

**Qualitative disclosure pursuant to Art. 442 CRR
(Credit risk adjustments)**

Definition of non-performing, impaired (IAS 39), past-due and forbearance exposures

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. The impairment loss assessment is performed in general on an analytical basis (including the validation of the provision with coverage levels statistically defined for certain loan portfolios below a set threshold). If the individual loan amounts are not significant, the assessment of impairment loss is performed on a collective basis aggregating similar exposures;
- **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). 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. The impairment loss assessment is performed in general on an analytical basis (also checking the coverage level which is statistically defined for certain loan portfolios below a set threshold) or on a collective basis aggregating similar exposures.
- **Past-due:** exposures other than those classified among “bad loans” or “unlikely to pay”, which at the reference date have amounts that are more than 90 days past due or over limits. Impaired past-due amounts can be determined by reference to the individual debtor or to the individual transaction.

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.

Forborne exposure:

The new requirements for reporting on forbearance were defined by Commission Implementing Regulation (EU) 2015/1278 amending Implementation Regulation (EU) No

680/2014. Under the definition, 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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised on the date of contract signing, which normally coincides with the date of disbursement to the borrower.

These items include debt instruments with the above characteristics (including host contracts of hybrid instruments from which an embedded derivative has been bifurcated) or those subject to portfolio reclassification in accordance with the rules of IAS 39 and the net value of finance leases of assets under construction or awaiting lease, provided the leases have the characteristics of contracts entailing the transfer of risk.

After initial recognition at fair value, which usually is the price paid including transaction costs and income directly attributable to the acquisition or issuance of the financial asset (even if not paid), a loan or receivable is measured at amortised cost, which can be adjusted to take account of any write-downs/write-backs resulting from the valuation process..

A gain or loss on loans and receivables is recognised in profit or loss:

- when a loan or receivable is derecognised: in the item *“Gains (losses) on disposal of loans”*;

or:

- when a loan or receivable is impaired: in the item *“Impairment losses on loans”*.

Interest on loans and receivables is recognised in profit or loss on an accrual basis by using the effective interest rate method under the item *“Interest income and similar revenues”*.

Delay interest is taken to the income statement on collection or receipt.

Loans and receivables are reviewed in order to identify those that, following events occurring after initial recognition, show objective evidence of possible impairment. These impaired loans are reviewed and analysed periodically at least once a year.

A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value.

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

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

If the original rate is not directly available, or if obtaining it is too burdensome, its best approximation will be applied.

For all fixed rate positions the interest rate so determined is kept constant also in subsequent financial years, while for floating rate positions the interest rate is updated with respect to the floating component used as a reference while keeping the spread originally set constant.

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

Any subsequent change vis-à-vis initial expectations of the amount or timing of expected cash flows of principal and interest causes a change in allowances for impairment and is recognised in profit or loss in the item "*Impairment losses on loans*".

Write-downs of impaired loans are classified as specific in the relevant income statement item even when the calculation is portfolio-based or based on statistical data, as indicated below.

When the reasons for the impairment no longer exist, and this assessment is objectively attributable to an event such as an improvement in the debtor's credit worthiness occurred after the impairment, a reversal is made in the same profit or loss item, within the amount of the amortised cost that there would have been if there had been no impairments.

Derecognition of a loan or receivable in its entirety (write-off) is made when the legal rights on the loan have failed or the loan or receivable is deemed to be irrecoverable or is written off. Write-offs are recognised directly in profit or loss under the item "*Impairment losses on loans*" and reduce the amount of the principal of the loan or receivable. Reversals of all or part of amounts previously written off are recognised in the same item.

Loans under renegotiation involving a debt/equity swap are valued, pending swap finalisation, on the basis of the conversion agreements entered into on the balance-sheet date.

Any negative differences between the value of the loans and the fair value of the shares are taken to profit or loss as write-downs.

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(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			30.06.2016	Average	
	Gross Exposure	Specific write-downs	Net exposure	Gross Exposure	Portfolio adjustments	Net exposure	Net exposure	Net exposure	
Available-for-sale financial assets	-	-	-	15.805.934	-	15.805.934	15.805.934	20.863.417	
Held-to-maturity financial instruments	16.310	8.815	7.495	245.985	-	245.985	253.480	367.552	
Loans and receivables with banks	4.548	4.071	477	12.821.136	-	12.821.136	12.821.613	23.344.592	
Loans and receivables with customers	2.934.094	1.950.989	983.105	58.849.285	374.205	58.475.080	59.458.185	88.261.172	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	1.466	
Financial instruments classified as held for sale	8.491.984	4.429.147	4.062.837	84.322.194	360.946	83.961.248	88.024.085	44.692.213	
TOTAL	11.446.936	6.393.022	5.053.914	172.044.534	735.151	171.309.383	176.363.297	177.530.410	

*) 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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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	
A. Balance sheet exposures							
Bad exposures	52	4.072	0	11.049	418	2.705	
Unlikely to pay	0	0	0	0	7	2	
Non performing past due exposures	0	0	0	0	0	0	
Other exposures	11.558.676	0	15.027.292	47	1.882.896	1	
TOTAL A	11.558.728	4.072	15.027.292	11.096	1.883.321	2.708	
B. Off-balance sheet exposures	0	0	0	0	0	0	
Bad exposures	0	66	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	8.135.700	0	2.449.815	6	401.196	2	
TOTAL B	8.135.700	66	2.449.815	6	401.196	2	
TOTAL A+B	19.694.428	4.138	17.477.107	11.102	2.284.517	2.710	

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	
A. Balance sheet exposures							
Bad exposures	198.279	1.317.541	1.511.974	3.093.421	817	13.856	
Unlikely to pay	1.154.934	794.437	1.882.846	1.029.432	2.249	4.735	
Non performing past due exposures	64.576	6.949	278.749	103.910	3.141	222	
Other exposures	75.321.986	389.658	63.498.861	341.370	2.894.036	4.050	
TOTAL A	76.739.775	2.508.585	67.172.430	4.568.133	2.900.243	22.863	
B. Off-balance sheet exposures	-	-	-	-	-	-	
Bad exposures	26.026	8.138	54.531	3.425	16	0	
Unlikely to pay	235.845	95.864	170.967	37.680	2.110	10.649	
Non performing past due exposures	2.333	1.044	4.633	194	0	0	
Other exposures	19.434.097	33.090	16.495.067	35.084	1.024.481	296	
TOTAL B	19.698.301	138.136	16.725.198	76.383	1.026.607	10.945	
TOTAL A+B	96.438.076	2.646.721	83.897.628	4.644.516	3.926.850	33.808	

*) 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.; includes items classified as held for sale; 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			
A. Balance sheet exposures																					
Bad exposures	0	1	X	22.501	2.546	X	22.079	60.890	X	1	57	X	959.062	3.321.597	X	707.427	1.039.727	X			
- of which: forbome exposures	0	1	X	30	905	X	1.905	4.667	X	1	4	X	337.296	460.864	X	215.303	186.059	X			
Unlikely to pay	0	21	X	45.236	12.217	X	24.175	36.042	X	1	0	X	2.869.395	1.683.724	X	101.222	96.600	X			
- of which: forbome exposures	0	0	X	38.941	10.107	X	6.698	10.611	X	1	0	X	1.721.135	994.456	X	54.775	55.818	X			
Non performing past due exposures	0	0	X	3	1	X	816	310	X	1	0	X	234.851	47.387	X	110.795	63.383	X			
- of which: forbome exposures	0	0	X	3	0	X	121	20	X	0	0	X	87.065	19.431	X	21.785	6.971	X			
Performing exposures	29.309.167	X	4.186	5.795.647	X	4.078	5.505.222	X	16.385	151.013	X	521	87.375.851	X	607.925	13.577.983	X	101.983			
- of which: forbome exposures	0	X	0	15.540	X	115	21.511	X	0	0	X	0	1.423.785	X	26.523	207.545	X	8.846			
TOTAL A	29.309.167	22	4.186	5.863.387	14.764	4.078	5.552.292	97.242	16.385	151.016	57	521	91.439.159	5.052.708	607.925	14.497.427	1.199.710	101.983			
B. Off-balance sheet exposures																					
Bad exposures	0	0	X	0	0	X	0	0	X	0	0	X	75.253	8.301	X	5.320	3.262	X			
Unlikely to pay	0	0	X	0	0	X	50	6	X	0	0	X	395.030	85.036	X	13.842	59.151	X			
Other non-performing exposures	0	0	X	0	0	X	1	0	X	0	0	X	6.397	1.098	X	568	140	X			
Performing exposures	564.091	X	372	465.545	X	231	1.489.583	X	480	19.201	X	4	33.324.912	X	62.477	1.090.313	X	4.906			
TOTAL B	564.091	0	372	465.545	0	231	1.489.634	6	480	19.201	0	4	33.801.592	94.435	62.477	1.110.043	62.553	4.906			
TOTAL A+B	29.873.258	22	4.558	6.328.932	14.764	4.309	7.041.926	97.248	16.865	170.217	57	525	125.240.751	5.147.143	670.402	15.607.470	1.262.263	106.889			

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

Banking group: breakdown by residual contractual maturity of financial assets and liabilities*)									
	(€ 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
On-balance sheet assets	15.906.742	5.515.712	3.026.966	5.231.318	11.963.550	8.576.481	11.966.149	53.962.913	59.498.871
Government securities	269.356	40.496	30.496	210.121	217.968	275.311	1.580.211	12.844.149	8.693.758
Other debt securities	660	505.471	30.325	17.750	1.088.279	110.698	1.097.359	1.450.423	2.197.765
Units in investment funds	1.148	-	-	-	-	-	-	-	-
Loans	15.635.578	4.969.745	2.966.145	5.003.447	10.657.303	8.190.472	9.288.579	39.668.341	48.607.348
- Banks	3.821.168	3.884.063	1.433.913	2.277.703	5.977.144	2.928.796	961.665	1.052.742	2.456.543
- Customers	11.814.410	1.085.682	1.532.232	2.725.744	4.680.159	5.261.676	8.326.914	38.615.599	46.150.805
On-balance sheet liabilities	61.041.600	16.139.109	1.720.011	3.158.830	15.287.999	8.099.946	9.970.086	31.390.526	16.125.653
Deposits and current accounts	58.150.504	15.273.788	1.395.230	2.986.192	5.714.229	6.867.974	7.942.691	12.638.782	1.279.992
- Banks	2.252.357	1.583.991	150.818	177.272	441.604	348.594	293.067	1.358.861	849.198
- Customers	55.898.147	13.689.797	1.244.412	2.808.920	5.272.625	6.519.380	7.649.624	11.279.921	430.794
Debt securities	52.436	545.462	30.179	14.250	1.316.951	906.527	1.683.564	13.355.616	9.189.440
Other liabilities	2.838.660	319.859	294.602	158.388	8.256.819	325.445	343.831	5.396.128	5.656.221
Off-balance sheet transactions	1.929.374	7.475	17.693	149.853	105.115	649.774	752.965	12.284.508	69.482.012
Physically settled fin. derivatives	-	1	-	-	-	1	-	1	-
- Long positions	2.785.735	402.042	71.858	605.518	842.823	1.329.529	705.150	2.335.073	133.779
- Short positions	2.785.735	402.041	71.858	605.518	842.823	1.329.530	705.150	2.335.074	133.779
Cash settled Fin. derivatives	157.041	8.028	10.054	21.294	5.351	5.338	11.139	29.395	5.404
- Long positions	430.699	891.955	1.069.098	1.902.192	4.837.590	4.042.131	8.437.254	23.106.651	13.594.280
- Short positions	587.740	899.983	1.059.044	1.923.486	4.832.239	4.047.469	8.448.393	23.136.046	13.599.684
Deposit to be received	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
Irrevocable commitments to disburse funds	163.297	-	-	163.299	80.535	25.437	29.396	15.978	-
- Long positions	1.694.368	92.927	94.217	341.285	1.280.124	1.632.676	2.159.696	8.629.840	5.210.899
- Short positions	1.857.665	92.927	94.217	177.986	1.360.659	1.607.239	2.130.300	8.613.862	5.210.899
Written guarantees	9.624	420	3.106	3.955	48.137	428.634	410.167	1.257.469	847.498
Financial guarantees received	2.240.088	132	4.533	3.893	132.162	201.042	324.541	11.040.457	68.639.918
Physically settled credit derivatives	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	5.400	-
- Short positions	-	-	-	-	-	-	-	5.400	-
Cash settled Credit derivatives	-	-	-	-	-	-	-	-	-
- Long positions	-	5.400	-	-	-	-	5.000	309.300	60.000
- Short positions	-	5.400	-	-	-	-	5.000	309.300	60.000

*) includes items classified as held for sale; 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.

Banking group – On-balance sheet exposure to banks and customers: changes in overall impairment *)							(€ thousand)
Source/Categories	Exposures to banks			Exposures to customers			
	Bad exposures	Unlikely to pay	Non performing past due	Bad exposures	Unlikely to pay	Non performing past due	
Opening balance (gross amount)	18.088	-	-	4.293.893	2.170.742	116.168	
Sold but not derecognised	-	-	-	-	-	-	
Increases	217	2	-	817.342	372.551	82.606	
Writedowns	-	2	-	414.164	313.196	72.803	
Losses on disposal	-	-	-	5.787	77	157	
Transfers from other Non performing exposure	-	-	-	266.398	16.915	4.290	
Other increases	217	-	-	130.993	42.363	5.356	
Reductions	479	-	-	686.414	714.687	87.696	
Write-backs from assessments	-	-	-	103.470	48.639	14.838	
Write-backs from recoveries	-	-	-	162.787	189.333	32.068	
Gains on disposal	-	-	-	6.388	-	-	
Write-offs	-	-	-	302.705	175.586	6.350	
Transfers to other Non performing exposures	-	-	-	8.244	251.167	28.199	
Other decreases	479	-	-	102.820	49.962	6.241	
Closing balance (gross amounts)	17.826	2	-	4.424.821	1.828.606	111.078	
Sold but not derecognised	-	-	-	140	60	4	

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