in December 2016.
- **Non-current assets and disposal groups classified as held for sale:** increase by 2.0 mio (+203%) from RON 2,9 mio from RON 0.9 mio in December 2016 as a result of increasing efficiency of banking used assets.

The main significant changes (increase/decrease) of Group liabilities/equity positions were for the following categories:

- **Derivative liabilities at fair value through profit or loss:** increase by RON 14mio (+16.7%) from RON 85 mio (31 December 2015) to RON 99 mio (31 December 2016).
- **Derivatives liabilities designated as hedging instruments:** increase by RON 16.6 mio (+20.2%) from RON 82.2 mio as at 31 December 2015 to RON 98.7 mio as at 31 December 2016.
- **Deposits from banks:** decrease by RON 1,574.9 mio (-33.2%) from RON 4,748.3 mio (31 December 2015) to RON 3,173.4 mio (31 December 2016).
- **Deposits from customers:** increase by RON 4,136.5 mio (+23.2%) from RON 17,858.8 mio (31 December 2015) to RON 21,995.3 mio (31 December 2016).
- **Current tax liabilities:** increase by RON 31.5 mio (+171%) from RON 18.4 mio (31 Decembrie 2015) to RON 49.9 mio (31 December 2016).
- **Cash flow hedging reserve:** decrease by RON 4.3mio (-9.2%) from RON -46.6 mio (31 December 2015) to RON -50.9 mio RON (31 December 2016).

1.2.2. Income statement

Income statement for the 6 months period for 2015 and 2016 is presented below:

RON	2016	2015	2016/2015 Variance
Interest income	1,292,213,262	1,269,408,055	1.80%
Interest expense	(347,863,702)	(409,071,762)	-14.96%
Interest related effect of swap transactions related to refinancing lines with UniCredit Group companies	-	3,823,851	-100.00%
Net interest income	944,349,560	864,160,144	9.28%
Fee and commission income	409,575,609	390,678,728	4.84%
Fee and commission expense	(78,364,396)	(80,057,588)	-2.11%
Net fee and commission income	331,211,213	310,621,140	6.63%
Net income from trading and other financial instruments at fair value through profit or loss	245,446,289	251,887,475	-2.56%
Fair value adjustments in hedge accounting	(3,811,455)	(1,630,352)	133.78%
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss	128,522,698	76,339,522	68.36%
Dividends incomes	1,913,613	7,320,896	-73.86%
Other operating income	16,140,107	18,675,622	-13.58%
Operating income	1,663,772,025	1,527,374,447	8.93%
Personnel expenses	(351,845,892)	(356,184,016)	-1.22%
Depreciation and impairment of tangible assets	(43,246,638)	(34,227,568)	26.35%
Amortisation and impairment of tangible assets	(50,366,868)	(48,390,993)	4.08%
Other administrative costs	(323,347,751)	(307,211,094)	5.25%
Other operating costs	(31,043,684)	(31,670,890)	-1.98%
Operating expenses	(799,850,833)	(777,684,561)	2.85%
Net operating income	863,921,192	749,689,886	15.24%
Net impairment losses on financial assets	(416,284,203)	(412,368,113)	0.95%
Net provision losses	(39,999,892)	(9,061,596)	341.42%
Net gains /(loss) from other investment activities	(2,375,006)	(5,451,971)	-56.44%
Profit before taxation	405,262,091	322,808,206	25.54%
Income tax	(75,910,549)	(53,302,020)	42.42%
Net profit for the year	329,351,542	269,506,186	22.21%
Attributable to:			
Equity holders of the parent	308,097,123	252,097,154	22.21%
Non-controlling interests	21,254,419	17,409,032	22.09%
Net profit for the year	329,351,542	269,506,186	22.21%

Cash flows

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

<i>in RON</i>	2016	2015	2016/2015 Variance
Operating activities			
Profit before taxation	405,262,099	322,808,206	26%
Adjustments for non-cash items:			
Depreciation and amortisation and impairment on tangible and intangible assets	93,613,506	82,618,280	13%
Net impairment losses on financial assets	324,099,223	406,624,423	-20%
Change in fair value of derivatives at fair value through profit or loss	(3,078,599)	(12,896,992)	-76%
Other items for which the cash effects are investing or financing	(22,764,601)	(85,671,398)	-73%
Other non-cash items	(196,363,447)	96,536,336	-303%
Operating profit before changes in operating assets and liabilities	600,768,181	810,018,855	-26%
Change in operating assets:			
(Increase) in investment securities held for trading	(84,185,586)	(52,230,939)	61%
(Increase) in investment securities available for sale	(55,299,227)	(427,151,508)	-87%
(Increase) in loans and advances to banks	112,168,502	(314,420,415)	-136%
(Increase) in loans and advances to customers	(1,330,243,651)	(1,646,545,822)	-19%
(Increase) in net lease receivables	(510,867,153)	(331,054,790)	54%
((Increase)) / decrease in other assets	(24,963,572)	144,713,736	-117%
Change in operating liabilities:			
(Decrease) / Increase in deposits from banks	(1,574,944,468)	1,151,551,744	-237%
Increase in deposits from customers	4,223,414,619	1,977,348,344	114%
(Decrease) / Increase in other liabilities	22,328,248	(117,227,224)	-119%
Income tax paid	(50,127,582)	(14,870,393)	237%
Cash flows from / (used in) operating activities	1,328,048,311	1,180,131,588	13%
Investing activities			
Proceeds from sale of property and equipment	1,049,772	81,683	1185%
Acquisition of property and equipment and intangible assets	(87,746,644)	(103,404,826)	-15%
Disposal of equity investments	45,263,082	2,277,611	1887%
Dividends received	1,913,613	1,235,366	55%
Cash flows used in investing activities	(39,520,177)	(99,810,166)	-60%
Financing activities			
Dividends paid	(107,021,634)	-	n.a.
Repayments of loans from financial institutions	(3,178,860,618)	(2,179,561,475)	46%
Drawdowns from loans from financial institutions	3,163,735,157	1,405,410,603	125%
Repayments of subordinated liabilities	-	(67,231,500)	-100%
Cash flows used financing activities	(122,147,095)	(841,382,372)	-85%
Net increase / (decrease) in cash and cash equivalents	1,166,381,039	238,939,050	388%
Cash and cash equivalents at 1 January	4,594,566,616	4,355,627,566	5%
Cash and cash equivalents at 31 December	5,760,947,656	4,594,566,616	25%

The liquidity ratio in RON equivalent calculated in accordance with NBR Regulation 25/2011 was between 1.19 and 20.80 (depending on the residual maturity of the assets and the liabilities), in 2015: between 1.25 and 22.98.

DESCRIPTION OF GROUP'S ACTIVITY

2.1. Main results of the Group's activity and significant transactions

During 2016, UniCredit Bank Group, consisting of UniCredit Bank and its subsidiaries, focused its attention and resources on consolidation of market positions, risk management, growth and sound development of its business aiming meanwhile at the safeguarding of the Bank's assets and capital, value added creation for customers, society and shareholders through enhancement of the quality of products and services, strong management of credit, market and operational risks and internal controls fully aligned with statutory and UniCredit Group regulations and best international practices.

UniCredit Bank has obtained a consolidated net profit of RON 329 mio in 2016, 22% higher yoy.

UniCredit Bank had RON 1,663.8 mio consolidated operational income, higher by 8.9% comparing with the same period of 2015. This evolution is generated, mainly, by increase of loans' volumes and deposits' volumes of comparing with the same period of the previous year and also the non-recurrent operational income realized in this period. In the same time, the Group continued to monitor carefully the costs, the operational expenses with a level of RON 799.8 mio, slightly greater by 2.9% comparing with the same period of the previous period of 2015.

Therefore, the consolidated operational profit of UniCredit Bank's Group for year ended at 31 December 2016 is RON 329.4 mio, higher by 22% comparing with the same period of 2015. The net profit before attributable profit to the parent and minority interest is RON 308 mio, higher by 22% comparing to 2015.

UniCredit Bank's financial indicators show a balanced position: the annualized return on equity (ROE) was 9.6% at the end of 2016, while the annualized return on assets (ROA) had reached 0.9%. Cost-income ratio was at 48%, down from the previous year.

The Bank continued to carefully consider the potential risks and actual mirrored their appropriate level of provisioning. Thus, expense loan provisions reached 416.3 million lei on 31 December 2016. The rate of provisioning of loans in the balance sheet was 7.1% and the annualized cost of risk 188 bps. NPL ratio, including exposures improbability of obligations to pay loans (** EBA definition), was located at 10.9%.

The volume of consolidated assets at December 31st 2016 amounted to RON 37.6 billion, compared with RON 34.6 billion on the same period in 2015. The gross loan portfolio, including leasing, increased by RON 1.5 billion recording a positive development compared to the same period in 2015. The factors that influenced this development were the increase of volumes of companies' clients, of the consumer loans of individuals and have

been increased funding to customers in the segment companies, consumer loans for individuals, and of leasing finance.

For the same period, customer deposits are at a level of RON 21.9 billion , up 23.2% over the same period last year.

Meanwhile, **UniCredit Consumer Financing** continued to strengthen its position in the segment of consumer loans in 2016 recording an increase in sales volume nearly 32.8% comparing to the previous year. The number of cards in circulation at the end of the reporting period are 3.3 more than end of 2015.

Furthermore, **UniCredit Leasing Corporation** funding for the 2016 exceeded the volumes recorded in the same period of 2015 by 14%. Thus, the volume of new grants in 2016 was 354.7 million euros and the purchase value of goods financed by 417.6 million euros.

The business transactions related to 2016 have been properly and correctly recorded in the Group's ledgers, based on the appropriate legal evidence and documents. All the law requirements regarding the organization and running of the accounting activity have been met, respecting all accounting principles, rules and accounting methods provided by the applicable laws and regulations.

The data presented for financial year 2016 have taken into account the organization and management of the accounting activity in accordance with the Law no. 82 / 1991, republished and with further amendments and updates, NBR Order 27/16.12.2010 , with further updates and amendments.

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

The external auditor of the Bank, Deloitte Audit SRL, has audited the consolidated financial information for the year ended at 31 December 2016 in accordance with International Standards on Auditing (ISAs).

The audit opinion states that the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and National Bank of Romania Order no. 27/2010 with subsequent amendments, ("Order 27/2010").

The auditor opinion is presented in the external auditor Deloitte Audit SRL report attached to the consolidated financial financial statements as of 31 December 2016.

2.2. Main events, factors of uncertainty that can affect the Group's liquidity compared to previous year

The NBR maintained the monetary policy rate unchanged at 1.75% throughout 2016. The minimum reserve requirements for FCY-denominated liabilities was cut by 4pp to 10% in 2016 (-2pp starting from January 2016 and

another -2pp starting from October 2016), releasing around RON 4.2bn of liquidity in the interbank market. The minimum reserve requirements for RON-denominated liabilities was kept unchanged at 8%.

Annual inflation ended 2016 at -0.5% yoy after having stayed in negative territory during 2016, being still affected by the VAT cut for food products in June 2015 from 24% to 9% and by another cut to the general VAT by 4pp (to 20%) in January 2016. The prices of food products and oil started to increase in 2016 after contracting in 2013-2015, but the increase was modest, implying no significant upward pressure to inflation. Although the ECB and the regional central banks kept an easing bias throughout the year, the NBR continued to keep the key rate unchanged at 1.75% throughout 2016 in order to counterbalance the effects of the pro-cyclical fiscal policy at a time when the excess demand has been widening further, pointing to upward price pressures building up.

The NBR's latest inflation report showed expectations of higher inflation for the end of 2018, at 3.4%, up from 3.2% at the November 2016 forecasting round. We expect more limited excess demand pressures, as we expect a significant slowdown in growth during 2017, reason for which we believe the first hike may be postponed until November 2017 or even 2018 if the inflation forecast is revised downwards. The NBR may increase the deposit facility rate before mid-2017 to signal an upcoming tightening cycle. Market liquidity remained abundant throughout the year, with ROBOR rates stabilizing at very low levels. The surplus liquidity jumped at year-end, supported by high government spending. In its last press conference, the NBR Governor mentioned he expects the 3M ROBOR to stay near the current levels in 1H17 and increase gradually in 2H17, as inflationary pressures intensify.

The clean-up of banks' balance sheet continued in 2016 via sales of nonperforming loans, impacting the stock of credit, especially the one of companies. Lending to households picked up (+4.5%yoy in December 2016; FCY-adjusted), but the stock of credit to companies continued to contract from 2015 (-2.3%yoy in December 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.

At the same time, new lending is done predominantly in LCY for both individuals and companies. As a result, the credit stock kept its currency structure in line with the one at the end of 2015, with the stock of RON-denominated loans continuing to outstrip the stock in foreign currency and reaching a share of 57.2% in total private sector loans at the end of December 2016, up from 50.7% in December 2015 and a minimum of 35.6% in May 2012. During 2016, above 80% of the new loans granted were in local currency. The fact that the weight of the credit denominated in local currency has increased 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 dropped to 80% at the end of December 2016.

There have been no aspects or factors which have affected or might affect the Group's liquidity during the reporting period.

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

2.3. Tangible and intangible assets of the Group

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

Tangible and intangible assets were in gross amount of RON 875.5 mio as of 31 December 2016 compared to RON 770.6 mio as of 31 December 2015 representing an increase of 13.6% (in net amounts RON 422.2 mio as of 31 December 2016 compared to RON 391.1 mio as of 31 December 2015, representing an increase by 7.9%) due mainly to additions made as normal to support the current business activity.

Description of the location and characteristics of production capacities owned by the Bank

As of 31 December 2016, the Bank owned the following buildings in which it is performing its activity through its branches: Bucuresti („Norilor”, „Marasesti”, „Panduri”, „Traian”, „Nicolae Titulescu”, „Magheru”, branches), Braila, Buzau, Calafat, Cluj-Napoca, Constanta, Craiova, Focsani, Lugoj, Oradea, Piatra Neamt, Pitesti, Satu Mare. The remaining buildings in which the Group runs its activities are rented. The bank has closed 24 branches in 2016 located in rented office spaces.

Description and wearing of the assets owned by the Bank

Net tangible assets were in amount of RON 263.9 mio as of 31 December 2016, out of which buildings and lands are 39.9%.

2.4. Description of the competition, market share of Bank's products/services and its competitors

UniCredit Bank is an universal bank that provides services for retail (individuals and SMEs) as well as for companies. These services include opening bank accounts, domestic and foreign payments, foreign currency exchanges, short, medium and long term financing, etc. UniCredit Consumer Financing provides retail consumer loans for individuals. Group is also present in Romania through leasing entities which provides leases to retail and corporate customers.

3. CHANGES WHICH IMPACT THE SHAREHOLDERS EQUITY AND MANAGEMENT OF THE GROUP

3.1. Changes in the administration of the Group

On 17th of April 2008, General Meeting of Shareholders adopted the dual tier governance system, through which the management of UniCredit Bank SA is ensured by the Management Board, respectively by Supervisory Board, Management Board members not being able to be in the same time members of the Supervisory Board.

Presentation of the Supervisory Board members as of 31 December 2016

Supervisory Board of UniCredit Bank as of 31 December 2016 consisted of:

1. Corneliu Dan PASCARIU, President of the Supervisory Board, starting with 17.04.2008
2. Heinz Meidlinger, member of the Supervisory Board starting with 17.09.2008
3. Stefano Cotini, member of the Supervisory Board starting with 15.02.2012
4. Susanne Malibas, member of the Supervisory Board starting with 11.07.2014

Presentation of the Management Board members as of 31 December 2016

Management Board of UniCredit Bank as of 31 December 2016 consisted of:

1. Catalin Rasvan Radu, Romanian citizen, born on 12.02.1966, Executive President (CEO), President of Management Board
2. Daniela Margareta Bodirca, Romanian citizen, born on 28.04.1976, Executive Vicepresident, Member of Management Board
3. Alina Marinela Dragan, Romanian citizen, born on 17.09.1978, Executive Vicepresident, Member of Management Board
4. Marco Giuseppe Esposito, Italian citizen, born on 07.10.1959, Executive Vicepresident, Member of Management Board
5. Mihaela Alina Lupu, Romanian citizen, born on 08.11.1975, Executive Vicepresident, Member of Management Board
6. Marco Cravario, Italian citizen, born on 28.05.196, First Executive Vice-President (Deputy CEO)
7. Jakub Dusilek, Czech citizen, born on 17.12.1974, Executive Vicepresident, Member of Management Board, on 4th July 2016 approved by NBR.

The duration of the Management Board mandate is of three years, being valid until 17.04.2017, with the possibility of renewal (*in the Supervisory Board meeting dated 08th of March 2017, the Management Board's mandate has been prolonged until 17.04.2020)

During 2016, there have been the following changes in the governing bodies of UniCredit Bank regarding:

⇒ **Supervisory Board's members:**

- the renunciation of Mr. Mirko Georg Davide Bianchi at his mandate as member of the Bank's Supervisory Board, starting 01.12.2016;
- the renunciation of Mr. Paolo Tripodi at his mandate as member of the Bank's Supervisory Board, starting with 12.12.2016;
- the renunciation of Mr. Carlo Vivaldi at his mandate as member of the Bank's Supervisory Board, starting 31.12.2016;
- the renunciation of Mrs. Susanne Malibas at her mandate as member of the Bank's Supervisory Board, starting 01.01.2017

⇒ **Management Board's members:**

- the renunciation of Mr. Septimiu Postelnicu at his mandate as member of the Management Board, starting with May 2016;
- the appointment of Mr. Jakub Dusilek as member of the Management Board in February 2016 and approved by NBR since July 2016.

See Annex 3 regarding the changes of **Supervisory Board** composition.

Note: The changes for Management Board composition were presented in the half year report as of 30 June 2016.

3.2. Changes in the shareholders' equity of the Bank

UniCredit Bank Austria has launched an offer to buy the shares held by minority shareholders of UniCredit Bank at the General Shareholders Meeting in April 2016. As a result, a part of the minority shareholders has answered positively to this offer and this had led to an increase of the shareholding of UniCredit Bank Austria from 95.6185% to 98.3280%. Following to the reorganization and optimisation process of CEE operations and business within the UniCredit Group, UniCredit SpA has taken over the CEE operations and subsidiaries from UniCredit Bank Austria AG since 1st of October 2016.

Please see also the details of the Note 38 Issued Capital from the Consolidated Financial Statements for the year ended at 31 December 2016.

3.3. Description of Bank's policy regarding dividends

In April 2016, the General Shareholders Meeting of the Bank approved 50 % of the net profit for the financial year 2015 to be distributed as dividends in amount of 111,027,489 RON which have been paid until 30 of June 2016.

4. CAPITAL MARKET FOR THE BONDS ISSUED BY THE BANK

4.1. Description of the market in Romania and other countries on where the issued bonds are traded

In June 2013, the Group issued 55,000 medium term bonds denominated in RON on Bucharest Stock Exchange having the following characteristics: symbol UCT18, ISIN ROUCTBDBC014, nominal value of RON 10,000 / bond, a fixed interest of 6.35% per annum, interest coupon half-yearly payable and redemption date on 15th of June 2018.

Out of 10 interest coupons of the bonds issue, there have been paid 7 coupons to the bond holders. Information regarding these bonds are presented on the Bucharest Stock Exchange website

(<http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCT18>).

4.2. In case the reporting entity has issued bonds and/or other securities, description of the way the entities settle the obligations to the holders of those securities

The coupon payments are made in accordance with the provisions of the Chapter „Bonds terms and conditions”, paragraph **9 Payments** in the „BONDS ISSUE PROSPECTUS” published on the Financial Supervision Authority’s website (<http://www.asfromania.ro>) – direct link:

(<http://www.asfromania.ro/supraveghere/supraveghere-capital/emitenti-capital-supraveghere/oferte-publice-capital-supraveghere/prospecte-amendamente/1891-prospectele-amendamentele-certificatele-pentru-ofertele-de-vanzare-aprobate-de-a-s-f-c-n-v-m>).

5. OTHER ASPECTS

5.1. Appraisal of the Banks' respectively Group's personnel and related aspects

UniCredit Bank had 2,929 employees as of 31 December 2016.

In respect of the employees training, 90% have university degree, while 10% have a high-school degree. The Bank is preoccupied continuously to train and develop professionally its employees, organising courses for improving the technical knowledge, as well as competences specific to banking activity.

In respect of the trade union aspect, 51% of the employees are members of the Trade Union and 49% are not members.

5.2. Description of the relationship reports between management and employees, and any conflictual elements related to these reports

There are subordination relationships between employees and their managers, formally managed through performance evaluation system performed once per year.

Meanwhile, within the organization, professional training courses have been held for development of the managerial competences of managers, which aimed mainly at aspects related to employees' motivation, providing feedback, efficient management and organisation of teams, as well as activities regarding the improvement of performance and employees productivity, motivation, their commitment and cooperation, as well as these aspects between managers and employees.

5.2. Appraisal of the issuer activity on the environment

There are no (existing or future) litigations regarding the breach of environment protection legislation.

6. ANNEXES

There are attached to the present report the following documents:

6.1. List of Bank's subsidiaries and its controlled entities

The list of subsidiaries and of entities controlled by the Bank as of 31 December 2016 is presented in the Annex 1.

6.2. Related parties lists

The list of related parties is presented in the Annex 2.

6.3. Annexes related to changes of Management Board composition

See Annex 3 regarding the changes of Supervisory Board Composition recorded with Trade Register.

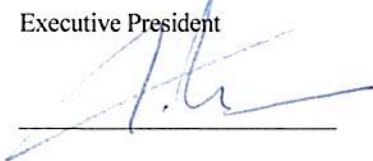
6.4. Financial statements and auditor report

Consolidated Financial Statements as of 31 December 2016 prepared in accordance with IFRS as endorsed by European Union and reviewed by external independent auditor Deloitte Audit SRL.

6.5. Compliance statement

Statement of the Directorate Members who has assumed the responsibility for the preparation of the Consolidated Financial Statements as of 31 December 2016.

Rasvan Catalin Radu
Executive President



Mihaela Alina Lupu
Executive Vicepresident

