

## Qualitative disclosure according Art.442 CRR

### (Credit risk adjustments)

#### Definition of „Non-Performing Exposures“, impaired (IAS 39), past-due and forbearance measures

**Non-performing exposures** are divided into the following categories according to UniCredit Group rules:

- **Bad loans:** credit exposures, formally considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained. A workout scenario is assumed in respect of borrowers in this category. The impairment loss assessment is performed in general on an analytical basis. Detailed information is given in the “Description of methodology applied to determine write-downs” section
- **Unlikely to pay:** on-balance sheet and off-balance sheet exposures which do not meet the conditions to be classified as “bad loans”. The classification as “unlikely to pay” derives from the assessment of the debtor’s unlikeliness, without actions such as realisation of collateral, to fully repay his/her credit obligation (principal and/or interest), regardless of any days of default. The classification within the “unlikely to pay” category is not necessarily related to the explicit presence of anomalies (repayment failure) but rather is tied to the existence of evidence of a debtor’s risk of default (unlikely to pay event). The impairment loss assessment is performed in general on an analytical basis. Detailed information is given in the “Description of methodology applied to determine write-downs” section
- **Past-due:** on-balance sheet exposures other than those classified among “bad loans” or “unlikely to pay”, which at the reference date have past due amounts or unauthorised overdrafts that are more than 90 days past due or over limits. Impaired past-due amounts can be determined by reference to the individual debtor.

#### Performing loans:

- **Past-due:** loans which are performing: exposures to borrowers where past-due amounts or unauthorised overdrafts at the reporting date were between 1 and 90 days overdue.
- **Other exposures:** borrowers not included in the other categories. These account for a large proportion of total loans.

#### Forborne exposure:

Forbearance measures are concessions made by a bank to a debtor facing or about to face difficulties in meeting its financial commitments. These may take the form of a modification of the terms and conditions of a contract that would not have been agreed if the debtor had not been in financial difficulties, or the form of total or partial refinancing. Debtors that are

classified as “forborne” are subject to special monitoring requirements and are to be clearly marked as such. Forbearance measures include, for example, a rescheduling agreement, renegotiated pricing at interest rates below the market level, the conversion of a partial amount of the loan into shares, or a reduction of the principal amount.

Forborne exposures can be classified in the categories “non-performing exposures” and “performing exposures” as defined by the same EBA standards.

With reference to the assessments of impairment and provisions for forborne exposures, the accounting policies applied are the general criteria in accordance with IAS 39 requirements.

## **Description of methodology applied to determine write-downs**

Loan loss provisions are determined by reference to the amount and quality of loans granted. Bank Austria applies the following four methods of calculation, taking the special segment of foreign currency loans into account:

- Specific write-downs
- Portfolio-based specific write-downs
- Portfolio-based provision for foreign-currency loans
- Provisions for IBNR (incurred but not reported) losses

### **Specific write-downs:**

Customers with a total exposure of over €2 million – on a GCC (group of connected customer) basis are transferred to Monitoring & Special Credit Corporate/CIB within Bank Austria. When taking over a specific case, Special Credit management has to review the requirement for recognizing an impairment loss on such exposures on a case by case analytical basis and subsequently carry out quarterly reviews. The amount of the impairment loss is the difference between the carrying amount of the loan and the present value of estimated future cash flows.

### **Portfolio-based specific provisioning method**

UniCredit Bank Austria AG applies a parameter-based and portfolio-based provisioning method (“Pauschale Einzelwertberichtigung” – PEWB) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (lower than €2 million) at the GCC (group of connected customer) level. The provisioning requirement at individual customer level is determined and recognised automatically, depending on the customer segment, the amount of the exposure and collateral, the credit rating and the duration of the default. The parameters used to calculate the loss rate are monitored annually.

### **Portfolio-based provision for foreign currency loans and loans with repayment vehicles (performing assets)**

This provision is determined for the performing portfolio and takes into account the potential risk associated with foreign currency loans and loans with repayment vehicles – most of which have a bullet maturity – which may arise from the forecast deficit between the repayable amount, determined by the exchange rate, and the repayment vehicle, which is also subject to currency risk. All relevant calculation parameters (including, for example, the annual performance of the repayment vehicles, exchange rate forecasts, underlying interest rate of the EUR and FX financing arrangements) are reviewed annually, reported to the management board and adjusted when required. The provision is reflected in the quantitative disclosure in the table “Breakdown of credit exposure by portfolio and credit quality” under “portfolio adjustments” for performing portfolio.

**Provisions for IBNR losses (performing assets):**

Such provisions for performing loans are made on the assumption that de facto losses incurred are taken into account too late, and to an extent that is too low, because of the lag between the time when the losses (incurred but not reported) are actually incurred and the time when the losses are identified. The loss is estimated on the basis of expected loss – which is determined using the parameters of PD (Probability of Default), EAD (Exposure at Default) and LGD (Loss Given Default) – weighted by a time factor (for the period during which the loss is not identified), the so-called LCP (Loss Confirmation Period) factor, at the level of various product and customer clusters. The various parameters used in the calculation are validated annually and the results are subjected to a backtesting procedure. The provision is reflected in the quantitative disclosure in the table “Breakdown of credit exposure by portfolio and credit quality” under “portfolio adjustments” for performing portfolio.

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in EUR '000

(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes

Breakdown of credit exposures by portfolio and credit quality (gross and net values) *)								(€ thousand)	
Portfolio/Quality	Non-performing assets			Performing			31 Dec. 2016	Average	
	Gross Exposure	Specific write-downs	Net exposure	Gross Exposure	Portfolio adjustments	Net exposure	Net exposure	Net exposure	
Available-for-sale financial assets	-	-	-	15.671.963	70	15.671.893	15.671.893	21.026.694	
Held-to-maturity financial instruments	15.802	8.395	7.407	228.464	-	228.464	235.871	419.046	
Loans and receivables with banks	4.172	4.041	131	20.761.721	-	20.761.721	20.761.852	24.037.201	
Loans and receivables with customers	2.902.012	1.731.951	1.170.061	60.184.255	427.841	59.756.414	60.926.475	88.813.105	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	733	
Financial instruments classified as held for sale	-	-	-	-	-	-	-	22.681.873	
<b>TOTAL</b>	<b>2.921.986</b>	<b>1.744.387</b>	<b>1.177.599</b>	<b>96.846.403</b>	<b>427.911</b>	<b>96.418.492</b>	<b>97.596.091</b>	<b>156.978.651</b>	

\*) includes only items in the group's statement of financial position which are referred to as credit exposures, excluding equity investments and investment funds and other items such as investments in associates and joint ventures, tangible/intangible assets, tax assets, etc.

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(d) the geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate;

(h) the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area

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in EUR '000

Banking Group - Distribution of BS and Off-BS exposures to banks by geographic area (IAS BS value *)							(€ thousand)
Banks	Austria		Other European Countries		Rest of the World		
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	
<b>A. Balance sheet exposures</b>							
Bad exposures	52	4.041	0	0	79	0	
Unlikely to pay	0	0	0	0	0	0	
Non performing past due exposures	0	0	0	0	0	0	
Other exposures	13.175.642	0	7.228.405	70	952.984	0	
<b>TOTAL A</b>	<b>13.175.694</b>	<b>4.041</b>	<b>7.228.405</b>	<b>70</b>	<b>953.063</b>	<b>0</b>	
<b>B. Off-balance sheet exposures</b>							
Bad exposures	0	0	0	0	0	0	
Unlikely to pay	0	0	0	0	0	0	
Non performing past due exposures	0	0	0	0	0	0	
Other exposures	6.042.202	0	394.979	0	247.420	0	
<b>TOTAL B</b>	<b>6.042.202</b>	<b>0</b>	<b>394.979</b>	<b>0</b>	<b>247.420</b>	<b>0</b>	
<b>TOTAL A+B</b>	<b>19.217.896</b>	<b>4.041</b>	<b>7.623.384</b>	<b>70</b>	<b>1.200.483</b>	<b>0</b>	

Banking Group - Distribution of BS and Off-BS exposures to customers by geographic area (IAS BS value *)							(€ thousand)
Customers	Austria		Other European Countries		Rest of the World		
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	
<b>A. Balance sheet exposures</b>							
Bad exposures	190.965	1.132.893	7.335	59.864	10	13.093	
Unlikely to pay	760.393	508.365	46.149	1.530	192.862	6.584	
Non performing past due exposures	14.782	4.403	4.602	5.124	589	22	
Other exposures	71.699.013	408.405	1.800.760	16.677	2.037.015	2.759	
<b>TOTAL A</b>	<b>72.665.153</b>	<b>2.054.066</b>	<b>1.858.846</b>	<b>83.195</b>	<b>2.230.476</b>	<b>22.458</b>	
<b>B. Off-balance sheet exposures</b>							
Bad exposures	20.297	10.245	0	0	0	0	
Unlikely to pay	148.784	65.182	325	0	1.664	10.763	
Non performing past due exposures	2.227	1.124	0	0	0	0	
Other exposures	17.850.606	25.358	87.837	12	1.168.840	293	
<b>TOTAL B</b>	<b>18.021.914</b>	<b>101.909</b>	<b>88.162</b>	<b>12</b>	<b>1.170.504</b>	<b>11.056</b>	
<b>TOTAL A+B</b>	<b>90.687.067</b>	<b>2.155.975</b>	<b>1.947.008</b>	<b>83.207</b>	<b>3.400.980</b>	<b>33.514</b>	

\*) includes only items in the banking group's statement of financial position which are referred to as credit exposures, excluding equity investments and investment funds and other items such as investments in associates and joint ventures, tangible/intangible assets, tax assets, etc.; the banking group's scope of consolidation differs from that in the IFRS financial statements

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(e) the distribution of the exposures by industry or counterparty type, broken down by exposure classes;

(g) by significant industry or counterparty type, the amount of:

(i) impaired exposures and past due exposures, provided separately;

(ii) specific and general credit risk adjustments;

(iii) charges for specific and general credit risk adjustments during the reporting period

Banking group – On-balance sheet and off-balance sheet credit exposure to customers by segment *)																			(€ thousand)
Counterparts/Exposures	Governments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities			
	Net Exposure	Specific Write-Downs	Portfolio adjustments	Net Exposure	Specific Write-Downs	Portfolio adjustments	Net Exposure	Specific Write-Downs	Portfolio adjustments	Net Exposure	Specific Write-Downs	Portfolio adjustments	Net Exposure	Specific Write-Downs	Portfolio adjustments	Net Exposure	Specific Write-Downs	Portfolio adjustments	
<b>A. Balance sheet exposures</b>																			
Bad exposures	0	0	X	313	1.000	X	25.957	26.639	X	0	300	X	168.765	1.155.159	X	3.275	22.753	X	
- of which: forbore exposures	0	0	X	0	0	X	0	0	X	0	0	X	40.221	128.505	X	100	3.541	X	
Unlikely to pay	179.790	4.467	X	6.448	1.690	X	20.216	20.746	X	0	0	X	790.287	479.805	X	2.662	9.773	X	
- of which: forbore exposures	0	0	X	0	0	X	51	9.177	X	0	0	X	287.182	202.316	X	672	22	X	
Non performing past due exposures	0	0	X	0	0	X	0	0	X	0	0	X	17.406	4.248	X	2.566	5.301	X	
- of which: forbore exposures	0	0	X	0	0	X	0	0	X	0	0	X	1.353	498	X	4	2	X	
Performing exposures	16.513.046	X	868	4.099.021	X	72	5.646.281	X	9.137	63.486	X	39	48.021.281	X	415.763	1.193.686	X	1.961	
- of which: forbore exposures	0	X	0	0	X	0	12.409	X	114	0	X	0	197.265	X	3.962	11.764	X	12	
<b>TOTAL A</b>	<b>16.692.836</b>	<b>4.467</b>	<b>868</b>	<b>4.105.782</b>	<b>2.690</b>	<b>72</b>	<b>5.692.454</b>	<b>47.385</b>	<b>9.137</b>	<b>63.486</b>	<b>300</b>	<b>39</b>	<b>48.997.739</b>	<b>1.639.212</b>	<b>415.763</b>	<b>1.202.189</b>	<b>37.827</b>	<b>1.961</b>	
<b>B. Off-balance sheet exposures</b>																			
Bad exposures	0	0	X	0	0	X	0	0	X	0	0	X	20.166	8.933	X	131	1.312	X	
Unlikely to pay	1	0	X	0	0	X	87	5	X	0	0	X	148.990	42.540	X	1.695	33.400	X	
Other non-performing exposures	0	0	X	0	0	X	0	0	X	0	0	X	2.226	1.124	X	1	0	X	
Performing exposures	553.142	X	220	240.832	X	47	1.496.970	X	1.186	6.226	X	7	16.751.410	X	24.111	58.702	X	92	
<b>TOTAL B</b>	<b>553.143</b>	<b>0</b>	<b>220</b>	<b>240.832</b>	<b>0</b>	<b>47</b>	<b>1.497.057</b>	<b>5</b>	<b>1.186</b>	<b>6.226</b>	<b>0</b>	<b>7</b>	<b>16.922.792</b>	<b>52.597</b>	<b>24.111</b>	<b>60.529</b>	<b>34.712</b>	<b>92</b>	
<b>TOTAL A+B</b>	<b>17.245.979</b>	<b>4.467</b>	<b>1.088</b>	<b>4.346.614</b>	<b>2.690</b>	<b>119</b>	<b>7.189.511</b>	<b>47.390</b>	<b>10.323</b>	<b>69.712</b>	<b>300</b>	<b>46</b>	<b>65.920.531</b>	<b>1.691.809</b>	<b>439.874</b>	<b>1.262.718</b>	<b>72.539</b>	<b>2.053</b>	

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(f) the residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate

<b>Banking group: breakdown by residual contractual maturity of financial assets and liabilities *)</b>									
	(€ thousand)								
	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
<b>On-balance sheet assets</b>	<b>8.270.152</b>	<b>1.732.513</b>	<b>697.082</b>	<b>8.434.006</b>	<b>6.888.301</b>	<b>3.761.367</b>	<b>4.076.285</b>	<b>25.402.098</b>	<b>38.829.668</b>
Government securities	-	-	-	-	401.753	102.245	719.493	9.441.100	2.955.776
Other debt securities	-	-	153	633	16.007	1.040.448	872.974	1.413.226	1.709.062
Units in investment funds	1.111	-	-	-	-	-	-	-	-
Loans	8.269.041	1.732.513	696.929	8.433.373	6.470.541	2.618.674	2.483.818	14.547.772	34.164.830
- Banks	1.207.700	1.298.632	1.975	6.058.992	4.683.831	1.634.357	857.651	1.267.253	1.270.848
- Customers	7.061.341	433.881	694.954	2.374.381	1.786.710	984.317	1.626.167	13.280.519	32.893.982
<b>On-balance sheet liabilities</b>	<b>42.679.966</b>	<b>880.826</b>	<b>300.736</b>	<b>1.335.860</b>	<b>7.881.426</b>	<b>1.734.954</b>	<b>2.232.043</b>	<b>19.284.030</b>	<b>11.892.759</b>
Deposits and current accounts	41.472.914	738.414	131.668	1.299.396	849.930	1.440.726	1.478.456	6.846.574	1.117.215
- Banks	1.012.444	562.822	10.058	685.372	187.707	64.638	316.230	1.252.135	887.897
- Customers	40.460.470	175.592	121.610	614.024	662.223	1.376.088	1.162.226	5.594.439	229.318
Debt securities	2.349	141.560	167.940	28.694	843.642	245.176	671.843	10.019.120	5.677.713
Other liabilities	1.204.703	852	1.128	7.770	6.187.854	49.052	81.744	2.418.336	5.097.831
<b>Off-balance sheet transactions</b>	<b>1.090.897</b>	<b>12.612</b>	<b>1.837</b>	<b>91.620</b>	<b>34.407</b>	<b>115.177</b>	<b>160.564</b>	<b>8.416.237</b>	<b>67.851.035</b>
Physically settled fin. derivatives	-	1	-	-	-	-	-	-	-
- Long positions	1.808.115	2.100.986	20.273	327.473	74.428	155.041	352.851	313.039	4.000
- Short positions	1.808.115	2.100.985	20.273	327.473	74.428	155.041	352.851	313.039	4.000
Cash settled Fin. derivatives	-	2	-	1	-	-	2	1	-
- Long positions	183.783	484.546	135.008	326.725	237.453	139.281	194.422	1.499.551	3.765.458
- Short positions	183.783	484.544	135.009	326.725	237.453	139.283	194.421	1.499.551	3.765.458
Deposit to be received	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
Irrevocable commitments to disburse funds	166.648	-	-	-	-	-	-	-	-
- Long positions	395.746	118.342	252.282	252.262	167.106	397.319	707.787	7.555.278	3.038.754
- Short positions	229.098	118.342	252.282	252.262	167.106	397.319	707.787	7.555.278	3.038.754
Written guarantees	5.892	12.440	1.557	9.403	30.726	67.687	118.807	473.640	599.780
Financial guarantees received	918.357	169	281	82.217	3.681	47.492	41.756	7.942.597	67.251.255
Physically settled credit derivatives	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
Cash settled Credit derivatives	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	5.000	-	309.300	60.000
- Short positions	-	-	-	-	-	5.000	-	309.300	60.000

\*) the banking group's scope of consolidation differs from that in the IFRS financial statements

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(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise:

(i) a description of the type of specific and general credit risk adjustments;

(ii) the opening balances;

(iii) the amounts taken against the credit risk adjustments during the reporting period;

(iv) the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments;

(v) the closing balances.

<b>Banking group – On-balance sheet exposure to banks and customers: changes in overall impairment *)</b>							<b>(€ thousand)</b>
<b>Source/Categories</b>	<b>Exposures to banks</b>			<b>Exposures to customers</b>			
	<b>Bad exposures</b>	<b>Unlikely to pay</b>	<b>Non performing past due</b>	<b>Bad exposures</b>	<b>Unlikely to pay</b>	<b>Non performing past due</b>	
<b>Opening balance (gross amount)</b>	<b>18.088</b>	-	-	<b>4.293.893</b>	<b>2.170.742</b>	<b>116.168</b>	
Sold but not derecognised	-	-	-	-	-	-	
<b>Increases</b>	<b>8</b>	-	-	<b>383.610</b>	<b>169.122</b>	<b>14.968</b>	
Writedowns	-	-	-	72.068	94.881	3.374	
Losses on disposal	-	-	-	121	-	-	
Transfers from other Non performing exposure	-	-	-	158.607	41.478	68	
Other increases	8	-	-	152.814	32.763	11.526	
<b>Reductions</b>	<b>87</b>	-	-	<b>3.471.653</b>	<b>1.823.385</b>	<b>121.587</b>	
Write-backs from assessments	-	-	-	39.199	3.406	222	
Write-backs from recoveries	61	-	-	58.757	121.024	250	
Gains on disposal	-	-	-	-	-	-	
Write-offs	-	-	-	178.978	182.681	136	
Transfers to other Non performing exposures	-	-	-	39.840	157.544	2.768	
Other decreases	13.994	-	-	3.154.879	1.358.730	118.211	
<b>Closing balance (gross amounts)</b>	<b>4.041</b>	-	-	<b>1.205.850</b>	<b>516.479</b>	<b>9.549</b>	
Sold but not derecognised	-	-	-	374	356	101	

The table above excludes the "Performing exposures" category.

The overall amount of net write-downs, "Performing exposures" included, booked in the Income Statement 2016 amounts to:

Loans and receivables with banks positive effect of 61 thousands euro due to an excess of write-backs;

Loans and receivable with customers negative effect of 39,212 thousands euro due to an excess of write-downs.

\*) the banking group's scope of consolidation differs from that in the IFRS financial statements