Half-yearly Report

As at 30 of June 2018

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

Date of Report: 1 august 2018

Name of the legal entity:	UniCredit Bank S.A.
Corporate address:	Romania, Bucharest, no. 1F, Expozitiei Bd., 1st District
Corporate Contact Details:	Phone: +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. ANSPDCP:	10964
Subscribed and paid-up share capital:	RON 455,219,478.30
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.:	14,600 corporate bonds having a nominal value of RON 10,000/bond, market symbol UCB20 (ISIN ROUCTBDBC022). *(http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB20)* 28,050 corporate bonds having a nominal value of RON 10,000/bond, market symbol UCB22 (ISIN ROUCTBDBC030). *(http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB22)* 18,350 corporate bonds having a nominal value of RON 10,000/bond, market symbol UCB24 (ISIN ROUCTBDBC048). *(http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB24)*

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 650,000 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 30 June 2018, 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 2017.

The businesses of the subsidiaries and the percentage stake of the Bank in its subsidiaries are presented in the interim condensed consolidated financial statements prepared in accordance with IFRS as endorsed by EU for the period ended at 30 June 2018.

Please see Note **Reporting entity** presented in the notes to the interim condensed consolidated financial statements for the period ended 30 June 2018.

At 30 June 2018, the Group has conducted its activity through 151 branches (in 2017: 157) opened in Romania.

1. Economical-financial standing

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:

In RON	30.06.2018	31.12.2017	%
Assets:			
Cash and cash equivalents	9,875,918,478	8,574,271,776	15%
Financial assets at fair value through profit or loss	349,454,518		188%
Financial assets at fair value through profit and loss according to IAS39		121,382,271	
Derivatives assets designated as hedging instruments	4,117,405	4,196,748	-2%
Financial assets at amortized cost			
Loans and advances to customers at amortized cost	23,176,367,968		
Net Lease receivables	3,964,617,653		
Loans and advances to banks at amortized cost	2,031,071,879		
Loans and advances to customers according to IAS 39		22,950,823,080	1%
Net Lease receivables		3,712,963,204	7%
Loans and advances to banks according to IAS 39		1,446,780,104	40%
Financial assets at fair value through other comprehensive income	5,937,826,416		-1%
Financial assets available for sale according to IAS 39		6,002,073,050	
Property and equipment	176,709,567	188,032,627	-6%
Intangible assets	145,685,994	169,305,871	-14%
Deferred tax assets	140,103,834	96,999,353	44%
Other assets	268,058,476	195,580,837	37%
Non-current assets classified as held for sale	36,811,630	36,811,630	0%
Other assets – discontinued operations	49,976,370	-	
Total assets	**46,156,720,188**	**43,499,220,551**	**6%**
Liabilities:			
Financial liabilities at fair value through profit or loss	67,298,351	80,019,912	-16%
Derivatives liabilities designated as hedging instruments	73,009,558	76,165,933	-4%
Financial liabilities at amortized cost:			
Deposits from banks	5,037,086,629	3,387,875,738	49%
Loans from banks and other financial institutions at amortized cost	6,900,724,096	6,558,213,059	5%
Deposits from clients	27,477,789,644	27,148,800,322	1%
Debt securities issued	618,421,041	1,166,162,751	-47%
Subordinated liabilities	889,841,091	890,162,269	0%
Current tax liabilities	51,784,248	22,806,393	127%
Provisions	167,016,834	148,268,479	13%
Other liabilities	359,750,398	309,646,935	16%
Other liabilities – discontinued operations	13,386,557	-	0%
Total liabilities	**41,656,108,447**	**39,788,121,791**	**5%**
Equity			
Share capital	1,177,748,253	1,101,604,066	7%
Share premium	621,680,499	55	100%
Cash flow hedge reserve	(47,031,018)	(48,922,704)	-4%
Reserve on financial assets at fair value through other comprehensive income	(169,970,103)	(53,502,857)	218%
Revaluation reserve on property and equipment	9,706,893	9,672,847	0%
Other reserves	258,711,207	244,827,555	6%
Retained earnings	2,483,073,565	2,307,202,067	8%
Retained earnings – discontinued operations	40,508,151	-	0%
Total equity for parent company	**4,374,427,447**	**3,560,881,029**	**23%**
Non-controlling interest	126,184,294	150,217,731	-16%
Total liabilities and equity	**46,156,720,188**	**43,499,220,551**	**6%**

1. *Economical-financial standing*

At the end of June 2018, total assets were RON 46,156 mio, compared to RON 43,499 mio as of 31 December 2017 (increase by 6%).

Variatiile semnificative (cresteri / descresteri) in cadrul activelor au fost pentru urmatoarele categorii:

- **Financial assets at fair value through profit and loss:** increase by RON 228 mio (+188%) from RON 121.4 mio as at 31 December 2017 to RON 349.5 mio as at 30 June 2018.
- **Loans and advances to banks:** increase by RON 584.3 mio (+40%) from RON 1,446.8 mio as at 31 December 2017 to RON 2,031 mio as at 30 June 2018.
- **Loans and advances to customers:** increase by RON 225.5 mio (+1%) from RON 22,950.8 mio as at 31 December 2017 to RON 23,176.4 mio as at 30 June 2018.
- **Net Lease receivables:** increase by RON 251.6 mio (+7%) from RON 3.713 mio as at 31 December 2017 to RON 3,964.6 mio as at 30 June 2018.

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

- **Financial liabilities at fair value through profit or loss:** decrease by RON 12.7mio (-16%) from RON 80 mio (31 December 2017) to RON 67.3 mio (30 June 2018).
- **Deposits from banks:** increase by RON 1,649.2mio (+49%) from RON 3,387.9 mio (31 December 2017) to RON 5,037.1mio (30 June 2018).
- **Debt securities issued:** decrease by RON -547.7 mio (-47%) from RON 1,166.2 mio (31 December 2017) to RON 618.4 mio (30 June 2018).
- **Provisions:** increase by RON 18.7 mio (+13%) from RON 148.3 mio (31 December 2017) to RON 167mio (30 June 2018).

1. Economical-financial standing

1.2.2. Income statement

Income statement is presented below

In RON	30.06.2018	30.06.2017	%
Interest income	788,522,606	634,028,262	24%
Interest expense	(212,152,350)	(158,059,285)	34%
Net interest income	**576,370,256**	**475,968,977**	**21%**
Fee and commision income	186,913,378	231,301,984	-19%
Fee and commision expense	(48,188,108)	(40,239,959)	20%
Net fee and commision income	**138,725,270**	**191,062,025**	**-27%**
Net income from trading and derivative instruments at fair value through profit and loss	151,917,044	131,032,864	16%
Fair value adjustments in hedge accounting	(1,778,395)	(3,126,981)	-43%
Net income from disposals of financial assets and liabilities which are not at fair value through profit and loss	(12,894,019)	53,854,471	-124%
Dividents income	2,465,840	2,115,561	17%
Other operating income	**10,789,960**	**9,548,670**	**13%**
Operating income	**865,595,956**	**860,455,587**	**1%**
Personnel expenses	(192,716,569)	(183,028,328)	5%
Amortisation and impairement of tangible assets	(18,750,623)	(23,402,799)	-20%
Amortisation and impairement of intangible assets	(26,782,197)	(25,557,109)	5%
Other administrative expenses	(176,205,955)	(210,046,643)	-16%
Other operating expenses	(12,666,550)	(7,479,654)	69%
Operating expenses	**(427,121,894)**	**(449,514,533)**	**-5%**
Net operating income	**438,474,062**	**410,941,054**	**7%**
Net impairement losses from assets on amortised cost	(113,768,182)		-10%
Net impairement losses according to IAS 39		(126,880,972)	
Net provision losses	(7,948,320)		-21%
Net provision losses according to IAS 39		(10,095,423)	
Net gains / (losses) from other investment activities		(3,282,233)	-100%
Profit before taxation	**316,757,560**	**270,682,426**	**17%**
Income tax	(63,326,409)	(45,478,388)	39%
Net proft for the period- continued operations	**253,431,151**	**225,204,038**	**13%**
Net proft for the period- discontinued operations	**8,569,002**	**-**	
Net proft for the period	**262,000,153**	**225,204,038**	**16%**
Attributable to:			
Equity holders of the parent company	281,001,324	208,330,681	35%
Non-controlling interests	(19,001,171)	16,873,357	-213%
Net proft for the period	**262,000,153**	**225,204,038**	**16%**

1.2.3. Cash flows

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

	30.06.2018	30.06.2017	%
	RON	RON	
Operating activities			
Profit / (Loss) before taxation	327,739,389	270,682,426	21%
Adjustments for non-cash items:			
Depreciation, amortisation and impairment on tangible and intangible assets	45,537,571	48,959,908	-7%
Net impairment losses on financial assets	138,663,663	126,880,972	9%
Modificarea valorii juste a activelor financiare derivate la valoare justa prin contul de profit sau pierdere	(37,888,564)	(25,115,605)	51%
Other items for which the cash effects are investing or financing	925,909	762,660	21%
Other non–cash items	(25,132,213)	28,319,093	-189%
Operating profit before changes in operating assets and liabilities	**449,845,755**	**450,489,454**	**0%**
Change in operating assets:			
(Increase) / Decrease in financial assets held for trading	(277,849,825)	(97,275,696)	186%
(Increase) / Decrease in loans and advances to banks	(580,823,071)	(817,341,279)	-29%
(Increase) / Decrease in loans and advances to customers	(316,005,408)	(1,079,104,890)	-71%
(Increase) / Decrease in lease investment	(291,582,267)	(301,899,129)	-3%
(Increase) / Decrease in other assets	(80,150,177)	(28,866,022)	178%
Change in operating liabilities:			
(Decrease) / Increase in deposits from banks	1,647,944,614	187,486,342	779%
(Decrease) / Increase in deposits from customers	309,693,543	617,516,510	-50%
(Decrease) / Increase in other liabilities	13,840,076	7,122,749	94%
Income tax paid	(39,713,220)	(66,561,684)	-40%
Cash flows from / (used in) operating activities	**835,200,020**	**(1,128,433,645)**	**-174%**
Investing activities			
Acquisition of property and equipment and intangible assets	(8,256,042)	(19,929,975)	-59%
Income from property and equipment sales		13,362,274	-100%
Dividends received	2,464,642	2,115,561	17%
Cash flows used in investing activities	**(5,791,400)**	**(4,452,140)**	**30%**
Cash flows from financing activities			
Dividends paid		(677,815)	-100%
New debt securities issued	(550,000,000)		0%
Net increase of share capital and share premium	697,824,631		0%
Repayments of loans from financial institutions	(1,026,075,156)	(2,978,356,188)	-66%
Drawdowns from loans from financial institutions	1,383,743,057	2,540,231,527	-46%
Cash flows from financing activities	**505,492,532**	**(438,802,476)**	**-215%**
			0%
Net increase in cash and cash equivalents	1,334,901,151	1,571,688,261	-15%
Cash and cash equivalents at 1 January 2018	**8,574,271,776**	**5,760,947,655**	**49%**
IFRS9 impact at 01 January 2018	**(3,097,826)**		0%
Cash and cash equivalents 30 June 2018	**9,906,075,101**	**4,189,259,395**	**136%**
Interest received	684,379,123	624,459,334	10%
Interest paid	(205,847,577)	(157,495,915)	31%

The liquidity ratio in RON equivalent calculated in accordance with NBR Regulation 25/2011 was between 1.44 and 12.37 (depending on the residual maturity of the assets and the liabilities), in 2017: between 1.09 and 18.62.

2. Description of the Group's activity

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

The NBR hiked the monetary policy rate to 2.50% in 1H2018 from 1.75% in December 2017, operating three increases of 0.25 percentage points each. The minimum reserve requirement (MRR) for both LCY and FCY-denominated liabilities were kept unchanged at 8% since May 2015 and May 2017, respectively. With inflation ouside the 1.5%-3.5% target range since January 2018 and faced with the prospect of mising the inflation target at the end of December 2018 in spite of the monetary policy tightening, we expect the NBR to continue to increase the monetary policy rate to 3% by the end of the year, by delivering two more 0.25 percentage points hikes.

Annual inflation exited NBR's 1.5%-3.5% target range in January 2018 and maintained an upward sloping pattern in 1H2018, touching 5.4% in June 2018. Disinflation should start from September onwards, helped by base effects. Approximately 3pp of the current inflation rate is explained by tax and regulated price increases, most implemented in September-December 2017. Headline inflation could end 2018 at 4%, outside the 1.5-3.5% target range, and may struggle to fall below 3.5% next year due to rising core inflation.
In order to ensure a better transmission of the monetary policy, the NBR focused on a tighter excess liquidity management in 1H2018. Consequently, starting April 2018, the NBR organized weekly DEPO operations enabling market participants to place excess funds at the NBR at the monetary policy rate. The move made the monetary policy rate more relevant in terms of market reference, lifting ROBOR rates in a bid to be more effective in fighting inflation.

The sales of non-performing loans no longer impose a negative performance of the credit stock of either retail or companies. The total NPL ratio dropped by a total of 3.2 percentage points during 2017, to 6.41% in December 2017 and by another 0.25pp to 6.16% at the end of March 2018. Given that most of the cleanup was already undertaken, we do not expect further cleanup to impact the stock as much as it did in the past years. Lending to households continued to expand strongly (+9.4%yoy in May 2018; FCY-adjusted), while the stock of credit to companies increased only mildly (+1.4%yoy in May 2018; FCY-adjusted), as companies continue to prefer other sources of financing.

2. Description of the Group's activity

New lending is done predominantly in LCY for both individuals and companies, enabling the stock of RON-denominated loans to continue to outstrip the stock in foreign currency, with a share of 64.7% in total private sector loans at the end of May 2018, up from 61.6% in December 2017 and a minimum of 35.6% in May 2012. In 5M2018, 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 is close to the minimum, at 77.5% at the end of May 2018.

2.2. 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 788.2 mio as of 30 June 2018 compared to RON 784.0 mio as of 31 December 2017 (in net amounts RON 308.3 mio as of 30 June 2018 compared to RON 342.8 mio as of 31 December 2017, representing an decrease by 10.06%) representing an increase of 0.54% 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 30 June 2018, 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, etc.. The remaining buildings in which the Group runs its activities are rented. The bank has closed 6 branches in 2018 located in rented office spaces.

Description and wearing of the assets owned by the Bank

Net tangible assets were in amount of RON 175.2 mio as of 30 June 2018, out of which buildings and lands are 44.79%.

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

During 2018, 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 alligned with statutory and UniCredit Group regulations and best international practices.

UniCredit Bank has obtanin a consolidated net profit of RON 262.0 mio in the first half of 2018, 16.3% higher yoy.

UniCredit Bank had RON 933.5 mio consolidated operational income, higher by 8.5% comparing with the same period of year 2017. This evolution is generated, mainly, by increase of loans' volumes and deposits' volumes of comparing with the same period of the previous year. The operational expenses with a level of RON 427.1 mio, lower by 5.0% comparing with the same period of the year 2017.

Therefore, the consolidated net operational profit of UniCredit Bank's Group 1H 2018 is RON 262.0 mio, higher by 16.3% comparing with the year 2017. The net profit after attributable profit to the parent and minority interest is RON 281.0 mio, higher by 30.8% comparing to 2017.

UniCredit Bank's financial indicators show a balanced position: the annualized return on equity (ROE) was 12.8% at the H1 of 2018, while the annualized return on assets (ROA) had reached 1.1%. Cost-income ratio was at 45.8%, down from the previous year.

The bank continued to carefully analyze the effective and potential risks, which were properly reflected in the level of provisioning. In this matter, the expense with credit provision at 30 June 2018 reached RON 181.7 mio

The volume of consolidated assets at June 30th 2018 amounted to RON 46.2 billion, compared with RON 43.5 billion on the end year 2017. The gross loan portfolio, including leasing, increased by RON app 0.5 billion compared to year end 2017. The factors that influenced this development were the increase of the consumer loans of individuals. For the same period, customer deposits are at a level of RON 27.5 billion , up 1.2% over the preavious year end.

For UniCredit Bank, the first half of 2018 meant a period of strengthening the positive evolutions both on corporate and retail segments, this period being marked by numerous new projects and initiatives.

2. Description of the Group's activity

In the field of corporate business, we continue to obtain consistent results, working according to our Group values, as the UniCredit Corporate Investment Banking Division being one of the most effective platforms of this kind in Europe. Throughout this period, the bank demonstrated the commitment to being a strategic partner to customers, large, medium and multinational companies, and public entities, financial institutions or institutional investors, focusing on the building long-term relationships with them and, at the same time, on the support of real economy. As UniCredit is the only bank in Romania with a bank network dedicated to the corporate sector, it accomplished the mission with the help of a team specialised in strategic business fields, such as marketing services, working capital or investment solutions, structured finance and capital markets.

In the retail field, the first half of the year meant the implementation of new initiatives designed to support the bank in its efforts to become an increasingly stronger player in this segment – launching state-of-the-art digital platforms, simplified processes and competitive offers.

Thus, the Mobile Banking application continued to be improved throughout the first half of the year, as we offered our customers new functionalities, such as the implementation of the electronic wallet, simplification of payments and the possibility of return for credit cards, or the actuation of the Face ID recognition function for iPhone X. At the same time, starting from February of this year, our customers can cancel pending RON payments directly from the application and can enjoy an optimised design for the ATM map screens, exchange rate, contact details and messages. The improvement of the Mobile Banking application is part of our ongoing efforts to invest in the digitalisation of our activities, as our application received numerous awards.

In the same line of being there for our clients for things that matter to them, UniCredit Bank also made the most important step to eliminate paper-printed documentation in the relationship with our clients, as we are the first banking group in Romania to use to that end a qualified electronic signature issued by a Certification Authority in Romania. This signature is fully acknowledged in Romania and in the European Union as having legal value identical to the handwritten signature. With the adoption of electronic signature, UniCredit provides its clients with the possibility to choose how they interact with the bank, in the agency or remotely, by means of alternative channels (for those products with a possibility to apply an electronic signature on the contractual documentation). Concretely, UniCredit implemented the possibility of electronic signature of the contractual documentation for more types of products intended for natural entities: GeniusCont, the current account offered by UniCredit, and the products related thereto, as well as consumer loans and credit cards offered by UniCredit Consumer Financing by means of the bank. This innovative process was extended to the entire country. Thus, the customers can sign the contractual documentation with a qualified electronic signature that is provided free of charge either at the bank offices or remotely. Remote signature will be accessible in a first stage in order to take out a new consumer loan offered by UniCredit Consumer Financing, via telephone, by InfoCenter, by natural entities with a current account opened with UniCredit, identified personally by a bank employee during the past 6 months.

At the same time, the bank continued to be preoccupied to provide its clients with competitive offers for products and services. For instance, at the beginning of the year, UniCredit Bank launched Green Credit, real estate loan for the purchase of high energy-efficient real estate. The new offer provided the natural entity customers with a simple and transparent funding solution for the procurement of real estate built after 1 January 2000, which are certified for energy efficiency type A or B+ and, at the same time, important cost management benefits.

In the same direction of development of the range of offered products, at the beginning of June, UniCredit signed two exclusive strategic partnership agreements with Allianz and Generali for the distribution of insurance products for private individuals and SMEs in Romania and other countries in this region (Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Serbia, Slovakia and Slovenia). Long-term partnerships will be implemented gradually, according to all local regulations, in the second half of 2018, focused on life insurance and general insurance with Allianz and CPI (Credit Protection Insurance) products with Generali.

Last but not least, also on the background of UniCredit Bank's commitment to provide its customers with tailor-made banking solutions, adapted to their lifestyle, starting with June, clients can use a new service provided by the Bank - UniCredit Upgrade, which provides enhanced assistance by the management of financial resources. The Upgrade service can be accessed by clients who meet all of the following conditions: collect on a monthly basis in their current account the minimum amount of RON 5,000 / equivalent in foreign currency, or those with savings and investments of minimum RON 200,000 / equivalent in foreign currency, and who access on a monthly basis the Mobile Banking, Online Banking or Info SMS services provided by UniCredit Bank. Clients in the UniCredit community can benefit from assistance for their financial projects by benefits such as: periodical meetings with a UniCredit expert in savings and investments, who can provide them with valuable information on the banking market; a dedicated line in UniCredit InfoCenter, where they can find any information on banking services; complete transactional offer for GeniusCont current account and the UniCredit Premium credit card, both with dedicated transaction benefits.

For UniCredit Consumer Financing, the first half of 2018 was defined by the general digitalisation trend, the development of partnerships and streamlining of sales and after-sales processes, so that everything becomes faster and easier for the client. This background led to the increase of the medium ticket issued to customers and, at the same time, supported the positive evolution of the UCFin customer portfolio both for loans and for credit cards.

With regard to additional benefits, in February 2018 we launched our partnership with Worldclass, with which clients receive subscriptions for preferential prices, with easy access through a dedicated UniCredit Card online platform. Moreover, in April 2018, UniCredit Card cards have been enlisted in the MasteCard programme – payment by instalments, with which all holders of UniCredit cards can divide into instalments directly at any retailer's POS, regardless of the accepting bank. The Premium portfolio benefited from novelties in 2018: UniCredit Card Premium received additional benefits as a result of the transactional behaviour of customers.

UniCredit Leasing continued to provide customised solutions to a multitude of business projects, in a variety of fields: constructions, agriculture, IT to medical or transportation. Car leasing is still the leading category. The activity volume and the complexity of the portfolio determine a permanent streamlining process for products and processes. This lead to the birth in 2018 of an idea for a solution such as Leasy, a platform which is currently available only for one of the company's' partners and which allows the approval of a leasing in approximately 30 minutes. Leasy is 100% digital, absolutely innovative on the European leasing market. These initiatives have been completed with the continued execution of new strategic partnerships with distributors, importers, dealerships to provide advantageous long-term offers for the customers.

The business transactions related to 2018 have been properly and correctly recorded in the Group's ledgers, based on the appropriate legal evidence and documents. All the law requirements regarding the organization and running of the accounting activity have been met, respecting all accounting principles, rules and accounting methods provided by the applicable laws and regulations.

The data presented for the first half of the financial year 2018 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 and with 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 reviewed the consolidated financial information for the 6 month period ended at 30 June 2018 in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The review opinion states that nothing has come to Auditor attention that causes to believe that the interim condensed consolidated financial information of the Bank is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

The review results are presented in the external auditor Deloitte Audit SRL report attached to the consolidated financial information.

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

3.1. Description of the cases where the issuer was unable to meet its financial obligations during that period

N/A

3.2. Description of any change to the rights of the holders of securities issued by the issuer

N/A

3.3. Changes in the administration of the Group

On 17th of April 2008, General Meeting of Shareholders adopted the dual tier governance system, thorugh 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 30 June 2018**

1. Corneliu Dan Pascariu - romanian, born on 12.05.1950, President of Supervisory Board,
2. Heinz Meidlinger - austrian, born on 06.09.1955, member, Vicepresident of Supervisory Board
3. Liebenwein Schoeffmann – austrian, born on 30.11.1959, member,
4. Stefano Porro –italian, born on 07.03.1975, member,
5. Luca Pierluigi Rubaga –italian, born on 27.08.1970, member,
6. Zeynep Nazan Somer Ozelgin - turkish, born on 06.11.1963, member.

- **Presentation of the Management Board members as of 30 June 2018**

1. Catalin Rasvan Radu - romanian, born on 12.02.1966, Executive President (CEO), President of Management Board
2. Marco Cravario - italian, born on 28.05.1967, First Executive Vice-President (Deputy CEO)
3. Daniela Margareta Bodirca - romanian, born on 28.04.1976, Executive Vicepresident, Member of Management Board
4. Jakub Dusilek - czech, born on 17.12.1974, Executive Vicepresident, Member of Management Board
5. Philipp Gamauf – austrian, born on 23.06.1982, Executive Vicepresident, Member of Management Board
6. Septimiu Postelnicu - named Executive Vicepresident, Member of Management Board, in Supervisory Board meeting held on 30.03.2018, NBR approval received on 13.07.2018
7. Nicola Longo Dente – named Executive Vicepresident, Member of Management Board, in Supervisory Board meeting held on 30.03.2018, – subject to NBR approval

The current mandate of Managemnet Board members is valid until 17.04.2020.

There are no litigation or administrative proceedings in the Bank's records which involved the members of the Supervisory Board or the Board of Directors of UniCredit Bank.

3.4. Changes in the shareholders' equity of the Bank

The structure of the Bank's shareholding has changed in the first 6 months of 2018. UniCredit SpA owns 98.6050% of the share capital of the Bank on June 30, 2018 (at December, the percentage of ownership of UniCredit SpA was 98.328%).

Please see also the details of the Note 22 Issued Capital from the Condensed Interim Consolidated Financial Statements for the period ended at 30 June 2018.

3.5. Description of Bank's policy regarding dividends

In April 2018 the General Shareholders Meeting of the Bank approved to not distribute any dividend from the net profit of the financial year ended December 2017.

4. *Capital markets for bonds issued by the Bank/Group*

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

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

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

On July 16, 2018, the Bank paid the interest coupon No 2 for the tranches of the issue.
Information regarding these bonds are presented on the Bucharest Stock Exchange website
(http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB20)
(http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB22)
(http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCB24)

UniCredit Bank SA signed in August 2017 Service Contracts with the Central Depository and has the status of paying agent for its own bonds.

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.

On June 15, 2018, according to the provisions of the Prospectus, the Bank redeemed the full issue, paying also the interest coupon no. 10.
Information regarding these bonds are presented on the Bucharest Stock Exchange website (http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=UCT18).

4. Capital market for the bonds issued by the bank

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. Annexes

5.1 Ammendments to Management Board and/or Supervisory Board

See Annex 1 regarding the change in Management Board.

5.2 Bank's constitutive act valid on 30.06.2018

See Annex 2.

5.3 Financial statements and auditor report

Consolidated Interim Financial Statements as of 30 June 2018 are prepared in accordance with IFRS as endorsed by European Union and reviewed by external independent auditor Deloitte Audit SRL.

5.4 Compliance statement

Statement of the Directorate Members who have assumed the responsibility for the preparation of the Interim condensed consolidated financial statements for the six months period ended 30 June 2018.

Dl. Rasvan Catalin Radu President	**Dl Philipp Gamauf** Vicepresident

DECLARATION

According to art. 31 from Accountancy Law no. 82/1991

The “Interim condensed consolidated financial statements” as of June 30,2018 for UniCredit Bank S.A. Group (“The Group) have been prepared in accordance with NBR Order no.27/2010 for approval of the Accounting Regulation in accordance with European Directive , with subsequent updates and ammendments, for:

Legal entity: UNICREDIT BANK S.A.
County: 41 - Directia Generala de Administrare Mari Contribuabili, Bucharest
Adress: Bucharest, 1st District, Expozitiei Bd, no.1F, phone 021/200.20.00
Trade Register Registration number: J40/7706/1991
Property form: 34 – Stock companies
Main activity (code and class name CAEN): 6419 – Other monetary intermediation activities
Sole registration Code: RO 361536.

The persons responsible with Group management asumme responsability for preparing “Interim condensed consolidated financial statements” as of June 30,2018

The financial statements have been prepared in accordance with NBR Order no.27/2010 for the approval of teh Accounting Regulations according to European Directive, with subsequent updates and ammendments and we confirm the following:

a) all accounting policies applied in preparing the financial statements are in accordance with the current accounting regulations;

b) the interim consolidated financial statements present fairly the financial position, financial performance and other information regarding Group’s activity.

Chief Executive Officer,

Catalin Rasvan Radu

Chief Financial Officer,

Philipp Gamauf

One Bank
One
UniCredit

30 June 2018

Interim Condensed Consolidated Financial Statements

Prepared in accordance with International Financial Reporting Standards
as endorsed by European Union

Banking that matters. | UniCredit

CONTENTS

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the shareholders of
UniCredit Bank S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of UniCredit Bank S.A. (the 'Bank') and its subsidiaries: UniCredit Consumer Financing S.A., UniCredit Leasing Corporation IFN S.A, Debo Leasing IFN SA and UniCredit Insurance Broker SRL as of 30 June 2018 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, Regulation (EU) No. 537/2014 of the European Parliament and the Council and Law 162/2017 and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

For signature, please refer to the original Romanian version.

Deloitte Audit SRL
Bucharest, Romania
August 1, 2018

One Bank, One UniCredit.

We are a simple, successful Pan European Commercial Bank, with a fully plugged-in CIB, delivering a unique Western, Central and Eastern European network to our extensive franchise of 25 million clients.
Our strategy is long-term. We are transforming the Group through decisive actions to lay the groundwork for the future, changing the way we work to anticipate our clients' medium-term evolution. Everything we do is designed to make UniCredit a true Pan European Winner.

Chapter 1 Interim condensed consolidated statement of comprehensive income for the six months period ended 30 June 2018

In RON	Note	30.06.2018	30.06.2017
Interest income	6	788,522,606	634,028,262
Interest expense	6	(212,152,350)	(158,059,285)
Net interest income		**576,370,256**	**475,968,977**
Fee and commission income		186,913,378	231,301,984
Fee and commission expense		(48,188,108)	(40,239,959)
Net fee and commission income		**138,725,270**	**191,062,025**
Net income from trading and derivative instruments at fair value through profit and loss	**7**	151,917,044	131,032,864
Fair value adjustments in hedge accounting		(1,778,395)	(3,126,981)
Net income from disposals of financial assets and liabilities which are not at fair value through profit and loss		-12,894,019	53,854,471
Dividends income		2,465,840	2,115,561
Other operating income		**10,789,960**	**9,548,670**
Operating income		**865,595,956**	**860,455,587**
Personnel expenses	**8**	(192,716,569)	(183,028,328)
Amortisation and impairment of tangible assets		(18,750,623)	(23,402,799)
Amortisation and impairment of intangible assets		(26,782,197)	(25,557,109)
Other administrative expenses	**9**	(176,205,955)	(210,046,643)
Other operating expenses		(12,666,550)	(7,479,654)
Operating expenses		**(427,121,894)**	**(449,514,533)**
Net operating income		**438,474,062**	**410,941,054**
Net impairment losses from assets on amortised cost	**10,26**	(113,768,182)	
Net impairment losses according to IAS 39	**10,26**		(126,880,972)
Net provision losses	**21,26**	(7,948,320)	
Net provision losses according to IAS 39	**21,26**		(10,095,423)
Net gains / (losses) from other investment activities			(3,282,233)
Profit before taxation		**316,757,560**	**270,682,426**
Income tax	**11**	(63,326,409)	(45,478,388)
Net profit for the period- continued operations		**253,431,151**	**225,204,038**
Net profit for the period- discontinued operations	**27**	**8,569,002**	**-**
Net profit for the period		**262,000,153**	**225,204,038**
Attributable to:			
Equity holders of the parent company		281,001,324	208,330,681
Non-controlling interests		(19,001,171)	16,873,357
Net profit for the period		**262,000,153**	**225,204,038**

In RON	Note	30.06.2018	30.06.2017
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)		34,046	26,833
Total items that will not be reclassified to profit or loss		**34,046**	**26,833**
Items that may be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income (net of deferred tax)		(115,015,433)	(5,936,658)
Net change in revaluation of cash flow hedge reserve (net of deferred tax)		1,891,686	5,881,549
Net change in fair value for financial assets available for sale according to IFRS9		(1,451,813)	-
Total items that may be reclassified to other comprehensive income		**(114,575,560)**	**(55,109)**
Other comprehensive income for the reporting period, net of tax		**(114,541,514)**	**(28,276)**
Total comprehensive income for the reporting period		**147,458,639**	**225,175,762**
Attributable to:			
Shareholders of parent -company		166,459,810	208,302,405
Non-controlling interests		(19,001,171)	16,873,357
Other comprehensive income for the reporting period		**147,458,639**	**225,175,762**

The interim condensed consolidated financial statements were approved by the Management Board on July 31, 2018 and were signed on its behalf by:

Mr. Rasvan Catalin Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

In RON	Nota	30.06.2018	31.12.2017
Assets:			
Cash and cash equivalents	12	9,875,918,478	8,574,271,776
Financial assets at fair value through profit or loss	13,26	349,454,518	
Financial assets at fair value through profit and loss according to IAS39	*13,26*		121,382,271
Derivatives assets designated as hedging instruments		4,117,405	4,196,748
Financial assets at amortized cost:	26		
Loans and advances to customers at amortized cost	14	23,176,367,968	
Net Lease receivables	*15*	3,964,617,653	
Loans and advances to banks at amortized cost		2,031,071,879	
Loans and advances to customers according to IAS 39	*14*		22,950,823,080
Net Lease receivables	*15*		3,712,963,204
Loans and advances to banks according to IAS 39			1,446,780,104
Financial assets at fair value through other comprehensive income	16,26	5,937,826,416	
Financial assets available for sale according to IAS 39	*16,26*		6,002,073,050
Property and equipment		176,709,567	188,032,627
Intangible assets		145,685,994	169,305,871
Deferred tax assets		140,103,834	96,999,353
Other assets		268,058,476	195,580,837
Non-current assets classified as held for sale		36,811,630	36,811,630
Other assets – discontinued operations	27	49,976,370	-
Total assets		**46,156,720,188**	**43,499,220,551**
Liabilities:			
Financial liabilities at fair value through profit or loss	13	67,298,351	80,019,912
Derivatives liabilities designated as hedging instruments	13	73,009,558	76,165,933
Financial liabilities at amortized cost:			
Deposits from banks	17	5,037,086,629	3,387,875,738
Loans from banks and other financial institutions at amortized cost	18	6,900,724,096	6,558,213,059
Deposits from clients	19	27,477,789,644	27,148,800,322
Debt securities issued		618,421,041	1,166,162,751
Subordinated liabilities	20	889,841,091	890,162,269
Current tax liabilities		51,784,248	22,806,393
Provisions	21	167,016,834	148,268,479
Other liabilities		359,750,398	309,646,935
Other liabilities – discontinued operations	27	13,386,557	-
Total liabilities		**41,656,108,447**	**39,788,121,791**

In RON	Note	30.06.2018	31.12.2017
Equity			
Share capital	22	1,177,748,253	1,101,604,066
Share premium	22	621,680,499	55
Cash flow hedge reserve		(47,031,018)	(48,922,704)
Reserve on financial assets at fair value through other comprehensive income		(169,970,103)	(53,502,857)
Revaluation reserve on property and equipment		9,706,893	9,672,847
Other reserves		258,711,207	244,827,555
Retained earnings		2,483,073,565	2,307,202,067
Retained earnings – discontinued operations		40,508,151	-
Total equity for parent company		**4,374,427,447**	**3,560,881,029**
Non-controlling interest		126,184,294	150,217,731
Total liabilities and equity		**46,156,720,188**	**43,499,220,551**

The interim condensed consolidated financial statements were approved by the Management Board on July 31, 2018 and were signed on its behalf by:

Mr. Rasvan Catalin Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserve	Share premium	Retained earnings	Total equity of parent company shareholders	Non-controlling interests	Total
Balance at 31 December 2017	**1,101,604,066**	**(53,502,857)**	**(48,922,704)**	**9,672,847**	**244,827,555**	**55**	**2,307,202,067**	**3,560,881,029**	**150,217,731**	**3,711,098,760**
Effect of changes in accounting policies		(1,451,813)			-		(57,324,086)	(58,775,899)	(5,032,266)	(63,808,165)
Balance at 31 December 2017	**1,101,604,066**	**(54,954,670)**	**(48,922,704)**	**9,672,847**	**244,827,555**	**55**	**2,249,877,981**	**3,502,105,130**	**145,185,465**	**3,647,290,595**
Total comprehensive income for the reporting period										
Net profit for the reporting period							281,001,324	281,001,324	-19,001,171	262,000,153
Other comprehensive income, net of tax										
Issue of share capital (see note 22)	76,144,187					621,680,444		697,824,631		697,824,631
Transfer to other reserves					13,883,652		-13,883,652			
Dividends distributed during the year										
Revaluation of property, plant and equipment, net of tax				34,046				34,046		34,046
Net change of fair value through other comprehensive income, net of tax		(115,015,433)						(115,015,433)		(115,015,433)
Net change in cash flow hedge reserve, net of tax			1,891,686					1,891,686		1,891,686
Other changes							6,586,063	6,586,063		6,586,063
Other comprehensive income	**76,144,187**	**(115,015,433)**	**1,891,686**	**34,046**	**13,883,652**	**621,680,444**	**(7,297,589)**	**591,320,993**	**-**	**591,320,993**

	Share capital	Reserve on financial assets at fair value through other comprehensive income	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserve	Share premium	Retained earnings	Total equity of parent company shareholders	Non-controlling interests	Total
Total other comprehensive income for the reported period	**76,144,187**	**(115,015,433)**	**1,891,686**	**34,046**	**13,883,652**	**621,680,444**	**273,703,735**	**872,322,317**	**(19,001,171)**	**853,321,146**
Balance at 30 June 2018	**1,177,748,253**	**(169,970,103)**	**(47,031,018)**	**9,706,893**	**258,711,207**	**621,680,499**	**2,523,581,716**	**4,374,427,447**	**126,184,294**	**4,500,611,741**

The interim condensed consolidated financial statements were approved by the Management Board on July 31, 2018 and were signed on its behalf by:

Mr. Rasvan Catalin Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

Chapter 3 Interim condensed consolidated statement of changes in shareholders' equity for the six months period ended 30 June 2018

	Share capital	Reserve on financial assets available for sale	Cash flow hedging reserve	Revaluation of property, plant and equipment	Other reserve	Share premium	Retained earnings	Total equity of parent company shareholders	Non-controlling interests	Total
Balance at 31 December 2016	1,101,604,066	36,697,652	-50,940,452	10,892,930	240,534,612	55	2,053,856,522	3,392,645,385	128,969,508	3,521,614,893
Total comprehensive income for the reporting period										
Net profit for the reporting period							208,330,681	208,330,681	16,873,357	225,204,038
Other comprehensive income, net of tax										
Transfer to other reserves					4,292,943		(4,292,943)			
Dividends distributed during the year							(126,986,295)	(126,986,295)		(126,986,295)
Revaluation of property, plant and equipment, net of tax				26,832				26,832		26,832
Net change of fair value through other comprehensive income, net of tax		(5,936,658)						(5,936,658)		(5,936,658)
Net change in cash flow hedge reserve, net of tax			5,881,549					5,881,549		5,881,549
Other comprehensive income	**-**	**(5,936,658)**	**5,881,549**	**26,832**	**4,292,943**	**-**	**(131,279,238)**	**(127,014,572)**	**-**	**(127,014,572)**
Total other comprehensive income for the reported period	**-**	**(5,936,658)**	**5,881,549**	**26,832**	**4,292,943**	**-**	**77,051,443**	**81,316,109**	**16,873,357**	**98,189,466**
Balance at 30 June 2017	1,101,604,066	30,760,994	(45,058,903)	10,919,762	244,827,555	55	2,130,907,965	3,473,961,494	145,842,865	3,619,804,359

The interim condensed consolidated financial statements were approved by the Management Board on July 31, 2018 and were signed on its behalf by:

Mr. Rasvan Catalin Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

	Note	30.06.2018	30.06.2017
		RON	RON
Operating activities			
Profit / (Loss) before taxation	11	327,739,389	270,682,426
Adjustments for non-cash items:			
Depreciation, amortisation and impairment on tangible and intangible assets		45,537,571	48,959,908
Net impairment losses on financial assets	10	138,663,663	126,880,972
Change in fair value of financial derivatives at fair value through profit or loss		(37,888,564)	(25,115,605)
Other items for which the cash effects are investing or financing		925,909	762,660
Other non–cash items		(25,132,213)	28,319,093
Operating profit before changes in operating assets and liabilities		**449,845,755**	**450,489,454**
Change in operating assets:			
(Increase) / Decrease in financial assets held for trading		(277,849,825)	(97,275,696)
(Increase) / Decrease in loans and advances to banks		(580,823,071)	(817,341,279)
(Increase) / Decrease in loans and advances to customers		(316,005,408)	(1,079,104,890)
(Increase) / Decrease in lease investment		(291,582,267)	(301,899,129)
(Increase) / Decrease in other assets		(80,150,177)	(28,866,022)
Change in operating liabilities:			
(Decrease) / Increase in deposits from banks		1,647,944,614	187,486,342
(Decrease) / Increase in deposits from customers		309,693,543	617,516,510
(Decrease) / Increase in other liabilities		13,840,076	7,122,749
Income tax paid		(39,713,220)	(66,561,684)
Cash flows from / (used in) operating activities		**835,200,020**	**(1,128,433,645)**
Investing activities			
Acquisition of property and equipment and intangible assets		(8,256,042)	(19,929,975)
Income from property and equipment sales			13,362,274
Dividends received		2,464,642	2,115,561
Cash flows used in investing activities		**(5,791,400)**	**(4,452,140)**

Chapter 4 Interim condensed consolidated statement of cash flows for the six months period ended 30 June 2018

	Note	30.06.2018	30.06.2017
		RON	RON
Cash flows from financing activities			
Dividends paid			-677,815
New debt securities issued		(550,000,000)	
Net increase of share capital and share premium		697,824,631	
Repayments of loans from financial institutions		(1,026,075,156)	(2,978,356,188)
Drawdowns from loans from financial institutions		1,383,743,057	2,540,231,527
Cash flows from financing activities		**505,492,532**	**(438,802,476)**
Net increase in cash and cash equivalents		1,334,901,151	1,571,688,261
Cash and cash equivalents at 1 January 2018		**8,574,271,776**	**5,760,947,655**
IFRS9 impact at 01 January 2018		**(3,097,826)**	
Cash and cash equivalents 30 June 2018	**12**	**9,906,075,101**	**4,189,259,395**

Cash flow from operating activities include:		30.06.2018	30.06.2017
		RON	RON
Interest received		684,379,123	624,459,334
Interest paid		(205,847,577)	(157,495,915)

The interim condensed consolidated financial statements were approved by the Management Board on July 31, 2018 and were signed on its behalf by:

Mr. Rasvan Catalin Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

1. REPORTING ENTITY

The UniCredit Group (the "Group") consists of UniCredit Bank S.A. (the "Bank") as parent company and its subsidiaries, UniCredit Consumer Financing IFN S.A. ("UCFIN"), UniCredit Leasing Corporation IFN S.A ("UCLC"), Debo Leasing IFN SA ("DEBO") and UniCredit Insurance Broker SRL ("UCIB"). These consolidated financial statements comprise the Bank and its subsidiaries.

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

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

UniCredit Bank S.A. is directly controlled by UniCredit SpA (Italy), with registered office in with in Milano, Piazza Gae Aulenti, 3 .

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

UniCredit Consumer Financing IFN S.A., having its current registered office at 23-25 Ghetarilor Street, 1st and 3rd floor, District 1, Bucharest, Romania, provides consumer finance loans to individual clients. The Bank has a shareholding of 50.1% in UCFIN since January 2013.

UniCredit Leasing Corporation IFN S.A., having its current registered office at 23-25 Ghetarilor Street, 1st, 2nd and 4th floor, District 1, Bucharest, Romania, provides financial lease services to corporate clients and individuals. UCLC, previously associate entity, has become a subsidiary of the Bank starting with April 2014 when the Bank obtained 99.95% direct and indirect controlling interest (direct controlling interest: 99.90%). The Bank's shareholding has changed to a direct and an indirect controlling shareholding interest of 99.98% as of 30 June 2018 (direct controlling interest: 99.96%), as a result of the merger of UCLC with UniCredit Leasing Romania SA ("UCLRO") finalized by June 2015, when UCLRO was absorbed by UCLC.

Debo Leasing IFN S.A., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, is a real estate finance lease entity, has become a subsidiary of the Bank starting with April 2014. The Bank has an indirect controlling interest of 99.97% through UCLC.

UniCredit Insurance Broker S.R.L., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, in which the Bank has an indirect controlling interest of 99.98% through UCLC.

As at 30 June 2018, the Group carried out its activity in Romania through the Head Offices of the Bank and subsidiaries located in Bucharest and through its network having 151 branches (31 December 2017: 157) located in Bucharest and the country.

2. BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 – Interim Financial Reporting.
These financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Bank as at and for the year ended 31 December 2017.

b) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the below mentioned changes the accounting policies applicable by the Group in the interim condensed consolidated financial statements are consistent with the accounting policies applied by the Group in the yearly consolidated financial statements for the financial period ended 31 December 2017.

Where it has been considered necessary, the comparative amounts have been reclassified in order to ensure the compliance with the changes made in the corresponding notes to the financial statements.

a) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated to RON at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RON at foreign exchange rates ruling at the dates the fair value was determined.

The exchange rates of major foreign currencies were:

Currencies	30 June 2018	31 December 2017	Change
Euro (EUR)	1: RON 4.6611	1: RON 4.6597	0.03%
US Dollar (USD)	1: RON 4.0033	1: RON 3.8915	2.87%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) IFRS9 impact

With reference to the adoption of IFRS 9 starting with 1st January 2018, we highlight that it is the result of a long-time project aimed at creating reporting and risk monitoring methods, harmonized between Group's Legal Entities, that ensure full compliance with the standard and at updating governance and monitoring processes in light of the new rules.

This project was organized at Group level through specific work-streams:

- work-stream "Classification and Measurement" aimed at reviewing financial instruments classification in line with new IFRS9 criteria;
- work-stream "Impairment" aimed at developing and implementing models and methods for calculating impairment.

These work-streams are further integrated by a specific work-stream dedicated to adapting the models and methodologies developed to the peculiarities of Corporate & Investment Banking (CIB).

The whole project is being developed with the involvement of all the relevant departments of the Group and with an active involvement of Board of Directors.

The following should be noted with regard to the new accounting principle:

- it introduced significant changes in the rules for classifying and measuring financial instruments compared to IAS39.

  With reference to loans and debt securities, the classification and consequent measurement of these instruments is based on the "business model" and on the characteristics of the financial instrument cash flows (SPPI criterion - Solely Payments of Principal and Interests).

  With reference to equity instruments, they are classified as financial instruments at fair value, with differences recognized through profit or loss or in other comprehensive income. In the latter case, unlike the requirements of IAS 39 for available-for-sale financial assets, IFRS 9 no longer requires to recognize impairment losses and provides that, in the event of sale of the instrument, the profits and losses on disposal must be reclassified to other shareholders' equity reserve and not to profit or loss.

  Lastly, with reference to financial liabilities designated at fair value, it modified the accounting of "own credit risk", i.e. the changes in the value of liabilities at fair value that are due to fluctuations in their creditworthiness. According to the new standard, these changes must be recognized in an equity reserve, rather than in the income statement as per IAS 39, thus eliminating a source of volatility in economic results.

- It has introduced a new accounting model of impairment for credit exposures based on (i) an "expected losses" approach replacing the current one based on the recognition of "incurred losses" and (ii) on the concept of "lifetime" expected loss.
- It has introduced guidelines that clarify when financial instruments shall be written off by specifying that the write - off constitutes an event of accounting de-recognition.
- It has also modified the rules applicable to "hedge accounting" with regard to designating a hedging relationship and verifying its effectiveness with the aim of ensuring greater alignment between the accounting recognition of hedges and the underlying management rationale. The Group has exercised the option to continue applying the existing IAS 39 hedge accounting requirements for all its hedging relationships until the IASB completes the project on accounting for macro-hedging.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has decided to exploit the option provided by the accounting standard not to restate comparative figures of previous years. Consequently, for UniCredit Group, the first time adoption of the new standard is 1st January 2018.

Details on the impact of the transition to IFRS 9 and reclassifications made are available in Note 26.

c) Financial assets and financial liabilities - Recognition and initial measurement

The Group initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition/issue (for an item which is not at fair value through profit or loss).

d) Financial assets and financial liabilities - Classification

As a result of the entry into force of IFRS 9, the Group has reclassified financial assets and liabilities as at 1st January 2018 into the new envisaged categories.

In this regard, it should be noted that this classification is based on business model and characteristics of the contractual cash flows.

The analysis of the business model was conducted by mapping the business areas that make up the Group and by allocating a specific business model to each of them.

In this regard, the business areas that make up the Group's banking portfolio have been assigned "held-to-collect" or "held-to-collect and sell" business models according to holding intentions and expected turnover of the financial instruments.

The business areas that make up the Group's trading portfolio have been assigned an "other" business model in order to reflect trading intentions.

For the purposes of classifying financial instruments in the new categories envisaged by IFRS9, the business model analysis must be complemented by an analysis of contractual flows ("SPPI Test").

In this regard, the Group has developed systems and processes to analyse the portfolio of debt securities and loans in place and assess whether the characteristics of contractual cash flows allow for measurement at amortized cost ("held-to-collect" portfolio) or at fair value with effect on comprehensive income ("held-to-collect and sell" portfolio). The analysis in question was carried out both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific internally developed tool ("SPPI Tool") to analyse the contract features with respect to IFRS9 requirements, or by using external data providers.

In application of the aforementioned rules, the Group's financial assets and liabilities have been classified as follows:

Financial assets

- Held for trading;
    - Designated at fair value through profit or loss;
    - Mandatorily at fair value;
    - At fair value through Comprehensive income;
- At amortised cost;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

At inception date, a financial liability is classified in one of the following categories:

- measured at amortised cost
- at fair value through profit or loss -held for trading
- designated at fair value.

d1) Financial assets and financial liabilities held for trading

i. *Financial assets held for trading*

A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- it is a derivative contract not designated under hedge accounting, including derivatives with positive fair value embedded in financial liabilities other than those valued at fair value with recognition of income effects through profit or loss.

As other financial instruments, on initial recognition, at settlement date, a held-for-trading financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and revenue, which are recognized in profit and loss although directly attributable to the financial assets. Trading book derivatives are recognized at trade date.

After initial recognition these financial assets are measured at their fair value through profit or loss.

A derivative is a financial instrument or other contract that has all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying') provided that in case of non-financial variable, this is not specific of one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from financial liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is recognized as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.

ii. Financial liabilities held for trading

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the near term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

Financial liabilities held for trading, including derivatives, are measured at fair value on initial recognition and during the life of the transaction.

The Group has trading instruments at 30 June 2018 held for trading financial instruments, derivative assets and derivative liabilities incurred in transactions with customers and economically covered with back-to-back transactions within UniCredit Group.

d2) Financial assets and financial liabilities at fair value through profit and loss

A non-derivative financial asset can be designated at fair value if said designation avoids accounting mismatches that arise from measuring assets and associated liabilities according to different measurement criteria.

These assets are accounted for alike “Financial assets held for trading”.

Financial liabilities, like financial assets, may also be designated, according to IFRS9, on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces an accounting or measurement inconsistency that would arise from the application of different methods of measurement to assets and liabilities and related gains or losses; or
- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the entity’s key management personnel.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities presented in this category are measured at fair value at initial recognition and for the life of the transaction.

The changes in fair value are recognized in the income statement except for any changes in fair value arising from changes in their creditworthiness, which are shown under item Revaluation reserves of shareholders’ equity unless such accounting results in an inconsistency that arises from the application of different methods of measuring assets and liabilities and related gains or losses, in which case also the changes in fair value deriving from changes in creditworthiness are recorded in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group designates financial assets and liabilities at fair value through profit and loss when either:

- The assets and liabilities are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

d3) Financial assets and financial liabilities at amortized cost

A financial asset is classified within the financial assets measured at amortized cost if:

- its business model is held to collect;
- its cash flows are solely the payment of principal and interest.

These items also include the net value of finance leases of assets under construction or awaiting lease, provided the leases have the characteristics of contracts entailing the transfer of risk.

On initial recognition, at settlement date, financial assets at amortized cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

After initial recognition at fair value, these assets are measured at amortized cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan.

The carrying amount of financial assets at amortized cost is adjusted to take into account the reductions / write –backs resulting from the valuation process asset out in the specific section7.

Financial liabilities measured at amortized cost comprise financial instruments (other than liabilities held for trading or those designated at fair value) representing the various forms of third-party funding.

These financial liabilities are recognized at settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortized cost using the effective interest method.

Hybrid debt instruments relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognized as a derivative, provided that separation requirements are met, and recognized at fair value. The embedded derivative is recognized at its fair value, classified as financial assets or liabilities held for trading and subsequently measured at fair value through profit or loss.

The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Securities in issue are recognized net of repurchased amounts; the difference between the carrying value of the liability and the amount paid to buy it in is recognized into profit and loss. Subsequent disposal by the issuer is considered as a new issue which doesn't produce gains or losses.

d4) Other financial assets mandatory at fair value

A financial asset is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Specifically, in this portfolio have been classified equity instruments for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

The following type of assets could also be classified in this portfolio:

- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- units in investment funds.

These assets are accounted for alike “Financial assets held for trading”.

d5) Financial assets at fair value through Comprehensive income

A financial asset is classified as at fair value through comprehensive income if:

- its business model is held to collect and sell;
- its cash flows are solely the payment of principal and interest.

This category also includes equity instruments for which the Group applies the option granted by the standard of valuing the instruments at fair value through other comprehensive income.

On initial recognition, at settlement date, a financial asset is measured at fair value, which is usually equal to the consideration paid, plus transaction costs and revenues directly attributable to the instrument.

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortized cost criterion.

The gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and shown under Revaluation reserves in shareholders' equity.

These instruments are tested for impairment as illustrated in the specific section.

Impairment losses are recorded in the income statement with contra-entry in the statement of comprehensive income and also shown under Revaluation reserves in shareholders' equity.

In the event of disposal, the accumulated profits and losses are recorded in the income statement. With regard to equity instruments, the gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and shown under Revaluation reserves in shareholders' equity. In the event of disposal, the accumulated profits and losses are recorded in Other Reserves.

In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement.

e) Financial assets and liabilities - de-recognition and modification

Renegotiations of financial instruments which cause a change in contractual conditions are accounted for depending on the significance of the contractual change itself.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In particular, when renegotiations are not considered significant the gross exposure is re-determined through the calculation of the present value of cash flows following the renegotiation at the original effective interest rate. The difference between the gross exposure before and after renegotiation, adjusted to consider changes in the related loan loss provision, is recognized in P&L as modification gain or loss.

In this regard, renegotiations achieved both by amending the original contract or by closing a new one, are considered significant when they determine the expiry of the right to receive cash flows accordingly to the original contract.

In particular, rights to receive cash flows are considered as expired in case of renegotiations that introduce contractual clauses which determine a change in the financial instrument classification, which determine a change in the currency or which are carried out at market conditions therefore without causing credit concession.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In addition, any cumulative gain or loss that had been recognised in other comprehensive income is also recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

f) Purchased or Originated Credit Impaired - POCI

When on initial recognition an exposure, presented in “Financial assets at fair value through comprehensive income” or “Financial assets at amortized cost”, is non performing, it is qualified as “Purchased Originated Credit Impaired- POCI”.

The amortized cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset.

This expected credit loss is subject to periodic review thus determining the recognition of impairment or write- backs.

Purchased Originated Credit Impaired assets are conventionally classified on initial recognition in Stage 3.

If, as a result of an improvement in the creditworthiness of the counterparty, the assets become "performing" they are classified under Stage 2.

These assets are never classified under Stage 1 because the expected credit loss is always calculated considering a time horizon equal to their residual duration.

In addition to purchased impaired assets, the Group identifies as" Purchased Originated Credit Impaired those credit exposures that are originated in the case of restructuring of an impaired exposure which led to the provision of new finance which is deemed significant either in absolute terms or in relative terms compared with the amount of the original exposure.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

h) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all available factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of fair value of financial instruments at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable data from the market.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Where a fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

i) Identification and measurement of impairment

Loans and advances to clients and banks and debt securities classified as financial assets at amortized cost, financial assets at fair value through comprehensive income and relevant off-balance sheet exposures are tested for impairment as required by IFRS9.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement. Specifically:

- Stage 1: includes(i) newly issued or acquired credit exposures, (ii) exposures for which credit risk has not significantly deteriorated since initial recognition, (iii) exposures having low credit risk(low credit risk exemption).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition.
- Stage 3: includes impaired credit exposures.

For exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year. For exposures in stages 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

In order to meet the requirements of the standard, the Group has developed specific models to calculate expected loss based on PD, LGD and EAD parameters, used for regulatory purposes and adjusted in order to ensure consistency with the accounting regulations.

In this context "forward looking" information was included through the elaboration of specific scenarios.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses. In the Group, the Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination)
- absolute elements such as the backstops required by law (e.g. 30 days past-due)
- additional internal evidence (e.g. Forborne classification).

With regard to debt securities, the Group opted for application of the low credit risk exemption on investment grade securities in full compliance with IFRS 9 accounting standard.

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest. In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.

The amount of the loss on impaired exposures classified as bad loans and unlikely to pay, according to the categories specified below, is the difference between the carrying amount and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed rate positions, the interest rate thus determined is kept constant in subsequent financial years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate cannot be found, or if finding it would be excessively burdensome, the rate that best approximates it is applied, also recurring to "practical expedients" that do not alter the substance, and ensure consistency with the international accounting standards.

Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, the type of loan, the type of security and any other factors considered relevant.

Also the impairment on impaired exposures was calculated as required by IFRS 9 to include (i) the adjustments necessary to arrive at the calculation of a point-in-time and forward-looking loss; and (ii) multiple scenarios applicable to this type of exposure including any sale scenarios in case Group strategy on Non-Performing Asset Strategy for the period 2018-2020 foresees the recovery through sale on the market.

More details regarding IFRS9 first time adoption of the Group can be found in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Non-current assets held for sale / discontinued operations

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) is a subsidiary acquired exclusively with a view to resale.

The Bank measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. For the period the asset is classified as held for sale the depreciation ceases and is tested periodically for impairment.

The non-current asset is reclassified out of non-current assets held for sale when it is sold or the conditions to be recognized as held for sale are no longer met.

As of 30 June 2018, the Group classified the operations of UniCredit Insurance Broker as a discontinued operation. The participation is held for sale at the end of the reporting period as it is available for immediate sale in its present condition and a sale transaction is estimated to take place in less than 12 months. The sale will take place with 2 entities part of UniCredit Group and was determined by a reorganisation of the shareholdings within the Group. The transaction was already approved by the shareholders of UniCredit Insurance Broker by the end of reporting period and will be finalised after the approval by the Financial Supervision Authority.

4. FINANCIAL RISK MANAGEMENT

The Group has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e. 1 year);
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

4. FINANCIAL RISK MANAGEMENT (continued)

Such parameters are calculated starting from the corresponding parameters used for regulatory purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements. Main adjustments were aimed at:

- removing conservatism required for regulatory purposes;
- introducing “point-in-time” adjustments to replace “through-the-cycle” adjustments required for regulatory purposes;
- including “forward looking” information;
- extending credit risk parameters to a multi-year perspective.

With reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time and forward-looking forecasts on portfolio default rates. Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove conservatism and to reflect most updated trend of recovery rates as well as expectations about future trends discounted at effective interest rate or at its best proxy.

The lifetime EAD has been obtained by extending the 1 year regulatory or managerial model, removing margin of conservatism and including expectation about future drawing levels.

With reference to the qualitative component of the model for stage allocation, the Group has adopted a statistical approach based on a *quantiles regression* whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date. The variable objective of the regressive model is thus the change between the PD at the reporting date compared to the one at the date of origination while the explicative variables are factors such as the age of the transaction, the PD at the date of origination, etc.

A key component of the model is the definition of the quantile that identifies the amount of Stage 2 expected on average in the long-run and that affects the determination of the threshold of change in PD after which the transaction is classified in Stage 2. The average quantile in the long run is determined based on the expected average of deterioration of the portfolio determined by the rate of defaults as in any other deterioration stage (i.e.: 30 days past due).

The amount of exposures classified in Stage 2 at each reporting date will be around the quantile identified for the long run based on the economic conditions at the time and on the future expectations about the evolution of the economic cycle.

With reference to stage 3, it should be noted that it includes impaired exposures corresponding to the aggregate Non-Performing Exposures as defined by ITS EBA (EBA/ITS/2013/03/rev1 24/7/2014).

In particular, EBA has defined as “Non-Performing” exposures that meet one or both of the following criteria:

- material exposures more than90 days past due;
- exposures for which the bank values that is unlikely that the debtor would pay in full his credit obligations without recurring to enforcement and realization of collaterals, regardless of past due exposures and the number of days the exposure is past due.

4. FINANCIAL RISK MANAGEMENT (continued)

Prospective information for the calculation of value adjustments

The expected credit loss deriving from the parameters described in the previous paragraph considers macroeconomic forecasts through the application of multiple scenarios to the "forward looking" components in order to compensate the partial non-linearity naturally present in the correlation between macroeconomic changes and credit risk. Specifically, the non-linearity effect was incorporated through the estimation of an overlay factor directly applied to the portfolio Expected Credit Loss.

The process defined to include macroeconomic multiple scenarios was fully consistent with macroeconomic forecast processes used by the Group for additional risk management objectives (as for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and ICAAP Framework) and also took advantage of independent UniCredit Research function. The starting point was therefore fully aligned despite while the application is differentiated in order to comply with different requirements using internal scenarios only.

In particular, UniCredit Group Romania has selected three macroeconomic scenarios to determine the forward looking component, a baseline scenario, a positive scenario and a negative scenario.

The baseline scenario is the main scenario and indeed is expected to be the one with the highest likelihood of occurrence. The positive and the negative scenario represent alternative occurrences, either better or worse when compared to the baseline scenario in terms of evolution of the economy

- The Base Scenario("Baseline") reflects the macroeconomic evolution expected by the Group and as such is coherent with the assumptions used in the planning processes. The Baseline Scenario foresees an economic growth stable and positive, both for the Eurozone and for the CEE countries, in a context where the interest rates in the Euro area are expected to be slightly growing even though they continue to be at historical low levels. Specifically, the annual growth of the real GDP for the Eurozone is foreseen at +1,8% for 2018 and +1,5% for 2019 while the foreseen growth for the CEE countries is +2,4% in 2018 and +2,2% in 2019. The Scenario implies that the 3 months Euribor stays negative for 2018 and comes back near zero in 2019.
- The Positive Scenario is based on the hypothesis that the positive economic growth of 2017 both at global level and at European level might consolidate even in 2018, sustained by the trend in the global commerce and by accommodating economic policies. This would imply, for the biggest European countries, a maximum phase of the economic cycle prolonged by a year, that would reflect in a bigger growth of the annual real GDP (with respect to the baseline scenario) of about 0,2%-0,5% both in 2018 and in 2019. Specifically, the annual growth of the real GDP for the Eurozone would grow to +2,3%for 2018 and +1,9% for 2019in a context of short term rates (3 months Euribor) still negatives or close to zero. The occurrence of such scenario, at the moment of its definition, is expected to be plausible and appropriate to quantify a better trend of the economy than the one assumed in the Baseline scenario.
- The Adverse Scenario reflects one of the scenarios used in the evaluation processes of the capital adequacy (ICAAP). In coherence with the ICAAP framework, the scenario has been chosen to represent one of the macroeconomic and financial risks that the Groups foresees as most relevant. The scenario of Widespread Contagion is based on a hypothesis of intensification of political risks of the European Union, caused by an increased influence of populist parties in Italy, Germany and France alongside with, among others, the extension of tension between Spanish government and Catalonia Region. This context would lead to an increase of the risk premiums for different "asset class" and to a slowdown of the economic growth both of the Eurozone (lower of about 1.5per year with respect to the baseline scenario, in terms of real GDP) and of CEE countries (lower of about 2. points percentage, respectively). Specifically, the annual growth of the GDP in for the Eurozone would be +0,4% for 2018 and -0,1% for 2019 in a context of rates in the short run (3months Euribor) that would stay negative even in 2019, based on the hypothesis that the ECB would prolong in such a market context the liquidity support to markets. The likelihood of happening of such scenario, at the time of its definition, is foreseen probable and appropriate to quantify the adverse trend of the economy. In coherence with the scenario and with the magnitude of changes compared to the baseline scenario, it is assumed that the negative scenario is less likely than the positive scenario.

4. FINANCIAL RISK MANAGEMENT (continued)

The forecasts in terms of changes in the "Default rate" and in the "Recovery Rate" provided by the Stress Test functions are included within the PD and LGD parameters during calibration. Credit parameters indeed, are normally calibrated over a horizon that considers the entire economic cycle ("Through-the-cycle – TTC"), it is thus necessary a "Point-in-time– PIT" calibration and a "Forward-looking – FL" one that allows to reflect in those credit parameters the current situation and the expectations about the future evolution of the economic cycle.

In this regard, the PD parameter is calculated through a normal calibration procedure, logistics or Bayesian, using as anchorage point an arithmetic average among the latest default rates observed on the portfolio and the insolvency rates foreseen by the Stress Test function. The PD determined in such way will lose his through the cycle nature in favour of a Point in time and Forward looking philosophy.

The LGD parameter is made Point in time through a scalar factor that allows to take into account the ratio between average recoveries throughout the period and recoveries achieved in previous years. The inclusion of forecast within the LGD parameter is performed by adjusting the yearly "recovery rate" implicit in this parameter to take into account the expectations of variations of recovery rates provided by the Stress Test function.

Sale scenarios

The assessment of impaired exposures (stage3) also considered sale scenarios whereas the Group's Non-Performing Asset Strategy for the period 2018-2020 foresees the sale on the market as a recovery method.

For this purpose, the presumed recovery value of credit exposures included in the aforementioned Non Performing Asset Strategy was determined as weighted average between two scenarios:

- internal recovery scenario, whose expected recovery value is estimated assuming an internal work-out process according to what has previously been described.
- Sale scenario, whose expected recovery value is estimated assuming the sale of the exposures on the market. The expected sale price is determined considering market or internal information based on the following hierarchy:
    - prices deriving from past sales of impaired loans with homogeneous characteristics with those evaluated;
    - prices observable on the market for impaired loans with homogeneous characteristics with those evaluated;
    - internal evaluation models

In order to calculate the weighted average, the probability of sale of credit exposures is defined by the appropriate Group structures on the basis of the volume of the sales forecasted by the aforementioned Non Performing Asset Strategy compared to the total gross exposure of the portfolio being valued. The probability of internal recovery is equal to the complement to 1 of probability of sale.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

With the exception of the new elements brought by the IFRS9 implementation which are presented in "Accounting Policies" and "Financial Risk Management" chapters, in preparing the interim condensed consolidated financial statements the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at for the year ended 31.12.2017.

6. NET INTEREST INCOME

In RON	30.06.2018	30.06.2017
Interest Income		
Interest and similar income arising from:		
Loans and advances to customers *	559,608,887	462,687,161
Net Lease receivables	84,254,737	74,199,713
Treasury bills and bonds	82,245,723	61,168,500
Current accounts and placements with banks	49,786,462	15,248,772
Hedging instruments	-	610,234
Others (including derivatives)	12,626,797	20,113,882
Total interest income	**788,522,606**	**634,028,262**
Interest expense		
Interest expense and similar charges arising from:		
Deposits from customers	92,351,641	42,104,191
Loans from banks and other financial institutions	61,014,163	70,343,462
Deposits from banks	20,187,712	14,328,350
Repurchase agreements	3,358,793	5
Interest related to bonds issued	25,114,651	17,511,843
Others (including derivatives)	8,126,508	13,771,434
Hedging derivatives	1,998,882	-
Total interest expense	**212,152,350**	**158,059,285**
Net interest income	**576,370,256**	**475,968,977**

*) *Included in interest income for a total amount of RON 25,215,166 (30 June 2017: RON 31,789,845) related to interest income on impaired loans. Interest income and expenses for assets and liabilities other than those carried at fair value through profit or loss are calculated using the effective interest rate method.*

7. NET INCOME FROM TRADING

In RON	30.06.2018	30.06.2017
Net gains from foreign exchange operations (including FX derivatives)	149,858,900	129,597,766
Net gains/(losses) from interest derivatives	2,401,076	(1,828,729)
Net income from trading bonds	(463,498)	3,237,544
Net gains/(losses) from commodities derivatives	120,566	26,283
Net income from trading of financial assets at fair value through profit and loss	**151,917,044**	**131,032,864**

8. PERSONNEL EXPENSES

In RON	30.06.2018	30.06.2017
Wages and salaries	188,561,763	148,687,040
Social security charges, unemployment fund and health fund	5,242,606	33,926,931
Other (income)/costs	(1,087,800)	414,357
Total	**192,716,569**	**183,028,328**

The Group number of employees at 30 June 2018 was 3,292 (31 December 2017: 3,348).

9. OTHER ADMINISTRATIVE COSTS

In RON	30.06.2018	30.06.2017
Office space expenses (rental, maintenance, other)	57,632,558	56,984,354
IT services	43,462,947	41,843,524
Other taxes and duties	32,986,112	67,862,487
Communication expenses	11,172,785	10,985,227
Advertising and promotional expenses	13,863,770	10,470,281
Consultancy, legal and other professional services	4,700,083	5,975,836
Materials and consumables	6,336,130	5,692,643
Personnel training and recruiting	2,063,750	1,913,780
Insurance expenses	1,497,566	1,716,462
Other	2,490,254	6,602,049
Total	**176,205,955**	**210,046,643**

10. NET IMPAIREMENT LOSS ON FINANCIAL ASSETS

In RON	30.06.2018	30.06.2017
Net provision charges for loans and advances to customers	(102,324,742)	(124,863,907)
Loans written-off	(494,973)	(472,541)
Net provision charges for lease receivables	(16,927,281)	(18,910,696)
Recoveries from loans written-off	12,490,808	14,982,786
Net provisions charges for other financial instruments	(6,511,994)	2,383,386
Net impairment losses on financial assets	**(113,768,182)**	**(126,880,972)**

11. INCOME TAX

In RON	30.06.2018	30.06.2017
Direct taxes at 16% of taxable profits determined in accordance with Romanian law	(73,804,181)	(42,273,861)
Correction of current income tax arising from previous year		63,673
Deferred tax income/(loss)	10,477,772	(3,268,200)
Income tax	**(63,326,409)**	**(45,478,388)**

Reconciliation of profit before tax with income tax expense in consolidated income statement

In RON	**30.06.2018**	**30.06.2017**
Profit/(loss) before tax	**316,757,560**	**270,682,426**
Taxation statutory rate of 16%	**(50,681,210)**	**(43,309,188)**
Non-deductible expenses	(20,110,114)	(11,071,497)
Non-taxable revenues	1,470,771	2,511,568
Origination and reversal of temporary differences	2,780,988	4,908,640
Fiscal credit	3,213,155	1,482,089
Income tax in the income statement	**(63,326,409)**	**(45,478,388)**

Reconciliation for the interim condensed consolidated cash flows.

In RON	**Nota**	**30.06.2018**
Profit before taxation – continued operations		316,757,560
Profit before taxation – discontinued operations	27	15,080,167
Provisions for discontinued operations	27	(4,098,338)
Total		**327,739,389**

12. CASH AND CASH EQUIVALENTS

In RON	**30.06.2018**	**31.12.2017**
Balances with National Bank of Romania	2,298,874,639	6,926,636,417
Cash (including cash in ATMs)	1,138,442,448	1,185,224,939
Short term Money Market placements	6,387,983,868	429,631,203
Current balances with other banks	50,617,523	32,779,217
Total	**9,875,918,478**	**8,574,271,776**

Reconciliation for the interim condensed consolidated cash flows.

In RON	**Note**	**30.06.2018**
Cash and cash equivalents of the Group		**9,875,918,478**
Cash and cash equivalents from discontinued operations	27	30,156,623
Cash and cash equivalents for the interim condensed consolidated cash flows		9,906,075,101

The balance of current accounts with the National Bank of Romania represents the minimum reserve maintained in accordance with the National Bank of Romania requirements. As of 30 June 2018, the minimum reserve level was set at 8% (31 December 2017: 8%) for liabilities to customers in RON and 8% (31 December 2017: 8%) for liabilities to customers in foreign currency both with residual maturity less than 2 years from the end of reporting period and for liabilities with the residual maturity greater than 2 years with reimbursement, transfer and anticipated withdrawals clause or 0% for all the other liabilities included in the calculation base.

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

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

In RON	30.06.2018	31.12.2017
Derivatives	67,885,636	69,225,191
Investment securities held for trading	255,031,197	52,157,080
Equity instruments *)	26,537,685	
Total	**349,454,518**	**121,382,271**

**) Until 31 December 2017, equity investments for VISA Inc were classified as "Equity investments available for sale"*

(ii) Derivatives assets / liabilities

The derivative assets and liabilities held at fair value through profit and loss at 30 June 2018 may be summarized as follows:

	30.06.2018		
	Notional	**Present value**	
		Assets	**Liabilities**
Foreign currency derivatives			
Forward contracts	6,701,386,729	15,566,077	11,248,286
Purchased options	227,961,131	387,796	45,730
Sold options	227,961,131		383,496
Total foreign currency derivatives	**7,157,308,991**	**15,953,873**	**11,677,512**
Interest rates derivatives			
Interest Rate Swaps	5,226,352,605	30,291,828	34,212,482
Purchased options	883,884,068	20,828,369	
Sold options	883,884,071		20,627,469
Total interest rate derivatives	**6,994,120,744**	**51,120,197**	**54,839,951**
Other derivatives – bought merchandise	119,251,914	811,566	
Other derivatives – sold merchandise	119,251,914		780,888
Total derivatives – merchandise	**238,503,828**	**811,566**	**780,888**
Total	**14,389,933,563**	**67,885,636**	**67,298,351**

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

(ii) Derivatives assets / liabilities (continued)

The derivative assets and liabilities held at fair value through profit and loss at 31 December 2017 may be summarized as follows:

	31.12.2017		
	Notional	**Present value**	
		Assets	**Liabilities**
Foreign currency derivatives			
Forward contracts	4,622,934,594	14,205,127	23,112,965
Purchased options	47,611,383	18,674	7,281
Sold options	47,611,383		18,165
Total foreign currency derivatives	**4,718,157,360**	**14,223,801**	**23,138,411**
Interest rates derivatives			
Interest Rate Swaps	3,335,748,527	31,270,914	32,695,735
Purchased options	992,370,740	22,842,240	
Sold options	992,370,744		23,319,924
Total interest rate derivatives	**5,320,490,011**	**54,113,154**	**56,015,659**
Other derivatives	12,176,496	888,236	865,842
Total	**10,050,823,867**	**69,225,191**	**80,019,912**

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

(ii) Derivatives assets / liabilities (continued)

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

In RON	30.06.2018			31.12.2017		
Cash Flow Hedge	**Notional amount**	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**
Interest rate swap	295,762,696	0	58,650,167	303,812,440		68,725,900
Cross currency swap	303,903,720	792,083	3,572,593	334,222,737	329,619	7,142,536
Total	**599,666,416**	**792,083**	**62,222,760**	**638,035,177**	**329,619**	**75,868,436**

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

In RON	30.06.2018			31.12.2017		
Hedge (portfolio and micro hedge)	**Notional amount**	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**
Interest rate swap	652,554,000	3,325,322	10,786,798	172,408,900	4,331,226	247,500
Total	**652,554,000**	**3,325,322**	**10,786,798**	**172,408,900**	**4,331,226**	**247,500**

14. LOANS AND ADVANCES TO CUSTOMERS

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

In RON	30.06.2018	31.12.2017
Mortgages	11,525,036,494	11,253,647,987
Corporate loans	6,199,365,409	6,249,516,042
Revolving credit lines	2,060,902,645	2,073,542,573
Factoring	520,511,531	573,110,721
Credit cards and personal loans	2,619,728,632	2,394,550,032
Impaired assets	1,729,227,372	1,846,416,423
Loans and advances to customers before provisions	**24,654,772,083**	**24,390,783,778**
Less provision for impairment losses on loans	(1,478,404,115)	(1,439,960,698)
Net loans and advances to customers	**23,176,367,968**	**22,950,823,080**

The Group monitors concentrations of credit risk by sector of activity, client segment, products, ratings, geographical area on a quarterly basis. An analysis of concentrations of credit risk by industry at the reporting date is shown below:

In RON	30.06.2018	31.12.2017
Private entities (including individuals)	7,751,271,028	7,332,952,401
Manufacturing	4,878,503,808	4,897,096,997
Commerce- wholesale and retail	3,967,246,146	3,746,224,490
Real estate	1,517,231,728	1,578,003,598
Construction	721,563,172	708,952,243
Agriculture – forestry - fisheries	1,105,294,944	1,227,433,540
Transport and storage services	607,046,481	603,128,341
Public administration and defence; social security insurance	113,849,870	363,324,438
Production and supply of electricity, gas, steam and air conditioning	236,789,402	291,804,248
Professional, scientific and technical activities	498,102,933	545,638,498
Information and communication	589,757,046	611,491,988
Financial and insurance institutions	529,154,143	518,888,586
Water supply	92,487,493	104,736,852
Hotels and restaurants	159,289,507	161,703,277
Administrative and support service activities	276,802,927	131,301,610
Extractive industry	44,887,588	43,081,263
Education	5,470,931	6,090,141
Medical and social activities	33,309,428	36,665,500
Arts, entertainment and recreation	7,203,640	7,017,250
Other services	41,105,753	35,287,819
Total	**23,176,367,968**	**22,950,823,080**

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

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

In RON	30.06.2018	30.06.2017
Balance at the 31st of December 2017	**1,439,960,698**	**1,343,845,430**
IFRS9 implementation impact at the 1st of January 2018	42,773,916	
Net impairment charge for the period	102,324,742	130,391,976
Foreign currency exchange effect	452,320	1,203,734
Release of allowances for impairment of loans written-off and loans sold	(104,789,161)	(111,252,580)
Final balance at 30th of June 2018	**1,480,722,514**	**1,364,188,560**
Of which loans and advances to banks:	2,318,398	-

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

Exposure to credit risk

In RON	30.06.2018				
Individually significant impaired loans	**Total out of which:**	**Corporate**	**SME**	**Private Individual**	**Private banking**
Stage 3	1,409,065,399	1,047,519,742	132,720,048	228,562,652	262,957
Gross amount	**1,409,065,399**	**1,047,519,742**	**132,720,048**	**228,562,652**	**262,957**
Allowance for impairment	(1,115,844,152)	(820,922,393)	(107,361,741)	(187,560,018)	-
Net carrying amount	**293,221,247**	**226,597,349**	**25,358,307**	**41,002,634**	**262,957**
Fair value of collateral	**320,056,809**	**257,686,192**	**32,370,183**	**30,000,434**	**-**
Property	252,621,575	195,018,163	27,602,978	30,000,434	-
Goods	31,588,034	29,375,372	2,212,662	-	-
Assignment of receivables	16,953,193	16,953,193		-	-
Other collateral*	18,894,007	16,339,464	2,554,543	-	-
Other impaired loans					
Stage 3	320,166,800	29,729,347	115,564,680	174,870,360	2,413
Gross amount	**320,166,800**	**29,729,347**	**115,564,680**	**174,870,360**	**2,413**
Allowance for impairment	(166,652,426)	(18,029,909)	(80,275,609)	(68,344,827)	(2,081)
Carrying amount	**153,514,374**	**11,699,438**	**35,289,071**	**106,525,533**	**332**
Fair value of collateral	**142,234,459**	**11,752,427**	**29,662,177**	**100,819,855**	**-**
Property	133,553,322	9,511,963	24,362,071	99,679,288	-
Goods	3,098,433	484,821	2,608,002	5,610	-
Assignment of receivables	17,688	17,688	0	0	-
Other collateral*	5,565,016	1,737,955	2,692,104	1,134,957	-
Past due but not impaired					
Stage 1	**798,629,352**	**383,108,556**	**180,340,491**	**235,180,305**	**-**
Less than 90 overdue days	797,892,381	383,108,556	180,340,461	234,443,364	-
More than 90 overdue days	736,971	-	30	736,941	-
Stage 2	**565,419,959**	**83,399,443**	**94,817,186**	**387,096,715**	**106,615**
Less than 90 overdue days	543,466,204	83,352,882	90,485,105	369,521,602	106,615
More than 90 overdue days	21,953,755	46,561	4,332,081	17,575,113	-
Gross amount	**1,364,049,311**	**466,507,999**	**275,157,677**	**622,277,020**	**106,615**
Allowance for impairment	(31,465,640)	(1,405,262)	(4,816,137)	(25,244,238)	(3)
Carrying amount	**1,332,583,671**	**465,102,737**	**270,341,540**	**597,032,782**	**106,612**
Neither past due nor impaired					
Stage 1	18,327,693,952	11,107,060,140	1,365,627,374	5,730,390,177	124,616,261
Stage 2	3,233,796,616	1,887,081,211	143,264,310	1,166,532,086	36,919,009
Gross amount	**21,561,490,568**	**12,994,141,351**	**1,508,891,684**	**6,896,922,263**	**161,535,270**
Allowance for impairment	(164,441,892)	(63,844,272)	(9,610,490)	(90,100,521)	(886,609)
Net carrying amount	**21,397,048,676**	**12,930,297,079**	**1,499,281,194**	**6,806,821,742**	**160,648,661**
Total carrying amount	**23,176,367,968**	**13,633,696,603**	**1,830,270,112**	**7,551,382,691**	**161,018,562**

* Other collateral includes cash and financial risk insurance

15. NET LEASE RECEIVABLES

In RON	30.06.2018	31.12.2017
Lease receivables up to one year, gross	2,405,423,783	2,236,615,628
Lease receivables from one to five years, gross	1,697,322,849	1,591,627,979
Lease receivables over five years, gross	200,529,535	205,562,628
Total lease receivables, gross	**4,303,276,167**	**4,033,806,235**
Total lease receivables, net of future interest	4,303,276,167	4,033,806,235
Impairment allowances for lease receivables	(338,658,514)	(320,843,031)
Total net lease receivables	**3,964,617,653**	**3,712,963,204**

Concentration of credit risk related to lease receivables

In RON	30.06.2018	31.12.2017
Transport and storage services	936,672,454	867,603,200
Manufacturing	547,666,980	531,222,530
Commerce- wholesale and retail	1,096,117,543	979,096,883
Production and supply of electricity, gas, steam and air conditioning	111,418,564	128,217,576
Construction	245,395,636	262,242,713
Agriculture – forestry - fisheries	268,006,020	230,388,861
Real estate	139,460,509	140,819,281
Professional, scientific and technical activities	162,812,939	151,829,286
Administrative and support service activities	101,439,879	98,680,005
Medical and social activities	83,581,806	69,195,845
Hotels and restaurants	68,099,213	61,787,168
Extractive industry	25,400,693	24,499,832
Information and communication	53,292,556	41,231,810
Water supply	42,475,335	42,880,657
Public administration and defense; social security insurance	3,329,940	2,929,113
Financial and insurance institutions	10,205,105	12,962,708
Arts, entertainment and recreation	10,104,250	9,085,828
Education	5,740,137	5,328,720
Other services	53,398,094	52,961,188

Total	**3,964,617,653**	**3,712,963,204**

15. NET LEASE RECEIVABLES *(continued)*

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

In RON	30.062018	30.06.2017
Balance at 31st of December 2017	**320,843,031**	**303,922,270**
IFRS9 implementation impact at the 1st of January 2018	13,377,170	
Net impairment charge for the period	16,927,281	15,271,464
Foreign currency exchange effect	104,919	992,158
Release of allowances for impairment of loans written-off and loans sold	(12,178,471)	(27,002,355)
Modifications in discontinued operations	(415,415)	-
Balance at 30th of June 2018	**338,658,515**	**293,183,537**

15. NET LEASE RECEIVABLES *(continued)*

In RON		30.06.2018		
	Total, out of which:	**Corporate**	**SME**	**Private individuals**
Finance leases individually impaired				
Stage 3	394,000,873	13,710,502	379,348,490	941,881
Gross amount	394,000,873	13,710,502	**379,348,490**	**941,881**
Allowance for impairment	(257,613,078)	(7,985,691)	(248,685,506)	941,881)
Net carrying amount	**136,387,795**	**5,724,811**	**130,662,984**	**-**
Fair value of collateral	**-**	**-**		
Property	120,543,732	5,686,225	114,839,466	18,041
Goods	-	-		
Assignment of receivables	-	-		
Other collateral	82,326,758	464,765	81,861,993	-
Other impaired loans	-	-		
Stage 3	54,482,741	-	53,387,308	1,095,433
Gross amount	**54,482,741**	**-**	**53,387,308**	**1,095,433**
Allowance for impairment	(34,923,418)	-	(34,263,608)	(659,810)
Net carrying amount	**19,559,323**	**-**	**19,123,700**	**435,623**
Fair value of collateral	**-**	**-**		
Property	23,931,201	-	23,529,827	401,374
Goods	-	-		
Assignment of receivables	-	-		
Other collateral	22,733	-	22,733	-
Finance lease past due but not impaired	-	-		
Stage 1	190,828,264	11,075,530	**178,854,935**	**897,799**
Less than 90 overdue days	190,828,264	11,075,530	178,854,935	897,799
More than 90 overdue days	-	-	-	-
Stage 2	235,076,350	4,197,783	**230,333,621**	**544,946**
Less than 90 overdue days	235,076,350	4,197,783	230,333,621	544,946
More than 90 overdue days	-	-	-	-
Gross amount	**425,904,614**	**15,273,313**	**409,188,556**	**1,442,745**
Allowance for impairment	**(5,909,879)**	**(466,400)**	**(5,418,915)**	**(24,564)**
Net carrying amount	419,994,735	14,806,913	**403,769,641**	**1,418,181**
Finance lease neither past due nor impaired	-	-		
Stage 1	3,422,890,228	291,890,649	3,097,617,145	33,382,434
Stage 2	115,593,763	5,997,712	109,595,756	295
Gross amount	**3,428,887,940**	**297,888,361**	**3,097,617,145**	**33,382,434**
Allowance for impairment	(40,212,140)	(4,439,895)	(35,070,178)	(702,067)
Net carrying amount	**3,388,675,799**	**293,448,465**	**3,062,546,967**	**32,680,367**
Total carrying amount	**3,964,617,653**	**313,980,190**	**3,616,103,292**	**34,534,171**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

a) Investment securities held at fair value through other comprehensive income

As at 30 June 2018 the Group included in investment securities held at fair value through other comprehensive income, available for sale bonds, Romanian Government T-bills, bonds issued by the municipality of Bucharest and bonds issued by the Ministry of Public Finance in amount of RON 5,930,811,778 (31 December 2017: RON 5,977,060,831).

As at 30 June 2018 the investment securities held at fair value through other comprehensive income are pledged in amount of RON 686,894,305 (31 December 2017: RON 732,191,326).

The Group transferred to profit or loss during the first semester of 2018 an amount of RON (2,254,828) (30 June 2017: RON 52,128,908 gain) representing net loss from disposal of available for sale investment securities.

b) Equity investments held at fair value through other comprehensive income

At 30 June 2018 the Group held the following equity investments held at fair value through other comprehensive income:

In RON	**Nature of business**	**% interest held**	**Fair value**
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,345,998
Transfond SA	Other financial services	8.04%	2,770,810
Biroul de Credit SA	Financial services	6.80%	996,791
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10%	897,258
Casa de Compensare Bucuresti SA	Other financial services	0.91%	3,744
Total			**7,014,601**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

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

The Group held the following equity investments, available for sale as at 31 December 2017:

31 December 2017	Nature of business	% interest held	Gross carrying amount	Impairment	Net carrying amount
UniCredit Leasing Fleet Management	Operational leasing	9.99%	2,345,998		2,345,998
Transfond SA	Other financial services	8.04%	1,164,862		1,164,862
Biroul de Credit SA	Financial services	6.80%	645,525		645,525
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN SA	Other credit activities	3.10%	1,786,564	960,253	826,311
Casa de Compensare Bucuresti SA	Other financial services	0.91%	9,727	9,267	460
VISA Inc – Series C preferred shares	Cards	0	20,029,027		20,029,027
Total			**25,981,703**	**969,520**	**25,012,183**

**) Following the implementation of IFRS9, starting with 1st of January 2018, equity investments for VISA Inc are classified as "Financial Assets held at fair value through profit and loss"*

17. DEPOSITS FROM BANKS

In RON	30.06.2018	31.12.2017
Term deposit	3,862,863,921	2,727,606,057
Sight deposit	817,500,127	420,693,932
Amounts in transit	356,722,581	239,575,749
Total	**5,037,086,629**	**3,387,875,738**

18. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

In RON	30.06.2018	31.12.2017
Commercial banks	6,369,241,701	5,956,798,338
Multilateral development banks	3,740,535	11,350,761
International financial institutions	527,741,860	590,063,960
Total	**6.900.724.096**	**6.558.213.059**

As at 30 June 2018, the final maturity of loans varies from September 2018 to March 2028.

19. DEPOSITS FROM CUSTOMERS

In RON	30.06.2018	31.12.2017
Term deposits	9,490,707,845	9,124,954,533
Payable on demand deposits	16,713,113,822	15,941,796,732
Collateral deposits	1,213,806,615	1,982,525,175
Amounts in transit	60,015,534	99,388,291
Certificates of deposits	145,828	135,591
Total	**27,477,789,644**	**27,148,800,322**

20. SUBORDINATED LIABILITIES

In RON	30.06.2018	31.12.2017
UniCredit SpA	787,296,891	787,082,141
UniCredit Bank Austria AG	102,544,200	103,080,128
Total	**889,841,091**	**890,162,269**

20. SUBORDINATED LIABILITIES (*continued*)

At 30 June 2018, the following agreements were outstanding:

- Subordinated loan from UniCredit Spa Italy in total amount of EUR 48,500,000 principal, maturing on July 2027
- Subordinated loan from UniCredit Spa Italy in total amount of EUR 120,000,000 principal, maturing on December 2027
- Subordinated loan from UniCredit Bank Austria AG in total amount of EUR 22,000,000 principal, indefinite maturity.

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

21. PROVISIONS

In RON	30.06.2018	31.12.2017
Provision for financial guarantees	91,911,218	75,708,162
Provision for legal disputes	11,092,798	10,678,460
Provision for off-balance commitments	50,194,134	48,193,006
Other provisions	13,818,684	13,688,851
Total	**167,016,834**	**148,268,479**

The movements in provisions could be summarized as follows:

In RON	30.06.2018	30.06.2017
Balance at the 31st of December 2017	**148,268,479**	**67,301,041**
IFRS9 implementation impact at the 1st of January 2018	10,167,147	
Provision set up during the period	55,526,632	53,004,886
Provision used during the period	605,069	-181,479
Provision reversed during the period	(47,578,312)	(42,730,944)
FX related to off-balance exposure	27,819	(151,303)
Balance at the 30th of June 2018	**167,016,834**	**77,242,201**

22. ISSUED CAPITAL

The statutory share capital of the Bank as at 30 June 2018 is represented by 48,948,331 ordinary shares (31 December 2017: 40,760,784 ordinary shares) having a face value of RON 9.30 each and a share premium of 75.93 RON per share. The total value of the share premium is 621,680,499 RON.

Through the decision of the Extraordinary General Shareholders Meeting dated March 22, 2018, the change in the Bank's constitutive act was approved following the Bank's share capital increase by RON 76,144,187.10, by cash contribution in RON, from the amount RON 379,075,291.20 to the amount of RON 455,219,478.30, through the issue of 8,187,547 new shares with a nominal value of RON 9.30 / share.

The shareholders of the Bank are as follows:

	30.06.2018
	%
UniCredit SpA	98.605
Other shareholders	1.395
Total	**100.00**

	31.12.2017
	%
UniCredit SpA*	98.328
Other shareholders	1.672
Total	**100.00**

The share capital comprises of the following:

In RON	**30.06.2018**	**31.12.2017**
Statutory share capital	455,219,478	379,075,291
Hyperinflation effect – IAS 29	722,528,775	722,528,775
Share capital under IFRS	**1,177,748,253**	**1,101,604,066**

23. RELATED PARTY TRANSACTIONS

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

In RON	30.06.2018	
	Parent company	**Other related parties**
Derivative assets at fair value through profit and loss	1,999,393	5,609,771
Derivative assets designed as hedging instruments		4,117,406
Current accounts and deposits at banks	8,081,306,888	41,360,157
Loans and advances to banks	33,312,882	6,941,142
Loans and advances to customers		35,879,467
Other assets	24,669,508	23,373,196
Outstanding receivables	**8,141,288,671**	**117,281,139**
Derivative liabilities at fair value through profit and loss	12,168,560	44,695,044
Derivative liabilities designed as hedging	11,932,120	61,077,438
Current accounts	4,793,983	55,309,164
Deposits	2,558,007,980	1,511,464,659
Loans received	4,889,876,941	1,146,625,812
Subordinated liabilities	787,208,734	102,544,200
Other liabilities	2,521,009	11,651,594
Outstanding payables	**8,266,509,327**	**2,933,367,911**
Interest income	25,020,476	333,750
Interest expense	(55,276,952)	(43,678,463)
Fee and commission income	1,454,985	1,876,216
Fee and commission expense	(8,430,738)	(4,411,677)
Operating income	65,078	791,892
Operating expense	(239,363)	(25,979,550)
Net revenue/(expense)	**(37,406,514)**	**(71,067,832)**

23. RELATED PARTY TRANSACTIONS (*continued*)

In RON	31 December 2017	
	Parent company	**Other related parties**
Derivative assets at fair value through profit and loss	1,028,185	4,072,145
Derivative assets designed as hedging instruments	-	4,660,844
Current accounts and deposits at banks	1,227,223,017	
Loans and advances to banks	-	35,996,158
Loans and advances to customers	-	50,309,379
Other assets	21,457,634	27,753,548
Outstanding receivables	**1,249,708,836**	**122,792,074**
Derivative liabilities at fair value through profit and loss	9,098,336	52,186,771
Derivative liabilities designed as hedging	2,320,450	73,845,484
Current accounts	21,893,047	69,593,715
Deposits	2,828,278,427	1,968,343,175
Loans received	2,287,150,136	1,280,835,630
Bonds issued		21,330,716
Subordinated liabilities	787,052,237	103,080,128
Other liabilities	8,836,007	6,708,790
Outstanding payables	**5,944,628,640**	**3,575,924,409**
Interest income	27,165,487	3,066,976
Interest expense	(38,373,644)	(128,141,104)
Fee and commission income	1,592,343	3,429,834
Fee and commission expense	(18,606,087)	(6,339,262)
Operating income	65,078	1,739,405
Operating expense	(458,462)	(52,390,668)
Net revenue/(expense)	**(28,615,285)**	**(178,634,819)**

23. RELATED PARTY TRANSACTIONS (*continued*)

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

In RON	30.06.2018	31.12.2017
Loans	4,604,241	7,857,125
Current accounts and deposits	20,023,625	19,029,251
Interest income	63,915	61,746
Interest expenses	(27,157)	(15,981)

In RON	30.06.2018	31.12.2017
Key management compensation	7,199,397	11,919,023
Total	**7,199,397**	**11,919,023**

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

24. COMMITMENTS AND CONTINGENCIES

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

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

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

In RON	30.06.2018	31.12.2017
Loan commitments	2,209,692,526	1,730,417,815
Letters of credit	162,069,302	193,764,422
Guarantees issued	4,681,466,524	4,617,613,782
Total	**7,053,228,352**	**6,541,796,019**

24. COMMITMENTS AND CONTINGENCIES (continued)

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

The total amount of such risk participation agreements in force as at 30 June 2018 is EUR 35,785,453 (31 December 2017 is EUR 37,439,447).

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

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

25. FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY

The table below present the fair value of financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised as of 30 June 2018:

In RON	Level 1	Level 2	Level 3	Total fair value	Total book value
Financial assets held for trading and hedging instruments					
Financial assets for trading at fair value through profit and loss	255,031,196	67,498,167	387,470	**322,916,833**	**322,916,833**
Derivative financial instruments designed as hedging instruments	0	4,117,405	0	**4,117,405**	**4,117,405**
Total assets held for trading and hedging	255,031,196	71,615,572	387,470	**327,034,238**	**327,034,238**
Financial assets at fair value through other comprehensive income					
Debt securities	5,689,827,302	240,984,476	0	**5,930,811,778**	**5,930,811,778**
Equity instruments			7,014,601	**7,014,601**	**7,014,601**
Total financial assets at fair value through other comprehensive income	5,689,827,302	240,984,476	7,014,601	**5,937,826,379**	**5,937,826,379**
Non-tradable financial assets at fair value through profit and loss					
Equity instruments	0	26,537,685	0	**26,537,685**	**26,537,685**
Total financial assets at fair value through profit and loss	0	26,537,685	0	**26,537,685**	**26,537,685**
Financial liabilities held for trading					
Derivative financial liabilities at fair value through profit and loss	0	66,869,442	428,910	**67,298,352**	**67,298,351**
Derivative financial liabilities designed as hedging instruments	0	73,009,558	0	**73,009,558**	**73,009,558**
Total liabilities at fair value through profit and loss	0	139,879,000	428,910	**140,307,910**	**140,307,909**

25. FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY (continued)

The table below presents an analysis of financial instruments at amortised cost and respectively at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized as of 31 December 2017:

In RON	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total book value**
Financial assets held for trading and hedging instruments					
Financial assets for trading at fair value through profit and loss	52,157,080	67,206,937	2,018,254	121,382,271	121,382,271
Derivative financial instruments designed as hedging instruments		4,196,748		4,196,748	4,196,748
Total assets held for trading and hedging	**52,157,080**	**71,403,685**	**2,018,254**	**125,579,019**	**125,579,019**
Assets available for sale					
Securities held for trading	5,343,368,046	633,692,784	25,012,183	6,002,073,013	6,002,073,050
Total assets available for sale	**5,343,368,046**	**633,692,784**	**25,012,183**	**6,002,073,013**	**6,002,073,050**
Liabilities held for trading					
Derivative liabilities at fair value through profit and loss		78,187,889	1,832,023	80,019,912	80,019,912
Derivative liabilities designed as hedging instruments		76,165,933		76,165,933	76,165,933
Total liabilities held for trading		**154,353,822**	**1,832,023**	**156,185,845**	**156,185,845**

26. TRANSITION TO IFRS 9

The adoption of IFRS9 at the 1st of January 2018 has determined:

- an overall negative effect on consolidated net equity for an amount of RON 63,808,165, representing 189 bps of the CET1;
- an overall negative effect on CET1 ratio equal to -21 bps;
- the increase of loan loss provisions to an amount equal to RON 56,151,086.
- The Group's Balance Sheet as at 1.1.2018 is presented below (figures in RON):

In RON	**01.01.2018**	**31.12.2017**
Assets	**IFRS 9**	**IAS 39**
Cash and cash equivalents	8,571,149,328	8,574,271,776
Financial assets at fair value through profit and loss	141,411,298	
- Financial assets held for trading	121,382,271	
- Non-tradable financial assets mandatory at fair value through profit and loss	20,029,027	
Financial assets at fair value through profit and loss according to IAS 39 (a)		121,382,271
Derivative financial assets designed as hedging instruments	4,196,748	4,196,748
Financial assets at amortized cost (b):		
Loans and advances to clients	22,909,269,679	
Net Lease receivables	3,699,596,151	
Loans and advances to banks	1,446,508,257	
Loans and advances to clients according to IAS 39		22,950,823,080
Net Lease receivables		3,712,963,204
Loans and advances to banks according to IAS 39		1,446,780,104
Financial assets at fair value through other comprehensive income	5,985,404,385	
Financial assets available for sale according to IAS 39 (c)		6,002,073,050
Property and equipment	188,032,627	188,032,627
Intangible assets	169,305,871	169,305,871
Deferred tax assets	98,285,503	96,999,353
Other assets	195,523,540	195,580,837
Non-current assets classified as held for sale	36,811,630	36,811,630
Total assets	**43,445,495,017**	**43,499,220,551**

26. TRANSITION TO IFRS 9 (continued)

In RON	01.01.2018	31.12.2017
Liabilities:	**IFRS 9**	**IAS 39**
Financial liabilities at fair value through profit or loss	80,628,223	80,019,912
Derivatives liabilities designated as hedging instruments	75,557,622	76,165,933
Financial liabilities at amortized cost:		
Deposits from banks	3,387,875,738	3,387,875,738
Loans from banks and other financial institutions at amortized cost	6,558,213,059	6,558,213,059
Deposits from clients	27,148,800,322	27,148,800,322
Debt securities issued	1,166,162,751	1,166,162,751
Subordinated liabilities	890,162,269	890,162,269
Current tax liabilities	22,806,393	22,806,393
Provisions	158,435,626	148,268,479
Other liabilities	309,698,493	309,646,935
Total liabilities	**39,798,340,496**	**39,788,121,791**
Equity		
Share capital	1,101,604,065	1,101,604,066
Share premium	55	55
Cash flow hedge reserve	(48,922,704)	(48,922,704)
Reserve on financial assets at fair value through other comprehensive income	(54,954,670)	(53,502,857)
Revaluation reserve on property and equipment	9,672,847	9,672,847
Other reserves	244,827,557	244,827,555
Retained earnings	2,249,741,910	2,307,202,067
Total equity for parent company	**3,501,969,060**	**3,560,881,029**
Non-controlling interest	145,185,461	150,217,731
Total liabilities and equity	**43,445,495,017**	**43,499,220,551**

a. the item “Financial assets at fair value through profit and loss according to IAS 39”, containing derivative assets held for trading purposes, was completely reclassified into the new position “Financial assets held for trading”
b. the new item “ Financial Assets at amortised cost” contains the previous positions of Loans and advances to Banks, Net Lease receivables and Loans to customers – all 3 positions fully reclassified at amortised cost, but adjusted due to the application of the new impairment rules and due to the impact from modification accounting, as detailed in the table below
c. The item “Financial assets available for sale according to IAS 39” was classified as follows:
   - The complete reclassification of the debt securities in item Financial assets at fair value through comprehensive income
   - The reclassification of the equity participation in VISA as “Non-tradable financial assets mandatory at fair value through profit and loss”, as also presented in Note 13

26. TRANSITION TO IFRS 9 (continued)

IFRS 9 implementation impact:

In RON	**30.06.2018**
Provisions from on-balance exposures (including banks)	(56,151,086)
Modifications related to re-negotiated exposures according to IFRS 9.5.4.3	(2,263,384)
Intercompany transactions	99,721
Financial assets at fair value through other comprehensive income	3,360,361
Provisions from off-balance exposures	(10,167,147)
Other adjustments	1,313,370
TOTAL	**(63,808,165)**

With reference to the reclassifications of financial instruments in application of the new accounting standard, the following tables show separately for financial assets and liabilities:

26. TRANSITION TO IFRS 9 (continued)

Reclassification of financial assets

A: Reclassification of former IAS39 book value

B: Change in measurement

C: New book value as per IFRS9

IAS 39 Category		New IFRS 9 Category					
	Book value at 31/12/2017 IAS39	Financial assets held for trading			Financial assets designated at fair value through profit and loss		
		A	B	C	A	B	C
Financial assets held for trading	121,382,271	121,382,271		121,382,271			
Financial assets at Fair Value through profit or loss							
Available for sale financial assets	6,002,073,050						
Held to Maturity Investments							
Loans to Banks	8,835,837,641						
Loans to Customers	26,663,786,284						
IFRS 9 total	**41,623,079,246**			**121,382,271**			

26. TRANSITION TO IFRS 9 (continued)

IAS 39 Category		New IFRS 9 Category					
	Book value at 31/12/2017 IAS39	Non-tradable financial assets mandatory at fair value through profit and loss			Financial assets at fair value through comprehensive income		
		A	B	C	A	B	C
Financial assets held for trading	121,382,271						
Financial assets at Fair Value through profit or loss							
Available for sale financial assets	6,002,073,050	20,029,027		20,029,027	5,982,044,023	3,360,362	5,985,404,385
Held to Maturity Investments							
Loans to Banks	8,835,837,641						
Loans to Customers	26,663,786,284						
IFRS 9 total	**41,623,079,246**			**20,029,027**			**5,985,404,385**

IAS 39 Category		New IFRS 9 Category					
	Book value at 31/12/2017 IAS39	Financial assets at amortized cost			Total		
		A	B	C	A	B	C
Financial assets held for trading	121,382,271				121,382,271		121,382,271
Financial assets at Fair Value through profit or loss							
Available for sale financial assets	6,002,073,050				6,002,073,050	3,360,362	6,005,433,412
Held to Maturity Investments					0	0	0
Loans to Banks	8,835,837,641	8,835,837,641	-3,394,295	8,832,443,346	8,835,837,641	(3,394,295)	8,832,443,346
Loans to Customers	26,663,786,284	26,663,786,284	-54,920,454	26,608,865,830	26,663,786,284	(54,920,454)	26,608,865,830
IFRS 9 total	**41,623,079,246**			**35,441,309,176**		**(54,954,387)**	**41,568,124,859**

26. TRANSITION TO IFRS 9 (continued)

With reference to impairment, the following table shows, as at 01.01.2018, the gross exposure and value adjustments broken down by accounting portfolio and by classification stage

In RON	Gross Amount						
	IFRS 9			IAS 39		IFRS 9 versus IAS 39	
	S1	S2	S3	Performing	Non - performing	Performing	Non - performing
Financial assets at fair value through other comprehensive income	5,977,060,830	0	0	5,977,060,830	0	0	0
- Debt securities	5,977,060,830	0	0	5,977,060,830	0	0	0
- Loans and advances with banks	0	0	0	0	0	0	0
- Loans and advances with customers	0	0	0	0	0	0	0
Financial assets measured at amortized cost	29,889,636,074	5,047,587,486	2,321,093,557	34,939,557,211	2,320,870,443	(2,333,651)	223,114
- Debt securities	0	0	0	0	0	0	0
- Loans and advances with banks	8,806,350,899	29,462,118	0	8,835,837,641	0	(24,624)	0
- Loans and advances with customers	21,083,285,175	5,018,125,368	2,321,093,557	26,103,719,570	2,320,870,443	(2,309,027)	223,114

In RON	Loan Loss Provisions						
	IFRS 9			IAS 39		IFRS 9 versus IAS 39	
	S1	S2	S3	Performing	Non - performing	Performing	Non - performing
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
- Loans and advances with banks	-	-	-	-	-	-	-
- Loans and advances with customers	-	-	-	-	-	-	-
Financial assets measured at amortized cost	(133,221,657)	(75,874,009)	(1,607,912,276)	(153,479,463)	(1,607,324,266)	(55,616,203)	(588,010)
- Debt securities	-	-	-	-	-	-	-
- Loans and advances with banks	(3,365,204)	(4,467)	-	-	-	(3,369,671)	-
- Loans and advances with customers	(129,856,453	(75,869,542)	(1,607,912,276)	(153,479,463)	(1,607,324,266)	(52,246,532)	(588,010)

26. TRANSITION TO IFRS 9 (continued)

In RON	Net exposure						
	IFRS 9			IAS 39		IFRS 9 versus IAS 39	
	S1	S2	S3	Performing	Non - performing	Performing	Non - performing
Financial assets at fair value through other comprehensive income	5,977,060,830	-	-	5,977,060,830	-	-	-
- Debt securities	5,977,060,830	-	-	5,977,060,830	-	-	-
- Loans and advances with banks	-	-	-	-	-	-	-
- Loans and advances with customers	-	-	-	-	-	-	-
Financial assets measured at amortized cost	29,756,414,417	4,971,713,477	713,181,281	34,786,077,748	713,546,177	(57,949,854)	(364,896)
- Debt securities	-	-	-	-	-	-	-
- Loans and advances with banks	8,802,985,695	29,457,651	-	8,835,837,641	-	(3,394,295)	-
- Loans and advances with customers	20,953,428,722	4,942,255,826	713,181,281	25,950,240,107	713,546,177	(54,555,559)	(364,896)

The amount of loan loss provision on commitments and guarantees given are equal to RON 10,167,147 as reported in the Balance Sheet Liabilities at item Provisions for risks and charges: commitments and guarantees given.

27. DISCONTINUED OPERATIONS

As of 30 June 2018, the Group classified the operations of UniCredit Insurance Broker as a discontinued operation. The participation is held for sale at the end of the reporting period as it is available for immediate sale in its present condition and a sale transaction is estimated to take place in less than 12 months. The sale will take place with 2 entities part of UniCredit Group and was determined by a reorganisation of the shareholdings within the Group. The transaction was already approved by the shareholders of UniCredit Insurance Broker by the end of reporting period and will be finalised after the approval by the Financial Supervision Authority.

The amounts bellow are presented with intragroup transactions and balances because the Group expects that this subsidiary will no longer be part of the consolidation after its sale.

Statement of comprehensive income

In RON	30.06.2018
Interest income	95,232
Fee and commission income	16,495,378
Net income from trading and other financial instruments at fair value through profit or loss	461
Other operating income	348,532
Operating income	**16,939,603**
Personnel expenses	(778,662)
Depreciation and impairment of tangible assets	(4,758)
Other administrative costs	(247,432)
Other operating expenses	(828,737)
Operating expenses	**(1,859,589)**
Net operating expenses	**15,080,014**
Net impairment losses on financial assets	153
Profit/ (Loss) before taxation	**15,080,167**
Income tax	(2,412,827)
Net profit for the reporting period	**12,667,340**
Total comprehensive income for the reporting period	**12,667,340**
Impairment*	**(4,098,338)**
Net profit from discontinued operations	**8,569,002**

*For the difference between UniCredit Insurance Broker net assets as of 30th of June 2018 and the estimated net selling price of UniCredit Leasing Corporation, a provision of RON 4,098,338 was booked at consolidated level. Impairment is presented in the consolidated statement of financial position in “Other liabilities – discontinued operations”, and the expense with impairment is presented in the statement of comprehensive income in “Net profit of the reporting period – discontinued operations”.

27. DISCONTINUED OPERATIONS (continue)

Statement of financial position

In RON	30.06.2018
Assets	
Cash and cash equivalents	30,156,623
Property and equipment	14,272
Other assets	19,805,475
Total assets	**49,976,370**
Liabilities	
Current tax liabilities	436,020
Deferred tax assets	756
Other liabilities	8,851,443
Total liabilities	**9,288,219**
Equity	
Share capital	150,000
Other reserves	30,000
Retained earnings	40,508,151
Total equity	**40,688,151**
Total liabilities and equity	**49,976,370**

The interim condensed consolidated financial statements were approved by the Management Board on July 31, 2018 and were signed on its behalf by:

Mr. Rasvan Catalin Radu
Chief Executive Officer

Mr. Philipp Gamauf
Chief Financial Officer

28. SUBSEQUENT EVENTS

There is no significant subsequent event after the end of the reporting period.

The interim condensed consolidated financial statements were approved by the Management Board on July 31, 2018 and were signed on its behalf by:

Mr. Rasvan Catalin Radu	**Mr. Philipp Gamauf**
Chief Executive Officer	Chief Financial Officer