THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

THIS ENGLISH LANGUAGE PROSPECTUS IS FOR INFORMATION PURPOSE ONLY. IN CASE OF ANY DISCREPANCIES BETWEEN THE ENGLISH AND THE ROMANIAN LANGUAGE VERSIONS, THE ROMANIAN LANGUAGE PROSPECTUS AS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY SHALL PREVAIL.

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UniCredit Bank S.A.

(a joint-stock company incorporated in Romania)

Prospectus drafted for the admission to trading on the regulated market of the Bucharest Stock Exchange of the six-month ROBOR plus an interest rate within the range 0.60 – 0.70 per cent, six-month ROBOR plus an interest rate within the range 0.80 – 0.90 per cent and six-month ROBOR plus an interest rate within the range 1.00 – 1.10 per cent. unsecured Notes due 2020, 2022 and 2024

Offer Period 17 July - 21 July 2017

The six-month ROBOR plus an interest rate within the range 0.60 – 0.70 per cent. Notes due 2020 (the "**Class 2020 Notes**"), the six-month ROBOR plus an interest rate within the range 0.80 – 0.90 per cent. Notes due 2022 (the "**Class 2022 Notes**") and the six-month ROBOR plus an interest rate within the range 1.00 – 1.10 per cent. Notes due 2024 (the "**Class 2024 Notes**") (together, the "**Notes**") are offered by UniCredit Bank S.A. (the "**Issuer**" or the "**Bank**") at the value of RON 10,000 each. The aggregate principal value of the offered Notes is of RON 500,000,000. Should the subscriptions for the Notes exceed the aggregate principal value of RON 500,000,000, the Issuer will have the right (without being obliged) to increase the number of Notes up to maximum 61,000 Notes and a maximum aggregate principal value of RON 610,000,000.

Unless previously redeemed or purchased, the Issuer will redeem the Notes at their principal amount as follows: the Class 2020 Notes on 15 July 2020, the Class 2022 Notes on 15 July 2022 and the Class 2024 Notes on 15 July 2024. The ISINs (International Securities Identification Numbers) for the Notes are the following: ROUCTBDBC022 (for the Class 2020 Notes), ROUCTBDBC030 (for the Class 2022 Notes) and ROUCTBDBC048 (for the Class 2024 Notes).

Application will be made to the Bucharest Stock Exchange for the listing of the Notes on the Bucharest Stock Exchange and admission to trading on the Bucharest Stock Exchange's spot regulated market. The Bucharest Stock Exchange's spot regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive II (Directive 2014/65/EU).

The Notes will at all times be represented in dematerialised book-entry form in the books of the Central Depositary. No physical document of title will be issued in respect of the Notes.

This Prospectus constitutes a prospectus for the purposes of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**"). This Prospectus has been prepared in accordance with the Commission Regulation (EC) no. 809/2004 of 29 April 2004 as further amended, the Law no. 24/2017 on issuers of financial instruments and market operations (the "**Law on Issuers**") and the Regulation no. 1/2006 on issuers and securities operations of the National Securities Commission (the "**NSC**"), as further amended. This prospectus was approved by the Financial Supervisory Authority (the "**FSA**") in its capacity as competent authority through the Decision no. 910/13.07. 2017, for the purpose of the Notes being admitted to trading on the spot market of the Bucharest Stock Exchange.

The Issuer has been rated BBB- from long-term issuer default rating perspective with a stable outlook by Fitch Ratings. ("**Fitch**"). The Notes have not been rated. Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, Fitch is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/Listregistered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its respective obligations under the Notes are discussed under "Risk Factors" below.

Arranger

UNICREDIT BANK S.A.

Manager

IEBATRUST
Financial & Investment Services

The date of this Prospectus is ______ July 2017

THE APPROVAL VISA APPLIED ON THE OFFERING PROSPECTUS DOES NOT CONSTITUTE A GUARANTEE OR ANY KIND OF ASSESSMENT BY THE FINANCIAL SUPERVISORY AUTHORITY WITH REGARD TO THE OPPORTUNITY, THE ADVANTAGES OR DISADVANTAGES, THE PROFIT OR RISKS INVOLVED IN ACCEPTING THE PUBLIC OFFERING OBJECT OF THE APPROVAL DECISION; THE APPROVAL CERTIFIES ONLY THE CONFORMITY OF THE PROSPECTUS WITH THE LEGAL REQUIREMENTS AND THE RULES ADOPTED FOR THE APPLICATION THEREOF

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IMPORTANT NOTICES

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all material information with respect to the Issuer and the Notes (including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the listing of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Prospectus nor any other information supplied in connection with the listing of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer that any recipient of this Prospectus or any other information supplied in connection with the listing of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the listing of the Notes constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act). Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Selling and Transfer Restrictions*" below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the European Economic Area, see "Selling and Transfer Restrictions".

This Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive each, a "**Relevant Member State**" will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus may only do so (i) in circumstances in which no obligation arises for the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive. Except to the extent sub-paragraph (ii) above may apply, the Issuer has not authorised, nor does it authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Manager to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

All references in this document to "EUR", "Euro" or "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community and all references to "RON" or "lei" refer to the lawful currency of Romania.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Market data used in this Prospectus under the captions "*Summary*", "*Risk Factors*", "*Description of UniCredit Bank S.A. as Issuer*", and "*The Romanian Banking System*" has been extracted from official and industry sources and other sources the Company believes to be reliable. Sources of such information, data and statistics include independent industry publications (including National Bank of Romania reports), market research, internal surveys, reports and estimates, and other publicly available information. Such information is subject to change and cannot be verified with complete certainty. The Issuer cannot provide any assurance that data relating to its competitors in such publicly available information are correct or the same as those contained in its competitors' internal records. Therefore, caution should be exercised in analysing these estimates and no undue reliance should be placed on them. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Issuer has not independently verified such information. Such information, data and statistics have been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published or provided by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading.

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "may", "will", "would", "should", "expect", "intend", "estimate", "forecast", "anticipate", "project", "believe", "seek", "plan", "predict", "continue" and similar expressions or their negatives. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Issuer's control that could cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause the Issuer's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements include those in "*Risk Factors*" and elsewhere in this Prospectus. These forward-looking statements speak only as at the date of this Prospectus. The Issuer expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based unless required to do so by any applicable regulatory regime.

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A-E (A.1-E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and this type of issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary, with the mention of "Not Applicable".

Section A - Introduction and warnings

Element		
A.1	• **This summary should be read as an introduction to the Prospectus.**	
	• **Any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole by the investor.**	
	• **Where a claim relating to information contained in the Prospectus is brought before a court, the plaintiff might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.**	
	• **Civil liability attaches only to those persons drawing up the summary including any translation thereof, as well as notifying crossborder offers, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.**	
A.2	Consent by the Issuer to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.	Not applicable; no consent has been given by the Issuer to the use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries.
	Any other clear and objective conditions attached to the consent which are relevant for the use of the prospectus.	Not applicable; as per the above, no consent has been given by the Issuer to the use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B - Issuer

Element	Title	
B.l	Legal and commercial name of the Issuer	UniCredit Bank S.A.
B.2	Domicile/ legal form/ legislation/ country of incorporation	The Issuer is a joint-stock company incorporated in Romania under the laws of Romania. The Issuer's

Element	**Title**	
		headquarters are at 1F Expozitiei Blvd., 1st District, postal code 012101, Bucharest, Romania.
B.4b	Trend Information	Not applicable; as at the date of this Prospectus the Issuer is not aware of any trends, uncertainties, requests, undertakings or known facts which may reasonably significantly affect the prospects of the Issuer.
B.5	Description of the Group	The Issuer is member of the UniCredit Group, being directly controlled by UniCredit S.p.A., with registered office in Rome, Italy, Via Alessandro Specchi, 16. The Issuer accounts for 1.95 per cent. share of UniCredit Group revenues at the end of 2016 and for 3 per cent. share in total UniCredit Group profit before tax, at the end of 2016, as compared to less than 1 per cent. share in total UniCredit Group assets..
B.9	Profit forecast or estimate	Not applicable; no profit forecast or estimate has been made in this Prospectus.
B.10	Audit report qualifications	Not applicable; there are no qualifications or modifications in the audit report on historical financial information.
B.12	Selected historical key financial information:	

Statement of Financial Position

The table below comprises the statement of financial position extracted from the audited separate financial statements and from the audited consolidated financial statements of the Issuer as at 31 December 2015 and 31 December 2016:

	UniCredit Bank		**UniCredit Bank Group**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
	(Audited)	***(Audited)***	***(Audited)***	***(Audited)***
	RON	***RON***	***RON***	***RON***
Assets				
Cash and cash equivalents	5,760,947,655	4,594,558,795	5,806,429,168	4,662,440,931
Financial assets at fair value through profit or loss	393,210,237	291,926,020	393,119,265	291,596,454
Derivatives assets designated as hedging instruments	17,325,503	16,477,513	17,325,503	16,477,513
Fair value changes of the hedged items in portfolio hedge			26,783	305,851
Loans and advances to banks	737,782,299	849,887,971	737,782,299	849,887,971

Element	Title				
	Loans and advances to customers	18,826,508,130	17,915,871,852	20,476,755,183	19,063,021,580
	Net lease receivables	-	-	3,157,684,553	2,729,569,996
	Financial assets available for sale	6,369,107,583	6,359,742,012	6,371,453,618	6,362,088,047
	Investment in subsidiaries	143,115,683	143,115,683	-	-
	Property and equipment	206,581,764	217,772,302	263,863,595	234,938,243
	Intangible assets	146,937,296	148,516,836	158,409,354	156,244,574
	Current tax assets	-	-	-	-
	Deferred tax assets	19,732,413	9,583,774	58,521,224	44,517,708
	Other assets	63,070,064	63,400,403	161,416,898	155,738,502
	Non-current assets and disposal groups classified as held for sale	2,913,821	960,324	2,913,821	960,324
	Total assets	32,687,232,448	30,611,813,485	37,605,701,264	34,567,787,694
	Liabilities				
	Financial liabilities at fair value through profit or loss	99,362,520	85,383,434	99,316,461	85,114,106
	Derivatives liabilities designated as hedging instruments	98,684,522	81,900,959	98,730,581	82,170,287
	Deposits from banks	3,173,396,014	4,748,273,443	3,173,396,014	4,748,273,443
	Loans from banks and other financial institutions	2,545,617,646	3,433,409,158	7,433,468,355	7,250,081,728
	Deposits from customers	22,443,450,800	18,111,264,179	21,995,286,812	17,858,756,074
	Debt securities issued	551,024,752	550,659,161	551,024,752	550,659,161
	Subordinated liabilities	223,356,340	222,533,940	323,260,540	322,072,940
	Provisions	64,105,688	68,041,235	67,301,041	68,855,710
	Current tax liabilities	41,002,820	11,175,775	49,968,517	18,439,954
	Other liabilities	190,712,385	149,829,510	292,333,298	231,722,764
	Total liabilities	29,430,713,487	27,462,470,794	34,084,086,371	31,216,146,167
	Share capital	1,101,604,066*	1,101,604,066*	1,101,604,066*	1,101,604,066*
	Share premium	55	55	55	55
	Reserve on available for sale financial assets	36,697,652	80,791,377	36,697,652	80,791,377
	Cash flow hedging reserve	(50,940,452)	(46,628,751)	(50,940,452)	(46,628,751)
	Revaluation reserve on property and equipment	10,892,930	10,844,909	10,892,930	10,844,909
	Other reserves	240,534,612	240,534,612	240,534,612	240,534,612
	Retained earnings	1,917,730,098	1,762,196,423	2,053,856,522	1,856,780,170
	Total equity	3,256,518,961	3,149,342,691	3,392,645,385	3,243,926,438
	Non-controlling interest	-	-	128,969,508	107,715,089

Element	Title				
	Total Group Equity	-	-	3,521,614,893	3,351,641,527
	Total liabilities and equity	32,687,232,448	30,611,813,485	37,605,701,264	34,567,787,694

*Note: * Comprises statutory share capital of RON 379,075,291 and effect of hyperinflation (in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies") of RON 722,528,775.*

Statement of Comprehensive Income

The table below comprises the statement of comprehensive income extracted from the audited separate financial statements and from the audited financial statements of the Issuer as at 31 December 2015 and 31 December 2016:

	UniCredit Bank		**UniCredit Bank Group**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
	(Audited)	***(Audited)***	***(Audited)***	***(Audited)***
	RON	***RON***	***RON***	***RON***
Interest income	989,664,922	958,632,299	1,292,213,262	1,269,408,055
Interest expense	(257,417,348)	(311,932,683)	(347,863,702)	(409,071,762)
Interest on effect of swap transactions to refinancing lines with UniCredit Group companies	-	3,823,851	-	3,823,851
Net interest income	**732,247,574**	**650,523,467**	**944,349,560**	**864,160,144**
Fee and commission income	356,175,141	362,352,257	409,575,609	390,678,728
Fee and commission expense	(74,067,581)	(78,186,984)	(78,364,396)	(80,057,588)
Net fee and commission income	**282,107,560**	**284,165,273**	**331,211,213**	**310,621,140**
Net income from trading and other financial instruments at fair value through profit or loss	236,185,185	244,033,239	245,446,289	251,887,475
Fair value adjustments in hedge accounting	(3,811,455)	(1,630,352)	(3,811,455)	(1,630,352)
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss	121,913,534	70,595,829	128,522,698	76,339,522
Dividends incomes	1,913,613	7,320,896	1,913,613	7,320,896
Other operating income	7,818,686	7,347,867	16,140,107	18,675,622
Operating income	**1,378,374,697**	**1,262,356,219**	**1,663,772,025**	**1,527,374,447**
Personnel expenses	(303,711,515)	(306,519,857)	(351,845,892)	(356,184,016)
Depreciation and impairment of tangible assets	(42,712,432)	(33,605,481)	(43,246,638)	(34,227,568)
Amortisation and impairment of intangible assets	(46,699,368)	(45,761,031)	(50,366,868)	(48,390,993)

Element	Title				
	Other administrative costs	(283,673,235)	(269,641,340)	(323,347,751)	(307,211,094)
	Other operating costs	(9,135,623)	(10,787,960)	(31,043,684)	(31,670,890)
	Operating expenses	**(685,932,173)**	**(666,315,669)**	**(799,850,833)**	**(777,684,561)**
	Net operating income	**692,442,524**	**596,040,550**	**863,921,192**	**749,689,886**
	Net impairment losses on financial assets	(324,099,223)	(317,161,053)	(416,284,203)	(412,368,113)
	Net provision losses	(39,579,048)	(8,978,889)	(39,999,892)	(9,061,596)
	Profit / (Loss) on associate investments at equity method	-	-	-	-
	Net gains/(loss) from other investment activities	(2,375,006)	(6,040,469)	(2,375,006)	(5,451,971)
	Profit / (Loss) before taxation	**326,389,247**	**263,860,139**	**405,262,091**	**322,808,206**
	Income tax	(59,834,799)	(41,805,161)	(75,910,549)	(5,302,020)
	Net profit for the year	**266,554,448**	**222,054,978**	**329,351,542**	**269,506,186**
	Attributable to:				
	Equity holders of the parent	-	-	308,097,123	252,097,154
	Non-controlling interests	-	-	21,254,419	17,409,032
	Net profit for the year	**266,554,448**	**222,054,978**	**329,351,542**	**269,506,186**
	Other comprehensive income, net of tax				
	Items that will not be reclassified to profit or loss				
	Revaluation of property, plant and equipment (net of deferred tax)	48,021	93,294	48,021	93,294
	Total items that will not be reclassified to profit or loss	**48,021**	**93,294**	**48,021**	**93,294**
	Items that may be reclassified to profit or loss				
	Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	(44,093,725)	(14,128,603)	(44,093,725)	(14,128,603)
	Net change in cash flow hedging reserve (net of deferred tax)	(4,311,701)	16,201,520	(4,311,701)	16,201,520
	Total items that may be reclassified to profit or loss	**(48,405,426)**	**2,072,917**	**(48,405,426)**	**2,072,917**

Element	Title	

Other comprehensive income, net of tax	**(48,357,405)**	**2,166,211**	**(48,357,405)**	**2,166,211**
Total comprehensive income for the year	**218,197,043**	**224,221,189**	**280,994,137**	**271,672,397**
Attributable to:				
Equity holders of the parent	-	-	259,739,718	254,263,365
Non-controlling interests	-	-	21,254,419	17,409,032
Total comprehensive income for the year	**218,197,043**	**224,221,189**	**280,994,137**	**271,672,397**

Statement of Cash Flows

The table below comprises the statement of cash flows extracted from the audited separate financial statements and from the audited financial statements of the Issuer as at 31 December 2015 and 31 December 2016:

	UniCredit Bank		**UniCredit Bank Group**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
	(Audited)	***(Audited)***	***(Audited)***	***(Audited***
	RON	***RON***	***RON***	***RO***
Operating activities				
Profit / (Loss) before taxation	326,389,247	263,860,139	405,262,099	322,808,20
Adjustments for non-cash items:				
Depreciation, amortisation and impairment on tangible and intangible assets	89,411,800	79,366,512	93,613,506	82,618,28
Net impairment losses on financial assets	283,295,266	317,161,053	324,099,223	406,624,42
Change in fair value of derivatives at fair value through profit or loss	(3,119,545)	(12,896,992)	(3,078,599)	(12,896,992
Other items for which the cash effects are investing or financing	6,470,771	(65,953,948)	(22,764,601)	(85,671,398
Other non–cash items	(124,103,879)	102,932,624	(196,363,447)	96,536,33
Operating profit before changes in operating assets and liabilities	**578,343,660**	**684,469,388**	**600,768,181**	**810,018,85**
Change in operating assets:				

Element	Title				
	Increase in investment securities held for trading	(84,185,586)	(52,230,939)	(84,185,586)	(52,230,939)
	Increase in investment securities available for sale	(55,299,227)	(427,151,508)	(55,299,227)	(427,151,508)
	Increase in loans and advances to banks	112,168,502	(314,420,415)	112,168,502	(314,420,415)
	Increase in loans and advances to customers	(1,064,257,289)	(1,510,728,099)	(1,330,243,651)	(1,646,545,822)
	Increase in net lease receivables	-	-	(510,867,153)	(331,054,790)
	(Increase) / Decrease in other assets	(12,383,853)	(5,264,580)	(24,963,572)	144,713,736
	Change in operating liabilities:				
	(Decrease) / Increase in deposits from banks	(1,574,944,468)	1,151,551,744	(1,574,944,468)	1,151,551,744
	Increase in deposits from customers	4,337,787,839	1,877,144,822	4,223,414,619	1,977,348,344
	Increase in other liabilities	3,652,365	23,752,120	22,328,248	(117,227,224)
	Income tax paid	(30,881,574)	-	(50,127,582)	(14,870,393)
	Cash flows from / (used in) operating activities	**2,210,000,369**	**1,427,122,533**	**1,328,048,311**	**1,180,131,588**
	Investing activities				
	Proceeds from sale of property and equipment	1,049,772	0	1,049,772	81,683
	Acquisition of property and equipment and intangible assets	(79,159,794)	(101,372,409)	(87,746,644)	(103,404,826)
	Disposal of equity investments	45,263,082		45,263,082	2,277,611
	Dividends received	1,913,613	1,235,366	1,913,613	1,235,366
	Cash flows used in investing activities	**(30,933,327)**	**(100,137,043)**	**(39,520,177)**	**(99,810,166)**
	Financing activities				
	Dividends paid	(107,021,635)	-	(107,021,634)	-
	Repayments of loans from financial institutions	(1,041,238,550)	(1,208,596,772)	(3,178,860,618)	(2,179,561,475)
	Drawdowns from loans from	135,582,000	187,788,320	3,163,735,157	1,405,410,603

Element	Title	

financial institutions				
Repayment of subordinated liabilities	-	(67,231,500)	-	(67,231,500)
Cash flows from financing activities	**(1,012,678,185)**	**(1,088,039,952)**	**(122,147,095)**	**(841,382,372)**
Net increase in cash and cash equivalents	1,166,388,857	238,945,538	1,166,381,039	238,939,050
Cash and cash equivalents at 1 January	**4,594,558,795**	**4,355,613,257**	**4,594,566,616**	**4,355,627,566**
Cash and cash equivalents at 31 December	**5,760,947,655**	**4,594,558,795**	**5,760,947,656**	**4,594,566,616**

Statements of no significant or material adverse change

There has been no significant change in the financial or trading position of the Issuer and there has been no material adverse change in the prospects of the Issuer since the date of the audited financial statements for the year ended 31 December 2016.

B.13	Events impacting the Issuer's solvency	Not applicable; there are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.
B.14	Dependence upon other group entities	The Issuer is majority-owned by UniCredit S.p.A. and thus it is controlled by the latter and its owners. The Issuer is dependent on UniCredit S.p.A. in terms of financing, the parent funding representing a key source of funding for the Issuer, mainly for foreign currency.
B.15	Principal activities	Pursuant to Articles 7 of its Articles of Association, the corporate objects of the Issuer can be summarised as the conducting of banking activities.
B.16	Controlling shareholders	The Issuer is directly controlled by UniCredit S.p.A., which owns a participation of 98.328 per cent. of the share capital of the Issuer.
B.17	Requested credit ratings	The Issuer is currently rated BBB- with a stable outlook by Fitch Ratings The Notes have not been rated.

Section C - Securities

Element	**Title**	
C.l	Description of Notes/ISIN	The Issuer offers up to 50,000 unsecured Notes in aggregate, with an individual nominal value of RON 10,000. The aggregate principal value of the offered Notes is of RON 500,000,000. Should the subscriptions for the Notes exceed the aggregate principal value of RON 500,000,000, the Issuer will have the right (without being obliged) to increase the number of Notes up to maximum 61,000 Notes and a maximum aggregate principal value of RON 610,000,000. The Notes in each Class will be nominative, dematerialised (registered) Notes. The ISIN (International Securities Identification Number) for the Notes is ROUCTBDBC022 for the Class 2020 Notes, ROUCTBDBC030 for the Class 2022 Notes and ROUCTBDBC048 for the Class 2024 Notes.
C.2	Currency	RON
C.5	Restrictions on the transferability	Not applicable; Notes will be freely transferable, in compliance with the Romanian securities and exchanges laws and regulations.
C.8	Rights attaching to the Notes, including ranking and limitations on those rights	**Status** The Notes in each Class constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and (subject to such exceptions as are from time to time both mandatory and of general application under Romanian law) with all other present or future unsecured and unsubordinated obligations of the Issuer. **Payments** Payment of principal under each Class of Notes will be made by the Issuer on the applicable Redemption Date and the interest will be paid on each Interest Payment Date. The first Interest Payment Date for each Class of Notes will be 15 January 2018. The last Interest Payment Date for each Class of Notes will be the applicable Redemption Date.

Element	**Title**	
		Please also refer to element C.9, below. **Prescription** Claims against the Issuer for the payment of principal and interest in respect of the Notes are subject to a limitation period of three years from the due payment date thereof.
C.9	Interest/ Redemption	Please also refer to element C.8, above. **Interest Rate** The Interest Rate for the Class 2020 Notes shall be of six-month ROBOR plus an interest rate within the range 0.60 – 0.70 per cent per annum. The Interest Rate for the Class 2022 Notes shall be of six-month ROBOR plus an interest rate within the range 0.80 – 0.90 per cent. per annum. The Interest Rate for the Class 2024 Notes shall be of six-month ROBOR plus an interest rate within the range 1.00 – 1.10 per cent. per annum. The final interest rates are to be published with two days before the Closing Date, according to the applicable legal provisions. **Date from which interest becomes payable** The Notes bear interest from, and including, the date of settlement of the Notes. The due dates for interest are: • for the Class 2020 Notes: 15 January 2018, 15 July 2018, 15 January 2019, 15 July 2019, 15 January 2020, 15 July 2020 • for the Class 2022 Notes: 15 January 2018, 15 July 2018, 15 January 2019, 15 July 2019, 15 January 2020, 15 July 2020, 15 January 2021, 15 July 2021, 15 January 2022, 15 July 2022; and • for the Class 2024 Notes: 15 January 2018, 15 July 2018, 15 January 2019, 15 July 2019, 15 January 2020, 15 July 2020, 15 January 2021, 15 July 2021, 15 January 2022, 15 July 2022, 15 January 2023, 15 July 2023, 15 January 2024, 15 July 2024.

<table>
<tr><th>Element</th><th>Title</th><th></th></tr>
<tr><td></td><td></td><td>Maturity Date

The Notes will mature as follows:

• 15 July 2020 for the Class 2020 Notes;

• 15 July 2022 for the Class 2022 Notes; and

• 15 July 2024 for the Class 2024 Notes.

Redemption Date

Unless previously redeemed for tax purposes, the Notes in each Class of Notes will be redeemed by the Issuer at their principal amount on the applicable Maturity Date.

Methods of payment

Payments of principal and interest will be made by transfer to an account denominated in RON opened with a credit institution in Romania (i) indicated by the Noteholders in the relevant Subscription Form (for Noteholders who purchased Notes by subscription within the initial offering of the Notes) or (ii) notified to the Payment Agent by the Noteholders (or the Participants with which they opened their securities accounts).

Noteholders' meetings

Noteholders may meet in general meetings in order to decide on their interests in relation to the Notes, in accordance with the applicable legislation. The meeting of Noteholders is authorised, among others, to appoint a representative of the Noteholders and one or more deputies, which will have the right to represent them in front of the Issuer and the court and shall be able to attend the General Shareholders' Assemblies of the Issuer.</td></tr>
<tr><td>C10</td><td>Derivative component</td><td>Not applicable.</td></tr>
<tr><td>C11</td><td>Listing and admission to trading</td><td>Application will be made to the Bucharest Stock Exchange for the listing of the Notes on the Bucharest Stock Exchange and admission to trading on the Bucharest Stock Exchange's spot regulated market.</td></tr>
</table>

Section D - Risks

Element	**Title**	
D.2	Key risks regarding the Issuer	There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. These factors are: • As part of a global financial institution, the Issuer's businesses are highly sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. • Certain risks associated with an investment in Romania may be greater than risks inherent in more developed markets. • Adverse fluctuations in interest rates, spreads, currency exchange rates and market prices of shares, bonds and other notes subject to market risk activities in connection with the Issuer’s treasury operations and management of its balance sheet structure or in the market values of financial derivatives, may result in unexpected losses. • The Issuer is exposed to liquidity risk, arising out of mismatches between the maturities of the Issuer’s assets and liabilities. • The Issuer's business is subject to the risk that borrowers and other contractual partners may not be able to meet their obligations to the Issuer due to insolvency, bankruptcy, lack of liquidity, global or local economic issues, operational failure, political developments or other reasons. • Unexpected costs and losses for the Issuer can arise due to human error, flawed management processes, natural and other catastrophes, technological (including information technology systems) failure and external events.

Element	Title	
		• The Issuer is exposed to the risk of unfavourable changes in the value of the Issuer's investment portfolio. • The Issuer operates in a highly regulated industry. Any breach or alleged breach of legislation or regulation could impose a financial and administrative burden on the Issuer and may lead to legal, administrative or disciplinary sanctions or claims and/or cancellation of contracts and may lead to financial losses or reputational damage. • The Issuer is exposed to the risk of loss or write downs in the Issuer's assets arising from variations in interest or exchange rates. • The Issuer is exposed to the risks tied to the choice of a given business strategy or resulting from the Issuer's inability to execute its strategy. • The risk related to the Issuer's ability to fulfil its obligations as issuer of Notes is characterised, among other matters, by the rating of the Issuer and any suspension, downgrading or withdrawal of the rating may lead to a restriction of the access to funds and, consequently, to higher refinancing costs. • Changes to legal and regulatory framework applicable to the banking business could impose burdensome new requirements on the Issuer, especially at the level of the costs generated by the implementation of such changes or cause the Issuer to experience difficulties adjusting to and complying with such regulatory framework. • The Issuer's performance is significantly affected by the changes in fiscal and financial policies in Romania. • The Issuer is subject to extensive regulation and supervision in Romania and non-compliance with the relevant regulations or measures could have a material adverse impact on the Issuer. • The Issuer operates in a highly competitive environment and reputational damage could harm its competitive position. • Extended market declines can reduce liquidity in the markets, making it harder to sell assets, possibly leading to material losses for the Issuer. • The Issuer depends on access to financing and other sources of liquidity, which may be restricted for reasons beyond its control.

Element	**Title**	
		• The volatility of the financial markets may cause the Issuer to suffer significant losses on its trading and investment activities. • Changes in interest rates may adversely affect the Issuer's banking business. • Fluctuations in exchange rates could adversely affect the Issuer's results of operations. • The Issuer's results of operations and financial condition could be adversely affected by a significant increase in new provisions or by inadequate provisioning. • The Issuer is exposed to legal risks that could negatively affect its financial condition or results of operations. • Romanian bankruptcy and enforcement laws and practice may make more difficult and time-consuming for the Issuer to recover amounts in respect of its secured and unsecured claims before the Romanian courts. • The Issuer's risk management system may not be effective and may expose the Issuer to unidentified or unanticipated risks, which could lead to significant losses. • The Issuer is dependent on its parent - UniCredit S.p.A.- to provide financing to the Issuer.
D.3	Key risks regarding the Notes	There are certain factors which are material for the purpose of assessing the risks associated with the Notes. These include the fact that the Notes may not be a suitable investment for all investors and certain other risks, including the risk of restrictions in early redemption of Notes, the exchange rate risk and the risk that a liquid trading market for the Notes may not develop.

Section E – Offer

Element	**Title**	
E.2b	Use of proceeds	The Bank will incur various expenses in connection with the issue of the Notes, including, amongst other things, legal counsel fees, broker fees, audit costs, and listing expenses. The net proceeds of the Notes issuance (approximately RON 500,000,000), will be used for general financing purposes (which may include granting loans to the Issuer's customers).

Element	**Title**	
E.3	Terms and conditions of the offer	**Notes**. The Issuer will offer for sale up to 50,000 unsecured Notes, with an individual face value of RON 10,000 each, and an aggregate principal value of RON 500,000,000. Should the subscriptions for the Notes exceed the aggregate principal value of RON 500,000,000, the Issuer will have the right (without being obliged) to increase the number of Notes up to maximum 61,000 Notes and a maximum aggregate principal value of RON 610,000,000. **Offer Period**. Subscriptions can be made from 17 July 2017 to 21 July 2017 (the "**Closing Date**") inclusive, namely 5 Business Days (the "**Offer Period**"). **Offer Price**. The Notes will be offered at the value of RON 10,000 each. **Interest Rate**. The Interest Rate for the Class 2020 Notes shall be of six-month ROBOR plus an interest rate within the range 0.60-0.70 per cent per annum. The Interest Rate for the Class 2022 Notes shall be of six-month ROBOR plus an interest rate within the range 0.80-0.90 per cent per annum. The Interest Rate for the Class 2024 Notes shall be of six-month ROBOR plus an interest rate within the range 1.00-1.10 per cent per annum. **Minimum subscription**. Each Investor must validly subscribe at least 50 Notes in aggregate in any Class (es) of Notes within the Offering. Subscriptions made within the Offering are irrevocable. **Intermediation method**: Best efforts method – the intermediation method according to which all the measures considered necessarily for obtaining the best results with regards to the placement of the notes issue are taken without any other obligation or guarantee regarding the placement at a certain level or fully of this notes issue. **Successful Closing**. The Offering will be considered successful if minimum 60 per cent. of all of the initially offered Notes (i.e. minimum 30,000 Notes) are validly subscribed in aggregate within the Offering. If less than 60 per cent. of all of the initially offered Notes are validly subscribed in aggregate within the Offering, the Issuer will have the right (without being obliged) to reject all the

Element	**Title**	
		subscriptions, in which case the Offering will lapse and the Notes will not be issued. Also, the Issuer will have the right (without being obliged) to reject all the subscriptions for a certain Class of Notes, if the cumulative subscriptions for the respectively Class of Notes are less than RON 40,000,000 (respectively less than 4,000 Notes), even if at least 60% of the Offered Notes for all Classes (respectively minimum 30,0000 Notes) are fully valid subscribed in the Offer. In this case, the Notes for which the subscriptions have been rejected, will no longer be issued. **Allocation**. Allocation of the Notes will take place and the final number of Notes in each Class of Notes will be decided (based on the level of subscription from Investors) and announced, on the Business Day following Closing Date (the "**Allocation Date**"). **Issuance**. The Notes will be created on the Transaction Date. **Transaction**. The transaction related to the Offering will take place through the BVB system on the Business Day following the Allocation Date (the "**Transaction Date**"). **Settlement**. Settlement will take place through the Central Depositary's system on the second Business Day after the Transaction Date (the "**Settlement Date**").
E.4	A description of any interest that is material to the issue/offer including conflicting interests	As at the date of this Prospectus, the Issuer is not aware of any interest that is material to the Offering, including any conflicting interests.
E.7	Estimated expenses charged by the Issuer to the investor in relation to the Notes issuance	No brokerage fees will be payable in relation to subscriptions by any Investors. Investors will however need to consider any applicable capital market fees and commissions. At the date of this Prospectus, capital market fees and commissions amount to 0.028 per cent. of the value of the subscribed Notes.

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. In addition, factors which may be relevant for the purpose of assessing market risks associated with the Notes are also described below.

Potential Investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has described only those risks relating to its business, operations, financial condition or prospects that it considers to be material and of which it is currently aware. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware. Potential investors should read these factors together with other detailed information set out elsewhere in this Prospectus and make their own views prior to investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

Business conditions and general economy

As part of a global financial institution, the Issuer's businesses are highly sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. The Issuer could be confronted with a significant deterioration of market and economic conditions resulting, among other things, from crises affecting capital or credit markets, liquidity constraints, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including acts of terrorism and military conflicts). Market disruptions and sharp economic downturns, which may develop quickly and hence may not be hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Issuer's financial condition, results of operations or cost of risk.

The latest global events increased the risk of an abrupt reversal of investor sentiment towards emerging economies, with implications for the local financial system, the most important being: (i) the heightened geopolitical tensions worldwide and (ii) the UK vote to leave the EU. Under the circumstances, the slower dynamics of international trade, the economic performance of the major emerging economies (particularly of China) and the lingering headwinds to growth in advanced economies, amid the persistence of historically low interest rates, contribute to higher uncertainty surrounding the future developments in world economy, with an impact on the volatility of capital flows. In the period ahead, global growth is expected to further recover at a moderate pace, while the divergence of the monetary policy stances of the world's major central banks is highly likely to increase.

The value of investments in the Notes could be adversely affected by political and economic uncertainty

Romania has undergone major changes during its recent history. Many political and economic reforms have taken place, but Romania's economy still has a number of structural weaknesses. These include a reliance on industrial sector exports, an ageing population which will require greater government expenditure on social services in the future, and, historically, a current account imbalance, as well as delayed absorption of EU funds and a lack of certain key reforms, each of which may affect Romania's creditworthiness.

In addition, a series of political conflicts occurred during 2015-2017, starting with November 2015 when, following a fire that broke out in a club in Bucharest that led to a significant number of deaths and injuries, many members of the public blamed poor supervision of fire safety standards by the local authorities (which they ultimately attributed to corruption affecting all levels of the local and government administration) which triggered public protests in Bucharest and several other cities across Romania against the then Ponta Government and other officials. As a consequence of such protests, Prime Minister Ponta presented his and the entire Government's resignation and in 10 November 2015 the Romanian President appointed Dacian Ciolos as Prime Minister.

The political uncertainty was expected to lessen once the Socialist Democrat Party ("PSD") won more than 45% in the parliamentary elections that took place on 11 December 2016 and in January 2017 a government led by Sorin Grindeanu and composed mainly of PSD members was sworn into office. During the night of 31 January 2017 the new Grindeanu Cabinet approved an ordinance modifying the Penal Code and Penal Procedure Code (pardoning certain committed crimes and amending other crimes such as the abuse of power), which generated massive protests against the ordinance throughout the country for several days in February 2017. As a result, the ordinance has been repealed and the Ministry of Justice has been dismissed.

In June 2017, 6 months after being sworn into office, the Grindeanu cabinet was assessed by PSD as to what extent the measures included in PSD's government plan had been completed until that stage; the results of the assessment have been unsatisfactory for PSD and Grindeanu Cabinet was requested by PSD to step down. Following such request, all of the ministers presented their resignation except for Prime Minster Grindeanu, which led to conflicts within PSD and, ultimately, to PSD filing a censure motion in Parliament against the Government supported by it in January 2017. On 21 June the Grindeanu government was dismissed by censure motion (no-confidence vote) within the Parliament. The proposal of the coalition formed by PSD and the Alliance of Liberals and Democrats ("ALDE") of Mihai Tudose for the post of prime minister was accepted by President Klaus Iohannis and the new Government received the parliamentary vote on 29 June 2017.

The new Government will be supported by the majority party PSD however, it may face difficulties in implementing its proposed reforms and any conflicts between the Government and the Parliament and the President may trigger further domestic social and political turmoil, which, should it continue or intensify, may freeze policy making, or slow down Romania's economic development and institutional reforms. Considering that the Issuer operates in Romania, the above factors may have a material adverse impact on its business, prospects, results of its current and future operations, financial condition and on its reputation generally.

Certain risks associated with an investment in Romania may be greater than risks inherent in more developed markets

An investment in a country such as Romania, which joined the EU in 2007, but which is still a developing market, is subject to greater risks than an investment in a country with a more developed economy and more developed political and legal systems. Although progress has been made in reforming Romania's economy and political and legal systems, the development of Romania's legal infrastructure and regulatory framework is still ongoing. As a consequence, an investment in Romania carries risks that are not typically associated with investing in more mature markets. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in a Romanian Group is appropriate.

As a consequence, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in Romania is appropriate. Generally, investments in frontier markets, such as Romania, are only suitable for sophisticated investors who can fully appreciate the significance and consequences of the risks involved. Also, the investment in Notes may be contaminated by the potential negative events on the financial markets or in other countries' economies, especially in neighbouring Romania and / or the EU.

Market risks

Adverse fluctuations in interest rates (including changes in the differences between the levels of prevailing short- and long-term rates), spreads, currency exchange rates and market prices of shares, bonds and other notes subject to market risk activities in connection with the Issuer’s treasury operations and management of its balance sheet structure or in the market values of financial derivatives, may result in unexpected losses.

Such fluctuations or losses may also have an adverse impact on the revenues generated from the banking operations of the Issuer and could have an adverse impact on its financial condition, results of operations and ability to service its payment obligations under the Notes.

Liquidity risk

The Bank is exposed to liquidity risk, arising out of mismatches between the maturities of the Bank's assets and liabilities. Increased market volatility and changes in general economic conditions or other factors could precipitate a significant level of withdrawal of customer deposits, which represent the main source of funding for the Issuer, cause difficulty for the Bank to access additional funding and/or refinancing its existing indebtedness or increase the cost of available funding sources, making it less advantageous for the Bank. Failure to manage liquidity risk may have a material adverse effect on the Bank's business, financial condition and results of operations.

Credit and counterparty risk, including defaults by large international financial institutions

The Issuer's business is subject to the risk that borrowers and other contractual partners may not be able to meet their obligations to the Issuer due to insolvency, bankruptcy, lack of liquidity, global or local economic issues, operational failure, political developments or other reasons. Credit risk comprises non-payment risks, country specific risks and default risks. Any deterioration in the creditworthiness of a borrower or counterparty may lead to an increase in the Issuer's credit risk. Although the Issuer regularly reviews its credit exposures, defaults may arise from unforeseen events or circumstances. Default by a major borrower or counterparty or by a particular category (by business or geographic segment) of borrower or counterparty or a general increase in levels of default beyond current levels of provisions could have a material adverse effect on the Issuer's business, results of operations and financial condition.

Defaults by large financial institutions, such as credit institutions or insurance undertakings, could adversely affect the financial markets in general. The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default by, one or more large financial institutions could lead to significant market-wide liquidity problems, losses or defaults by other financial institutions. The afore-described risks are generally referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Issuer interacts on a daily basis. The occurrence of any of these events or a combination thereof could have a material adverse effect on the Issuer.

Defaults by sovereign borrowers (states or other public entities), could adversely affect the financial markets in general. As a result, concerns about a default, or an actual default, by one or more sovereign borrowers could lead to significant market-wide liquidity problems and losses. Moreover, as a result of such a default, the Issuer may be required to take impairments on its exposures to the sovereign debt of certain European countries. The occurrence of any of these events or a combination thereof could have a material adverse effect on the Issuer.

Operational risk

Unexpected costs and losses can arise due to human error, flawed management processes, natural and other catastrophes, technological (including information technology systems) failure and external events.

Operational risks may be differentiated between internal risk factors – for example unauthorised actions, theft, fraud, settlement and process errors, business disruptions or system failures – and external risk factors, including property damages and fraudulent intent. The occurrence of such events, in particular of any business interruption (for example due to the failure of communication systems, etc.) or system-related default on counter performance by contractual partners, may cause significant losses to the Issuer.Banks and their activities are increasingly dependent on highly sophisticated information technology ("**IT**") systems. IT systems are vulnerable to a number of problems, such as computer virus infection, malicious hacking, physical damage to vital IT centres and software or hardware malfunctions. Additionally, further operational risks may stem from inadequate or failed internal processes, people and systems or from external events. Failure to manage such risks may affect the Issuer's ability to fulfil its obligations under the Notes.

Investment Portfolio Risk

The Issuer is exposed to the risk of unfavourable changes in the value of the Issuer's investment portfolio. Market volatility makes it more difficult to predict trends and implement effective investment portfolio strategies. Although the Issuer takes steps to manage its investment portfolios, there can be no assurance that the Issuer will not sustain losses in respect of its investment portfolios in the future. Any such loss could have a material adverse effect on the Issuer's results of operations and financial conditions.

Compliance Risk (including reputational risks)

The Issuer operates in a highly regulated industry. Any breach or non-observance of the legislation and regulatory framework, contracts, recommended practices or ethical standards by the Issuer or its Group may lead to fines, damages and/or termination of contracts or reputational damage, incurring the risk to register financial losses.

For example, UniCredit spa and the UniCredit Group are subject to certain investigations in the United States of America, which could result in UniCredit spa being subject to significant civil or criminal penalties; such an adverse outcome to one or more of the UniCredit Group entities subject to the investigations may have a material adverse effect from a reputational point of view on the Issuer and impact its business, results of operations or financial condition.

The Issuer is exposed to structural interest and exchange rate risk.

The Issuer is exposed to the risk of loss or write downs in the Issuer's assets arising from variations in interest or exchange rates. Structural interest and exchange rate risk arises from commercial activities and from operations involving equity capital, investments and bond issues. Also, as the major part of the Issuer's customers and assets are located in Romania, financial transactions denominated in currencies other than RON give rise to foreign currency risks which could potentially impact on the Issuer's business, operations and financial condition or prospects.

The Issuer is exposed to strategic and business risk.

The Issuer is exposed to the risks tied to the choice of a given business strategy or resulting from the Issuer's inability to execute its strategy.

The Issuer sets its strategic objectives for subsequent periods of five years. The current strategic plan of the Issuer was approved in 2016 (the "**Strategic Plan**") (see "*Strategic Plan for 2017-2019 and related developments*").

The Strategic Plan is based on projections and estimates relating to the occurrence of future events and regarding the effect of initiatives and steps taken by the Issuer in the time of the Strategic Plan. The main assumptions upon which the Strategic Plan is based relate to the macroeconomic environment in which the Issuer operates, which is beyond the control of the Issuer, and to assumptions relating to specific actions and future events to be undertaken by the Issuer, which may not occur or evolve differently than assumed in the Strategic Plan. Such circumstances could determine even significant deviations from the projections included in the Strategic Plan.

In addition, the Issuer is exposed to business risk, which is defined as representing the adverse, unexpected changes in business volume and/or margins, which can lead to serious losses in earnings, thereby diminishing the market value of a company. Failure to identify and address the business risk may adversely impact the Bank's business, financial situation and results of operations.

Risk of suspension, downgrade or withdrawal of rating

The risk related to the Issuer's ability to fulfil its obligations (liquidity risk) as issuer of Notes is characterised, among other matters, by the rating of the Issuer. A rating is the opinion of a rating agency on the credit standing of an issuer, i.e., a forecast or an indicator of a possible credit loss due to insolvency, delay in payment or incomplete payment to the investors. It is not a recommendation to buy, sell or hold securities. The rating agency may in particular suspend, downgrade or withdraw a rating. Such suspension, downgrading or withdrawal may have a material adverse effect on the market value and trading price of the Notes. A downgrading of the rating may also lead to a restriction of the access to funds and, consequently, to higher refinancing costs. As ratings may include assumptions with regard to potential support by parent companies and/or states and other public entities and as these support assumptions may change, a downgrading of the rating could be based on such lower support assumptions without being caused by any deterioration in the economic situation of the issuer.

Changes to legal and regulatory framework applicable to the banking business

As a result of the 2007-2008 global financial and economic crisis, the regulatory framework for credit institutions' capital and liquidity have come under heavy scrutiny by legislators, regulators and advisory bodies in Europe and worldwide. The Basel Committee on Banking Supervision ("**BCSB**") has issued or revised a significant number of requirements and standards applicable to credit institutions business (i.e. the "**Basel III**" framework).

Basel III increases minimum common equity and minimum tier 1 capital requirements as a percentage of risk-weighted assets and introduces additional conservation and countercyclical capital buffers. These risk-based capital requirements will be complemented by a non-risk weighted measure in the form of a leverage ratio of tier 1 capital to total exposures (including on-balance sheet and off-balance sheet items). Also, quantitative requirements will need to be complemented by more stringent qualitative capital and liquidity standards.

In addition, Basel III enhances the risk capital coverage, particularly in relation to trading and securitisation activities and counterparty credit risk exposures arising from derivatives, repo and securities financing activities. Further, Basel III introduces, among other things: (i) a minimum liquidity coverage ratio (LCR) to promote short-term liquidity resilience; and (ii) a minimum net stable funding ratio (NSFR) to enhance longer-term funding resilience.

The EU Bank Recovery and Resolution Directive 2014/59/EU implemented in Romania through Law no. 312/2015 regarding the recovery and resolution of credit institutions and investment firms sets also the framework for minimum levels of own funds and eligible liabilities that need to be maintained by a bank both on stand-alone and consolidated basis for resolution purposes.

However, considering that the reform of the financial system is still an on-going process, where the NBR is also entitled to prescribe additional prudential requirements, it is currently not possible to predict the nature and extent of future changes to the regulatory framework applicable to banking business in Romania. Any new regulatory requirements or any changes in existing rules or in supervision or enforcement practices could impose burdensome new requirements on the Issuer, especially at the level of the costs generated by the implementation of such changes, which currently cannot be estimated, or cause the Issuer to experience difficulties adjusting to and complying with such regulatory framework, which could have a certain adverse effect on its business, financial condition and results of operations.

Uncertain and unpredictable fiscal and financial policies

The Issuer's performance is significantly affected by changes in fiscal and financial policies in Romania. Demand stimulating policies, such as the successive increases of the minimum wage, the reduction of the value added tax rates (VAT) and the public sector wage increases, were successful in accelerating economic growth, but the potential growth remained limited, as public investments, especially in infrastructure is lagging behind. This growth driven mainly by private consumption could be the source of new internal and external macroeconomic imbalances. Pro-cyclical demand, unsustainable fiscal-policies ahead of elections, such as tax reductions combined with wage increases, have a short-term impact and, not complemented by supply-side measures, may lead to the risk of overheating the economy and build-up inflationary pressures. External sustainability is at risk through higher imports and trade deficits, which could result in a significant increase in the current account deficit.. Banking system collaterals are still vulnerable and, combined with the recent legislative initiatives such as *datio in solutum* law regulating the right of natural persons that have taken a mortgage loan to obtain a complete discharge of all indebtedness secured by the mortgages by transferring to the bank the ownership over the mortgaged property, regardless of the value of such property, may generate risks for the stability of the financial sector and also for the Issuer's profitability, although the Constitutional Court Decision published in the Official Gazette dated January 18, 2017 related to the exceptions of unconstitutionality of the Giving in Payment Law established however that the hardship concept should be applied in the cases regulated by this law. The potential tightening of the monetary conditions imposed by the NBR might bring an increase of the level of non-performing loans (particularly in the sector of small and medium size enterprises and consumer lending), which might have an impact on the Issuer's net profit.

The Issuer is subject to extensive supervisory and regulatory regimes in Romania.

The Issuer is subject to extensive regulation and supervision in Romania. As a credit institution, the Issuer must comply with rules seeking to preserve its stability and solidity, limit its risk exposure and protect depositors, creditors and investors. The Issuer must also comply with the capital adequacy requirements established by the NBR. As a provider of financial services, the Issuer is subject to rules that govern, among other things, the sale, placement and marketing of financial instruments. In addition, the Issuer also has to comply with a number of other requirements relating to general corporate law issues, such as employee protection, labour law, social benefits, competition law and taxation, or specific requirements resulting from the applicable Romanian capital markets regulations.

The Issuer is also required to deal appropriately with various legal and regulatory requirements in relation to aspects such as conflicts of interest, ethical issues, anti-money laundering laws, international financial sanctions, competition law, legislation regarding personal data, privacy and security information rules.

Actual or alleged failure to comply with the applicable laws and regulations could lead to fines, damage to the Issuer's reputation, enforced suspension of operations or withdrawal of operating licenses. Such non-compliance could have a material adverse impact on the Issuer's assets, financial position and result of operations and on the Issuer's ability to meet its obligations under the Notes.

In addition, due to the fact that a substantial portion of the Issuer's loans are granted to individuals (see "*Lending –Loan portfolio by type of clients*"), the Issuer is subject to strict consumer protection rules which prohibit, amongst others, the use of certain clauses in the loan agreements concluded with individuals considered to be abusive. On the basis of amendments brought to Law no. 193/2000 regarding abusive clauses in agreements concluded between traders and consumers, which entered into force in 1st October 2013, consumer associations as well as the Romanian Consumer Protection Authority can file action against a bank that has been using a clause that is considered abusive in order to repeal such clause from the relevant loan agreement but also from all loan agreements of such bank. While the Issuer believes that its loan agreements to individuals comply with all relevant consumer protection requirements, any decision of a court bounding the Issuer to amend all its loan agreements in order to repeal a clause that is considered abusive could have a material adverse effect on its business, financial condition and results of operations.

The Issuer operates in a highly competitive environment and reputational damage could harm its competitive position.

The Issuer is subject to intense competition in Romania from, *inter alia*, subsidiaries or branches of international banks, local banks, non-banking financial institutions or businesses providing financial and other services. This competition exists in all of the Issuer's lines of business.

In Romania, the presence of large competitors in the banking and financial services sector has resulted in intense competition for virtually all of the Issuer's products and services. In addition, in the last years, the Romanian financial services market has tended to sell certain credit institutions (especially the institution with Greek capital), which may lead to the merger of several such banks and the cumulation of their market share. The Issuer's business and results of operations may be adversely affected if it is unable to maintain or increase its market share in Romania in key lines of business.

Moreover, the Issuer's reputation for financial strength and integrity is critical to its ability to attract and retain customers and counterparties. Its reputation could be harmed by events attributable to it and the decisions of its management, as well as by events and actions of others outside its control. Independent of the merit of information being disseminated, unfavourable descriptions of the Issuer could have adverse effects on its business and its competitive position.

The Issuer's reputation could be adversely affected by several events, including in particular: failing to appropriately manage the conflict of interests, representatives' or employees' misconduct, a decline in, a restatement of, or corrections to its financial results, as well as any adverse legal or regulatory action, especially to the extent the latter becomes the focus of extensive media reporting. Reputational damage could translate into a loss of business that could have a material adverse effect on the Issuer's results of operations and/or financial position.

Extended market declines can reduce liquidity in the markets, making it harder to sell assets, possibly leading to material losses.

In a number of the Issuer's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Issuer is not able to close out deteriorating positions in a timely way. This is especially true for assets the Issuer holds for which the markets are relatively illiquid by nature. Assets that are not traded on stock exchanges or other public trading markets, such as derivatives and fixed income instruments, are valued based on the Issuer's internal models and market-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Issuer did not anticipate.

The Issuer depends on access to financing and other sources of liquidity, which may be restricted for reasons beyond its control.

The ability to access short term and long term funding is essential to the Issuer's businesses. If the Issuer is unable to access secured or unsecured debt markets on terms it considers acceptable or if it experiences unforeseen outflows of cash or collateral, including a material decrease in customer deposits, the Issuer's liquidity could be impaired. The Issuer's liquidity could be adversely affected by factors the Issuer cannot control, such as general market disruptions, operational disruptions affecting the Issuer or a third party, negative views about the financial services industry in general, the Issuer's short term or long term financial prospects, changes in credit ratings or even the perception among market participants of the Issuer, or other financial institutions. Moreover, the Issuer's ability to access financing and its cost of obtaining long term unsecured funding is directly related to its credit spreads on financial markets, both regarding bonds and derivative financial instruments, also outside of its control. Liquidity constraints may have a material adverse effect on the Issuer's business, financial condition, results of operations and ability to meet its obligations to its counterparties.

The volatility of the financial markets may cause the Issuer to suffer losses on its trading and investment activities.

Market instability could adversely affect the Issuer's trading and investment positions in a range of securities and derivatives, including related to interest rates, currencies and prices of fixed income securities.. The Bank effectively implements a system of limits and restrictions related to the trading products and exposures. Nevertheless, the Issuer may still be exposed to a number of risks related to changes in the value of such products, including the risk of unfavourable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates. Market volatility makes it more difficult to predict trends and implement effective trading strategies and increases risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. The Issuer has investments in Romanian government debt securities placed in available for sale portfolios, hence being exposed to the risk of loss due to downward movements in the price of these securities. A potential loss generated by its trading and/or investment activities could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Changes in interest rates may adversely affect the Issuer's banking business.

Issuer's performance is influenced by changes in the level of interest rates, as well as in the difference between the levels of prevailing short-term and long-term rates. The amount of net interest earned during any given period may significantly affect the Issuer's overall revenues and profitability. The Issuer's management of interest rate sensitivity may affect its results of operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. Any mismatch between interest owed by the Issuer and interest due to it (in the absence of suitable protection against such mismatch) could have adverse material effects on the Issuer's business, financial condition and results of operations.

Fluctuations in exchange rates could adversely affect the Issuer's results of operations.

Although the Issuer's strategy aims increasing RON exposures, a significant portion of the Issuer's assets and liabilities is denominated in foreign currencies, particularly in EUR. The Bank translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains/losses realized upon the sale of such assets, to RON in preparing its financial statements. Consequently, fluctuations in the rate of exchange of the currencies into Romanian lei may have a negative impact on the Issuer's reported consolidated results of operations, financial position and yearly cash flows, although the Bank set and follows compliance with stringent limits and performs measures aimed at reducing exchange rate risk.

The Issuer's results of operations and financial condition could be adversely affected by a significant increase in new provisions or by inadequate provisioning.

The Issuer regularly sets aside provisions for loan losses in connection with its lending activities. Its overall level of loan loss provisions, recorded as "cost of risk" in its income statement, is based on (i) identification and measurement of impairment of financial assets are regulated by International Accounting Standard no 39 – Financial Instruments: Recognition and Measurement (fixed term loans, drawn amounts of revolving credit facilities, enforced receivables arising from letters of credit, guarantees, unauthorised overdrafts etc); and (ii) setting provisions against off-balance sheet credit exposures is regulated by International Accounting Standard no 37 – Provisions, Contingent Liabilities and Contingent Assets (financial guarantee contracts, undrawn amounts of revolving credit facilities.

The assessment relies on an analysis of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, certain economic conditions, legislative framework and other factors. Notwithstanding the care with which the Issuer carries out such assessments, it may have to substantially increase its provisions for loan losses in the future following increases in non-performing assets or for other reasons. Significant increases in loan loss provisions, a substantial change in the issuer's estimate of its risk of loss with respect to non impaired loans, or the occurrence of loan losses in excess of its provisions, could have a material adverse effect on its results of operations and financial condition.

The Issuer is exposed to legal risks that could negatively affect its financial condition or results of operations.

The legal and judicial systems in Romania are not as developed as in some other European countries. Existing laws and regulations may be applied inconsistently and it may not be possible, in certain circumstances, to obtain legal remedies in a reasonably timely manner. As a member of the European Union since 2007, Romania has undergone and continues to undergo changes in legislation pursuant to its EU membership. As a result of these continuous changes and of the relative novelty of the pieces of legislation transposed into Romanian legislation, there is a lack of established practice under many securities, tax and other regulatory regimes in Romania and new regulations are subject to contradictory or ambiguous and frequently changing interpretations by Romanian regulatory authorities. Consequently, the Issuer could face tax, securities and other regulatory compliance-related risks that may be less predictable than in countries with more stable regulatory systems.

The Romanian judicial system may also generate unjustified delays in the resolution of cases. The enforcement of judgments sometimes proves difficult which has meant that the enforcement of rights through the Romanian court systems may be laborious. This lack of legal certainty and the inability to obtain effective legal remedies in a reasonably timely manner may adversely affect the Issuer's business, financial condition and results of operations, and the trading price of the Notes.

Bankruptcy laws and procedural safeguards

An important part of the Issuer's assets are due from debtors and/or secured by assets that are subject to Romanian bankruptcy and enforcement laws. Such bankruptcy and enforcement laws do not in all respects offer the same level of rights, remedies and protections that creditors enjoy under the legal regimes in other EU jurisdictions. In particular, Romanian bankruptcy and enforcement laws and practice may make it comparatively more difficult and time-consuming for the Issuer to recover amounts in respect of its secured and unsecured claims before the Romanian courts. This may adversely affect the Issuer's financial condition and the ability of the Issuer to make payment under the Notes.

The Issuer's risk management system may not be effective and may expose the Issuer to unidentified or unanticipated risks, which could lead to significant losses.

The Issuer has devoted substantial resources, time and effort to develop risk management strategies, systems and risk mitigation techniques, to constantly improve its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, its risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that it fails to identify or anticipate. Some of its qualitative tools and metrics for managing risk are based upon observed historical market behaviour, which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures. The Issuer applies statistical and other tools to these observations to assess its risk exposures. These tools and metrics may fail to predict future risk exposures that arise from factors the Issuer did not anticipate or correctly evaluate in its statistical models. If the Issuer’s measures to assess and mitigate risks prove insufficient, then the Issuer may experience material unexpected losses that could have a material adverse effect on its business, financial condition and/or results of operations.

Dependence on its parent to provide financing

The Issuer is majority-owned by UniCredit S.p.A. and thus is controlled by the latter and its owners. UniCredit S.p.A. is a key capital provider and lender to the Issuer. Although it is expected that the involvement of the parent will continue to be important in the pursuit and implementation of the Issuer's strategy, there can be no assurance that it would continue to provide to the Issuer financial or other support during normal market conditions or in the event of future financial turmoil, and there can be no assurance that the Issuer's business and results of operations would not be materially adversely affected if the major shareholder ceases to control the Issuer.. Should political and economic risks in Italy heighten, the Issuer might not be sheltered from sovereign debt tensions in the main shareholder's country.

General risks relating to the Notes

Set out below is a brief description of certain risks relating to the Notes generally:

Independent Review and Advice

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

A prospective investor may not rely on the Issuer or the Manager(s) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

Assessment of Investment Suitability

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in the Prospectus or any supplement;

b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear applicable risks.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or charges in accordance with the laws of Romania. Potential investors are advised not to rely only upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

No legal and tax advice

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

Each prospective investor should consult its own advisers as to legal, tax and related aspects in connection with its investment in the Notes. A Noteholder's effective yield on the Notes may be diminished by the tax on that Noteholder in connection with its investments in the Notes.

A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.

Change of law

The conditions of the Notes (including any non-contractual obligations arising therefrom or connected therewith) are based on relevant laws in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to such laws, or the official application or interpretation of such laws or administrative practices after the date of this Prospectus.

Restrictions in early redemption of Notes

It is intended that the Notes, when issued, will be admitted to trading on the spot market of the Bucharest Stock Exchange ("**BVB**"). Except for very limited cases expressly provided for by the Romanian securities legislation, transactions with securities listed on the BVB must be performed through the BVB systems, at the market price of the relevant securities. Terms and Conditions of the Notes provide for situations where, at the Issuer's option, the Notes may be partially redeemed before maturity, at the price agreed in the Terms and Conditions of the Notes. As Romanian securities legislation contemplates no such partial redemption outside the BVB system, unless the applicable legislation is amended, alternative arrangements will need to be put in place and Noteholders may have to invest additional efforts in order for the Notes to be partially redeemed before maturity as agreed in the Terms and Conditions of the Notes. In the worst case, the Notes may not be partially redeemed before maturity.

Insufficient reflection by credit ratings and securities analysts

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The trading market for the Notes will be influenced by the research and reports that industry or securities analysts publish about the Issuer or its businesses. If one or more of the analysts who cover the Issuer or its industries downgrade the Notes, the market price of the Notes would likely decline. If one or more of these analysts ceases coverage of the Issuer or fails to regularly publish reports on the Issuer, the Issuer could lose visibility in the financial markets, which could cause the market price of the Notes or trading volume to decline.

Noteholders' rights

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. Resolutions of general meetings of Noteholders may be taken with majorities different from the majorities required for adoption of equivalent resolutions in other EU member states. Also, defined majorities can bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Risks related to the market generally

Market value of the Notes

The Issuer's credit ratings are an assessment of its ability to pay its obligations, including those on the offered Notes. Consequently, actual or anticipated declines in the Issuer's credit ratings may affect the market value of the relevant Notes.

In addition, the market value of the Notes will be affected by the Issuer's creditworthiness and/or that of the UniCredit Group and a number of additional factors, including variations of market interest and yield rates and the time remaining to the maturity date.

The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in Romania or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

The Notes may not be actively traded

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The dimension of the Romanian bonds market is still modest compared to other European countries, while the number of corporate bonds issues by Romanian banks is limited. There is no guarantee that the Notes, even though expected to be listed on the spot market of the BVB, will be actively traded, and if they are not, this is likely to increase their price volatility and/or adversely affect the price of the Notes.

Inability to list the Notes on the BVB

The admission of the Notes to trading on the spot market of the BVB requires that this Prospectus be approved by the Financial Supervisory Authority, as the competent authority in Romania under the Prospectus Directive, and that the BVB approve the listing and trading thereon. Admission to trading on the BVB is subject to certain requirements. The Issuer intends to take all necessary steps to ensure that the Notes are admitted to trading on the BVB as soon as possible after the issuance of the Notes. However, there is no guarantee that, should the admission conditions change, all of such listing conditions will be met. Consequently, should the applicable admission conditions change, there is no assurance that the Notes will be admitted to trading on the spot market of the BVB on the estimated date or at all.

Suspension of Trading in the Notes

The BVB has the right to suspend trading in listed bonds if the issuer fails to comply with the regulations of the exchange (such as, for example, specific disclosure requirements) or if such suspension is necessary to protect the interests of market participants or the orderly functioning of the market is temporarily endangered. There can be no assurance that trading in the Notes will not be suspended. Any suspension of trading could adversely affect the trading price of the Notes. Moreover, if the Issuer fails to fulfil certain requirements or obligations under the applicable laws and regulations relevant to companies whose securities are listed on the BVB, or if the orderly stock exchange trading, the safety of trading thereon or investors' interests are endangered, the Notes can be excluded from trading on the BVB. There can be no assurance that such a situation will not occur in relation to the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in RON. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than RON. These include the risk that exchange rates may significantly change (including changes due to devaluation of RON or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to RON would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency - equivalent value of the principal payable on the Notes and (3) the Investor's Currency - equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected.

Legal investment considerations

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issue of the Notes, including, amongst other things, legal counsel fees, broker fees, audit costs, and listing expenses. The net proceeds of the Notes issuance (approximately RON 500,000,000), will be used for general financing purposes (which may include granting loans to the Issuer's customers).

TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes (the "**Terms and Conditions**"). With respect to the obligations of the Issuer in connection with the Notes, these Terms and Conditions are the only terms regulating the obligations of the Issuer, irrespective of any other separate arrangement that may exist between the Issuer and any of its investors.*

1. Introduction

The Notes: The expression the "**Notes**" refers to:

- the six-month ROBOR plus an interest rate within the range 0.60-0.70 per cent. unsecured Notes due 2020 (the "**Class 2020 Notes**");
- the six-month ROBOR plus an interest rate within the range0.80-0.90 per cent. unsecured Notes due 2022 (the "**Class 2022 Notes**"); and
- the six-month ROBOR plus an interest rate within the range 1.00-1.10 per cent. unsecured Notes due 2024 (the "**Class 2024 Notes**");

in aggregate amount of RON 500,000,000 (with the possibility of being increased to maximum RON 610,000,000) of UniCredit Bank S.A. (the "**Bank**" or the "**Issuer**"), the issue of which was authorised by the decision of the Management Board of the Issuer passed on 3 July 2017 on the basis of the resolution of the Extraordinary General Assembly of Shareholders passed on 13 April 2017.

The final number of Notes in each Class of Notes will be decided by the Issuer, on the basis of investors' demand, on the Closing Date.

Trading: The Notes are intended to be admitted to trading on the spot regulated market (the Main Market, corporate notes) of the Bucharest Stock Exchange on a date expected to fall on or around 14 August 2017. Once admitted to trading, the Notes will be quoted under the following ISIN codes: ROUCTBDBC022 for the Class 2020 Notes, ROUCTBDBC030 for the Class 2022 Notes and ROUCTBDBC048 for the Class 2024 Notes.

2. Interpretation

(a) *Definitions*: In these Terms and Conditions the following expressions have the following meaning:

"**Business Day**" means any day on which banks are open for general business in Romania according to the rules of the National Bank of Romania;

"**Central Depositary**" means *Depozitarul Central SA*, the Romanian securities central depositary;

"**Class of Notes**" or "**Class**" means any of the Class 2020 Notes, Class 2022 Notes and Class 2024 Notes;

"**Closing Date**" means the last day of the Offer Period;

"**Default Interest Rate**" means the rate which is two (2) per cent higher than the respective Interest Rate;

"**Depositary Agreement**" means the agreement to be entered into by the Issuer and the Central Depositary for the purpose of registering the Notes with the system of the Central Depositary (RoClear);

"**FSA**" means the Romanian Financial Supervisory Authority (*Autoritatea de Supraveghere Financiara*);

"**Indebtedness**" means any present or future indebtedness, imposed by law, such as taxes, duties and the like, or by contract in the form of, or represented or evidenced by, any instrument, agreement, bonds, notes, debentures, loans, leases, loan stock or securities, whether or not such instruments are capable of being quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market, **except for** any deposits from the Issuer's clients;

"**Interest Amount**" means, in relation to an Interest Period, the amount of interest payable in respect of a Note for that Interest Period;

"**Interest Commencement Date**" means the Settlement Date;

"**Interest Payment Date**" means any of the following:

- for the Class 2020 Notes: 15 January 2018, 15 July 2018, 15 January 2019, 15 July 2019, 15 January 2020, 15 July 2020;
- for the Class 2022 Notes: 15 January 2018, 15 July 2018, 15 January 2019, 15 July 2019, 15 January 2020, 15 July 2020, 15 January 2021, 15 July 2021, 15 January 2022, 15 July 2022; and
- for the Class 2024 Notes: 15 January 2018, 15 July 2018, 15 January 2019, 15 July 2019, 15 January 2020, 15 July 2020, 15 January 2021, 15 July 2021, 15 January 2022, 15 July 2022, 15 January 2023, 15 July 2023, 15 January 2024, 15 July 2024.

- "**Interest Period**" means, in **relation to eac**h Class of Notes, each period beginning on (and including) the respective Interest Commencement Date or any Interest Payment Date for that Class of Notes and ending on (but excluding) the next Interest Payment Date for that Class of Notes;

"**Interest Rate** " means:

- the interest rate of six-month ROBOR plus an interest rate within the range0.60-0.70 per cent. per annum for the Class 2020 Notes;
- the interest rate of six-month ROBOR plus an interest rate within the range0.80-0.90 per cent. per annum for the Class 2022 Notes; and
- the interest rate of six-month ROBOR plus an interest rate within the range1.00-1.10 per cent. per annum for the Class 2024 Notes.

"**Manager**" means IEBA TRUST S.A., headquartered in 5-7 Dimitrie Pompei Blvd, 5th Floor, 2nd District, Bucharest, Romania;

"**Maturity Date**" means

- 15 July 2020 for the Class 2020 Notes;
- 15 July 2022 for the Class 2022 Notes; and
- 15 July 2024 for the Class 2024 Notes.

"**Noteholder**" means the person in whose name one or several Notes are registered on the Reference Date in the Noteholders' Register or in the books of a Participant which is registered in the Noteholders' Register;

"**Noteholders' Register**" or "**Register**" means the evidence of Noteholders, electronically held by the Central Depositary pursuant to the Depositary Agreement;

"**Payment Agent**" means UniCredit Bank S.A.;

"**Participant**" means an entity entitled to open securities' accounts with the Central Depositary, in its own name or in its name and on behalf of its clients;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Redemption Date**" means, as appropriate, the Maturity Date or an early redemption date established pursuant to paragraph (b) (*Redemption for tax reasons*) of Section 11 (*Redemption and Purchase*);

"**Redenomination Date**" means the date on which the redenomination of the Notes into Euro pursuant to paragraph (c) of Section 3 (*Form, Currency and Denomination*) becomes effective;

"**Reference Date**" means the 15th Business Day before an Interest Payment Date or before a Redemption Date;

" **ROBOR**" means in relation to any Class of Notes:

(i) the applicable Screen Rate as of the Specified Time for RON and for a six-month period; or

(ii) if a Screen Rate is not available, the rate determined by the Issuer as an average of the interest rates at which 3 local banks would be willing to lend to the Issuer lei on the interbank money market for a period of six months;

"**Screen Rate**" means the RON Romanian interbank market offered rate, published by the National Bank of Romania for the relevant period, displayed on the appropriate page of the Reuters screen. If such page or service ceases to be available, the Issuer may specify another page or service displaying the appropriate rate.

"**Specified Time**" means 11:00 Bucharest time, two Business Days before a proposed Interest Payment Date or the Interest Commencement Date.

"**Security Interest**" means any movable or immovable mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Settlement Date**" means the second Business Day after the Transaction Date, on which the settlement of the Notes shall take place *via* the clearing-settlement system of the Central Depositary;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(i) whose affairs and policies the first Person controls or has the power to control, directly or indirectly, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Transaction Date**" means the Business Day following the Closing Date, when the Manager will execute the transaction related to the Offering in the BVB system;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended from time to time;

"**UniCredit Group**" means UniCredit S.p.A., any successor thereof (provided that such successor is a Subsidiary or affiliate of UniCredit S.p.A.) and its Subsidiaries.

(b) *Interpretation:* Headings and sub-headings are for ease of reference only and shall not affect the construction of these Terms and Conditions.

3. Form, Currency and Denomination

(a) *Form:* The Notes will be nominative, dematerialised (registered) Notes. Upon their issue, application will be made for the Notes to be registered with the FSA and with the Noteholders' Register which will be held by the Central Depositary.

(b) *Denomination and Currency:* The Notes will be denominated in RON and will have an individual face value (*valoare nominala*) of RON 10,000 each. No fractional Notes will be issued.

(c) *Redenomination:* Should Romania become a participating Member State in the single currency of the European Economic and Monetary Union pursuant to the Treaty (the "**Accession**") before the relevant Maturity Date, on any Interest Payment Date after the Accession the Issuer may, by giving at least 30-day notice and subject to any applicable legal provisions, redenominate all the outstanding Notes in all or any of the Classes of Notes into Euro and adjust the aggregate principal amount and the denomination of such Notes accordingly. For the avoidance of doubt, the Issuer will have the right (but will not be obliged) to re-denominate the Notes from all, or only part of, the Classes of Notes, at its option.

The redenomination of the relevant Notes shall be made by converting the principal amount of each Note from RON into Euro using the applicable RON/Euro conversion mechanism established by the Council of the European Union and the European Parliament pursuant to the Treaty and, unless otherwise provided under the above-mentioned conversion mechanism, rounding the resultant figure to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). Unless otherwise provided under the above-mentioned conversion mechanism and if the Issuer so elects, the figure resulting from the conversion of the principal amount of each Note using the applicable RON/Euro conversion rate shall be rounded downwards to the nearest Euro. The Euro denominations of the Notes so determined shall be notified to Noteholders in accordance with Section 15 (*Notices*) and any applicable legal provisions. Any balance remaining from the redenomination with a denomination higher than Euro 0.01 shall be paid by cash adjustment rounded to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). Such cash adjustment will be payable in Euro on the Redenomination Date in the manner notified to the Noteholders by the Issuer.

Upon redenomination of the Notes, any reference in these Terms and Conditions to RON shall be construed as a reference to Euro.

The Issuer shall not be liable to the Noteholders or any other person, neither in its capacity as Issuer nor as Payment Agent, for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of Euro or any currency conversion or rounding effected in connection therewith.

4. Issuance, Title and Transfer

(a) *Title*: The Notes will be evidenced by book entries (*înscrieri în cont*) and will be registered in the system of the Central Depositary, which will credit, at the option of the Noteholder, (i) the Noteholder's individual account (*cont individual*) opened at the Central Depositary by the Noteholder or by a Participant on behalf of the Noteholder (the "**Individual Account**"), (ii) the omnibus account (*cont global*) opened at the Central Depositary by a Participant indicated by the Noteholder (the "**Omnibus Account**") or (iii) an account otherwise opened by the Noteholder, directly or indirectly, with the Central Depositary in accordance with the rules of the Central Depositary.

(b) *Ownership*: Title over the Notes will pass (i) on a delivery *versus* payment basis, by registration of the Notes in the Individual Account of the Noteholder or in the Noteholder's sub-account which is part of an Omnibus Account, as applicable, or (ii) as otherwise specified in the Depositary Agreement and allowed by the rules of the Central Depositary as amended from time to time.

(c) *Issuance and Delivery*. The Notes will be created on the Transaction Date and will be delivered to the Noteholders on the Settlement Date.

(d) *Transfer*: The Notes will be transferred in accordance with the applicable rules of the Central Depositary and of the Bucharest Stock Exchange.

No person may require the transfer of a Note during the period from (and including) the Reference Date immediately preceding the relevant Redemption Date up to (and including) that Redemption Date.

All costs in connection with the transfer of a Note will be borne by the relevant Noteholder.

(e) *Applicable rules and regulations*: All transfers of the Notes and entries in the Noteholders' Register are subject to the detailed rules and regulations of the Central Depositary and the applicable Romanian legislation.

5. Status

The Notes in each Class constitute direct, unconditional, unsubordinated and (subject to Section 6 "*Negative Pledge*" below) unsecured obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and (subject to such exceptions as are from time to time both mandatory and of general application under Romanian law) with all other present or future unsecured and unsubordinated obligations of the Issuer.

6. Negative pledge

(a) *Prohibition to pledge*. So long as any Note has not been reimbursed, the Issuer will not create or permit to subsist any Security Interest on any of its present or future assets to secure any Indebtedness without at the same time or prior thereto securing the Notes equally and rateably with such Indebtedness.

(b) *Permitted security.* The restrictions mentioned in paragraph (a) above will not apply if the pledge is arising in the course of ordinary banking transactions and securing short-term obligations (of less than one year) of the Issuer or the aggregate value of assets or revenues subject to any Security Interest created in respect of any Indebtedness of the Issuer does not, at any time, exceed 10 per cent. of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with International Financial Reporting Standards as endorsed by the European Union).

7. Interest

(a) *Interest Rate*. The Notes in each Class of Notes bear interest at the Interest Rate applicable to that Class from, and including, the relevant Interest Commencement Date. Interest shall be calculated on the basis of the actual number of days in the relevant Interest Period and of the actual number of days in the corresponding year.

The formula used to calculate the interest for the bonds is the following:

Interest paid=(bond nominal value(ROBOR$_{6M}$ +margin[1])/no of days during the respective year)* no of days during the interest period*

(b) *Interest ceasing*. Notes in a Class will cease to bear interest from, and including, the relevant Redemption Date, unless the payment of principal is unfoundedly refused or postponed on such date. In such event, interest will continue to accrue on the principal amount of the Notes in that Class of Notes pursuant to Section 8 (*Default Interest*) below (both before and after the relevant court decision, as the case may be) until the day on which all sums due in respect of those Notes up to that day are received by or on behalf of the relevant Noteholder.

(c) *Day count fraction*. Where interest is required to be calculated in respect of a period shorter than an Interest Period, it shall be calculated on the basis of the actual number of days in the period from and including the most recent Interest Payment Date to, but excluding, the relevant payment date, divided by the actual number of days in the corresponding year.

The following tables show the details regarding payment of interest:

Class 2020 Notes

Previous Interest Payment Date	Reference date	Current Interest Payment Date	Number of days calculated pursuant to Section 7 (Interest)
	19-Dec-17	15-Jan-18	Depends on the settlement Date
15-Jan-18	25-Jun-18	15-Jul-18	181
15-Jul-18	19-Dec-18	15-Jan-19	184
15-Jan-19	24-Jun-19	15-Jul-19	181
15-Jul-19	19-Dec-19	15-Jan-20	184
15-Jan-20	24-Jun-20	15-Jul-20	182

[1] *Represents the margin used for each class of bonds (maturities 2020, 2022 si 2024)*

Class 2022 Notes

Previous Interest Payment Date	Reference date	Current Interest Payment Date	Number of days calculated pursuant to Section 7 (Interest)
	19-Dec-17	15-Jan-18	Depends on the settlement Date
15-Jan-18	25-Jun-18	15-Jul-18	181
15-Jul-18	19-Dec-18	15-Jan-19	184
15-Jan-19	24-Jun-19	15-Jul-19	181
15-Jul-19	19-Dec-19	15-Jan-20	184
15-Jan-20	24-Jun-20	15-Jul-20	182
15-Jul-20	23-Dec-20	15-Jan-21	184
15-Jan-21	24-Jun-21	15-Jul-21	181
15-Jul -21	27-Dec-21	15-Jan-22	184
15-Jan-22	24-Jun-22	15-Jul-22	181

Class 2024 Notes

Previous Interest Payment Date	Reference date	Current Interest Payment Date	Number of days calculated pursuant to Section 7 (Interest)
	19-Dec-17	15-Jan-18	Depends on the settlement Date
15-Jan-18	25-Jun-18	15-Jul-18	181
15-Jul-18	19-Dec-18	15-Jan-19	184
15-Jan-19	24-Jun-19	15-Jul-19	181
15-Jul-19	19-Dec-19	15-Jan-20	184
15-Jan-20	24-Jun-20	15-Jul-20	182
15-Jul-20	23-Dec-20	15-Jan-21	184
15-Jan-21	24-Jun-21	15-Jul-21	181
15-Jul-21	27-Dec-21	15-Jan-22	184
15-Jan-22	24-Jun-22	15-Jul-22	181
15-Jul-22	22-Dec-22	15-Jan-23	184
15-Jan-23	26-Jun-23	15-Jul-23	181
15-Jul-23	19-Dec-23	15-Jan-24	184
15-Jan-24	24-Jun-24	15-Jul-24	182

8. Default Interest

If the Issuer fails to pay any amount payable by it under the Notes from any Class of Notes on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment at the Default Interest Rate applicable to that Class of Notes.

9. Payments

(a) *Principal*: Payment of principal under each Class of Notes will be made on the applicable Redemption Date pursuant to paragraph (d) (*Methods of payment*) below.

(b) *Interest*: Interest will be paid on each Interest Payment Date pursuant to paragraph (d) (*Methods of payment*) below. The first Interest Payment Date for each Class of Notes will be 15 January 2018.

The last Interest Payment Date for each Class of Notes will be the applicable Redemption Date.

(c) *Payment Agent, Calculation Agent.* The Issuer will act as initial Calculation Agent and Payment Agent in relation to the Notes and will calculate and make the payments of principal and interest to the Noteholders.

The Issuer reserves the right at any time to change the Payment Agent or the Calculation Agent, provided that there will at all times be a Payment Agent having a specified office in Romania. Any such change shall become effective only after a 30-day notice thereof shall have been given to the Noteholders by the Issuer in accordance with Section 15 (*Notices*). The expressions "**Calculation Agent**" and "**Payment Agent**" shall include any successor Calculation Agent and successor Payment Agent, respectively, appointed from time to time by the Issuer.

(d) *Methods of payment*. Payments of principal and interest will be made by transfer to an account denominated in RON opened with a credit institution in Romania (i) indicated by the Noteholders in the relevant Subscription Form (for Noteholders who purchased Notes by subscription within the initial offering of the Notes) or (ii) notified to the Payment Agent by the Noteholders (or the Participants with which they opened their securities accounts) in accordance with Section 15 (*Notices*) at least five (5) Business Days prior to the respective Interest Payment Date or Redemption Date.

Neither the Issuer nor the Payment Agent shall be under any obligation to make payment to a Noteholder unless and until adequate payment account details have been provided to the Payment Agent to enable payment to be made in accordance with this Prospectus and no additional interest will be payable as a result of any late payment due to the failure of the Noteholder to provide such adequate payment account details. Noteholders are required to ensure that the Payment Agent has all the details necessary for processing the payments of interest and/or principal (including but not limited to: name, personal identification number, unique registration code, serial number of the identity card, bank account (IBAN), the name of the bank with whom their account has been opened, as applicable).

Noteholders who will not notify their bank account details to the Payment Agent as provided above, will receive the payment of principal by banking transfer based on a written request addressed to the Payment Agent, specifying the bank account details for the banking transfer.

Any fees levied by the intermediary banks (other than the Payment Agent) in respect of payments hereunder shall be borne by the Noteholders.

(e) *Reference Date*: Payments in respect of the Notes will be made to the persons shown as Noteholders at close of business on the Reference Date applicable to the relevant Class of Notes and all payments validly made to such persons will fully and irrevocably discharge the Issuer and the Payment Agent in respect of the relevant Noteholders. No person who acquires a Note between the applicable Reference Date and the corresponding Interest Payment Date will be entitled to receive payment in relation to such Note.

(f) *Payments on Business Days*: If the due date for payment of any amount in respect to any Note is not a Business Day, the Noteholder shall not be entitled to payment until the next succeeding Business Day.

(g) *Payments subject to tax laws*: All payments in respect of the Notes are subject in all cases to any applicable tax or other laws and regulations in the place of payment and to the provisions of Section 10 (*Taxation*).

10. Taxation

(a) *No gross-up*: All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Romania or any political subdivision thereof or any authority therein or thereof having power to tax, **unless** the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall make such withholding or deduction from the principal and/or interest payment made to the respective Noteholder but shall, for the avoidance of doubt, not be required to pay additional amounts in respect of such withholding or deduction.

(b) *Taxing jurisdiction*: If the Issuer at any time becomes subject to tax on its net income, profit or gains in any taxing jurisdiction other than, or in addition to, Romania by reason only of a change in (i) the place of residence or domicile of the Issuer or (ii) the activities carried on by the Issuer, references in these Terms and Conditions to Romania shall be construed as references to Romania and/or such other jurisdiction.

(c) *Waiver*: The Payment Agent (to the extent different than the Issuer) shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence for individual Noteholders except to the extent already provided for above.

11. Redemption and Purchase

(a) *Redemption at maturity.* Unless previously redeemed or purchased as provided below, the Notes in each Class of Notes will be redeemed by the Issuer at their principal amount on the applicable Maturity Date.

(b) *Redemption for tax reasons***.** The Notes in each Class of Notes may be redeemed at the option of the Issuer, in whole but not in part at any time, upon giving not less than 30-day nor more than 60-day notice to the Noteholders from the relevant Class of Notes in accordance with Section 15 (*Notices*) (which notice shall be irrevocable) if:

(i) the Issuer has or, on the following Interest Payment Date will, become obliged to pay additional amounts as provided or referred to in Section 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Romania or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the relevant Notes were then due.

In such case, the relevant Notes will be redeemed at their principal amount, together with interest accrued (if any) until (but excluding) the relevant Redemption Date.

(c) **Purchases.** The Issuer may at any time purchase Notes in the open market or otherwise (including by means of public offer) and at any price, by observing the relevant legal provisions. All Notes purchased by the Issuer may, at the option of the Issuer, be held or resold by the Issuer, by observing the relevant legal provisions.

Notes so purchased and held by the Issuer will not entitle the Issuer to vote at any Meeting of Noteholders and will not be taken into account for the purposes of calculating the quorums for meetings and decision making of Noteholders.

(d) **Cancellation.** All Notes redeemed by the Issuer will be cancelled and may not be reissued or resold.

12. **Events of default**

If any of the following events (each, an "**Event of Default**") occurs:

(a) *Non-payment*. Any amount of principal is not paid within five (5) Business Days from the applicable Redemption Date or any amount of interest in relation to a Class of Notes is not paid within five (5) Business Days from the due Interest Payment Date; or

(b) *Breach of any other obligation*. The Issuer fails to duly perform or observe any of its material obligations under these Terms and Conditions (other than any obligation of payment of principal or interest in relation to the Notes), which failure continues un-remedied for forty-five days after written notice thereto has been delivered by any Noteholder to the Issuer pursuant to Section 15 (*Notices*); or

(c) *Cross-acceleration*. The acceleration of the maturity (other than by prepayment or redemption) of any Indebtedness of the Issuer (including under the Notes from another Class of Notes) provided that the aggregate amount of the respective Indebtedness in respect of which the acceleration has occurred to be equals or to exceeds the equivalent of EUR 25,000,000; or

(d) *Insolvency and dissolution*. (i) The opening of the bankruptcy procedure with regard to the Issuer as determined by a competent court of law, or (ii) the Issuer applying for the appointment of an ad-hoc mandate authorised person (*mandatar ad-hoc*) for the purpose of opening the ad-hoc mandate proceedings or for the opening of the preventive composition proceedings (*concordat preventiv*), or (iii) the Issuer being wound up or dissolved, otherwise than for the purposes of reconstruction, merger or amalgamation in which the successor entity assumes all the obligations of the Issuer with respect to the Notes; or

(e) *Repudiation and illegality*. The validity of any Class of Notes is contested by the Issuer or the Issuer denies any of its payment obligations under any Class of Notes (either by a general suspension of payments or a moratorium on the payment of debt or otherwise) or it is or becomes unlawful for the Issuer to perform or comply with all or any of its payment obligations in relation to any Class of Notes or any such obligations shall be or become unenforceable or invalid, in each case as a result of any law or regulation in Romania or any ruling of any court in Romania the decision of which is final; or

(f) *Controlling shareholder:* the Issuer ceases, within the 2 (two) years following the Closing Date, to be under the direct or indirect control of UniCredit Group; or

(g) *Withdrawal of license*: the Issuer has its license withdrawn by the National Bank of Romania;

then any Noteholder may, by written notice to the Issuer pursuant to Section 15 (*Notices*), declare the Notes held by it to be due and payable at their principal amount, together with accrued interest, **provided however, that:**

(i) in the event specified in paragraph (c) any notice declaring the Notes due shall become effective only when the Issuer has received such notice from Noteholders holding at least 25 per cent of the principal amount of all the Notes then outstanding; and

(ii) in the events specified in paragraphs (b), (d),(e), (f) and (g) any notice declaring the Notes due shall become effective only when the Issuer has received such notice from Noteholders holding at least 55 per cent of the principal amount of all the Notes then outstanding.

13. Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Notes are subject to a limitation period of three (3) years from the due payment date thereof.

14. Noteholders' Meetings

(a) *Meetings of Noteholders*. Noteholders may meet in general meetings in order to decide on their interests (each, a "**Meeting of Noteholders**"). Such meetings shall be held at the expense of the Issuer and shall be convened by the Issuer (1) upon the written request of Noteholders holding not less than a quarter (1/4) of the aggregate principal amount of all the Notes, or (2) after the appointment of the Noteholders' Representative, at his request.

The Meeting of Noteholders is authorised to (among others), according to the Company Law no. 31/1990, as subsequently amended and republished (the "**Company Law**"):

(i) appoint a representative of the Noteholders (the "**Noteholders' Representative**") and one or more deputies (which will have the right to represent them in front of the Issuer and the court and shall be able to attend the General Shareholders' Assemblies of the Issuer) and decide upon their remuneration;

(ii) perform all the acts for the supervision and the defence of the Noteholders' common interests;

(iii) establish a fund that may be made up of the interest due to the Noteholders, in order to cope with the expenses necessary for the defence of their rights, establishing at the same time the rules for the management of such a fund;

(iv) oppose to any amendment to the articles of association of the Issuer or to the Terms and Conditions of the Notes, by means of which the rights of the Noteholders might be affected; and

(v) express their opinion upon the issue of new bonds.

The decisions mentioned at paragraphs (i)-(iii) are made with a majority representing at least a third (1/3) of the aggregate principal amount of all the outstanding Notes.

In the other cases, mentioned at paragraphs (iv)-(v) above, the presence of at least two thirds (2/3) of the aggregate principal amount of all the outstanding Notes and the favourable vote of at least four fifths (4/5) of the Notes represented at the Meeting of Noteholders are required.

The decisions of the Meeting of Noteholders are also mandatory for the Noteholders who were not present at the Meeting or voted against that decision. The decisions made by the Meeting of Noteholders may be contested in court by the Noteholders who did not participate at the Meeting or voted against the decision and requested their opposition to be mentioned in the minutes of the Meeting.

(b) *Applicable rules*. The conduct and powers of the Meeting of Noteholders are governed by the provisions of the Company Law, the Law on Issuers and NSC Regulation no. 1/2006 regarding issuers and securities transactions. The amendment or replacement of such relevant legal provisions may result in changes to the conduct and powers of the Meeting of Noteholders.

15. Notices

(a) *Notice to Noteholders*. Any notice to the Noteholders will be validly delivered to the Noteholders by way of publication of the notice in a leading newspaper having general circulation in Romania, on the Issuer's website and on the website of the BVB. Any such notice will be deemed to have been given on the day of its first publication.

Notice to the Issuer. Any notice to the Issuer will be validly delivered if sent by registered post at the address below. Any such notice will be deemed to have been given on the date that mail is delivered.

UniCredit Bank S.A.

Blvd. Expozitiei nr. 1F

012101 Sector 1, Bucharest

Romania

16. Modification

These Terms and Conditions may be amended without the consent of the Noteholders to correct a manifest error.

17. Governing law and jurisdiction

(a) *Governing law*: The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, Romanian law.

(b) *Competent courts*: Any dispute arising from or in connection with the Notes will be submitted to the Romanian competent courts.

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

DESCRIPTION OF UNICREDIT BANK S.A. AS ISSUER

General Information

The legal name of the Issuer is UniCredit Bank S.A. – (the "**Bank**" or the "**Issuer**") a joint-stock company incorporated in Romania and operating in accordance with Romanian legislation. The Issuer is registered under the Trade Register number J40/7706/1991 attributed on 30 July 1991, with the Banking Register under number RB-PJR-40-011/18.02.1999, with the National Supervisory Authority for Personal Data Processing under no. 10964, and its fiscal registration number is RO 361536, subscribed and paid-up share capital RON 379,075,291.20.

The Issuer's headquarters are at 1F Expozitiei Blvd., 1st District, postal code 012101, Bucharest, Romania, (telephone: +40 21 200 2000).

Pursuant to Articles 7 of its Articles of Association, the corporate objects of the Issuer can be summarized as the conducting of banking activities.

As of December 2012, the Issuer is member of the UniCredit Group, being directly controlled by UniCredit S.p.A., with registered office in Roma. Italia, Via Alessandro Specchi, 16.

To the date of the present Prospectus, UniCredit Bank's majority shareholder was UniCredit S.p.A. (98.328% of share capital), with minority shareholders - Romanian private individuals (1.568% of share capital), Romanian companies (0.061% of share capital), foreign private individuals (0.025% of share capital) and foreign companies (0.018% of share capital).

The management of the Issuer is governed by a two-tier system, by the Management Board and respectively by the Supervisory Board, in accordance with the prerogatives provided by the Articles of Association of the Issuer and within the authority levels given by the General Meeting of Shareholders. The members of the Management Board exercise their responsibilities under the oversight of the Supervisory Board.

The Issuer acts as a "one-stop-shop" for financial services providing retail and commercial banking services in Romanian Lei (RON) and foreign currency individuals and legal entities. These services 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, derivative financial instruments, transactions with government securities on the primary and secondary market

The Issuer operates through the Head Office located in Bucharest and through its network of branches and agencies, which as of 30 of April 2017 comprised 159 branches and agencies located in Bucharest and in the country. **History**

The Bank was established as a Romanian commercial bank on 30 July 1991 and operated under the name Banca Comerciala "Ion Tiriac" S.A.. On 1 September 2006 Banca Comerciala "Ion Tiriac" S.A. merged with HVB Bank Romania S.A., resulting Banca Comerciala HVB Tiriac S.A.

UniCredit Group entered the local market in 2001 by taking over the local subsidiary of the Turkish bank, Demirbank. In 2005 UniCredit Group bought HVB Bank, which locally owned HVB Romania S.A.

On 1 June 2007 upon the merger by acquisition of the former UniCredit Romania S.A. by Banca Comerciala HVB Tiriac S.A. resulted UniCredit Tiriac Bank S.A.

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

In June 2015 UniCredit Bank Austria AG purchased all the shares held by Tiriac Holdings Limited in UniCredit Tiriac Bank S.A.. As a result, UniCredit Bank Austria A.G. has increased its holdings in UniCredit Tiriac Bank from 50.6 per cent to 95.6 per cent.

On 30 July 2015, the Extraordinary General Meeting of Shareholders decided upon the change of Bank's name, from UniCredit Tiriac Bank S.A. to UniCredit Bank S.A.

On 1 October 2016, the following transactions were closed:

First transaction: the transfer of 40,079,109 shares which represents 98.328% of the share capital of UniCredit Bank S.A from UniCredit Bank Austria AG to UCG Beteiligungsverwaltung GmbH due to the demerger project between the two entities.

Second transaction: the transfer of 40,079,109 shares which represents 98.328% of the share capital of UniCredit Bank S.A from UCG Beteiligungsverwaltung GmbH to UniCredit S.p.A. due to the cross border merger project between the two entities.

Description of UniCredit Group

UniCredit is a strong pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering a unique Western, Central and Eastern European network to an extensive client franchise.

The Group offers local expertise as well as international reach. It accompanies and supports 25 million clients globally, providing them with unparalleled access to leading banks in 14 core markets as well as to another 18 countries worldwide.

UniCredit Group's European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey.

The strategic position in Western and Central and Eastern Europe enables the Group to command one of highest market shares in the region.

While UniCredit brand is recognizable all over Europe, The Group's have preserved the highly valuable local brands of banks that it acquired to form the Group.

UniCredit Group is present in Romania through: UniCredit Bank, UniCredit Consumer Financing, UniCredit Leasing Corporation, UniCredit Insurance Broker, UniCredit Leasing Fleet Management, and UniCredit Business Integrated Solutions.

The Issuer's position within UniCredit Group

The Issuer is considered a solid revenue generator for UniCredit Group (accounting for 1.5 per cent. share of UniCredit Group revenues at the end of 2015), proving a good profitability (2.6 per cent. share in total Group profit before tax, at the end of 2015), as compared to less than 1 per cent. share in total UniCredit Group assets.

With a solid and healthy position in terms of financial results and solvency profile, the Bank is expected to remain an engine for growth in the CEE and one of the major partners for achievement of UniCredit Group strategic objectives.

Share capital and shareholders

The statutory share capital of the Bank as at 31 December 2016 was of RON 379,075,291 represented by 40,760,784 ordinary shares having a face value of RON 9.30 each. The shareholders of the Bank as at 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016
	(*per cent*)
UniCredit S.p.A.*	98.3280
Other shareholders	1.6720
Total	**100**

	31 December 2015
	(*per cent*)
UniCredit Bank Austria AG	95.6185
Bank Austria – CEE BeteiligungsgmbH	0.0133
Arno Grundstucksverwaltungs Gesellschaft m.b.H	0.0133
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	0.0133
Bank Austria Creditanstalt Leasing GmbH	0.0133
UniCredit Leasing Corporation IFN S.A.	0.0001
Other shareholders	4.3282
Total	**100**

Source: IFRS Consolidated Financial Statements of the Issuer as at 31 December 2016.

**UniCredit S.p.A. has taken over the CEE operations and subsidiaries from UniCredit Bank Austria AG since 1st of October 2016*.

The Issuer's position on the local market

The Bank is ranked on the 5th position in the Romanian banking sector in terms of assets, with 8.3 per cent. market share as at the end of 2016(according to National Bank of Romania reports).

With a well balanced mix of local knowledge with cross-border business experience and international expertise, the Bank proved to be a successful business model that increased market share over the years, by expanding its business volumes up to 30 per cent. in the last five years and succeeded to become one of the most profitable banks.

Due to a high quality and high efficient network, the Bank succeeded to achieve a large number of business volumes (9.2 per cent. of all bank loans in the Romanian banking system), compared to a low number of branches (3.7 per cent. of all bank branches in Romania at the end of 2015).

As one of the top corporate banks in the country, the Issuer increased its corporate[2] business volumes reaching 8.5 per cent. growth year on year in terms of loans and 23 per cent. growth year on year in terms of deposits.

[2] Corporate business volumes include loans and deposits granted to companies differentiated by turnover, shareholder structures, or domain of activity as follows: domestic medium companies, international medium companies, domestic large companies, multinationals, public institutions, financial institutions groups, real estate developers.

The Issuer's position in the Romanian market is reflected by its market share in respect of the following banking segments:

31 December 2016	Total industry *	The Issuer *	The Issuer's market share
	(RON million)	*(RON million)*	*(per cent.)*
Loans			
Total Loans (the Bank & UCFIN[1])	**238.571**	**21.960**	**9,2%**
Individuals Loans (the Bank & UCFIN[1])	118.194	6.652	5,6%
Companies	120.377	15.308	12,7%
Total Loans (the Bank):	**233.412**	**20.234**	**8,7%**
Individuals	113.035	4.926	4,4%
Companies	120.377	15.308	12,7%
Deposits			
Total Deposits (the Bank):	**299.372**	**22.186**	**7,4%**
Individuals	163.464	6.226	3,8%
Companies	135.908	15.960	11,7%

Source: National Bank of Romania reports for industry data and Issuer for the Issuer related data

** Loans and deposits volumes include only the principal amounts, while in sections "Deposits" and "Lending" the accrued interest and deferred income or expense are also included, in line with the presentation in the Consolidated IFRS Financial Statements. Such additional amounts have not been included in the calculation of market shares due to unavailability of public market data. Total industry loans include volumes of non-banking financial institutions.*

(1) Since opening UCFin in 2008, the Bank has discontinued the production of non secured consumer loans which are now granted only through UCFin.

Rating

There is a direct correlation between the rating of the Bank and that of UniCredit Group on one side and of the Bank and Romania sovereign rating on the other side. In May 2017, reflecting the recent action taken for the Holding Company, Fitch downgraded the Long Term Issuer Default Ratings (IDRs) of UniCredit Bank from "BBB" to "BBB-" and Short-term IDR of the Bank from "F2" to "F3" (reflecting the liquidity support of the Holding Company). The Support Rating was affirmed at "2" and Viability Rating at "bb-", reflecting the view that UniCredit Bank is a strategically important subsidiary for its parent UniCredit S.p.A. The upgraded Stable Outlook (from "Negative") reflected the parent's outlook.

The Bank's ratings, according to Fitch, are as follows:

Long-term foreign currency IDR	**BBB-** **Outlook Stable**
Short-term foreign currency IDR	**F3**
Support	**2**
Viability	**bb-**

Presentation of Financial and other Information

Summary of Financial Information

The following tables comprise the statement of financial position, statement of comprehensive income and cash flow statement which are extracted from the audited separate financial statements of the Issuer and the audited consolidated financial statements of the Issuer as at 31 December 2015 and as at 31 December 2016 ("**Financial Statements**"). As stated in the external auditors' report and in the notes to the Financial Statements, the separate financial statements and the consolidated financial statements of the Issuer have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

Statement of financial position

	UniCredit Bank		**UniCredit Bank Group**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
	(Audited)	***(Audited)***	***(Audited)***	***(Audited)***
	RON	***RON***	***RON***	***RON***
Assets				
Cash and cash equivalents	5,760,947,655	4,594,558,795	5,806,429,168	4,662,440,931
Financial assets at fair value through profit or loss	393,210,237	291,926,020	393,119,265	291,596,454
Derivatives assets designated as hedging instruments	17,325,503	16,477,513	17,325,503	16,477,513
Fair value changes of the hedged items in portfolio hedge			26,783	305,851
Loans and advances to banks	737,782,299	849,887,971	737,782,299	849,887,971
Loans and advances to customers	18,826,508,130	17,915,871,852	20,476,755,183	19,063,021,580
Net lease receivables	-	-	3,157,684,553	2,729,569,996
Financial assets available for sale	6,369,107,583	6,359,742,012	6,371,453,618	6,362,088,047
Investment in subsidiaries	143,115,683	143,115,683	-	-
Property and equipment	206,581,764	217,772,302	263,863,595	234,938,243
Intangible assets	146,937,296	148,516,836	158,409,354	156,244,574
Current tax assets	-	-	-	-
Deferred tax assets	19,732,413	9,583,774	58,521,224	44,517,708
Other assets	63,070,064	63,400,403	161,416,898	155,738,502
Non-current assets and disposal groups classified as held for sale	2,913,821	960,324	2,913,821	960,324
Total assets	32,687,232,448	30,611,813,485	37,605,701,264	34,567,787,694
Liabilities				
Financial liabilities at fair value through profit or loss	99,362,520	85,383,434	99,316,461	85,114,106
Derivatives liabilities designated as hedging instruments	98,684,522	81,900,959	98,730,581	82,170,287
Deposits from banks	3,173,396,014	4,748,273,443	3,173,396,014	4,748,273,443
Loans from banks and other financial institutions	2,545,617,646	3,433,409,158	7,433,468,355	7,250,081,728
Deposits from customers	22,443,450,800	18,111,264,179	21,995,286,812	17,858,756,074
Debt securities issued	551,024,752	550,659,161	551,024,752	550,659,161
Subordinated liabilities	223,356,340	222,533,940	323,260,540	322,072,940
Provisions	64,105,688	68,041,235	67,301,041	68,855,710

Current tax liabilities	41,002,820	11,175,775	49,968,517	18,439,954
Other liabilities	190,712,385	149,829,510	292,333,298	231,722,764
Total liabilities	29,430,713,487	27,462,470,794	34,084,086,371	31,216,146,167
Share capital	1,101,604,066*	1,101,604,066*	1,101,604,066*	1,101,604,066*
Share premium	55	55	55	55
Reserve on available for sale financial assets	36,697,652	80,791,377	36,697,652	80,791,377
Cash flow hedging reserve	(50,940,452)	(46,628,751)	(50,940,452)	(46,628,751)
Revaluation reserve on property and equipment	10,892,930	10,844,909	10,892,930	10,844,909
Other reserves	240,534,612	240,534,612	240,534,612	240,534,612
Retained earnings	1,917,730,098	1,762,196,423	2,053,856,522	1,856,780,170
Total equity	3,256,518,961	3,149,342,691	3,392,645,385	3,243,926,438
Non-controlling interest	-	-	128,969,508	107,715,089
Total Group Equity	-	-	3,521,614,893	3,351,641,527
Total liabilities and equity	32,687,232,448	30,611,813,485	37,605,701,264	34,567,787,694

Source: Audited separate IFRS Financial Statements and audited consolidated IFRS Financial Statements of the Issuer as at 31 December 2015 and 31 December 2016

*Note: * Comprises statutory share capital of RON 379,075,291 and effect of hyperinflation (in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies") of RON 722,528,775.*

Statement of comprehensive income

	UniCredit Bank		**UniCredit Bank Group**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
	(Audited)	***(Audited)***	***(Audited)***	***(Audited)***
	RON	***RON***	***RON***	***RON***
Interest income	989,664,922	958,632,299	1,292,213,262	1,269,408,055
Interest expense	(257,417,348)	(311,932,683)	(347,863,702)	(409,071,762)
Interest on effect of swap transactions to refinancing lines with UniCredit Group companies	-	3,823,851	-	3,823,851
Net interest income	**732,247,574**	**650,523,467**	**944,349,560**	**864,160,144**
Fee and commission income	356,175,141	362,352,257	409,575,609	390,678,728
Fee and commission expense	(74,067,581)	(78,186,984)	(78,364,396)	(80,057,588)
Net fee and commission income	**282,107,560**	**284,165,273**	**331,211,213**	**310,621,140**

Net income from trading and other financial instruments at fair value through profit or loss	236,185,185	244,033,239	245,446,289	251,887,475
Fair value adjustments in hedge accounting	(3,811,455)	(1,630,352)	(3,811,455)	(1,630,352)
Net income on disposals of financial assets and liabilities which are not at fair value through profit or loss	121,913,534	70,595,829	128,522,698	76,339,522
Dividends incomes	1,913,613	7,320,896	1,913,613	7,320,896
Other operating income	7,818,686	7,347,867	16,140,107	18,675,622
Operating income	**1,378,374,697**	**1,262,356,219**	**1,663,772,025**	**1,527,374,447**
Personnel expenses	(303,711,515)	(306,519,857)	(351,845,892)	(356,184,016)
Depreciation and impairment of tangible assets	(42,712,432)	(33,605,481)	(43,246,638)	(34,227,568)
Amortisation and impairment of intangible assets	(46,699,368)	(45,761,031)	(50,366,868)	(48,390,993)
Other administrative costs	(283,673,235)	(269,641,340)	(323,347,751)	(307,211,094)
Other operating costs	(9,135,623)	(10,787,960)	(31,043,684)	(31,670,890)
Operating expenses	**(685,932,173)**	**(666,315,669)**	**(799,850,833)**	**(777,684,561)**
Net operating income	**692,442,524**	**596,040,550**	**863,921,192**	**749,689,886**
Net impairment losses on financial assets	(324,099,223)	(317,161,053)	(416,284,203)	(412,368,113)
Net provision losses	(39,579,048)	(8,978,889)	(39,999,892)	(9,061,596)
Profit / (Loss) on associate investments at equity method	-	-	-	-
Net gains/(loss) from other investment activities	(2,375,006)	(6,040,469)	(2,375,006)	(5,451,971)
Profit / (Loss) before taxation	**326,389,247**	**263,860,139**	**405,262,091**	**322,808,206**
Income tax	(59,834,799)	(41,805,161)	(75,910,549)	(53,302,020)
Net profit for the year	**266,554,448**	**222,054,978**	**329,351,542**	**269,506,186**
Attributable to:				
Equity holders of the parent	-	-	308,097,123	252,097,154
Non-controlling interests	-	-	21,254,419	17,409,032
Net profit for the year	**266,554,448**	**222,054,978**	**329,351,542**	**269,506,186**
Other comprehensive income, net of tax				

Items that will not be reclassified to profit or loss				
Revaluation of property, plant and equipment (net of deferred tax)	48,021	93,294	48,021	93,294
Total items that will not be reclassified to profit or loss	**48,021**	**93,294**	**48,021**	**93,294**
Items that may be reclassified to profit or loss				
Net change in revaluation reserve for available for sale financial assets (net of deferred tax)	(44,093,725)	(14,128,603)	(44,093,725)	(14,128,603)
Net change in cash flow hedging reserve (net of deferred tax)	(4,311,701)	16,201,520	(4,311,701)	16,201,520
Total items that may be reclassified to profit or loss	**(48,405,426)**	**2,072,917**	**(48,405,426)**	**2,072,917**
Other comprehensive income, net of tax	**(48,357,405)**	**2,166,211**	**(48,357,405)**	**2,166,211**
Total comprehensive income for the year	**218,197,043**	**224,221,189**	**280,994,137**	**271,672,397**
Attributable to:				
Equity holders of the parent	-	-	259,739,718	254,263,365
Non-controlling interests	-	-	21,254,419	17,409,032
Total comprehensive income for the year	**218,197,043**	**224,221,189**	**280,994,137**	**271,672,397**

Source: Audited separate IFRS Financial Statements and audited consolidated IFRS Financial Statements of the Issuer as at 31 December 2015 and 31 December 2016

Statement of cash flows

	UniCredit Bank		**UniCredit Bank Group**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
	(Audited)	***(Audited)***	***(Audited)***	***(Audited)***
	RON	***RON***	***RON***	***RON***
Operating activities				
Profit / (Loss) before taxation	326,389,247	263,860,139	405,262,099	322,808,206
Adjustments for non-cash items:				
Depreciation, amortisation and impairment on tangible and intangible assets	89,411,800	79,366,512	93,613,506	82,618,280

Net impairment losses on financial assets	283,295,266	317,161,053	324,099,223	406,624,423
Change in fair value of derivatives at fair value through profit or loss	(3,119,545)	(12,896,992)	(3,078,599)	(12,896,992)
Other items for which the cash effects are investing or financing	6,470,771	(65,953,948)	(22,764,601)	(85,671,398)
Other non–cash items	(124,103,879)	102,932,624	(196,363,447)	96,536,336
Operating profit before changes in operating assets and liabilities	**578,343,660**	**684,469,388**	**600,768,181**	**810,018,855**
Change in operating assets:				
Increase in investment securities held for trading	(84,185,586)	(52,230,939)	(84,185,586)	(52,230,939)
Increase in investment securities available for sale	(55,299,227)	(427,151,508)	(55,299,227)	(427,151,508)
Increase in loans and advances to banks	112,168,502	(314,420,415)	112,168,502	(314,420,415)
Increase in loans and advances to customers	(1,064,257,289)	(1,510,728,099)	(1,330,243,651)	(1,646,545,822)
Increase in net lease receivables	-	-	(510,867,153)	(331,054,790)
(Increase) / Decrease in other assets	(12,383,853)	(5,264,580)	(24,963,572)	144,713,736
Change in operating liabilities:				
(Decrease) / Increase in deposits from banks	(1,574,944,468)	1,151,551,744	(1,574,944,468)	1,151,551,744
Increase in deposits from customers	4,337,787,839	1,877,144,822	4,223,414,619	1,977,348,344
Increase in other liabilities	3,652,365	23,752,120	22,328,248	(117,227,224)
Income tax paid	(30,881,574)	-	(50,127,582)	(14,870,393)
Cash flows from / (used in) operating activities	**2,210,000,369**	**1,427,122,533**	**1,328,048,311**	**1,180,131,588**
Investing activities				
Proceeds from sale of property and equipment	1,049,772	0	1,049,772	81,683
Acquisition of property and equipment and intangible assets	(79,159,794)	(101,372,409)	(87,746,644)	(103,404,826)
Disposal of equity investments	45,263,082		45,263,082	2,277,611
Dividends received	1,913,613	1,235,366	1,913,613	1,235,366
Cash flows used in investing activities	**(30,933,327)**	**(100,137,043)**	**(39,520,177)**	**(99,810,166)**
Financing activities				

Dividends paid	(107,021,635)	-	(107,021,634)	-
Repayments of loans from financial institutions	(1,041,238,550)	(1,208,596,772)	(3,178,860,618)	(2,179,561,475)
Drawdowns from loans from financial institutions	135,582,000	187,788,320	3,163,735,157	1,405,410,603
Repayment of subordinated liabilities	-	(67,231,500)	-	(67,231,500)
Cash flows from financing activities	**(1,012,678,185)**	**(1,088,039,952)**	**(122,147,095)**	**(841,382,372)**
Net increase in cash and cash equivalents	1,166,388,857	238,945,538	1,166,381,039	238,939,050
Cash and cash equivalents at 1 January	**4,594,558,795**	**4,355,613,257**	**4,594,566,616**	**4,355,627,566**
Cash and cash equivalents at 31 December	**5,760,947,655**	**4,594,558,795**	**5,760,947,656**	**4,594,566,616**

Source: Audited separate IFRS Financial Statements and audited consolidated IFRS Financial Statements of the Issuer as at 31 December 2015 and 31 December 2016

The report by the independent auditors of the Issuer, Deloitte Audit S.R.L., dated 10 March 2017 in respect of the Issuer's separate and consolidated financial statements as at 31 December 2016 (the "**2016 Report"**) states that the financial statements present fairly in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

The report by the independent auditors of the Issuer, Deloitte Audit S.R.L., dated 26 February 2016 in respect of the Issuer's separate and consolidated financial statements as at 31 December 2015 (the "**2015 Report"**) states that the financial statements present fairly in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Business activities

Overview of main services and products

The Issuer offers a wide range of financial products and services to its customers such as:

- for corporate companies[3] (medium and large companies, international companies and public institutions): lending and deposit taking, cash management, including special solutions for advanced liquidity management (cash pooling), trade finance, custody and depository services, project and structured finance transactions, financial advisory services, syndicated loans and asset backed transactions, as well as transactions with government securities and derivatives financial instruments

- for small sized enterprises[4]: payment services and liquidity management (Based on a current account or through classic bank account operations), financing products covering both short term necessities (credit line, overdraft, short term loans, bridge financing, factoring, etc) and investment needs (a wide range of investment loans with maturities up to 15 years), being either standardized (based on a product catalogue), or tailor made (structures defined together with the customer);

- for individuals: the offer includes simple, safe, easy to understand and to use products, but at the same time very flexible and perfectly suited to the needs of customers, the main categories include: credit products, debit and credit cards, meal cards, Investments (mutual funds, bonds, structured deposits, unit-linked instruments), bancassurance, trading (current account, alternative channels: Online and Mobile banking, telephone and SMS info);

- for private banking clients (comprising high net worth individuals): there is a diversified offer of products with access both on the domestic and international markets

for financial institutions: money market operations and treasury operations, syndicated loans and structured finance, currency and derivative transactions, transactions and investments in financial instruments, bond issues, custody accounts, LORO accounts in RON, and In foreign currency as well as other related products (Multicash products, money management services, special terms / conditions for accounts and payments to preferential bank partners), guarantee agreements, etc, etcIn 2016, based on the Bank's management accounts, 50.2 per cent of total revenues of the Bank were generated by the Corporate Business Area (which services medium and large companies, public sector, financial institutions and Market Investment Banking), 36.8 per cent by Retail Business and Private Banking Areas (which services individuals and small sized companies) and 13.0 percent for other business segments. For the year 2017, the Bank estimates that the major business divisions (Corporate and Retail Clients segments) will increase their contribution to the Bank's revenue, while the share of other customer segments will be below 10%..

Strategic Plan for 2017 – 2019 and related developments

The Issuer sets its strategic objectives in a four year term plans. The current strategic plan of the Bank approved in 2016 comprises the following main objectives:

(i) *Generate Sustainable Value*

One of the most important goals of the Bank is to ensure a stable and sustainable level of revenues and profitability that can be perpetuated in the future along with a solid financial standing in terms of capital, liquidity, effectiveness and efficiency along with strict compliance with acting rules and regulations as well as adopting high ethical business standards.

(a) <u>Maintain leadership position in the Corporate Business Area</u>

UniCredit aims to be a reputable, transparent and reliable advisor to support corporate business needs, with distinctive services and capabilities, by providing tailored solutions at high and consistent level, with balanced cost to serve.

The Bank improved its position on the Corporate Business Area in terms of deposits, increasing companies' market share by ~2 percentage points (*195 bps*) from January to December 2016, reaching 21.7% at the end of 2016, according to the Bank's estimation. Corporate lending market share maintained to an average of 17.3% during 2016, reaching 17.6% at the end of the same year, according to the Bank's estimation.

On EU Funds financing, according to internal estimates based on publicly available information and market intelligence, the Bank ranks within the top players on Romanian market regarding the financing of private beneficiaries, the outstanding volumes of financing reaching EUR 104 million as at the end of 2016, following the market trend due to delay in implementation of projects of 2014 -2020 EU budgeting period.

In 2017, the Bank signed with The European Investment Fund (EIF) an InnovFin SME guarantee agreement to enhance access to finance for innovative small and medium-sized enterprises (SMEs) and mid-caps in eight countries. This transaction benefits from the support of Horizon 2020, the EU's Framework Programme for Research and Innovation, and the European Fund for Strategic Investments (EFSI), the heart of the Investment Plan for Europe. The InnovFin SME Guarantee Facility provides guarantees and counter-guarantees on debt financing of between EUR 25,000 and EUR 7.5 million in order to improve access to loan finance for innovative small and medium-sized enterprises and small mid-caps (up to 499 employees).

In 2016, the value of receivables managed by UniCredit Bank registered a level of EUR 711 million.

Segments/industries that performed better, than in 2015 were: metal industry, chemicals, water and recycling, the Fast-Moving Consumer Goods segment – 15% of the total, with a 70% increase over the previous year, with the most balanced portfolio in terms of risk dissipation), the agriculture, fishing and food segment (with a share of 10% of the total).

As for the main trends that influenced the structure of UniCredit Bank's portfolio in 2016, a significant increase was recorded for the number of domestic transactions without recourse.

As in the last four years, we also focused on the SME segment in 2016, which is, in our view, the engine of a sustainable economy. Thus, companies with turnover below EUR 5 million have contributed 29% of the total volume of factoring carried out by UniCredit Bank, and those with a turnover between EUR 5 and 5 million by 49%.

In terms of syndicated loans, the Bank participated in 2016 to a number of four syndicated deals in the field of metal processing, building materials, telecom and real estate, addressing borrowers from private sector. This ensured a leading position on the local market (according to internal UniCredit Group estimations), aligned in this way to UniCredit Group's constant ranking in the top of the CEE syndications as arranger and book runner for corporate loans (as per UniCredit Group's estimations based on Dealogic data).

As a mark of the banking services superior quality offered by the Corporate Business Area, the following awards were won: Best Business Finance Provider Award from CEE, Award for "Best Best Cash Management Bank from Euromoney, Best Real Estate (Bank of the Year) Award. Also, UniCredit Romania maintains its leading position in the Customer Satisfaction Survey in 2016.

The current strategic plan of the Corporate Business Area in 2017 comprises the following main objectives:

- Value Creation

1) Ensure a stable and sustainable level of revenues and profitability by maintaining a good loan portfolio quality and identifying new opportunities on the market
2) Increase on mid-size companies and keeping a leading position on international clients through dedicated commercial initiatives
3) Maintain deposits at a comfortable level leveraging on the market liquidity
4) Enhance cross selling and cooperation between divisions, targeting unexploited business opportunities

- Sustainability and Risk Culture

5) Compliance/Regulation - continue to implement local and international requirements
6) Adopt ethic business standards
7) Focus on the risk quality of new clients through portfolio discipline (collateral, reviews, insurance policies)

- Customer Satisfaction

8) Keep leading position in the market, through quality of services provided to the clients and always adapting the product offer to market conditions.

(b) Become a Tier 1 Retail bank

Bank intends to balance the weight of its business operations between retail and the corporate to support the development solid general of the Bank in terms of self-financing, which can be achieved only through attracting stable sources of funding in Retail segment. Retail Growth Strategy will allow the Bank to benefit from higher margins on niche retail retail products, while maintaining prudent risk assessment and management.

According to the growth strategy, the Bank's position in terms of market share on the retail segment has improved - the market share of deposits increased by 89 basis points, while in the loans category, UniCredit consolidated its sixth position, a 5.4 percent market share, including UniCredit Consumer Financing IFN ("UCFin"), which offers unsecured consumer loans. Loans to individuals (with or without collateral) reached a market share of 7.1 percent on 31 December 2015 (according to the National Bank of Romania reports).

The bank has a large presence in Romania, covering all major cities with a total of over 50,000 inhabitants. In cities with a population of more than 100,000, the Bank owns several branches, depending on the economic importance of the respective city, in Bucharest the bank owns 35 branches.

In 2016, the Bank has been awarded several awards, including "Bank of the Year" at the 12th edition of the SEE Real Estate Awards and “Bank Team of the Year” at the CIJ Awards Romania. Also, the clients voted UniCredit as The #1 Cash Management Bank in Romania in The Euromoney Cash Management Survey.

The bank managed to significantly increase both revenue and loan portfolio through a service model defined (staff dedicated to each types of customers, depending on the complexity and needs, and sales personnel dedicated to attracting new customers) through partnerships with local guarantee funds and special attention given to certain products and services (funding from EU programs, financing for growth areas and regions, dedicated payment service packages), combining standardized approach with personalized offers.

Mission of making life easy customers made in 2016 UniCredit Bank to position itself among the most popular banks by customers. The most notable performance in 2016 is the strong acceleration in the retail area, alongside the consolidation of the strong traditional position in the corporate segment. Results at the end of 2016 confirm: lending increased by 8.1% compared to 2015 and deposits by 22.5%

Accelerating retail activity has been backed by numerous 2016 projects by which the bank can offer retail customers simpler, innovative products, modern digital platforms and simpler processes.

These have resulted in the launch of products and services (some for the first time on the Romanian market), and through improvements in existing ones, and the most important were:

- the premiere launch in Romania of card for providing food vouchers electronically, employers benefit from increased efficiency in terms of costs, simplifying the distribution of the benefits and safety of specific banking services, and employees benefit flexibility transactions, convenience and increased safety in use;

- the premiere launch of mPOS in Romania, a small device with increased autonomy, which allows merchants to accept payment transactions with the card using smart devices. Provides increased flexibility and responsiveness to specific mobility needs in industries such as courier, creative industries, taxis, agents;

- Launching Mobile Banking for SMEs

- The new offer of products and services for SMEs, consisting of packages with structures tailored to the needs arising during the business growth cycle

The Bank continued to innovate by introducing ContactLess technology for all of its portfolio cards, implementing the new service model for individuals, redefining the roles in the operational area to respond as efficiently as possible to customers' needs and encouraging transition to alternative channels and developing Online Banking applications Mobile Banking through:

- New software infrastructure that has ensured the implementation of a new, simplified and more intuitive interface, in line with the latest trends in web-design and user experience. Also allowed to add new features, such as prompt payment, expense management through self-classification of transactions;
- fingerprint access;
- Introducing the Payment Box (wizard that decides for the client according to the completed information which additional fields are required);
- Getting the Card Menu for clients who have an account with UniCredit, but also for those without
- Accessing the Credit Card Product by customers who do not have a current account
- consulting the monthly evolution of the investment portfolio

The retail strategy for 2017 pursues the following goals:

1. Remarkable reputation through customer satisfaction through:
    - Simple solutions tailored to the needs of customers
    - Active, transparent and complete communication
    - Using the competitive advantage of the latest generation applications, such as Online Banking and Mobile Banking
2. Raise the active client portfolio:
    - Increase in customer acquisition through the salary payment agreements in cooperation with the CIB
    - Increase customer acquisition based on strategic partnerships with Retailer-type companies, real estate developers and others, allowing for increased cross-selling
    - Increasing the number of clients by converting UCFIN POS & Menu Card clients into bank customers
    - Sustained use of CVM business campaigns
3. Sustainable profitability
    - Distinctive repositioning for Small Business customers:
        - ONE SME - Efficient Application Management Platform for Small Business Customers
        - Increasing the capacity to administer the prospecting activity

    - Focus on transactional activity
    - Competitive prices (new packages)
    - Increasing cross-selling
    - Significant increases in both asset and liability volumes

- Simple and effective solutions for Private Individuals:
    - Genius current account platform
    - ANAF Protocol to support pre-approved, new or refinancing credits with GENIUS
    - Significant increases in both asset and liability volumes
- Sustained activities for the portfolio development of both the banking channel and the non-banking channel
- Sustained growth of customer acquisition through POS
- Credit portfolio quality management

(c) Focus on efficiency of internal processes sustaining growth

Enhancing **efficiency** level (internally monitored through Cost/ Income ratio targets execution) is considered to be a prerequisite for profitable growth, aiming for a high capacity utilization and improvement of economies of scale. In the last years, the Issuer has focused on process optimization and process efficiency, through further automation, specialization, and simplification of processes (especially those related to customer service), also aiming to reach customer satisfaction excellence. Targeting and selecting profitable IT investments, supported by strong business cases is therefore a constant operational focus of the entire organisation. In terms of efficiency, a key target is setting up the right retail distribution model (branches, online channels, ATM's, BNA's) following the market demand and preferences.

The Bank aims at building **self sufficient funding capacity** on an on-going basis, by accessing the market in a controlled and coordinated way and exploiting all local and international opportunities in order to reduce the costs of funding and diversify the financing sources.

The Bank's continuous focus on products and channels **innovation**, as a prerequisite for enduring future business growth, is proven by key recent achievements and future developments like: (a) the development of a new Internet Banking and Mobile Banking platform that will allow digital sales for product portfolio related to Private Individuals; (b) Develop Contact Centre (both in-bound and out-bound) to boost commercial effectiveness, at low cost to serve; (c) Significantly increase the ATM/BNA coverage through the partnership with Euronet, additionally 500 ATM; (d) Ensure all channels integration using CRM and each channel main system (Branches, Contact Centre, ATM/BNA, Web Channels), with a clear strategy related to customer acquisition, sales and service.

In pursuit of its long term sustainable value adding objective, the Bank is also constantly monitoring its **reputation** on the market through surveys amongst its stakeholders, of which, local communities are especially targeted through the high social return Corporate Social Responsibility projects. In this respect, the Bank is working to be an efficient and effective community player supporting the long term growth and well-being of the communities in which it operates.

The Bank acknowledges that only by preserving ecosystem services it is possible to maintain economic development in a sustainable way. Therefore over recent years a number of initiatives have been started, aiming at reducing direct and indirect impacts of Bank's operations on the environment (e.g. recycling, efficient energy and water consumption policies, etc). Through suppliers' selection criteria and lending practices, the Bank is constantly trying to demonstrate that businesses can play an active role in addressing this century's challenges.

As a result, solid long term profitability through constant business growth and cost efficient operations is an essential view of managing the Bank's business, being expressed through targeting positive **EVA** (Economic Value Added).

(ii) *Become Service Quality Leader*

The Bank is dedicated to improving customers' satisfaction and overall experience, through its customer-centric policy of providing a great proximity, adopting an "easy to deal with" approach, investing in simplification, transparency and front-end empowerment, optimization of channel mix to offer the same products and services across all channels and development of new products that can be commercialized across different channels.

In the last four years the Bank has constantly monitored the satisfaction of its customers through **TRI*M index**, a trademark of the global research company TNS Italy who calculates it centrally for UniCredit Group companies.

According to these results:

- Corporate business area has significantly improved its customer satisfaction positioning in the last four years, from eighth to best bank on the Romanian market.

- Private Banking business area TRI*M Index increased year on year, placing the Issuer in the excellence area, at the level of UniCredit CEE countries.

- Retail business area also improved its position in terms of customer satisfaction, with an increased index versus last year , positioning the overall retail activity of the Issuer on the third place in the market, registering as well a growth of the percentage of loyal clients. Progress is visible in terms of loyalty, recommendation, speed of service and acceptable level of paperwork. In terms of image the Bank is perceived as innovative in providing new solutions/products.

(iii) *Establish Risk Management Best Practices*

In pursuit of its strategic goal of becoming a leader in the market with regards to risk management practices, the Bank has implemented an ongoing process for enhancing risk management culture within the Bank and optimizing the related systems and processes.

Moreover, a dedicated initiative on "Risk Culture" has been re-enforced, all over the Bank, with the aim of better understanding of the faced risks and of the related mitigation manners, aiming also to optimize risk/ reward profile, while targeting maximization of the long term value generation. This initiative, closely linked to the ones dedicated to organisational culture, is expected to contribute to a stronger business sense and to a better positioning of UniCredit Bank towards competitors in terms of risk/ reward profile.

In February 2011 the Bank implemented Advanced Measurement Approach ("**AMA**") for managing Operational Risk (see "*Risk Management" – "Operational Risk*" below). This approach allows the Bank to use its own set of models for computing regulatory capital requirements for operational risk. In order to get the approval from the regulatory authority, the Bank had to comply with a detailed set of quantitative and qualitative requirements. Based on a positive compliance check, the approval was received from the Bank of Italy and the National Bank of Romania.

Moreover, in July 2012, the Bank has received the joint authorization from the National Bank of Romania, the Austrian Financial Market Authority and the Bank of Italy to calculate credit risk capital requirements under Foundation Internal Rating Based Approach for the following categories of clients: corporate (excluding real estate clients), multinationals, banks, sovereign and securities industries.

Usage of internal models for estimated credit risk parameters in daily business (including price setting) and in capital requirements is also representative for the enhanced risk management culture and the advanced risks management methodologies applied in the Bank.

In terms of anti corruption policies, the Bank has zero tolerance towards acts of corruption. The Bank does not tolerate its employees or third parties in any kind of relationship with the Bank being involved in acts of corruption. The Bank implements an Anti-Corruption Program to counter the risk of acts of corruption and is committed to establish a culture within the Bank in which acts of corruption are never acceptable. No Employee will suffer demotion, penalty, or other adverse consequences for refusing to carry out acts of corruption or reporting acts of corruption even if such refusal may result in the Bank or Group losing business.

The Bank has integrated fraud management processes targeting and achieving a healthy business environment. Fraud suspicions are reported to antifraud units by using disclosed or anonymous channels that ensure the confidentiality and protection for whistleblowers. The Banks has zero tolerance towards internal or external frauds and promotes a fraud awareness culture by regular antifraud trainings.

(iv) *Employer of choice for high quality employees*

Considering people as a key strategic asset, the Bank aims to remain the employer of choice in the banking system.

Since 2009, UniCredit Bank is ACCA (Association of Chartered Certified Accountants) Approved Employer Trainee Development and ACCA Approved Employer Professional Development, supporting the professional growth of its employees.

Recent Developments

First quarter financial results

Based on the unaudited consolidated financial information prepared in accordance with IFRS as endorsed by European Union, in the three-month period ending 31 March 2017, the Bank's consolidated operational revenues were of RON 432,47 million, representing an increase of 10.4per cent. versus the similar period in 2016. This evolution was mainly driven by higher volumes of loans and deposits as compared to the similar period of 2016. At the same time, operational expenses totalled RON 255 million, while the Bank continued to carefully monitor its costs. As a result, the Bank reached a healthy operational profit of RON 177,1 million in first quarter of 2017. During the same period, the consolidated net profit before minority interest hit RON 103,4 million, with a growth of 2.9%per cent. versus the same period last year.

The financial indicators of the Bank showed a balanced position: Yearly Return-on-equity (ROE) amounted to 16.0% per cent. at the end of the first quarter 2017, while Yearly Return-on-assets (ROA) reached 1,6%. per cent.. Similar to previous years, the bank paid close attention to real and potential risks, which consequently reflected in the provisions level. Thus, loan provisions reached RON 47.9 million as of 31 March 2017. The provision coverage for on-balance sheet loan portfolio was of 6.85 per cent., while the annualized cost-of-risk was of 79 basis points. Non-performing-loans ratio, including unlikeness to pay exposure (based on the European Banking Authority definition[1]) was 10.82 per cent..

The volume of consolidated assets totalled RON 36.6 billion by 31 March 2017. Gross loans portfolio (including loans granted by leasing) amounted to RON 26,3 billion, its positive evolution being mainly sustained by the increase in corporate financing, consumer loans, and leasing financing. On the same time, customer deposits reached RON 21,6 billion.

The Bank registered a solvency ratio of 13.02 per cent. as of 31 March 2017, comfortably above regulatory requirements.

Funding sources

Borrowings

The Issuer benefits from UniCredit Group support for daily liquidity management as going concern, as well as in crisis situations, therefore the parent funding represents a key source of funding, mainly for foreign currency. As of 31 December, 2016 the gross funding from UniCredit Group totalled over EUR 1 billion, out of which medium and long term funding agreements were in the amount of EUR 845 million and subordinated loans in the amount of EUR 48 million. The funding from UniCredit Group is primarily denominated in EUR and accessed on medium and long term basis.

The Bank has available committed lines from UniCredit Bank Austria AG, up to 200 EUR million, covering liquidity shortage in case of stressed market times.

Nevertheless, increasing financing self-sufficiency is a major objective for the Issuer. Consequently, the Issuer has also entered into medium and long term financing agreements with international financial institutions such as the European Bank for Reconstruction and Development, European Investment Bank and International Finance Corporation. As at 31 December 2016, these facilities amounted to approximately EUR 118 million (all being denominated in EUR).

The Bank is currently discussing with certain international financial institutions in relation to potential new financings to the Bank by such international financial institutions which may include also subscriptions in the Notes.

The following table shows the breakdown of borrowed funds by the Issuer:

	31 December 2016	**31 December 2015**
	(RON thousands)	
Borrowings from related parties*	4.745.075	7,214,309
Borrowings from international financial institutions*	535.903	482,911
Borrowings other institutions*	493.187	397,736
Bonds issued (bonds issued in 2013, having the maturity date 15.06.2018, listed with the Bucharest Stock Exchange, having the trading number UCT18)*	550.000	550,000
Total	**6.324.165**	**8,644,956**

Source: Bank's internal data
** Amounts representing outstanding, without accruals*

Deposits

As the Issuer benefits from a strong reputation of providing a competitive range of deposits for the needs of companies and individuals, the primary source of funding is represented by customer deposits. The Bank’s strategy envisages a sustainable credit growth sustained by an adequate diversification of funding in terms of sources, therefore the improvement of the loan to deposit ratios through encouraging stable customer deposits is a continuous focus of all business areas.

In 2016, customer deposits increased by 24 per cent., as compared to 2015 and reached RON 22.44 billion. According to the Bank's estimations based on peer banks' publicly available financial statements and press releases, the Bank is ranked seven in terms of deposits with a market share of 7.4 per cent. at the end of 2016.

The table below shows the currency profile of the Bank's deposits from customers:

	31 December 2016		**31 December 2015**	
	(RON)	*(per cent)*	*(RON)*	*(per cent)*
RON	15,062,693,855	67	11,546,470,338	64
Foreign currency	7,380,756,945	33	6,564,793,841	36
Total	**22,443,450,800**	**100**	**18,111,264,179**	**100**

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

The table below shows details of the Bank' s deposit structure by type of customers:

	31 December 2016		**31 December 2015**	
	(RON)	*(per cent)*	*(RON)*	*(per cent)*
Companies	15,710,415,560	70	12,134,547,000	67
Individuals	6,733,035,240	30	5,976,717,179	33
Total	**22,443,450,800**		**18,111,264,179**	

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

Companies' deposits increased by RON 3.6 billion to RON 15.7 billion at the end of 2016. Deposits from individuals increased by 12,65 per cent. in 2016 reaching RON 6.7 billion. The weight of individuals' deposits decreased from 33 per cent. in 2015 to 30 per cent. in 2016.

The table below presents the structure of the Bank' s deposits from customers by type of product:

	31 December 2016		**31 December 2015**	
	(RON)	*(per cent)*	*(RON)*	*(per cent)*
Term deposits	5,774,189,862	26	5,299,261,677	29
Payable on demand	15,821,617,562	71	11,947,047,535	66
Collateral deposits	746,782,058	3	819,424,056	5
Amounts in transit	100,757,423	0	45,412,795	0
Certificates of deposits	103,895	0	118,116	0
Total	**22,443,450,800**	**100**	**18,111,264,179**	**100**

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

Short term customer liabilities (composed of current accounts, saving accounts and overnight deposits) increased the weight in total deposits from 66 per cent. to 71 per cent. in 2016, as a result of coordinated

Bank's actions for sustaining cash management and payment services business, providing an excellent, less expensive, financing source.

The table below shows the breakdown of the Bank's deposits by maturity:

Deposits maturity

	Up to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total contractual amount	Total carrying amount
			31 December 2016			
Outstanding	22,275,017,403	168,720,339	250,612	-	**22,443,762,804**	**22,443,450,800**
(per cent.)	99	1	0			
			31 December 2015			
	Up to 1 Year	**1 Year to 5 Years**	**Over 5 Years**	**No fixed maturity**	**Total contractual amount**	**Total carrying amount**
Outstanding	17,907,404,281	158,291,329	46,128,380	-	**18,111,823,990**	**18,111,264,179**
(per cent.)	99	1	0			

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

In line with the strategic objective of building self sufficient funding capacity, the Issuer has focused on launching long term deposit products, with new features like early redemption options and loyalty mechanism.

Lending

The general objective of the Bank's lending strategy involves promoting of a clear and comprehensive risk culture and risk assuming, consistent with the shareholders' expectations, the Bank's strategic plan and legal requirements.

This objective is correlated with the Bank's general strategic objectives, such as: adequate and prudent management of risks and in particular of significant risks; diversification of products; conservation of a sustainable profitability threshold; mitigation of the negative impact generated by the economic crisis; identification of optimal solutions for the clients who are confronted with the negative effects of the financial crisis; adequate training of the personnel, so that they may offer high quality services to customers; local integration of the existent standards at UniCredit Group's level under the form of internal regulations and procedures.

The table below shows the currency profile of the Bank's loans to customers:

	31 December 2015		
Loans and advances to customers	**RON**	**Foreign currency**	**Total**
Outstanding	8,985,371,262	9,841,136,868	**18,826,508,130**
(per cent.)	48	52	100
	31 December 2014		
Loans and advances to customers	**RON**	**Foreign currency**	**Total**

Outstanding	7,320,324,598	10,595,547,255	**17,915,871,853**
(per cent.)	41	59	100

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

Loan portfolio by type of clients

The table below presents the breakdown of the Bank's loan portfolio by type of customers:

	On-balance* 2016	**On-balance* 2015**	**IFRS Provisions 2016**	**IFRS Provisions 2015**
		(RON)		
Corporate**	7,556,496,058	7,531,743, 010	536,650,620	844,436,576
Small companies	7,762,484,044	7,592,011,684	631,776,768	633,870,721
Individuals	4,899,243,272	4,528,404,456	237,250,514	260,388,117
Total	**20,218,223,374**	**19,652,159,150**	**1,405,677,902**	**1,738,695,414**

Source: Bank's internal data
**on-balance sheet exposures represent amounts drawn from credit facilities, current and overdue principal, current and overdue interest and penalties.*
***client segmentation as per regulatory requirements CRD IV (considering client turnover, shareholder structure, number of employees, value of exposure etc)*

	Off-balance * 2016	**Off-balance * 2015**	**IFRS Provisions 2016**	**IFRS Provisions 2015**
Corporate	7,951,951,564	7,910,299,087	25,705,894	56,424,981
Small companies	4,189,934,090	3,789,461,570	30,348,705	8,367,018
Individuals	246,466,750	252,983,532	316,214	227,443
Total	**12,388,352,405**	**11,952,744,189**	**56,370,813**	**65,019,442**

Source: Bank's internal data
**off-balance sheet exposures represent amounts undrawn from credit facilities, letters of credit, letters of guarantee, risk participation agreements etc.*
*** client segmentation as per regulatory requirements CRD IV (considering client turnover, shareholder structure, number of employees, value of exposure etc)corporate loans include loans granted to companies differentiated by turnover, shareholder structures, or domain of activity as follows: domestic medium companies, international medium companies, domestic large companies, multinationals, public institutions, financial institutions groups, real estate developers.*

The Bank's total loan portfolio progressively increased by about 3 per cent in 2016 compared to 2015 on end of year figures. Loan portolio increased in absolute amount of approx. 1.1 billion RON, still considering that NPL sold loans and written during 2016 was in amount of approx. 0.85 billion RON, the portfolio increase sterilised by NPL cleaning portfolio activities has been 6 per cent (1.8 billion RON).

Loan portfolio by sector

A presentation of the Bank's on balance sheet loan portfolio by sector is included in the table below:

	31 December 2016	**31 December 2015**
	(RON)	
Private entities (including individuals)	4,661,992,758	4,268,016,339
Manufacturing	4,552,772,353	4,637,647,107
Commerce – wholesale and retail	3,177,233,947	2,937,568,497

Real estate	1,246,734,199	1,340,398,806
Construction and civil engineering	695,886,394	732,927,836
Agriculture - forestry – fisheries	1,109,327,613	916,151,586
Transport and storage services	517,267,503	486,243,782
Public administration and defence; social security insurance	502,948,310	567,647,393
Production and supply of electricity, gas, steam and air conditioning	383,955,326	440,729,830
Professional, scientific and technical activities	402,874,065	394,150,628
Information and communication	618,966,395	448,991,795
Financial and insurance institutions	476,189,541	214,873,892
Water supply	145,079,396	167,602,459
Hotels and public commercial concern	104,015,194	101,993,043
Administrative and support service activities	114,548,582	98,814,906
Extractive industry (mining and quarrying)	31,270,224	17,069,474
Education	4,167,711	16,438,241
Medical and social activities	36,012,694	29,159,465
Arts, entertainment and recreation	10,261,234	11,884,483
Other services	35,004,691	87,562,290
Total	**18,826,508,130**	**17,915,871,852**

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

In 2016 the Bank invested according to its strategy on industries, though ensuring that new financing contributes to the improvement of the overall asset quality, leveraging on a prudent risk management in the project assessment.

Loan portfolio maturity

The table below presents the Bank's loan portfolio by maturity:

	31 December 2016					
	Up to 1 Year	**3 Months to 1 Year**	**1 Year to 5 Years**	**Over 5 Years**	**Total contractual amount**	**Total carrying amount**
Loans and advances to customers	3,252,395,534	6,347,669,506	4,891,006,103	4,503,934,938	**18,995,006,081**	**18,826,508,130**
	31 December 2015					
	Up to 1 Year	**3 Months to 1 Year**	**1 Year to 5 Years**	**Over 5 Years**	**Total contractual amount**	**Total carrying amount**
Loans and advances to customers	4,358,293,030	5,747,587,496	4,189,821,265	3,911,785,963	**18,207,487,754**	**17,915,871,852**

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

In line with its profitable growth strategy, the Bank has focused on granting shorter term loans, sustaining cash management and payment services business through the current accounts transactions connected to such products.

In pursuit of its small sized companies' growth strategy, the Bank increased the involvement in working capital financing needs of the companies mainly through a diversification of the short term offer, by changing the focus from only working capital lines and overdrafts to the entire range of products (factoring, short term loans, bridge loans, etc).

Breakdown of loan portfolio by products

The table below shows the Bank's loan portfolio structure by type of lending product:

	31 December 2016	31 December 2015
	(RON)	
Mortgages	9,128,661,032	8,207,984,993
Corporate loans	5,743,673,535	5,300,242,662
Revolving credit lines	1,889,734,158	1,884,980,099
Factoring	469,899,123	424,018,547
Credit cards and personal loans	225,320,524	289,073,969
Impaired assets*	2,774,897,660	3,550,143,637
Loans and advances to customers before provisions	**20,232,186,032**	**19,656,443,907**
Less provision for impairment losses on loans	(1,405,677,902)	(1,740,572,055)
Net loans and advances to customers	**18,826,508,130**	**17,915,871,852**

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

Loan portfolio has grown on all product types, with the exception of unsecured consumer loans and credit cards. Since opening UCFin in 2008, the Bank has discontinued the production of these products which are now granted only through UCFin, benefiting from the highly specialised group approach in this respect

Large exposures

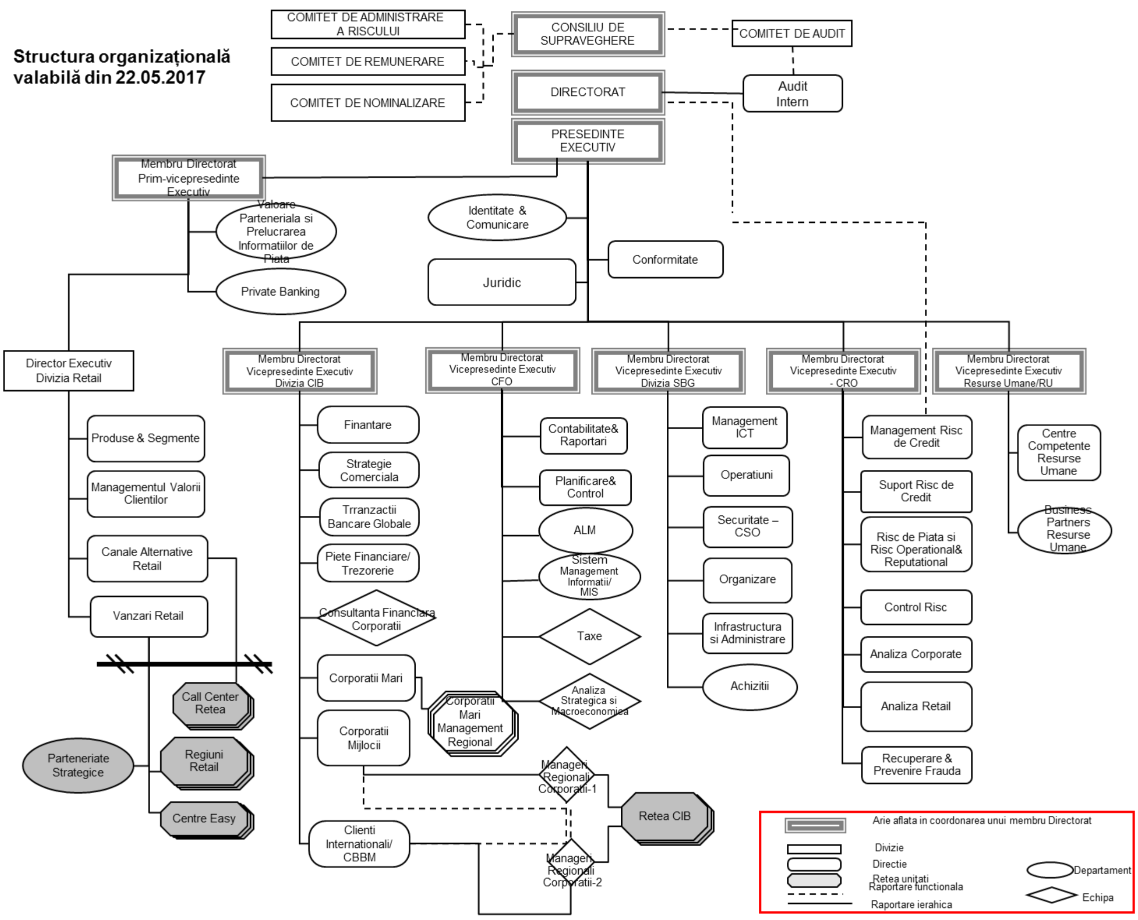
	31 December 2016			31 December 2015		
Client Name	**On-Balance Sheet Exposure**	**Off-Balance Sheet Exposure**	**TOTAL Exposure**	**On-Balance Sheet Exposure**	**Off-Balance Sheet Exposure**	**TOTAL Exposure**
GRUP 1	6,927,389,802	-	6,927,389,802	6,489,573,561	3,752,693	6,493,326,254
GRUP 2	6,798,908,566	56,234,071	6,855,142,636	6,291,609,694	111,690,117	6,403,299,811
GRUP 3	6,748,140,766	72,906,480	6,821,047,246	6,248,523,060	5,237,147	6,253,760,207
GRUP 4	6,761,906,996	-	6,761,906,996	6,264,464,681	-	6,264,464,681
GRUP 5	6,743,362,375	-	6,743,362,375	9,054,348	-	9,054,348
GRUP 6	6,739,811,284	2,520,269	6,742,331,554	6,242,461,953	3,086,070	6,245,548,023
GRUP 7	6,739,811,284	1,045,411	6,740,856,695	6,242,461,953	1,045,245	6,243,507,198
GRUP 8	6,739,811,284	958,383	6,740,769,667		1,887,634	1,887,634
GRUP 9	6,740,202,252	308,440	6,740,510,692	-	-	-
GRUP 10	6,739,921,163	137,961	6,740,059,124	356,859	17,706	374,564
GRUP 11	6,739,811,284	197,619	6,740,008,903	6,242,461,998	197,619	6,242,659,617

GRUP 12	6,739,811,689	27,644	6,739,839,332	6,242,461,953	5,354	6,242,467,307
GRUP 13	4,471,752,828	-	4,471,752,828	3,677,913,781	-	3,677,913,781
GRUP 14	1,144,155,207	529,192,751	1,673,347,958	1,182,079,117	473,104,980	1,655,184,097
GRUP 15	840,126,541	353,303,464	1,193,430,005	848,826,829	212,928,681	1,061,755,510
GRUP 16	421,599,331	166,939,617	588,538,947	428,656,038	143,592,705	572,248,743
GRUP 17	519,634,052	53,766,881	573,400,933	335,794,452	29,514,210	365,308,663
GRUP 18	85,725	457,223,643	457,309,368	80,498	411,806,753	411,887,251
GRUP 19	374,650,867	5,687,751	380,338,617	27	244,182,092	244,182,119
GRUP 20	210,085,587	156,646,208	366,731,795	232,100,602	135,565,065	367,665,666
	89,140,978,882	**1,857,096,593**	**90,998,075,475**	**56,978,881,404**	**1,777,614,070**	**58,756,495,474**

Source: Bank's internal data

Organisational structure

The following chart shows the organisational structure of the Issuer in terms of business departments:

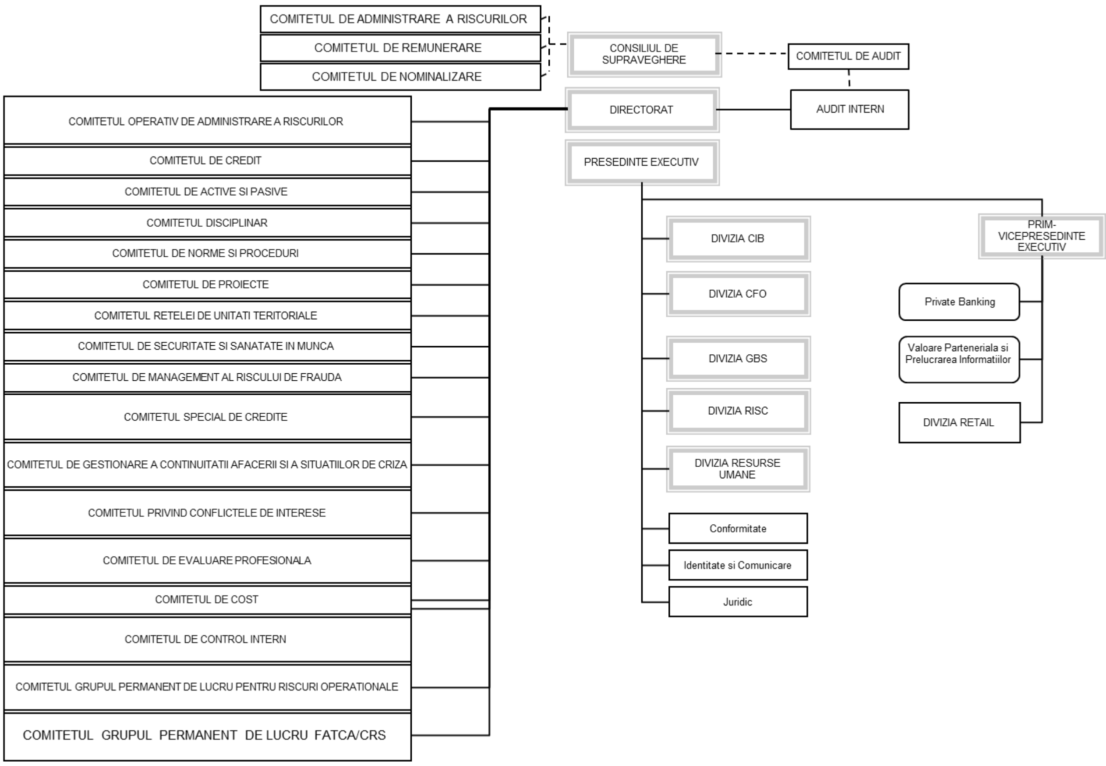


THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

The following structure chart shows the structure of the internal committees of the Issuer:

Structura organizațională valabilă la 22.05.2017

Structura Comitetelor_2017



The activities of the major committees are described below.

Audit Committee

The Issuer's Audit Committee is a consultative body of the Supervisory Board and monitors the effectiveness of the entire Internal Controls System, having, among others, the competence to assess, and formulate proposals regarding any aspects of the internal control system. The Audit Committee is responsible for monitoring compliance with UniCredit Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by UniCredit Group. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Audit Committee is composed of three elected non-executive members of the Supervisory Board. The members of the Audit Committee and the Chairman are elected by the Supervisory Board and shall remain in office as long as they are members of the appointing Board.

Remuneration Committee

The Remuneration Committee is directly subordinated to the Supervisory Board.

The Remuneration Committee is set up to:

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

- approve the terms and conditions of the management contracts to be concluded between the Bank and the members of the Management Board.

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

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

Nomination Committee

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

- to identify and recommend to the Supervisory/Management Board, for approval, candidates to occupy the vacant seats within the management body;

- to assess the balance of knowledge, skills, diversity and experience within the management body;

- to assess on a regular basis, but at least once a year, the structure, size, composition and performance of the management body and to make recommendations to the management body with respect to any changes;

- to assess on a regular basis, but at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and report to the management body accordingly;

- to decide with respect to a target concerning the representation of the male or female gender, poorly represented in the structure of the management body and draw up a policy concerning the means for increasing the number of these individuals in the structure of the management body in order to achieve the target concerned.

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

Risk Management Committee

The Risk Management Committee at Supervisory Board has a consultative function for the decisions of the management body regarding the risk appetite and global strategy for the management of the current and future risks the Bank is exposed to and assist the Supervisory Board in overseeing the implementation of that strategy by senior management.

As a general rule, Risk Management Committee meets on a half yearly basis and whenever requested by any member.

Risk Management Operative Committee

The Risk Management Operative Committee organized at Management Board level has a consultative function for Management Board with regard to any actions to ensure a rigorous and adequate risk management framework.

As a general rule, Risk Management Operative Committee meets on a quarterly basis and whenever requested by any of its member**.** The decisions of the Risk Management Committee are passed with the unanimous vote of its members.

Credit Committee

Credit Committee (in different layers) is the main credit approval authority, based on the delegated authorities of the Management Board, with specific responsibilities regarding the approval of credit facilities according to established levels of competence. The aim of this committee is to ensure the quality of the credit portfolio through the mitigation and limitation of credit risk according to credit granting policy and to specific regulation of the Credit Committee.

Credit Committee is organized with the purpose of advising, recommending, approving and rejecting loan applications and related memos for amendments to already approved transactions, for banks and nonbanks. Other obligations of the Credit Committee are related to provisioning and write-offs for loans on proposal of responsible division, validation of transfer to responsible departments of problem loans, arbitration in cases of disagreements between different departments/ areas, approval of restructuring & workout cases for specific client types, decision on delegation of approval competencies within the own lending limit.

Risk and Business areas must always be represented in Credit Committee. Each decision of the Credit Committee should be agreed unanimously.

Assets and Liabilities Committee ("ALCO")

The Assets and Liabilities Committee is the main body responsible for the liquidity management of the Issuer, ensuring an adequate and sound management of the Issuer's balance sheet in a pro-active manner. All ALCO members are informed permanently on all relevant business and market changes in order to ensure a balanced decision making process.

ALCO monitors and establishes limits for liquidity and market risks and evaluates regularly the market risk profiles of the Bank with the aim of optimizing the profit of the Bank within the boundaries of approved risk limits.

The main competencies of ALCO concern: establishing and implementing the liquidity management and funding strategies, setting the balance sheet structure, approving the policies regarding liquidity, interest rate and currency risks, setting the limits for the management of these risks, controlling the efficient management of the capital of the Issuer, deciding upon strategic investments and setting the Issuer's interest rate levels, including external rates and internal fund transfer prices.

Fraud Risk Management Committee

The main purpose of the Fraud Risk Management Committee is the evaluation, the monitoring and the control of the fraud risk, with the final aim of minimizing the losses that may be triggered by possible frauds.

The competence of Fraud Risk Management Committee is: to analyze every fraud or related suspicion, no matter of the amount of the potential losses or the suspected involved parties; to estimate the potential losses / case (by taking into consideration all the financial information existing in the Bank); to propose (to the relevant structures / Bank units) and to apply solutions for reputation risk mitigation and losses minimization; the monitoring of the implementation of the fraud committee decisions shall be made by each member of the fraud committee under the respective area of responsibility.

Special Credit Committee

In the lending process, the Special Credit Committee has an important role, so in its area, the Issuer strictly exercises the relevant provisions of the internal rating rules and the latest international credit guidelines.

Also, in view of complying with the requirements of Basel II project, in the case of certain problem loans, which are defined according to their risk level, the Special Credit Committee is informed regularly on the status of the restructuring or recovery process.

The responsibilities of the Committee are: credit approval for corporate clients classified as watch list predefined criteria, approval of restructuring and workout cases for corporate clients, retail clients, private banking clients, validation of transfer to Restructuring and Workout Departments for Corporate clients classified according to the such watch list; provisioning and write-offs for Restructuring and Workout Departments' clients; decision on delegation of approval competencies within the own lending limit.

Crisis Committee

This Committee is established to ensure decision-making process, coordination and operational support, in day-to-day management related to the crisis management activities and plan and during emergency, declaring the crisis stage, taking or validating strategic decisions for crisis handling.

Business Continuity & Crisis Management organization model has following components: Crisis Committee, Security Director – as Business Continuity and Crisis Manager, Business Emergency Teams, Support Emergency Teams (SET), ICT/DR Team (DR Manager and ICT/DR-staff), Key Process Owners – Head of Departments, Alarm Operational Centre Team.

The Crisis Committee is composed of both non-voting and voting members. The latter take the strategic decisions needed to cope with the crisis in the Bank informing UniCredit Group through the Security Director and its upper/intermediate Business Continuity and Crisis Management Organization; declare the crisis and activate the Bank's Business Continuity and Crisis Management Plans; inform stakeholders and the media on the crisis by coordinating with UniCredit Group; declare the closing of the crisis and the coming back to the normal activities.

Cost Committee

The Cost Committee has as mission to be a management decision body responsible for the operational monitoring, forecasting and optimization of operational-Human Resources (HR) and non HR costs (OPEX) and capital expenditure (CAPEX) of the Bank and UCB subsidiaries and costs approval for non HR costs (OPEX) and capital expenditure (CAPEX) of the Bank and UCB subsidiaries.

The Cost Committee monitors, on a regular monthly basis, Bank's operational - HR and non-HR and capital expenses, through establishment of a set of efficient monitoring tools, good communication between the related units and deep understanding of the underlying reasons and assumptions; forecasts costs for budget and longer term planning purposes; monitors and validates the accruals balance of all budget owners; monitors the impact/return of specific cost related initiatives – projects, decisions, areas of activity.

Internal Control Business Committee

This Committee has the mission to support the CEO in the assessment of the overall Internal Control System ("**ICS**") adequacy in the Bank through the analysis of the critical topics, monitoring and prioritization of the corrective actions related to ICS, in order to contribute to the efficiency and effectiveness of the ICS.

Risk Management

The Supervisory Board has overall responsibility for the establishment and oversight of the Issuer's risk management framework, while the Management Board implements the risk management strategy and policies. The Management Board has established the ALCO, the Risk Management Committee and the Credit Committee, which are responsible for developing and monitoring risk management policies in their specified areas. All these committees report regularly to the Management Board on their activities.

The Issuer's risk management policies are established to identify and analyze the risks faced by the Issuer, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Issuer, through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Based on the UniCredit Group's approach and on the internal analysis performed with the Group's guidance, the Bank identifies the following risks as being significant for the Bank's activity: credit risk, market risk, liquidity risk, operational risk, business risk, financial investment risk and real estate risk.

For each of the above mentioned risks, the Bank has defined specific strategies and objectives, as well as policies and procedures for an accurate assessment, control mechanisms and mitigation measures. Thus, there are detailed the necessary steps and related instruments for identifying, measuring, monitoring and controlling each of the material risks presented above, but also for being able to determine and have the adequate capital to cover such risks.

Credit risk

Credit risk is the risk of financial loss to the Issuer if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Issuer's loans and advances to customers and other banks and investment securities.

As of July 2012, the Bank calculates the credit risk capital requirement under Foundation IRB Approach for the following categories of clients: corporate (except for real estate clients), multinationals, banks, sovereign and securities industries. For the rest of the portfolios, the Bank is still applying the Standardized Approach.

In order to manage and mitigate the credit risk, the Bank implements a clear set of credit policies in compliance with regulations locally applicable for different client categories.

The Bank implemented an internal assessment systems (rating system) for the evaluation of the risk associated to each customer (by applying an internal rating specific for each client category).

A credit is granted only when it is approved by the competent body within the Bank. The following bodies have credit approval competency and participate to the decision making process, according to their specific decision-making rules:

- The Management Board, based on the Supervisory Board's delegated competencies;
- Credit Committee (at different levels), based on the delegated competencies of the Management Board.

Approval process

The Bank grants loans and administrates them through Head Office and through its branches in the country.

The assessment of a feasibility of a project is performed on the basis of risk analysis related to debtor eligibility, repayment capacity, financed transaction and collateral supplied.

Loans are granted only based on the borrower's capacity to repay the financing. Collateral is always the last source of repayment of the loan and payment of interests/ fees.

Review process

The credit review process is divided in rating and application review.

The rating is at least annually reviewed and analyzed, but also at any time the Issuer receives relevant information that may affect the correct valuation of the credit risk. Through rating calculation, an estimation on its impact over the credit risk variables (e.g. probability of default) must be determined. The provisions amount and the expected loss are to be also calculated on this basis.

As a general rule, all credits with a maturity longer than one year (medium term and long term credits) are reviewed at least once every year until the maturity of the loan. A new review of the rating is required based on the last available financial statements. There are situations when, due to the rating deterioration, a shorter period is considered for review. Also, when the basic characteristics of the loan change (e.g. changes in credit limit, in the main activity of the company) the credit is reviewed, even if the period since last review date is shorter than one year.

Monitoring process

With the aim of preventing the losses due to non-payment or delayed payment within a credit transaction, the relevant Relationship Managers or Credit Support Specialists monitor the fulfilment of the client’s obligations by: (i) constant monitoring of the turnover through the client’s accounts; (ii) constant monitoring of the client's compliance with the conditions in the loan agreement; (iii) permanent contact with the client, including visits to its headquarters or operation premises; (iv) periodical verification and analysis of the reporting documents, of the financial situations and of any other relevant documents; (v) periodical verifications the quality and quantity of the collateral.

If, further to the monitoring process, the rating (risk classification) of the client is deteriorating or the general situation of the client is worsening, a written report is sent to the Monitoring Department within Risk Division, which makes an assessment and provides the Credit Committee with the results of such assessment, which, in turn, decides on the measures to be implemented.

Collateral policy

The Bank has a dedicated structure within the Risk Division that coordinates the collateral valuation process within the lending activity. Based on well-defined criteria, the Bank has established a list of agreed valuators.

The Bank accepts a wide range of collaterals to mitigate credit risk, in line with group standards and according to local legislation. In general, the Bank requires a comfortable level of collateralization for the loans in all client segments, depending on several criteria (e.g. client segment, rating of the client, quality of the collateral etc.).

Any form of collateral serves only as additional security for the secured loan and as such is taken into account at the time the creditworthiness of the entity requesting the credit facility is assessed. Therefore, this assessment mainly concentrates on determining whether the entity requesting the credit facility is able to meet its obligations autonomously regardless of whether additional collateral is provided (ability to repay).

In order to protect against fluctuations in the market value of assets assigned to the Issuer as collateral, the value of the collateral should generally provide an adequate margin in excess of the current value of such assets, and this margin is properly adjusted as a function of the intrinsic characteristics of these assets.

When assessing collateral, special emphasis is placed on the enforceability of the collateral and its appropriateness. The collateral obtained must be valid, effective and binding for the collateral provider, and it must be enforceable with respect to third parties in all jurisdictions, including in the event of the insolvency or receivership of the borrower and/or the collateral provider. Due to the importance of this requirement, including for the purposes of mitigating the capital requirement for credit risk, the application procedure and related processes governing this area are particularly strict, to ensure that the documents obtained are completely in order from a formal and substantive standpoint.

With regard to appropriateness, security is said to be appropriate when it is qualitatively and quantitatively sufficient with respect to the amount and nature of the credit facility, provided there are no significant risk elements associated with the provider of security.

The table below presents the collateral coverage related to the collateralised loan portfolio of the Bank:

	31 December 2016	**31 December 2015**
	Collateral coverage	**Collateral coverage**
Corporate	53.86%	46.63%
SMEs	60.62%	55.07%
Individuals	71.71%	68.51%

Source: Bank's internal data
**Collateral coverage ratio represents the material value (market value impacted by haircuts applied) of the collateral divided by the loans exposure.*

The general trend of the collateral coverage (31 December 2016 versus 31 December 2015) is mostly driven by the collaterals' values reflected in the outcome of the periodical revaluation process performed at the Bank level.

For Individuals segment, the increase in collateral coverage is related to the portfolio's product structure, given that the highest part of the portfolio is formed by secured products (please see "*Breakdown of loan portfolio by products*"), while unsecured consumer loans and credit cards are granted now by UCFin only thus the portfolio of such loans remaining with the Bank is naturally depleting.

Credit Classification and Provisions

The Bank has two methodologies for credit classification and provisions: (i) provisions calculated according to IFRS methodology and (ii) prudential provisions calculated according National Bank of Romania methodology (for portfolio falling under Standardized Internal Ratings-Based Approach with regard to calculation of credit risk capital requirements).

At the end of each reporting period the Bank evaluates whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash-flow of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment.

For IFRS provisioning purposes, the Bank uses the default definition in compliance with Basel III. Basically, all loans classified as defaulted according to Basel III IRB default definition (calculation on client level) are considered to be loans with objective evidence of impairment and all impaired positions will in general trigger a specific provision.

For all loans which are not identified as defaulted according to Basel III (respectively impaired according to IFRS), a portfolio-based generic provision (IBNR) has to be calculated according to IFRS. For all performing loans, provisions are to be calculated on a portfolio basis, no matter if the exposure is individually significant or not (generic provision: IBNR incurred but not reported). The calculation of the generic provisions for the performing part of the portfolio has to be based on the Expected Loss (EL), which is currently applied also for internal risk calculation.

The parameter connecting Expected Loss to IBNR accounting provision stated by IAS 39 is the Loss Confirmation Period (LCP); with this parameter the Bank estimates, for each pool of loans, the average lag between the deterioration in a borrower's financial situation and the default classification of the single loan.

Prudential provisions according National Bank of Romania methodology are calculated based on five risk classification categories: "Standard", "Watch", "Substandard", "Doubtful" and "Loss", which are assigned depending on certain elements such as: performance category (rating) of the client; debt service (number of days of the overdue repayment); other elements that might indicate lack of repayment (default), such as: bankruptcy, liquidation in case of a company; decease in case of individuals, initiation of legal procedures in view of forced execution, for both company and individual clients, disappearance of a dynamic market for that financial asset, major financial difficulties of the client etc.

*Non-performing loans ("**NPLs**")*

One of the Issuer's priorities is the management of NPLs portfolio, focused on maximizing the recovered amounts. The Bank has built tailor made strategies for all clients' segments, with clear roles, timelines and recovery actions. The collections strategies used in the recovery process are: hard collection, settlement and restructuring options, portfolio sale and legal actions (forced execution and insolvency), depending upon the number of days past due.

The table below shows a breakdown of impaired exposures according to the Bank of Italy Risk Classes, which is also used by the Bank in line with Group guidelines:

	31 December 2016	**31 December 2015**
	(RON)	
Individually significant impaired loans		
Grade 8-: Impaired	1,886,544,143	2,323,263,574
Grade 9: Impaired	168,916,181	205,282,955
Grade 10: Impaired	316,910,232	492,042,768
Gross amount	**2,372,370,556**	**3,020,589,297**
Allowance for impairment	(1,105,692,318)	(1,393,679,652)
Carrying amount	**1,266,678,238**	**1,626,909,645**
Fair value of collateral	**1,234,486,711**	**1,156,177,451**
Property	873,223,888	1,067,844,532
Goods	40,744,386	62,045,737
Assignment of receivables	18,220,112	9,062,865
Other collateral*	302,298,325	17,224,317
Other impaired loans		
Grade 8-	233,392,238	311,845,537
Grade 9	4,640,032	14,930,260
Grade 10	164,492,799	202,778,505
Gross amount	**402,525,069**	**529,554,302**
Allowance for impairment	(210,965,802)	(260,365,450)
Carrying amount	**191,559,267**	**269,188,852**

Fair value of collateral	**184,123,165**	**260,762,893**
Property	166,683,696	231,739,528
Goods	3,119,346	6,479,399
Assignment of receivables	686,516	3,395,663
Other collateral*	13,633,607	19,148,303
Past due but not impaired		
Grade 1 – 7, out of which:	**609,719,593**	**767,885,889**
Less than 90 overdue days	606,426,057	764,148,570
More than 90 overdue days	3,293,536	3,737,319
Grade 8, out of which:	**301,717,397**	**358,839,127**
Less than 90 overdue days	288,896,277	344,474,643
More than 90 overdue days	12,821,120	14,364,484
Gross amount	**911,436,990**	**1,126,725,016**
Allowance for impairment	(15,016,051)	(25,827,378)
Carrying amount	**896,420,939**	**1,100,897,638**
Neither past due nor impaired		
Grade 1-7	16,252,209,931	14.626.449.109
Grade 8	293,643,487	353,126,183
Gross amount	**16,545,853,418**	**14,979,575,292**
Allowance for impairment	(74,003,732)	(60,699,575)
Carrying amount	**16,471,849,686**	**14,918,875,717**
Total carrying amount	**18,826,508,130**	**17,915,871,852**

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016
**Other collateral include cash and insurance policies for financial risk*

Individually impaired loans decreased in 2016 compared to 2015 due to the Bank's actions to clean up its portfolio by NPL's selling or write offs.

Non-performing financings are classified according to 8-, 9 and 10 risk ratings (default ratings triggered by default events, such as: 90+ days past due, un-likeliness to pay, insolvency, etc.).

The table below presents the breakdown of non-performing loans by sector:

	31 December 2016		**31 December 2015**	
	Outstanding amount	**Provision**	**Outstanding amount**	**Provision**
Private entities (including individuals)	373,691,055	216,240,815	446,560,376	227,575,794
Agriculture, forestry and fishing	28,994,817	16,944,664	33,338,946	12,984,253
Mining and quarrying	982,404	732,133	1,660,874	475,746
Manufacturing	357,410,483	229,973,619	502,198,547	312,712,138
Electricity, gas, steam and air conditioning supply	17,457	17,457	20,402	19,990
Water supply	33,230,577	12,330,089	6,637,560	4,302,484
Construction	405,244,598	301,615,999	396,997,823	215,596,473
Wholesale and retail trade	365,600,766	232,755,193	431,795,677	260,224,553
Transport and storage	27,568,804	17,073,764	29,907,182	12,806,377
Accommodation and food service activities	5,208,063	1,610,237	8,408,440	2,413,461

Information and communication	27,677,525	19,299,499	28,982,403	19,006,086
Financial and Insurance Activities	170,508	183,376	212,565	159,306
Real estate activities	924,280,974	137,019,188	1,420,718,095	476,095,967
Professional, scientific and technical activities	60,742,621	21,914,881	12,841,082	6,196,018
Administrative and support service activities	13,394,388	8,193,195	20,271,400	13,230,573
Public administration and defence, compulsory social security	143,226,617	95,403,528	105,462,909	6,892,859
Education	3,615,130	2,546,248	109,576	68,496
Human health services and social work activities	969,831	574,895	8,356,381	7,015,650
Arts, entertainment and recreation	253,779	207,281	429,269	257,300
Other services	2,615,227	2,022,058	91,128,089	74,134,940
Total	**2,774,895,624**	**1,316,658,119**	**3,546,037,596**	**1,652,168,463**

Source: Bank's internal data

The table below presents the breakdown of non-performing loans by geographical regions:

	31 December 2016		31 December 2015	
	Outstanding amount	**Provision**	**Outstanding amount**	**Provision**
Banat	83,993,889	30,784,721	170,616,729	82,433,161
Bucuresti	1,081,033,403	700,774,583	1,538,393,365	881,865,627
Crisana-Maramures	134,250,808	86,331,123	177,379,837	107,459,873
Dobrogea	119,041,622	72,753,109	121,218,670	70,626,151
Moldova	984,023,483	206,170,030	1,075,699,954	255,340,589
Muntenia	106,212,037	62,368,360	119,592,238	70,165,512
Oltenia	116,675,565	86,381,545	158,611,431	98,270,818
Transilvania	149,664,819	71,094,648	184,525,372	86,006,732
Total	**2,774,895,624**	**1,316,658,119**	**3,546,037,596**	**1,652,168,463**

Source: Bank's internal data

Write-off policy

The Issuer writes off a loan through a direct reduction operation of the gross book value for the 100 per cent. provisioned loans and the transfer in off balance accounts, where it will be tracked to recovery. At the moment all legal actions for recovery will be exhausted, deregistration will be performed from off balance accounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Issuer's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Supervisory Board lays down strategic guidelines for taking on market risks by calculating, depending on the propensity to risk and objectives of value creation in proportion to risks assumed, capital allocation for all business segments, in compliance with UniCredit Group strategies.

ALCO and Supervisory Board have overall authority for market risk. The Market Risk unit ensures the measurement and monitoring of risks assumed in accordance with the guidelines set out by UniCredit Bank Spa.

Asset and Liability Management unit, in coordination with Markets Trading manages strategic and operational balance sheet management, with the objective of ensuring a balanced asset position and the operating and financial sustainability of the Issuer's growth policies on the loans market, optimizing the Issuer's exchange rate, interest rate and liquidity risk.

The Issuer separates its exposure to market risk between trading and non trading portfolios. Trading portfolio is held by Markets Trading unit, and includes positions arising from market making and proprietary position taking, together with most financial assets that are managed on a fair value basis.

Also all foreign exchange risk is transferred and sold down by Assets and Liability Management to the Markets Trading unit. Accordingly, the foreign exchange position is treated as part of the Issuer's trading portfolios for risk management purposes.

Exposure to market risks - Value at Risk Tool

The principal tool used to measure and control market risk exposure is Value at Risk (VaR). VaR is the maximum estimated loss that will arise on the entire portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level).

The Issuer uses a VaR warning limit for total market risk, for the banking book, interest rate in the banking book and for the trading book, for Markets Trading and for Assets and Liability Management. Such limit is subject to review and approval by UniCredit Bank Spa, ALCO, Management Board and Supervisory Board.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit analyses such as interest rate basis point value (IR BPV) for interest rate sensitive instruments, spread basis point value (spread BPV) for exposure on government paper, loss warning level. The Issuer uses a range of stress tests to model the financial impact of a variety of exceptional market scenarios on the Issuer's positions.

Foreign exchange (FX) Sensitivity analysis

The FX net open position limits are assigned by the Issuer in a prudent manner..

The limits are expressed in EUR equivalent and the exposure to the limits is monitored on a daily basis by Market Risk department.

The Issuer also uses a range of stress tests to model the financial impact of a variety of exceptional FX market scenarios on the Issuer's positions.

Exposure to market risks — basis point value tool

Interest rate risk is managed principally through monitoring interest rate basis point value and by having pre-approved limits for re-pricing bands.

The Issuer uses a IR BPV limits for total interest rate risk, for the banking book and for the trading book, for Markets and for Assets and Liability Management. UniCredit Bank Spa and ALCO are the monitoring bodies for compliance with these limits and they are assisted by Market Risk in its day to day monitoring activities.

Liquidity risk

Liquidity risk is the risk that the Issuer could encounter difficulties in meeting obligations from its financial liabilities.

The potential generators of liquidity risk for the Bank are the following:

- Liquidity mismatch risk - the risk of a mismatch between either the amounts or the timing of cash inflows and outflows;

- Liquidity contingency risk - the risk that future events may require a materially larger amount of liquidity than the Bank currently requires; That might be due to the loss of liabilities, requirements to fund new assets, difficulty in selling liquid assets or difficulty obtaining much needed new liabilities in the case of a liquidity crisis.;

- Market liquidity risk – the potential that an institution cannot easily unwind or offset specific exposures, such as investments held as liquidity reserves, without incurring a loss because of inadequate market depth or market disruptions.

Management of liquidity risk

By its very nature, the liquidity risk is a systemic risk with a high contagion potential for the whole banking system. Therefore, in order to limit the potential damage caused by liquidity problems, the Issuer is permanently assessing the broad macroeconomic conditions, with a special focus on data concerning the banking system. The Issuer's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Issuer's reputation.

Liquidity management is structured on several levels of authority, in the context of the Bank being part of UniCredit Group organization. The Issuer follows closely UniCredit Group policies and procedures in liquidity management and it benefits from UniCredit Group support in day-to-day liquidity management, as well as in crisis situations.

Asset and Liability Management is the unit responsible for managing the liquidity risk at the Bank's level, reporting to the Chief Financial Officer and ALCO. ALCO sets the strategy for managing liquidity and regularly reviews it in light of any changes in the internal or external environments, also defining the measures to implement the strategy and monitoring the compliance with the set liquidity framework. ALCO meets on a regularly basis at least once a month or more frequently if required by market or bank specific conditions.

The liquidity management process aims at optimizing the profitability of the Bank, while maintaining the liquidity levels in line with the regulatory requirements of the NBR and the limits set within UniCredit Group. Compliance with the Basel III liquidity standards is also targeted by the Bank, the liquidity coverage ratio and net stable funding ratio being already monitored and the balance sheet structure being assessed in light of the Basel III requirements.

Within the liquidity risk management process, the Bank distinguishes between short term and medium-long term liquidity management.

The short-term liquidity management is centred on daily monitoring of cash-flows generated by the general banking activities and the analysis of potential evolutions of these cash-flows, minimum reserve requirements management and maintenance of adequate levels of high quality collateral (composed of eligible securities for the NBR open market operations that could be used to access liquidity if unsecured funding is not available). Temporary excess liquidity of the banking book on each currency is generally invested short-term.

Regarding structural liquidity management, the following goals are set by the Bank: ensuring necessary liquidity for the Bank in a proper structure as required by the balance sheet developments, encouraging long-term stable retail client deposits and close monitoring of loans-to-deposits ratio across all business lines in order to ensure a sustainable credit growth, ensuring self-sufficiency in Bank's funding and an adequate diversification of funding (in terms of sources, maturities, currencies), managing the medium and long term funding. Liquidity planning (preparation, monitoring and execution of the annual Funding Plan) has an important role within the liquidity management process.

The liquidity position of the Bank is also evaluated under a range of stress test scenarios, with different severity levels and time horizons, in order to ensure that the Bank holds a sufficient amount of high quality liquid assets that will allow survival in a potential liquidity crisis. Within liquidity stress testing process, the Bank simulates negative liquidity developments in case of scenarios such as market crisis, name crisis and combined scenario (market and bank specific problems). The stress tests produce an outcome through a dynamic simulation of flows which estimates the cash outflows that need to be refinanced by liquid assets or additional borrowing for a predetermined set of future time frames.

Further to setting and implementing the strategy for managing liquidity as going concern, the Bank set a strategy for liquidity management under crisis conditions (contingency funding plan), which comprises a general framework of tasks, responsibilities and processes to manage liquidity crises in order to be solvent and liquid at any time and also defines early warning indicators to be monitored on a continuous basis and the potential actions to execute based on different operational frameworks whether triggered by external factors (systemic crises) or bank specific factors (name crisis). The strategies are evaluated and reviewed annually or when demanded by changes in business environment or by regulatory requirements.

Operational risk

The Issuer developed an internal model for measuring capital requirements for operational risk. The model is based on internal loss data, external loss data (consortium and public data), scenario generated loss data and risk indicators.

Capital at risk is calculated at a confidence level of 99.90 per cent. on the overall loss distribution for regulatory purposes. For economic capital purpose, the confidence level is currently set up at 99.82 per cent.

The internal model (AMA) has been formally approved by the Italian Supervisory Authority in March 2008. In February 2010, the Bank of Italy (common decision with National Bank of Romania) authorized the UniCredit Group to extend the application of the internal model for the calculation of the capital requirement for operational risk to the Bank.

Capital Adequacy

The Issuer's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, legal, statutory and other reserves, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;

- Tier 2 capital, which includes qualifying subordinated liabilities and other regulatory adjustments.

In implementing current capital requirements the National Bank of Romania requires the Issuer to maintain a prescribed ratio of total capital to total risk - weighted assets (8 per cent to which capital buffers are added – respectively 2,25 per cent. at consolidated level, reaching a 10,25 per cent regulatory limit). The Bank's capital adequacy ratio stands at a higher level than the regulatory requirement – at 14,64 per cent at individual level, after inclusion of approximately 50 per cent of 2016 profit in Tier 1 capital.

The Issuer's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Issuer recognizes the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by a sound capital position.

In order to raise capital efficiency and improve the key performance indicators, the Bank monitors on a monthly basis changes in Risk Weighted Assets ("**RWA**") at client level and actions at different levers are taken to increase RWA optimization.

The Issuer and its individually regulated operations are compliant with all capital requirements.

The Issuer's solvency ratio (as per financial statements before General Shareholders Approval of profit for the year) is set out below:

	31 December 2016	**31 December 2015**
	(RON)	
Tier 1 capital*	2,741,674,470	2,598,639,886
Tier 2 capital	147,915,378	115,172,101
Total own funds	**2,889,589,848**	**2,713,811,987**
Risk exposure amounts for credit risk, counterparty risk and receivables value decrease risk and free deliveries	18,937,928,834	17,605,652,231
Total risk exposure amount for position, foreign exchange and commodities' risks	183,998,793	94,930,411
Total risk exposure amount for operational risk	1,560,518,820	1,700,536,227
Total risk exposure amount for credit value adjustment	2,687,594	2,988,500
Total requirements for own funds	**20,685,134,041**	**19,404,107,369**
Capital indicators		
Total capital ratio	13.97%	13.99%
Tier 1 capital ratio	13.25%	13.39%

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2015 and 31 December 2016.
** In accordance with local regulations, net profit for the year is not included in the own funds calculations until it is distributed in accordance with General Shareholders' Meeting decision.*

The Issuer's solvency ratio (as per financial statements after General Shareholders Approval of profit for the year) is set out below:

	31 December 2016	**31 December 2015**
	(RON)	(RON)
Tier 1 capital*	2,881,242,623	2,709.667.375
Tier 2 capital	147,915,378	115,172,101
Total own funds	**3,029,158,001**	**2,824,839,476**
Risk exposure amounts for credit risk, counterparty risk and receivables value decrease risk and free deliveries	18,937,928,834	17,605,652,231

Total risk exposure amount for position, foreign exchange and commodities' risks	183,998,793	94,930,411
Total risk exposure amount for operational risk	1,560,518,820	1,700,536,227
Total risk exposure amount for credit value adjustment	2,687,594	2,988,500
Total requirements for own funds	**20,685,134,041**	**19,404,107,369**
Capital indicators		
Total capital ratio	14,64%	14,56%
Tier 1 capital ratio	13,93%	13,96%

Source: Regulatory report Own funds and own funds requirement of the Issuer as at 31 December 2015 and 31 December 2016, submitted to National Bank of Romania after General Shareholders Approval of Financial Statements

** In accordance with local regulations, net profit for the year was included in the own funds calculations after distribution of dividends in accordance with General Shareholders' Meeting decision.*

Subsidiaries and associated entities

UniCredit Bank 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.("UCLC"), 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% indirect controlling interest (direct controlling interest: 99.90%). The Bank has an indirect shareholding interest of 99.98% as of 31 December 2016 (direct controlling interest: 99.96%), as a result of the merger of UCLC with UniCredit Leasing Romania SA ("UCLRO") finalized by June 2015, where 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, in which the Bank has an indirect controlling interest of 99.97% (31 December 2015: 99.94%) through UCLC..
- UniCredit Insurance Broker S.R.L., having its current registered office in 23-25 Ghetarilor Street, 2nd floor, 1st district, Bucharest, Romania, intermediates insurance policies related to leasing activities to legal entities and individuals, in which the Bank has an indirect controlling interest of 99.98% (31 December 2015: 99.98%) through UCLC..

UniCredit Consumer Financing IFN S.A.

UniCredit Consumer Financing IFN S.A. ("**UCFin**") started its operations in Romania as member of UniCredit Group in 2008. UCFin is a non-banking financial institution which provides consumer loans to individuals, such as: unsecured personal loans with no specific destination, point-of-sale financing loans, and car loans in partnership with various car dealers. UCFin has also been licensed by the Romanian Insurance Supervision Commission to act as insurance agent specialised in bancassurance services.

Financial Summary	**31 December 2016**	**31 December 2015**
	(RON)	
Total Assets	1,851,160,090	1,369,903,821
Total Equity	258,354,158	215,778,764
Profit for the year	42,575,396	34,869,341

Source: IFRS Consolidated Financial Statements of the Issuer as at 31 December 2016

UniCredit Leasing Corporation IFN S.A.

UniCredit Leasing Corporation IFN S.A. ("**UCL**") is a non-banking financial institution which provides leasing services to resident and non-resident customers. UCL offers both operational and financial leasing with an average maturity of 12 to 60 months and covers a wide area of fields such as: industrial equipment, cars, real estate, sale and lease back, public leasing.

According to the publicly available information, UCL has maintained his leader market position around 18 per cent. in the last 5 years (2011-2015).

Financial Summary	**31 December 2016**	**31 December 2015**
(RON)		
Total Assets	3,714,510,371	3,082,103,666
Total Equity	202,510,412	144,669,386
Profit for the year	17,840,904	58,775,912

Source: IFRS Consolidated Financial Statements of the Issuer as at 31 December 2016

Other participations owned by the Issuer

The Issuer held the following participations in other companies as at 31 December 2016:

Name of the company	**Nature of business**	**% interest held**
Transfond S.A.	Other financial services	8.04
Biroul de Credit S.A.	Financial activities	6.80
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati IFN S.A.	Other credit activities	3.10
Pioneer Asset Management S.A.I. S.A.	Financial activities	2.57
Casa de Compensare Bucuresti S.A.	Other financial services	0.91
VISA Europe Limited*)	Cards	0.01

Related party transactions

The Issuer grants standard loans to related parties under specific total exposure limits set by the National Bank of Romania, which are very closely monitored by the responsible department. Also, for every new loan granted to a related party, responsible persons in Head Office check the impact of the new exposure on the existing level versus the limit set.

The Bank entered into a number of banking transactions with UniCredit SpA (Italy) and with members of the UniCredit Group (UniCredit Bank Austria AG, UniCredit Bank AG Germania, Istraturist UMAG, Cassamarca SPA, Bulbank A.D., Banca de Sabadell S.A., Bank Pekao, Kocbank, Yapi Kredi Bankas ASi) in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rate.

The Bank entered into several transactions with UniCredit Bank Austria AG and other entities within UniCredit Group whereby:

(i) Either UniCredit Bank Austria AG directly financed some corporate customers, while the Bank undertook the role of agent or security agent and payment agent, or

(ii) The Bank transferred to UniCredit Bank Austria AG by means of novation agreements the outstanding amount of certain loans already granted to Romanian corporate customers and also undertook the role of security agent and payment agent.

For each of the contracts concluded with UniCredit Bank Austria AG, there is a risk participation agreement by which the Bank is obliged to indemnify UniCredit Bank Austria AG against costs, loss or liability suffered by UniCredit Bank Austria AG in connection with the relevant contracts to the extent of an agreed percentage of the relevant amounts and up to a limit agreed on a case by case basis. Starting with 1st October 2016 UniCredit SpA took over all rights and obligations from the above transactions.

Information technology

The IT systems of the Bank are periodically benchmarked against the banking industry through different surveys and market studies by external consultants. The reports received rated the Bank's IT among the top players in terms of efficiency.

The Issuer's capital expenditure in IT during the last three years amount to 204 million RON and targeted mainly the implementation and upgrade of the following applications: Digitalization, cards architecture upgrade, lending systems – business process management, core banking system updates ,payments processing systems and systems having direct impact on customer, business intelligence solutions (Data Warehouse).

The Bank’s IT Systems are designed and maintained in order to sustain the Bank’s Strategy and UniCredit Group Strategy on short and long term. The application landscape is tuned accordingly in order to sustain the strategy and to be aligned with the best practices. Bank's proprietary software system is based on the CORE02 banking system.

Business Continuity is an important aspect for the Issuer and therefore the Bank is using two data centres, one of them running as a disaster recovery facility in an alternate location, providing redundancy for all business critical systems and applications.

Insurance

The Issuer has an insurance framework covered both on the local insurance market as well as UniCredit Group level (master policies), for mitigating specific risks as described below and is renewed yearly.

Currently, the Issuer has in place the following insurances:

- Property insurance covering the assets belonging to the Issuer such as buildings, equipments, furniture and data processing equipment etc. These assets are insured under a comprehensive “all risks” policy, with an insurer with solid financial standard (currently, the insurer is Generali Asigurari);

- Liability insurance covering general civil liability of the Issuer, as well as Employer’s Liability (liability in connection with the employees) and Tenant’s Liability (liability in connection with the Issuer’s leased premises). The maximum limit of indemnity is maintained at an adequate level (currently five million euro) and the insurance policy is placed with a reputable insurance company (currently Generali Asigurari);

- Banker’s Blanket Bond (BBB) insurance is a comprehensive insurance for financial system, placed as part of the UniCredit Group insurance program (the local policy is part of the Master policy issued at group level). The policy covers mainly three sections: A. On premises B. Computer Crime C. Professional Liability;

- Directors & Officers Liability is covered by the Master policy issued at group level;

- Other local insurance policies covering specific risks such as: fraudulent use of cards, credit insurance - Factoring, professional liability of legal advisors, terrorism etc.

Employees

The number of employees at 31 December 2016 was 2,929 (31 December 2015: 2,917). Remuneration of Board's members for 2016 was RON 11,965,287 RON (2015: RON 11,516,715).

The Bank has in place incentive plans for its senior management, consisting in stock options and performance shares which provide that UniCredit SpA ("the Parent") shares will be settled to the grantees. The cost of this scheme is incurred by the Bank and not by its Parent, and as a consequence, it is recognised as an employee benefit expense. In 2016 the Bank paid in RON equivalent 1,057,784 (2015: RON equivalent 1,727,093).

The following table shows the Issuer's personnel expenses:

In RON	**2016**	**2015**
Wages and salaries	254,025,923	249,652,311
Social security charges, unemployment fund and health fund	57,689,864	56,349,858
Other (income)/costs	(8,004,272)	517,688
Total	**303,711,515**	**306,519,857**

Source: IFRS Separate Financial Statements of the Issuer as at 31 December 2016

Litigation

As at 31 December 2016 the Bank was involved in several litigations for which the probable total claims estimated by the Bank's lawyers amounted to RON 7,148,404. The Bank, based upon legal advice, has assessed that a provision amounting to RON 2,089,096 as at 31 December 2016 is necessary to be booked for these claims (31 December 2015: total claims estimated amounted to RON 11,285,588 for which a provision of RON 3,842,227 was booked). Additionally, in 2016, a bulk provision, in amount of RON 3,850,000 has been set-up so as to take a conservative approach on provisions for litigations.

Governance

Management

There is no potential conflict between the duties of the Management Board and Supervisory Board members towards the Issuer and their private interests and/or other duties.

Management Board

As at the date of this Prospectus, the members of the Management Board of the Issuer, their position in the Issuer or its affiliates and their principal outside activities are as follows:

Data: 16.05.2017

Nume	**Activități externe principale**
Catalin Răsvan Radu	Supervisory Board member in: UniCredit Leasing Corporation IFN S.A., UniCredit Consumer Financing IFN S.A. Board of Directors member in Biroul de Credite S.A., ASPEN

Nume	Activităţi externe principale
	Institute
Daniela Bodirca	Supervisory Board member in UniCredit Leasing Corporation IFN S.A., UniCredit Consumer Financing IFN S.A. Audit Committee member in UniCredit Leasing Corporation IFN S.A.
Alina Drăgan	-
Marco Esposito	-
Marco Cravario	Supervisory Board member in UniCredit Consumer Financing IFN S.A., UniCredit Leasing Corporation IFN S.A., ERGO Asigurări de Viață S.A. Audit Committee member in UniCredit Consumer Financing IFN S.A..
Mihaela Lupu	Supervisory Board member in UniCredit Leasing Corporation IFN S.A., Pioneer Asset Management SAI S.A.
Jakub Dusilek	Supervisory Board member in UniCredit Leasing Corporation IFN S.A.

The business addresses for each member of the Management Board is 1F, Expozitiei Blvd, 012101, Bucharest .

Supervisory Board

As at the date of the Prospectus, the members of the Supervisory Board, their position in the Issuer or its affiliates and their principal outside activities are as follows:

Data: 16.05.2017

Nume	Activităţi externe principale
Corneliu-Dan Pascariu Chairman of the Supervisory Board	TRANSFOND – Member of the Board of Administration New Europe Property Investment (NEPI) – Chairman of the Board of Administration Fabryo Atlas – Member of Board of Administration
Heinz Meidlinger Member of the Supervisory Board	UniCredit Bulbank - Member of the Supervisory Board UniCredit Bank CZSK – Deputy Chairman of Supervisory Board Wiener Privatbank – Member of the Supervisory Board Meidlinger Investment and Consulting Ges.m.b.H. – Executive Director

Nume	Activităţi externe principale
Stefano Cotini Member of the Supervisory Board	UniCredit CZ&SK: Audit Committee Chairman
Luca Pierluigi Rubaga(*) Member of the Supervisory Board	-
Stefano Porro(*) Member of the Supervisory Board	UniCredit Group Employees Pension Fund – member of the Board
Liebenwein Schoeffman Jutta(*) Member of the Supervisory Board	-
Nazan Somer Ozelgin Zeynep(*) Member of the Supervisory Board	YAPI KREDI BANK Azerbaijan – member of the Board; TANI PAZARLAMA A.S. – member of the Board; 441 TRUST CO UK – member of the Board
(*) voted by GSM, subject to approval process by NBR (until the date of approval by NBR, cannot exercise the membership position as members of Supervisory Board)	

The business addresses for each member of the Supervisory Board is 1F, Expozitiei Blvd, 012101, Bucharest.

Corporate Governance

The Bank complies with all applicable rules relating to corporate governance in force under the laws of Romania.

THE ROMANIAN BANKING SYSTEM

The information in the following chapter covers certain aspects of the banking regulations in Romania. It is intended to provide a brief overview of the banking regulations to which the Issuer is subject rather than a comprehensive description of the regulation and supervision of banking in Romania.

Structure of the Romanian Banking System

The banking market consolidation process was furthered through new bank acquisitions in 2016, with some mergers undergoing completion, triggering the decrease of the number of branches. However, the share of domestic majority owned private banks, foreign majority owned private banks and state majority owned banks has remained largely consistent over the past four years.

As at 31 December 2016, there were 37 credit institutions active on the Romanian market (from 36 at the end of 2015), with a capitalisation amounting to ca. RON 25.4 billion (approximately EUR 5.59 billion), representing a 1.1% increase compared to the values registered at 31 December 2015. The increase is mainly the result of the ongoing merger between Patria Bank (absorbed company) and Banca Comerciala Carpatica (absorbing company, whose name is to be changed in Patria Bank S.A.).

As at 18 May 2017, the Romanian system of credit institutions included one majority state-owned bank (EximBank) and a fully state-owned credit-institution (CEC Bank S.A.), as well as eight branches of foreign banks (i.e. ING Bank N.V. Amsterdam, Bank of Cyprus Public Company Limited Nicosia, BNP Paribas Fortis SA/NV Bruxelles, Blom Bank France S.A. Paris, Citibank Europe PLC, Dublin, TBI Bank EAD Sofia, Veneto Banca SPA Italia Montebelluna and Alior Bank SA Varsovia) and a number of 26 Romanian credit institutions with private capital (*source: Public Registers available on the NBR website at* http://www.bnr.ro/NBR-Public-Registers-1701.aspx).

Number of market participants

(end-year)	**2014**	**2015**	**2016**
Banks fully or majority domestic-owned, of which:	6	6	5
– *majority State-owned*	*2*	*2*	*2*
– *majority privately-owned*	*4*	*4*	*3*
Banks fully or majority foreign-owned	25	23	24
Branches of foreign banks	9	7	8
Total banking system	**40**	**36**	**37**

Source: The NBR Romanian Banking System Report of December 2016

The total number of branches of foreign banks has increased to 8 throughout 2016 due to the commencement of activity of Alior Bank SA Varsovia, which has taken place on 18 July 2016.

In 2016, the total number of foreign-owned banks increased to 24 as a result of the acquisition of the majority shares package of Banca Comerciala Carpatica S.A. (54.79%) by Patria Bank S.A. This deal also determined the decrease of majority domestic privately-owned banks to 3. The NBR and the Financial Supervisory Authority approved the transaction in February 2016. In a recent press release the credit institution announced that in April 2017 the Bucharest Court of Appeal approved the merger between Banca Comerciala Carpatica and Patria Bank, allowing the two banks to complete all the procedural and operational steps required for the effective implementation of the merger.

As at December 2016, majority foreign-owned credit institutions (with most part of the foreign capital coming from the European Union) control the Romanian market, with net assets accounting for 91.3% of the total assets of the banking system, which amounts to RON 393 billion (approximately EUR 86.7 billion at the 2016-average EUR/RON exchange rate). Asset concentration has remained relatively moderate as reflected by the market share of the first five banks in the sector (58.1%, September 2016) as well as by the Herfindahl-Hirschman index and hence there is enough room for further banking sector consolidation *(source: The NBR Financial Stability Report of December 2016).*

The main countries of origin of the foreign credit institutions owning share capital in Romanian banks are currently Austria, France and Greece. Austrian banks hold the largest market share in Romania from an assets perspective, with 33 per cent, as at 30 June 2015, even though on a descending trend due to clean-up process of the balance sheet. French owned capital banks hold 13.7% market share in total assets, followed by Greek owned capital banks with 11.5% market share in total assets and Romanian-owned banks, which accounts for 9.4% of the net assets of the Romanian banking system (*source: The NBR Financial Stability Report 2015*).

EU accession also opened up the Romanian banking market to other EU banking institutions. As at 12 May 2017, a total number of 294 credit institutions from other EU Member States had notified to the NBR their intention to provide services in Romania on a cross-border basis, without establishing a presence in Romania (*source: Public Registers available on the NBR website at* http://www.bnr.ro/NBR-Public-Registers-1701.aspx)

Ownership structure of banks (including assets)

	Share / Endowment Capital (per cent.)			**Net Assets (per cent.)**		
(end-year)	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Credit institutions with fully or majority State-owned capital	11.2	12.3	11.9	8.7	8.3	8.2
Credit institutions with fully or majority private capital (including foreign bank branches) and Creditcoop,	88.8	87.7	88.1	91.3	91.7	91.8
of which:						
Majority foreign-owned credit institutions,	86.3	85.9	86.8	89.9	90.3	91.3
of which:						
Foreign bank branches	1.2	1.3	1.4	9.8	10.8	10.9
Total credit institutions	**100**	**100**	**100**	**100**	**100**	**100**

Source: The NBR Romanian Banking System Report of December 2016

Legal and Institutional Environment

Cornerstones of the Romanian Banking Regulatory Framework

The Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy (the "**Banking Law**") became effective on 1 January 2007. The Banking Law implemented into Romanian law, among others, the Directive 2006/48/EC relating to the taking up and pursuit of the business of credit institutions and the Directive no. 2006/49/EC on the capital adequacy of investment firms and credit institutions. The Banking Law includes the regulatory framework for all types of credit institutions (banks, credit co-operatives, housing savings and lending banks and mortgage loan banks).

Law no. 312/2004 on the Statute of the NBR (the "**NBR Act**"), Law no. 85/2014 on the procedures for insolvency prevention and insolvency procedures, Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms, implementing Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Recovery and Resolution Law**"), Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, the NBR Regulation no. 4/2005 on the foreign exchange regime, the NBR Regulation no. 5/2013 on the prudential requirements for credit institutions, are other significant pieces of Romanian banking legislation.

One of the key objectives of the NBR's regulatory activity is to continue the harmonisation process of the national legislation with the European framework applicable to credit institutions.

Supervision of the Romanian Banking System

The NBR is the central bank of Romania and is vested with regulatory and supervisory powers in the banking sector. The NBR's establishment, status and activities are regulated by the NBR Act. The NBR is an independent public institution managed by a Board of Directors consisting of nine members appointed by the Parliament for a period of five years, with the possibility of renewal. The executive management of the NBR is also nominated by the Parliament and is exercised by the chairman - the Governor, the vice-chairman - the Senior Deputy Governor and two Deputy Governors.

For the efficiency of the decision process, four committees are organized within the NBR's structures in order to support the main functions of the central bank: the Monetary Policy Committee, the Supervisory Committee, the Foreign Reserves Management Committee and the Audit Committee.

Credit institutions may be established and operate in Romania only after receiving the NBR's authorisation. A special authorisation from the NBR is also required in the case of a merger between two or more credit institutions which form a new credit institution. The prior written approval of the NBR is also mandatory in the case of internal changes within credit institutions related, *inter alia*, to: supplementing and/or restating the business object, directors and/or managers, financial auditors, setting up branches in third states or expanding a network of branches or other secondary offices in Romania (where the NBR previously limited the right of credit institutions to set up new branches or other secondary offices). Changes related, *inter alia*, to credit institutions' name, registered office, limitation of the business object, increases and decreases of the share capital (in situations other than the ones which require the NBR's prior approval) must only be notified to the NBR.

Credit institutions authorised and supervised by the competent authorities from other Member States may provide services directly in Romania, based on a notification sent to the NBR by the competent authority of the relevant Member State.

The NBR monitors compliance with the Banking Law and with the regulations applicable to Romanian credit institutions. To this end, the NBR performs prudential supervision of credit institutions based, *inter alia*, on reports sent by the latter on a periodical basis. These reports reflect the activities carried out by credit institutions and their observance of the regulations in force.

Should a credit institution fail to comply with applicable regulations, the NBR shall have the power to apply the sanctions and the punitive measures referred to in the Banking Law in all the cases in which it ascertains that a credit institution, Romanian legal person, and/or any persons appointed to ensure the management of (the branches of) the credit institution are liable of any breach of relevant legal provisions regarding supervision or performance of activity or prudential requirements.

When determining the type of sanction or punitive measure and the amount of the fine, the NBR shall take into account all relevant personal and real circumstances of the breach, including, among others, the following aspects, as appropriate: (i) gravity and duration; (ii) degree of guilt of the responsible natural or legal person; (iii) losses caused by the breach to third parties, insofar as they can be determined; (iv) any potentially systemic consequences of the breach.

The sanctions which may be applied according to the Banking Law are, among others:

- written warning;
- public warning identifying the responsible natural person, credit institution, financial holding company or mixed financial holding company and the nature of the breach;
- in the case of a legal person, a fine of up to 10 % of the total net turnover in the preceding financial year, including the gross income consisting of interest receivable and similar income, income from shares and other variable or fixed-yield securities, as well as commissions or fees receivable in accordance with Article 316 of Regulation (EU) no. 575/2013; where the legal person is a subsidiary of a parent undertaking, the relevant gross income shall be the gross income resulting from the consolidated financial statements of the ultimate parent undertaking in the preceding financial year;
- a fine of up to twice the amount of the benefit resulting from the breach, where it can be determined.

The punitive measures which may be applied according to the Banking law are, among others:

- an order requiring the natural or legal person to cease the illicit conduct and to desist from a repetition of that conduct;
- withdrawal of the authorization granted to the credit institution.

The punitive measures may be applied concomitantly with the sanctions or independently from them.

Special measures on recovery and resolution of credit institutions are provided by the Recovery and Resolution Law no. 312/2015, which amended and supplemented certain legal acts applicable to financial field.

By virtue of the Recovery and Resolution Law no. 312/2015 on credit institutions and investment firms, which, for its most part, became effective as of 15 December 2015, except for a limited number of provisions (i.e. certain features of the bail-in mechanism and the provisions on public financial stabilisation tools), which became effective as of 1 January 2016, the NBR is the competent resolution authority for credit institutions. The Recovery and Resolution Law repealed the provisions on recovery and resolution measures included in the Banking Law and includes further changes to the said law lining up its provisions with the provisions of the Recovery and Resolution Law.

The Recovery and Resolution Law sets out a unified recovery and resolution regime for credit institutions and investment firms and is also applicable to Romanian branches of foreign (third country) credit institutions and investment firms, as well as to certain financial holding companies and certain financial institutions (including, inter alia, Romanian non-banking financial institutions). The Recovery and Resolution Law contemplates three phases of recovery and resolution: preparation, early intervention and resolution.

The stabilisation measures available to the NBR are based on the financial resources accumulated in the Bank Deposit Guarantee Fund, without considering the principle of minimum cost. Where the resources of the Bank Deposit Guarantee Fund are insufficient, they may be supplemented by loans granted to it by the Ministry of Public Finance, in which case the general lending conditions are to be set by Government decision.

To date, the Romanian Government has not used public funds to support the stability of the financial system. The recapitalisation of the banking sector was entirely supported by bank shareholders.

Banking Regulations

Capital Adequacy

The minimum capital requirements of credit institutions are regulated by the Regulation no. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012 ("**CRR**") and the NBR Regulation no. 5/2013 on the prudential requirements for credit institutions, in accordance with which the minimum initial capital of a bank is RON 37 million. The subscribed minimum capital of a credit institution has to be paid up, in full and in cash, on incorporation. Similarly, in capital increase operations, the subscribed capital has to be paid-up, in full and in cash, at subscription.

The own funds requirements for credit institutions are regulated by the CRR as well. Hence, credit institutions shall maintain own funds which are at all times at least equal to the sum of the following capital requirements:

(a) the risk weighted exposure amounts for credit risk and dilution risk in respect of all of their business activities (excluding risk weighted exposure amounts from the trading book business);

(b) the own funds requirements for their trading-book business, for position risk and large exposures exceeding certain limits specified by the CRR, to the extent the institution is permitted to exceed those limits;

(c) the own funds requirements for all of their business activities, for foreign-exchange risk, settlement risk and commodities risk;

(d) the own funds requirements for all of their business activities, for credit valuation adjustment risk of OTC derivative instruments other than credit derivatives recognised to reduce risk-weighted exposure amounts for credit risk;

(e) the own funds requirements for all of their business activities, for operational risk; and

(f) the risk weighted exposure amounts for counterparty risk arising from the trading book business of the institution for certain types of transactions and agreements,

in accordance with the relevant provisions of the CRR and, in case of the own funds requirements set out in points (b) to (e) above, multiplied by 12,5.

Capital Buffers

The total capital ratio (former solvency ratio), which is the ratio of a bank's own funds relative to its risk-weighted assets, is currently set at a regulatory minimum of 8 per cent., with additional capital buffers (capital conservation buffer of 0.625% of the credit institutions' total risk exposure amount, which will rise gradually over the next three years, and O-SII buffer of 1% of the total risk exposure amount, as detailed below), both on an individual and a consolidated basis (using individual and consolidated own funds).

At 31 December 2015, the solvency ratio computed at an aggregate level for the Romanian banking system stood at a level of 17.5 per cent. (in slight increase compared to the end of 2014, when it amounted to 17.3 per cent.), ensuring good capital conditions for the banking system, also in the context of additional capital requirements applicable starting with 2016, i.e.: (i) the capital conservation buffer, as detailed above, (ii) the capital buffer related to credit institutions authorized in Romania and identified by the NBR as other systemically important institutions (O-SII buffer); the Issuer is among these credit institutions, and (iii) the systemic risk buffer, set at 1 per cent. for all exposures of credit institutions with parent credit institutions registered in a country for which the rating of bonds issued by the central government is not "investment-grade", according to the large rating agencies recognized as external credit assessment institutions.

Liquidity Ratio

Banks are required to comply with the NBR's rules on liquidity and its prudential requirements. Generally, such rules require: (i) a minimum level of liquid assets or a portfolio of liquid assets relative to assets and liabilities; (ii) compliance with restrictions and conditions that apply to certain loans and investments, deposits, guarantees and liabilities; and (iii) compliance with restrictions and conditions designed to allow banks to match the maturities of their assets and liabilities.

NBR's regulations on credit institutions' liquidity, in line with the IFRS regulations, set out the methodology for computing the liquidity ratio in line with the developments in the accounting regulations and in the financial markets. Credit institutions must maintain their own liquidity ratio separately depending on the applicable maturity bands, at a minimum level of 1 (one).

The Issuer complies with regulatory requirements regarding liquid coverage ratio (the "**LCR**"). Starting with January 2016 the regulatory LCR limit is 70%. Moreover, as regards LCR, the Issuer employs additional measure – a warning level at 100%, documented in its internal regulations starting with March 2016.

*Minimum Reserves ("**MMR**")*

The main function of RON denominated reserve requirements is the monetary control and stabilisation of interbank money market rates while the function of foreign currency denominated reserve requirements is to moderate the expansion of foreign exchange loans. During the period of 2014 through 2017 to date, the NBR reduced the minimum reserve requirement ratios on RON-denominated liabilities of credit institutions to 8 per cent. from 15 per cent., and on their foreign currency-denominated liabilities to 8 per cent. from 20 per cent. The measures were aimed at ensuring further harmonization of the minimum reserve requirements mechanism with the relevant standards and practices of the European Central Bank and the major central banks across the EU, while the former was primarily geared towards supporting the sustainable recovery of lending activity.

The amounts of the minimum reserves which must be maintained by credit institutions during the reserves maintenance period (*perioada de aplicare*) are computed as the average daily balances of either RON and foreign-currency denominated liabilities, held with the NBR during the reserves observation period (*perioada de observare*), multiplied with the applicable minimum mandatory reserves ratio (evidenced in the table below as at the date of this Prospectus). The observance period and the maintenance period are one month long and successive (the observance period lasts from the 24th of the previous month to the 23rd of the current month, while the maintenance period lasts from the 24th of the current month to the 23rd of the subsequent month).

Category of minimum mandatory reserves (MMR)	RON	Foreign Currency

Reserve base		Reserve ratio (%)			
		lei	effective from:	foreign currency	effective from:
Liabilities with residual maturity **shorter than two years** from the end of the observance period		8	24 May 2015	8	24 May 2017
Liabilities with residual maturity **longer than two years** from the end of the observance period	**with** clauses referring to early withdrawal,repayment, transfer	8	24 May 2015	8	24 May 2017
	without clauses referring to early withdrawal,repayment, transfer	0	24 Aug. 2002	0	24 May 2009
Non-repayable loans		0	24 Aug. 2002	0	24 Aug. 2002

Source: *The National Bank of Romania*

The NBR pays interest for deposits placed as minimum reserves. No interest is paid by the NBR for amounts placed with the NBR during the reserves maintenance period which exceed the minimum reserves amounts computed during the reserves observation period. In the same time, if the balance of minimum reserves is negative (i.e. if the amounts placed with the NBR in the reserves maintenance period as minimum reserves are lower than the amounts computed based on the reserves observation period average liabilities values), the credit institution in default is required to pay penalties to the NBR.

Provisioning and Loans/Investments Classification

Credit Institutions:

Since 2012, all provisions are determined according to the IFRS as adjustments for impairment losses.

From a prudential perspective, with a view to avoid any disruptions in terms of prudential ratios, the adopted approach for switching to the IFRS was to preserve and adapt the requirements of the former prudential framework (the NBR Regulation no. 3/2009 on the classification of loans and investments, and the establishment, adjustment and use of specific provisions for credit risk, as subsequently amended and supplemented).

As a consequence, since 2012 the classification of loans and investments based on the NBR methodology has continued to be performed monthly, but only for the purpose of establishing if there is a need for additional prudential value adjustments beyond those required by the IFRS adjustments. Such prudential value adjustments are used in conjunction with the IFRS adjustments in calculating prudential indicators such as own funds, solvency, large exposures, foreign exchange position. In the context of applying the CRD IV package, as of 1 January 2014, some new provisions and amendments needed to be implemented, mainly with a view to reconciling the national legal framework with the CRD IV requirements, e.g. (i) the total of the additional prudential value adjustments is now subject to a 4-year phasing out process complying with the CRD IV provisions and (ii) a new allocation method is in place establishing in a manner compatible with CRD IV the value to be assigned to the exposures representing loans/investments when computing the prudential ratios in the calculation of which the net value of these assets is needed.

Loan Classification for Creditors other than Credit Institutions:

Pursuant to the NBR Regulation no. 5/2012, loans granted by creditors other than credit institutions to their non- bank debtors are classified from an exposure perspective into five categories: standard, watch, sub-standard, doubtful and loss. For each of these categories the provisioning coefficients are stipulated as follows: zero (0) for "standard", 0.05 for "watch", 0.2 for "sub-standard", 0.5 for "doubtful" and 1 for "loss" in the case of loans other than those booked in foreign currency or indexed to a foreign currency, granted to individual borrowers exposed to foreign exchange risk; and 0.07 for "standard", 0.08 for "watch", 0.23

for "sub-standard", 0.53 for "doubtful" and 1 for "loss" in case of loans booked in foreign currency or indexed to a foreign currency, granted to individual borrowers exposed to foreign exchange risk.

Credit exposures are classified by the reporting institutions according to debt service history (the number of past-due days from the maturity date) and the commencement of legal proceedings against the debtor.

Credit exposures against which specific provisions are to be set up are those remaining after deducting any security interests securing the loan that are eligible for risk mitigation. The institution can decide whether to deduct such security interests or not. Security interests eligible for deduction range from any type of collateral (provided that the collateral is specified in the internal norms of the institution and provided that the institution has in place a methodology for determining the fair value of the collateral, which should be in line with applicable IFRS) to a set of personal guarantees stipulated in the legal framework along with their coefficients used to adjust the value of the guarantee to be deducted. Security interests securing the principal of credits classified as "loss" and in respect of which legal proceedings have been started and/or in respect of which at least 90 days elapsed since the credit became overdue are eligible to be taken into account (up to 25 per cent. as a general rule, and in case of certain types of collateral of a better quality up to 50 per cent.) as credit risk mitigation factors, while the security interests securing the payment of interest on these credits are not eligible to be taken into account.

Institutions must send a report on the classification of credits and investments to the NBR, along with the specific provisions for credit risk, no later than twenty-five days after the end of the quarter for which the report is made.

Lending Limits and Large Exposures

The exposure of a credit institution to a client or a group of connected clients shall be considered a large exposure where its value is equal to or exceeds 10 per cent. of the credit institution's eligible capital. Banks are required to notify their large exposures to the NBR.

The exposures towards a client or group of connected clients are limited to maximum 25% of eligible capital, after taking into account the effect of credit risk mitigation. If the client is an institution or where a group of connected clients includes one or more institutions, the exposure value shall not exceed either 25% of the Issuer's eligible capital or the equivalent of EUR 150 million, depending on whichever is higher, provided that the sum of exposures to all connected clients that are not institutions does not exceed, after taking into account the effect of credit risk mitigation, 25% from the eligible capital of the Issuer.

Note: If the equivalent of EUR 150 million is higher than 25% of the Issuer's eligible capital, the exposure value shall not exceed a reasonable limit compared to the Issuer's eligible capital.

In order to limit credit risk, credit institutions are obliged to establish sound administrative and accounting procedures and adequate internal control mechanisms so as to ensure the supervision and the management of credit risk, as well as the ongoing compliance with the limits stipulated by the applicable NBR regulations.

In order to prevent abuses arising from exposures to related parties, the NBR set out provisions to limit such exposures and to prevent banks from performing non-arm's length transactions with related parties. The limits on exposures to related parties are harmonised with those imposed for large exposures.

In December 2012, the NBR implemented (through Regulation no. 17/2012 regarding certain crediting conditions) the recommendations of the European Systemic Risk Board on lending in foreign currency, aiming at strengthening the currency and interest rate risk awareness mechanism for unhedged borrowers and introducing the creditors' obligation to evaluate, apart from households, the companies' creditworthiness, in order to create prerequisites for foreign currency loans to be granted only to debtors that are able to cope with the increase in loan instalments resulting from a severe depreciation of the RON and an increase in the loan's currency interest rate. The NBR has also adopted regulations requiring credit institutions to incorporate in their internal risk management systems the risks incurred by foreign currency lending and to account for these risks in their internal pricing and internal capital allocation.

Reporting

Banks in Romania must regularly file reports with the NBR including, but not limited to, periodical reports on the bank's own funds, on financial information (consisting of balance sheet, profit and loss account - FINREP), on the status of capital adequacy, on monthly liquidity ratio, annual audited financial statements and semi-annual financial data, large exposures (individual and aggregate levels), solvency ratio level (quarterly at individual and consolidated level) or the classification of the bank's loan portfolio and related provisioning.

Participations in Credit Institutions

Any person who intends to acquire, directly or indirectly, a qualifying holding in a credit institution, Romanian legal person, shall previously notify this intention to the NBR, also notifying it of the size of the intended holding, as required under the relevant legal provisions.

Furthermore, the NBR must be notified in advance of any decrease of a holding below the following thresholds: 50 per cent., a third or 20 per cent. (or to such an extent that the bank ceases to be its subsidiary). The voting rights of the prospective or current significant shareholder are automatically suspended if it fails to comply with these notification requirements or if the NBR objects to the transaction.

If the provisions on the notification requirements are not observed (or upon the NBR's opposition to the relevant acquisition), the person that acquired shares or voting rights in excess of thresholds of 20 per cent., a third or 50 per cent., must sell the participation within three months. If the acquirer does not comply, the NBR may instruct the relevant bank to cancel the shares in question and further dispose the issuance of shares in replacement of the cancelled shares or the decrease of the credit institution's share capital.

Participations in Entities other than Credit Institutions

According to the NBR Regulation no. 5/2013 and the CRR, for qualifying holdings (direct or indirect holdings in an undertaking which represents 10 per cent. or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking) in an undertaking (other than a credit institution, financial institution, insurance/reinsurance undertaking or an undertaking carrying on activities which are a direct extension of banking services or concern services ancillary to banking, such as leasing, factoring, management of investment funds, data processing services or any other similar activity) for the purpose of calculating the capital requirement, Romanian credit institutions shall apply a risk weight of 1,250 per cent. to the greater of the following:

- the amount of qualifying holdings in excess of 15 per cent. of the eligible capital;
- the total amount of qualifying holdings that exceed 60 per cent. of the eligible capital of the institution.

According to the Banking Law, Romanian credit institutions may not acquire qualifying holdings in an undertaking if in this manner they may exercise control over the undertaking in question.

In order to establish a prudential treatment for temporary holdings of capital during a financial reconstruction or rescue operation of an undertaking operating outside the financial sector (debt-to-equity-swap operations), in accordance with the agreement concluded by Romania with the IMF and EU, the NBR published Regulation no. 26/2011, as further amended, which aims to ensure that a credit institution's involvement in such operations will be based on a prudent decision-making process.

Deposit Guarantee Scheme

In 2010 the legal framework was amended in order to set the level of coverage at EUR 100,000. Pursuant to the stand-by agreement concluded between the IMF and Romania at the end of 2010, the legal framework was amended in order to:

- consolidate the Deposit Guarantee Fund ("DGF") funding regime, with a view to enhancing confidence in the banking system, by eliminating contingent credit lines by banks as a financial resource to be used if necessary by the DGF;
- improve the governance arrangements of the DGF in order to ensure that neither members of the board nor employees of credit institutions are allowed to participate in the DGF Board; and
- establish the mechanism that ensures the applicability of the provisions on granting compensation for the persons negatively affected by the measures provided for and implemented during special administration of credit institutions, in accordance with the provisions of the Banking Law (according to the Banking Law, compensations shall be supported from a special fund administered by the DGF).

The DGF can borrow from the Government in the event of insufficient resources for deposit compensation payments. Also, the DGF legislation was modified with a view to aligning it with Romanian bridge bank powers.

In 2015, following the approval of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast), the national legal framework was updated in order to ensure the transposition of this directive into national legislation by the Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund. The Bank Deposit Guarantee Fund is regulated as a scheme administered by a public body and, according to the law, is also entrusted with the authority to administer the resolution fund.

Insolvency

Romanian legislation regarding insolvency (i.e. Law no. 85/2014 on the procedures for insolvency prevention and insolvency procedures) provides that initiation of insolvency proceedings may be ordered only with the NBR's consent.

If the credit institution is an institution subject to the resolution or for which it was determined that the conditions triggering the procedure for resolution are met (as provided by the Recovery and Resolution Law), the insolvency proceedings may only be opened based on a petition filed by the NBR, as the authority resolution.

Implementation of CRD IV in Romania

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the Capital Requirements Directive IV ("**CRD IV**")), was transposed into domestic legislation through Government Emergency Ordinance no. 113/2013 amending and supplementing the Banking Law, as well as through secondary regulations (such as the NBR Regulation no. 5/2013 on prudential requirements for credit institutions, which ensures the transposition of CRD IV and specifies the manner in which the national options included in the CRD IV package have been exercised). Regulation no. 575 of the European

Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012 ("**CRR**") is directly applicable in Romania.

Starting with 1 January 2014, the Issuer has implemented the CRD IV framework, as detailed above.

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

TAXATION

The following is a general description of certain Romanian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the laws and practice in force as of the date of this Prospectus and is subject to any change in law and the interpretation and application thereof that may take effect after such date and could be made with retroactive effect.

Under Law No. 227/2015 on the Fiscal Code as subsequently amended and supplemented (the "**Romanian Fiscal Code**"), certain types of income received by residents and non-residents from Romanian sources are subject to Romanian tax at the rates prescribed by the Romanian Fiscal Code, irrespective of whether the income is received in Romania or abroad. For the purposes of the Romanian Fiscal Code:

- a "**resident**" means any Romanian legal entity, any foreign legal entity which has its place of effective management in Romania, any legal entity having its headquarters in Romania, incorporated according to European legislation and any resident individual;
- a "**non-resident**" means any foreign legal entity, any non-resident individual, and any other foreign entities, including undertakings for collective investment in transferable securities without legal personality, which are not registered in Romania according to the law;
- a "**foreign legal entity**" means any legal entity which is not a Romanian legal entity and any legal entity established pursuant to European law which is not headquartered in Romania;
- a "**Romanian legal entity**" means any legal entity established in accordance with Romanian law; and
- a "**legal entity established pursuant to European law**" means any legal entity established in accordance with and by the mechanics contemplated by European regulations.

Taxation of Noteholders resident in Romania for tax purposes

Taxation on interest

Income received in the form of interest on the Notes on the Notes by resident Romanian legal entities in will be subject to corporate profit tax at the rate of 16 per cent.

Taxation on capital gains

Income received by resident legal entities as capital gains from the transfer of Notes, will be subject to corporate income tax (profit tax) at the rate of 16 per cent.

Taxation of Noteholders not resident in Romania for tax purposes

Taxation on interest

Interest on the Notes may be exempted from taxation in Romania provided that the interest is paid to a person who is not affiliated to the Issuer.

Where the interest is paid to an affiliated person the EU Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States may be applicable.

In all other cases the interest will be taxed according to the domestic legislation at the 16% rate, or according to a convention for avoidance of double taxation.

Taxation on capital gain

No capital gain tax is applicable to foreign legal entities.

Depending on the country in which the non-resident has its tax residence, the interest tax and capital gain tax may be reduced or eliminated based on a convention for the avoidance of double taxation.. In order to benefit from the provisions of the double tax treaty, the non-resident should obtain and provide to the fiscal representative a fiscal residence certificate (valid for the respective fiscal year) issued by the tax authorities of its country of residence, in original or notarised copy, and the notarised Romanian translation thereof.

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DETAILS OF THE OFFERING

The Notes are offered exclusively to Qualified Investors, as defined within this section, who will be approached by the Issuer and/or the Manager for this purpose, except for those investors whose subscription in the Offering would constitute a violation of applicable legislation (for example, participation in the Offering of US citizens in violation of Regulation S under the Securities Act). Investors who are not Romanian and intend to acquire Notes must become acquainted with the laws applicable to the Offering in their jurisdictions and the restrictions set out in "*Selling and Transfer Restrictions*" below.

General information about the Offering

Notes. The Issuer will offer for sale up to 50,000 unsecured Notes, with an individual face value (*Valoare Nominala*) of RON 10,000 each, and an aggregate principal value of RON 500,000,000. Should the Notes be oversubscribed, the Issuer will have the right (without being obliged) to increase the number of Notes up to maximum 61,000 Notes and an aggregate principal value of RON 610,000,000.

Maturity. For the Class 2020 Notes: 15 July 2020.

For the Class 2022 Notes: 15 July 2022.

For the Class 2024 Notes: 15 July 2024.

Rate of Interest. For the Class 2020 Notes: six-month ROBOR plus an interest rate within the range0.60-0.70 per cent. per annum.

For the Class 2022 Notes: six-month ROBOR plus an interest rate within the range 0.80-0.90 per cent. per annum.

For the Class 2024 Notes: six-month ROBOR plus an interest rate within the range 1.00-1.10 per cent. per annum.

The final interest rates are to be published with two days before the Closing Date, according to the applicable legal provisions.

For establishing the Interest Rate, a bookbuilding process will be carried out for the Notes offered, in which the interest rate of this Bid will be evaluated based on the Qualified Investors feedback on the Notes Interest Rate they offered to acquire. The Interest Rate at which the Notes offered will be allocated to the investors will established by the Issuer.

Offering. The Notes are offered exclusively to qualified investors, as defined within this section. In Romania, the Notes will be offered to qualified investors, in accordance with the provisions of paragraph (3)(a) of article 16 of the Law 24/2017 on Issuers and market operations and paragraph 1.1 of article 15 of the NSC Regulation no. 1/2006 regarding issuers and operation with securities.

Offer Price. The Notes will be offered at the value of RON 10,000 each.

Minimum subscription. Each Investor must validly subscribe at least 50 Notes in aggregate in any Class(es) of Notes within the Offering.

Offer Period. Subscriptions can be made from 17 July 2017 to 21 July 2017 (the "**Closing Date**") inclusive, namely 5 Business Days (the "**Offer Period**"). The Issuer may decide to close the Offering earlier than the Closing Date, in which case the Offering will close at 17.00 Bucharest time on the Business Day indicated by the Issuer on its website (www.unicredit.ro) for this purpose (the "**Accelerated Closing Date**").

The Issuer may also extend the Offer Period or change other dates related to the Offering, in compliance with Romanian legislation.

Intermediation method: Best efforts method - the intermediation method according to which all the measures considered necessarily for obtaining the best results with regards to the placement of the notes issue are taken without any other obligation or guarantee regarding the placement at a certain level or fully of this notes issue.

Successful Closing. The Offering will be considered successful if minimum 60 per cent. of all of the initially offered Notes (i.e. minimum 30,000 Notes) are validly subscribed in aggregate within the Offering. If less than 60 per cent. of all of the initially offered Notes are validly subscribed in aggregate within the Offering, the Issuer will have the right (without being obliged) to reject all the subscriptions, in which case the Offering will lapse and the Notes will not be issued (see "*Successful Closing*" below). Also, the Issuer will have the right (without being obliged) to reject all the subscriptions for a certain Class of Notes, if the cumulative subscriptions for the respectively Class of Notes are less than RON 40,000,000 (respectively less than 4,000 Notes), even if at least 60% of the Offered Notes for all Classes of Notes (respectively minimum 30,0000 Notes) are fully valid subscribed in the Offer. In this case, the Notes for which the subscriptions have been rejected, will no longer be issued.

Allocation. Allocation of the Notes will take place, and the final number of the Notes in each Class of Notes will be decided (based on the level of subscriptions from Investors) and announced, on the Business Day following the Closing Date (the "**Allocation Date**").

Issuance. The Notes will be created on the Transaction Date. For the purpose of calculating the rate of interest, the "Issue Date" will be considered to be the Settlement Date.

Transaction. The transaction related to the Offering will take place through the BVB system on the Business Day following the Allocation Date (the "**Transaction Date**").

Settlement. Settlement will take place through the Central Depositary's system on the second Business Day after the Transaction Date (the "**Settlement Date**") (see "*Settlement below*").

Withdrawal of Subscriptions

Subscriptions made within the Offering are irrevocable and may not be withdrawn or amended by the Investors. As an exception, if the Prospectus is subject to an amendment, subscriptions may be withdrawn within a maximum of two (2) Business Days from the date when the respective amendment to the Prospectus is communicated to the investors. Investors may withdraw a subscription by filling in a Revocation Form at the unit where the subscription was made.

Successful Closing

If less than 60 per cent. of all of the initially offered Notes (*i.e.* less than 30,000 Notes) are validly subscribed in aggregate within the Offering, the Issuer has the right (without being obliged) to reject all the subscriptions, in which case the Offering will lapse and the Notes will not be issued.

Also, the Issuer will have the right (without being obliged) to reject all the subscriptions for a certain Class of Notes, if the cumulative subscriptions for the respectively Class of Notes are less than RON 40,000,000 (respectively less than 4,000 Notes), even if at least 60% of the Offered Notes for all Classes of Notes (respectively minimum 30,0000 Notes) are fully valid subscribed in the Offer. In this case, the Notes for which the subscriptions have been rejected, will no longer be issued.

If the Issuer rejects all the subscriptions or the notes subscribed from a certain Class of Notes, the total consideration paid in advance for the Notes will be returned to each Investor, less any bank transfer commissions and any applicable commissions of the relevant market institutions, to the bank account indicated by each Investor in the Subscription Form (see Section (*Subscription Procedure*) below), within five (5) Business Days of the date of notification of the rejection of all subscriptions. No interest shall be payable to Investors in respect of such amounts.

If an Investor has indicated more than one account for the reimbursement of any such amounts, the Issuer and the Manager reserve the right to pay the whole amount to be reimbursed to only one of the accounts indicated by the Investor in the Subscription Form. Payments to the Investors' bank accounts will be made firstly for valid subscriptions and subsequently for the invalid subscriptions.

Allocation of the Notes

The subscribed Notes will be allocated to Investors, and the final number of Notes in each Class of Notes will be established, based on the level of subscriptions from Investors, on the Allocation Date. On the Allocation Date, the Manager will notify the FSA and the BVB with respect to the completion of the allocation of the sold Notes, as well as each investor with respect to the summary and class of the allocated Notes.

The Issuer and the Manager will notify the FSA with respect to the final number of sold Notes in each Class of Notes, within maximum 5 (five) Business Days from the Closing Date.

The allocation of subscribed Notes (including in case of over-subscription of the Notes) will be made by the Issuer upon its discretion, in agreement with the Manager, following the completion of the subscription period. The allocation made by the Issuer and the Manager is mandatory and binding for the Investors.

The Investors acknowledge and agree that they cannot refuse the Notes allocated to them by the Issuer and the Manager, upon their sole discretion, and shall have no right to contest or oppose such allocation.

In case the increased number of offered Notes are over-subscribed, Investors will be reimbursed the difference between the amount paid for the subscribed Notes and the value of the allocated Notes (less the bank transfer fees and any applicable market institutions' fees), to the current account indicated by each Investor in the Subscription Form, within a maximum of five (5) Business Days from the Closing Date. Such amounts will not bear interest in favour of Investors. In case the Investor indicates several accounts for returning the amounts, the Manager and the Issuer reserve the right to return the related amounts to only one of the accounts mentioned by the Investor in the Subscription Form. Payments to the Investors' bank accounts will be made firstly for valid subscriptions and subsequently for the invalid subscriptions.

Reasons independent from the Issuer or the Manager may lead to delays in processing the data and in preparing and sending the notice regarding the Offering results to the FSA. As a consequence, neither the Manager nor the Issuer will be liable for delays in the return of the amounts due to the Investors in the event that the Offering is over-subscribed. In this case, the Issuer and the Manager shall have no liability to the Investors.

Issuance of the Notes

The Notes will be created on the Transaction Date. For the purpose of calculating the rate of interest, the "Issue Date" will be considered to be the Settlement Date.

Transaction

On the Transaction Date, the Manager shall be granted access to the trading system managed by the BVB for the corresponding symbol on the POFB market, to allow for the placement and management of the buy orders related to the subscriptions performed. Furthermore, throughout the Offering subscription period, the Manager shall be granted access to the trading system managed by the BVB, for the corresponding symbol on the POFB market, to allow for the placement and management of the sell order with respect to the Notes which are the object of the Offering.

The section of the POFB Market used in connection with the Offering will be visible only to the Manager and will not be available for other market participants.

The Manager will send the trade confirmation evidencing the total number of the Notes subscribed to each Investor and to its custodian agent (if the case), at the latest on the first Business Day following the Transaction Date.

Settlement

Settlement will be made through the Central Depositary clearing-settlement system on the Settlement Date (which is the second Business Day after the Transaction Date).

Admission to trading

The Issuer will request the Bucharest Stock Exchange the listing of the Notes on the Bucharest Stock Exchange and admission to trading on the Bucharest Stock Exchange's spot regulated market.

Should the Notes not be admitted to trading on the Bucharest Stock Exchange's spot regulated market, the total consideration paid for the Notes will be returned to each Investor, provided that such Investor has sent a reimbursement request to the Issuer no later than 60 days from the date when the Issuer had publicly announced the rejection of the admission to trading application.

The consideration paid for the Notes will be reimbursed to the bank account indicated by each Investor in the Subscription Form (see Section (*Subscription Procedure*) below). If an Investor has indicated more than one account for the reimbursement of any such amounts, the Issuer and the Manager reserve the right to pay the whole amount to be reimbursed to only one of the accounts indicated by the Investor in the Subscription Form. No interest shall be payable to Investors in respect of such amounts.

SUBSCRIPTION PROCEDURE

By subscribing in the Offering, each Investor confirms having read the present Prospectus, having accepted the terms and conditions set out in the Prospectus and having made the subscription according to the terms included in the present Prospectus. The execution of the Subscription Form represents the unconditional acceptance of the Terms and Conditions of the Notes and of the Prospectus in its entirety.

Subscription procedure

Subscriptions can be made during the entire Offer Period, each Business Day between 9:00 and 17:00 Romania time and between 9:00 and 13:00 Romania time on the Closing Date.

The minimum subscription by an Investor must be for no less than 50 Notes in aggregate in any Class(es) of Notes.

A subscription is made by filling in a subscription form (the "**Subscription Form**"), in two (2) original copies, that will be available in a standard form at the Manager's headquarters located in 5–7 Dimitrie Pompei Blvd, 5th Floor, 2nd District, Bucharest, Romania, together with the requested documents (see "*Subscription Documents*"). Within the Subscription Form shall be mentioned the subscribed Class of Notes.

The collection account for the subscriptions (the "**Collection Account**") is IBAN RO69BACX0000001144669012, opened with UniCredit Bank S.A., Titulescu branch. Prior to filing in the Subscription Form, Investors who do not pay through a custodian bank or do not submit a bank guarantee from a EU credit institution must transfer the amount corresponding to the subscribed Notes to the Collection Account.

The payment order must contain the unique registration code and the name of the Investor. The account number to be filled in by an Investor in the Subscription Form must be the number of the account out of which the subscription amount is effectively transferred to the Collection Account. The amounts transferred by Investors, representing the value of the subscribed Notes will not bear interest in favour of such Investors. The amounts transferred by Investors to the Collection Account shall be used exclusively for the purpose of this Offering.

In order for the subscription to be valid, the amount payable for the subscribed Notes must be paid in full, guaranteed in full by a custodian or by the Manager or accompanied by a bank guarantee issued by an EU credit institution. No deposit in cash directly to the Collection Account is accepted.

Each payment order is equivalent to a subscription and combining several payment orders for one single valid subscription is not possible. If the amount transferred by an Investor into the Collection Account or indicated in the written statement received from such Investor's custodian or in the bank guarantee is higher than the individual face value multiplied by the number of Notes indicated by that Investor in the Subscription Form, the subscription will only be validated for the number of Notes mentioned in the Subscription Form.

The price for the subscribed Notes will be paid net of any banking fees and/or commissions. No brokerage fees will be payable in relation to subscriptions by any Investors. Investors will however need to consider any applicable capital market fees and commissions. At the date of this Prospectus, capital market fees and commissions amount to 0.028 per cent. of the value of the subscribed Notes, as follows:

- 0.007 per cent of the value of subscription – quota requested by the Bucharest Stock Exchange;

- 0.02 per cent of the value of the subscription – quota requested by the Financial Supervisory Authority; and

- 0.001 per cent of the value of the subscription – commission for settlement services in relation to bonds primary market transactions, due to the Central Depository.

In order for the subscription to be valid, Investors will need to consider the cumulated value of the commission, computed as 0.028 per cent. applied to the total value of the subscribed Notes (*i.e.* the number of subscribed Notes x the Offer Price).

Investors must take into account also possible transfer fees and, if applicable, account opening fees.

In case the amount transferred to the Collection Account or indicated in the custodian's statement or in the bank guarantee is lower than the subscribed amount, the Subscription Form is invalidated for the entire amount subscribed.

A subscription is validated only if, no later than the Closing Date:

(1) the amounts representing the value of the subscription reach the Collection Account; or

(2) the Investor submits the written statement of the custodian whereby the custodian undertakes to carry out the settlement for the subscribed Notes; or

(3) the Investor submits a bank guarantee from a EU credit institution whereby such credit institution guarantees the settlement for the subscribed Notes; or

(4) if the Manager undertakes to carry out the settlement for the subscribed Notes.

Neither the Manager nor the Issuer will be liable if, for reasons outside their control, the Collection Account is not effectively credited with the amounts representing the value of the subscriptions on the Closing Date.

Subscription Forms for which:

- on the Closing Date, the money for the requested Notes are not in the Collection Account, or the relevant Investor did not submit a written statement from a custodian or a bank guarantee from a EU credit institution guaranteeing the settlement for the subscribed Notes; or

- the amount transferred by the Investor into the Collection Account or indicated in the statement of that Investor's custodian or in the bank guarantee issued by a EU credit institution is not sufficient for the Notes subscribed by that Investor; or

- the subscription procedures were not complied with;

will not be validated. Subscriptions that are not validated will not be considered in the allocation process. Investors whose Subscription Forms were not validated will be notified accordingly and the amounts paid will be returned to them in the account referred to in the Subscription Form.

If the Investor has concluded a financial investment agreement with the Manager, the Notes can be subscribed on the basis of an usual trading order sent through the means of communication agreed in the respective agreement and the Subscription Form will be filled in by the Manager, no additional identification documents being necessary.

Subscription Documents

In order to be accepted, the Subscription Forms, which need to be submitted in two original copies, must be accompanied by the following documents, depending on each type of Investor.

Resident corporate entities subscribing in their own name:

- Registration certificate issued by the Trade Registry (copy);
- Updated constitutive act (copy certified for its conformity with the original by the legal representative of the legal person);
- Original certificate of current standing issued by the Trade Registry (issued no more than 30 Business Days prior to the date of subscription);
- Power of attorney/Mandate in original for the person signing the Subscription Form, issued as stipulated by the constitutive act, or proof that the person concerned is legally representing the subscribing corporate entity, with individual representation right (if the company is collectively represented by two or more persons who all are present for the signing of the Subscription Form, such proof shall be presented for all such persons) (power of attorney in original and any other documents certified for their conformity with the original by the legal representative of the legal entity);
- ID (original and copy) of the person subscribing in the name of the legal person.

Non-resident corporate entities subscribing in their own name:

- Certificate of incorporation of the non-resident corporate entity issued by the Trade Registry or by any equivalent institution, if existing (copy);
- Updated constitutive act of the non-resident corporate entity (copy certified as true to the original by the legal representatives of the non-resident corporate entity);
- Certificate of current standing, in original, for the non-resident corporate entity evidencing the legal representatives of the non-resident entity issued by the Registry of Commerce or by an equivalent institution (issued no more than 30 Business Days prior to the date of subscription). If no authority or institution is authorised to issue such certificate, any corporate document evidencing the legal representatives of the non-resident corporate entity shall be submitted (issued no more than 30 Business Days prior to the date of subscription); such corporate document of the non-resident corporate entity shall set out clearly whether the legal representatives are entitled to act individually or jointly;
- In case subscriptions are made through a person other than the legal representative(s) of the non-resident corporate entity, the Power of attorney/Mandate signed by the legal representatives of the non-resident corporate entity empowering the respective person to subscribe on behalf of the non-resident corporate entity in the Notes (in original and in copy);
- IDs for the person making the subscription as legal representative or attorney in fact of the non-resident corporate entity: passport, ID, for citizens of EU/EEA (copy).

Non-resident corporate entities subscribing through a resident corporate entity

- Certificate of incorporation of the non-resident corporate entity issued by the Trade Registry or by any equivalent institution, if existing (copy);
- Updated constitutive act of the non-resident corporate entity (copy certified as true to the original by the legal representatives of the non-resident corporate entity);

- Certificate of current standing, in original, for the non-resident corporate entity evidencing the legal representatives of the non-resident entity issued by the Registry of Commerce or by an equivalent institution (issued no more than 30 Business Days prior to the date of subscription). If no authority or institution is authorised to issue such certificate, any corporate document evidencing the legal representatives of the non-resident corporate entity shall be submitted (issued no more than 30 Business Days prior to the date of subscription); such corporate document shall set out clearly whether the legal representatives are entitled to act individually or jointly;

- Incorporation certificate for the representing resident corporate entity issued by the Trade Registry(copy);

- Updated constitutive act of the representing resident corporate entity (copy certified for its conformity with the original by the legal representative of the legal person);

- Certificate of current standing, in original, for the representing resident corporate entity issued by the Trade Registry (not older than 30 Business Days prior to the date of subscription);

- ID for the legal representative of the representing resident corporate entity subscribing on behalf of the non-resident corporate entity (original and copy).

International financial institutions (IFIs)

- Constitutive act of the IFI or a copy of the Romanian law whereby Romania accepts or adheres to the constitutive act of the relevant IFI;

- the Power of attorney/Certificate empowering the person who will sign the Subscription Form to subscribe the Notes on behalf of the IFI (in original or notarised copy);

- ID for the person who signs the Subscription Form on behalf of the IFI (copy)

The Manager is entitled to request any additional documents for the purpose of carrying out its duty to comply with the "know your clients" rules, based on its internal norms and procedures of client identification.

Documents in a language other than Romanian or English submitted by an investor, legal person or entity with no legal personality shall be accompanied by a notarised translation thereof in Romanian or English language.

SELLING AND TRANSFER RESTRICTIONS

Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area, other than Romania, which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the Offering contemplated by this Prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this section, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

GENERAL INFORMATION

Authorisation

1. The issue of Notes was authorised by a resolution of the Extraordinary General Meeting of the Shareholders of the Issuer dated 13 April 2017. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

2. Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

Significant/Material Change

3. Save as disclosed in this Prospectus, since 31 December 2016 there has been no material adverse change in the prospects of the Issuer, nor any significant change in the financial or trading position of the Issuer.

Incorporation of Certain Information by Reference

4. This Prospectus incorporates by reference, and should be read and construed in conjunction with, the following information:

Document	Pages Incorporated
UniCredit Bank 2015 Individual Financial Statements..	
UniCredit Bank 2015 Consolidated Financial Statements	
UniCredit Bank 2016 Individual Financial Statements..	
UniCredit Bank 2016 Consolidated Financial Statements...	
Articles of Association of UniCredit Bank	

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Auditors

5. The financial statements of the Issuer have been audited without qualification for the years ended 31 December 2015 and 31 December 2016 by Deloitte Audit S.R.L., who have given, and have not withdrawn, their consent to the inclusion of their report in this Prospectus in the form and context in which it is included. Deloitte Audit S.R.L. is a member of the Chamber of Financial Auditors of Romania.

Documents on Display

6. Copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Issuer for 12 months from the date of this Prospectus:

   (a) the articles of association of the Issuer;

   (b) the Financial Statements of the Issuer.

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

UNICREDIT BANK SA	**IEBA TRUST SA**
By	By
Catalin Rasvan Radu	Catalin Nae-Serban
________________________	________________________
Mihaela Alina Lupu	
________________________	

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

REGISTERED OFFICE OF THE ISSUER

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Romania

ARRANGER
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MANAGER
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PAYING AND CALCULATION AGENT

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