

# One Bank, One UniCredit.

2018

Annual Report

Banking that matters.

 **Bank Austria**  
Member of  **UniCredit**

# Banking that matters.



We are dedicated to creating tangible value for all our clients, employees and stakeholders by providing real solutions to real needs. Everything we do is grounded on ethics and respect.

# Contents

<b>Corporate Profile</b>	<b>5</b>
UniCredit	6
<b>Management Report of Bank Austria for 2018</b>	<b>15</b>
Economic environment – market developments	16
Bank Austria at a glance	18
Business developments in 2018	19
Details of the 2018 income statement	21
Financial position and capital resources	24
Non-financial performance indicators	28
Human Resources	32
Outlook	34
Development of business segments	38
<b>Consolidated Financial Statements in accordance with IFRSs</b>	<b>43</b>
Consolidated Income Statement for the year ended 31 December 2018	44
Consolidated Statement of Comprehensive Income	45
Statement of Financial Position at 31 December 2018	46
Statement of Changes in Equity	48
Statement of Cash Flows	50
<b>Notes to the Consolidated Financial Statements</b>	<b>53</b>
A – Accounting methods	55
B – Notes to the income statement	123
C – Notes to the statement of financial position	137
D – Segment reporting	159
E – Risk report	169
F – Additional disclosures	231
Concluding Remarks of the Management Board	249
Report of the Auditors	250
Report of the Supervisory Board for 2018	256
Statement by Management	260
Supervisory Board and Management Board of UniCredit Bank Austria AG	262
<b>Additional Information</b>	<b>267</b>
Office Network	268
Glossary of alternative performance measures	270
Investor Relations	271

\*) Financial statements in accordance with IFRS

# One Bank, One UniCredit.



Our strategy is clear and long-term. We are transforming the Group to build the bank of tomorrow for our extensive client franchise. Everything we do is designed to make UniCredit a true pan-European winner.

# Corporate Profile

<b>UniCredit</b>	<b>6</b>
Ethics and respect: Do the right thing!	6
Highlights	8
A pan-European winner	9
Business Growth	10
Transform 2019 Milestones	12

# Ethics and respect: Do the right thing!

UniCredit's Board and Senior Management consider that the way in which results are achieved is as important as the actual results. Therefore, the following Group Principles<sup>1</sup> should guide all employees' decisions and behaviors irrespective of seniority, responsibility and geographical area: **"Ethics and respect: Do the right thing!"**

Group Principles are designed to help all UniCredit employees, to guide their decision-making and their behaviours towards all stakeholders in their day to day activities.

In particular, such Principles require:

- compliance with the highest ethics standards - beyond banking regulation and beyond the law – in relationships with clients, colleagues, environment, shareholders and any other *stakeholders*;
- fostering a respectful, harmonious and productive workplace;

to best protect the Bank, its reputation and to be an employer and a counterparty of choice.

Group Principles underpin a set of core guidelines that further clarify expectations about the way to work as **One Team, One UniCredit** and support employees in the fulfillment of UniCredit *Five Fundamentals*. The spirit of each of these principles is extremely important and it will be the subject of more detailed policies that will be developed or updated in the coming months.

## Group principles in day to day activities

- **Ethics as a guiding principle of fairness and respect towards all stakeholders in order to achieve sustainable results.**

UniCredit colleagues, irrespective of seniority, responsibility and geographical area, are expected to do the right thing in their daily activities and to be fair towards all stakeholders to gain and retain their trust.

1) Which substitute the former group values.

- **“Ethics and respect” is a guiding principle which applies to all Group policies.**

The “Ethics and respect” principle is based on a long term view of the Group business activities and relationships with stakeholders as well as a comprehensive view of the internal and external working environment. Business policies require care to ensure that responsible sales approach work in harmony with balanced, fair and respectful customer interactions, enabling the achievement of sustainable business success and long-term targets. Targets and other business results are not considered achieved if they are not met in compliance with the Group Principles, related policies and the requirements that flow from them.

- **“Ethics and respect” is a guiding principle for interactions amongst all Group employees.**

UniCredit colleagues are expected to contribute in their daily activities toward creating and maintaining a work environment that is as respectful and harmonious as possible, eliminating intimidating, hostile, degrading, humiliating or offensive behaviors and words. UniCredit must contribute to assuring the respect for the rights, value and dignity of people and the environment. All forms of harassment, bullying and sexual misconduct are unacceptable.

- **“Ethics and respect” is a guiding principle for the promotion of diversity and work life balance which are considered valuable assets.**

UniCredit colleagues are expected to assure a workplace where all kinds of diversity (e.g. age, race, nationality, political opinions, religion, gender, sexual orientation) are not only respected, but also proactively promoted as well as to contribute to an environment in which respect for, and attention to, colleagues’ needs, health, work-life balance and well being are deemed essential to achieving sustainable results.

- **“Ethics and respect” is a guiding principle underpinning the reinforcement of a “Speak-up culture” and anti-retaliation protection.**

UniCredit is firmly committed to promoting an environment in which colleagues and third parties feel comfortable engaging in open and honest communication. UniCredit encourages colleagues and third parties to speak up and raise promptly good-faith concerns without fear of retaliation relating to any situation that may involve unethical or illegal conduct or inappropriate interactions with others.



# Highlights

UniCredit is a simple successful pan-European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive client franchise: 26 million clients.

UniCredit offers both local and international expertise providing its clients with unparalleled access to leading banks in its 14 core markets as well as in other 18 countries worldwide.

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

## Financial Highlights<sup>1</sup>

Operating income

€ 19,723 m

Net profit (loss)

€ 3,892 m

Shareholders' equity

€ 55,841 m

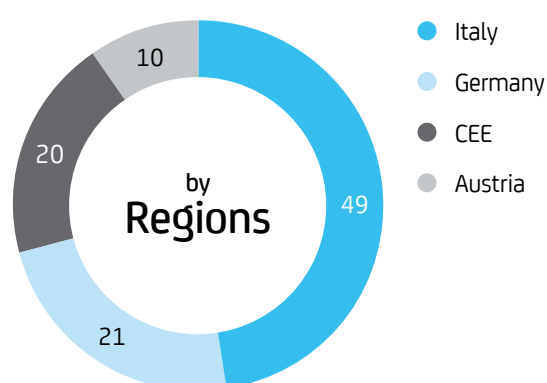
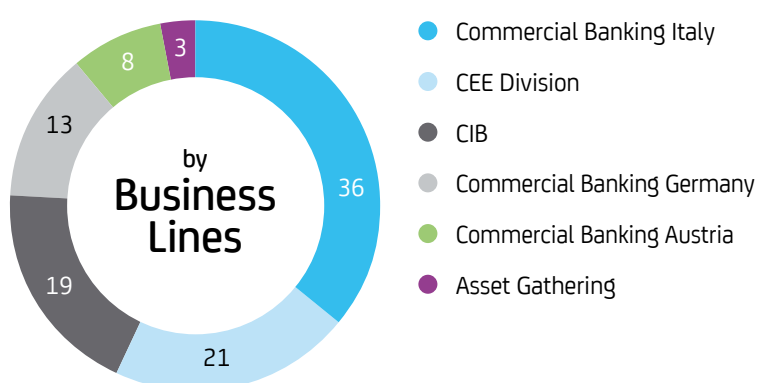
Total assets

€ 831,469 m

Common Equity Tier 1 ratio\*

12.07%

## Revenues<sup>1</sup> (%)



1) Data as at December 31, 2018.

\*) Fully loaded CET1 ratio.



# A pan-European winner

European banks must continue to focus on their clients, supporting European companies aiming for international growth. Achieving both reach and scale is important, to provide customers with efficient products at the best possible price.

UniCredit is a successful pan-European banking group. **We deliver the best products and services to our 26 million clients in 14 core markets, responding to their concrete needs.** Our geographically diversified reach provides all our shareholders, clients and colleagues with greater security. And our **"One Bank, One UniCredit"** strategic approach combines central guidance with local implementation, to keep making our Group a pan-European winner.



## Achievements 2018



### Top Employers Institute: Top employer Europe 2018

Awarded thanks to local certification achieved in Bulgaria, Croatia, Germany, Italy and Russia



- The Banker: Bank of the Year in Italy 2018
- The Banker: Bank of the Year in Bosnia 2018



### Euromoney: Trade Finance Survey 2019

#1 across 28 categories

Global Best Service Provider for: "All Services", "Advisory", "Financing / payments", "Overall Execution" and "Products"



## Digital Partnerships

### Key transaction partnerships

- Apple Pay
- Samsung Pay
- Alipay
- Google Pay

### Digital innovation for customers

- Alexa in Austria, to bank through Amazon's voice assistant
- U-days in Italy, to promote knowledge of digital payments and payment apps:  
**Apple Pay, Samsung Pay, Alipay, Google Pay**

# Business Growth

Our positive overall financial performance proves our good progress in **strengthening the Group through strategic business initiatives and a focus on digitalisation and process simplification, leveraging on best practices across the Group**. This is already driving significant growth. As the banking industry continues to evolve, we will maintain our focus on changing customer needs, ensuring the future sustainability of our business.

## In UniCredit, building the bank of tomorrow means:

- Constant focus on customer satisfaction and consistent service quality
- Continued review of processes to improve the customer experience and optimise cost, with a strong focus on risk management
- Further revenues growth

## Key Performance Indicators

	FY 2017	FY 2018	FY 2019
Cost-Income Ratio	56.9%	54.2%	52–53%
Group Gross NPEs Ratio	10.33%	7.67%	7.5%
Revenues	€ 19.9 bn	€ 19.7 bn	€ 19.8 bn

# Maximise commercial bank value.



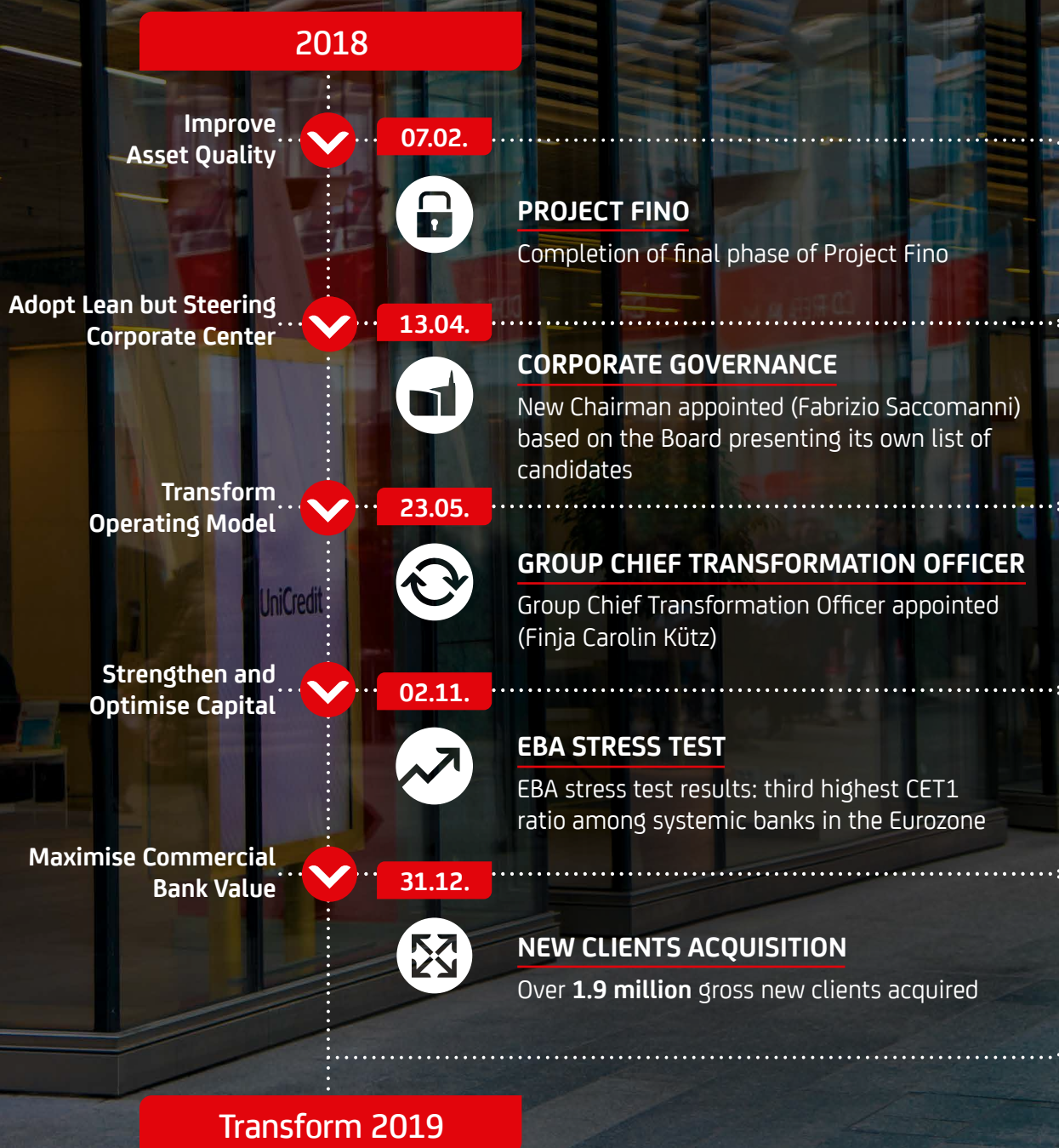
We continue to maximise commercial bank value by successfully focusing on our clients, delivering a positive experience through our multichannel strategy and best-in-class products and services. The fully plugged in CIB leverages on the Group's strong commercial banking relationships to support the real economy.



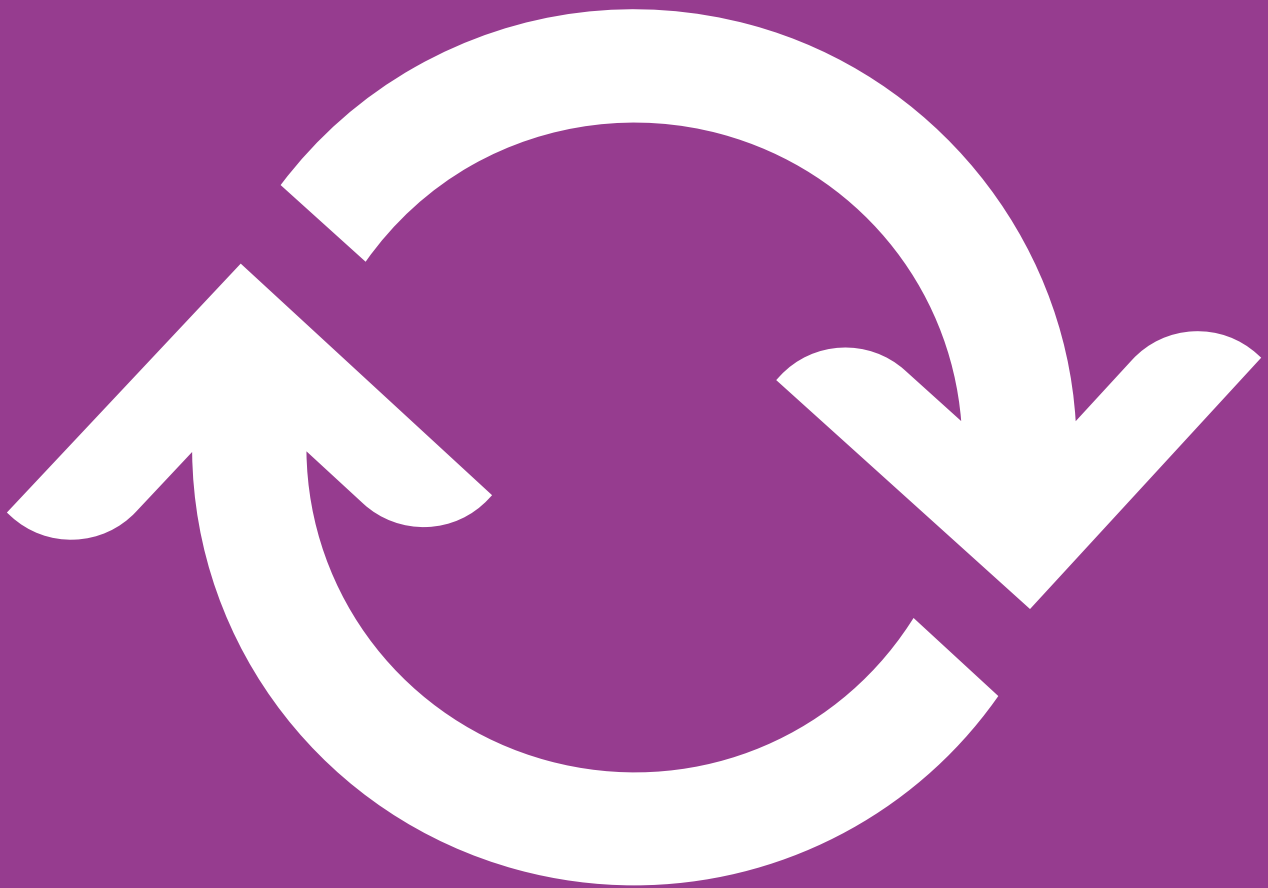
# Transform 2019 Milestones

Through Transform 2019 – our strategic plan – we are building the bank of tomorrow.

Our strategy is clear and long-term: we are One Bank, One UniCredit – a simple, successful pan-European commercial bank with a fully plugged in CIB delivering a unique Western, Central and Eastern European network to our extensive client franchise. We are and we will remain a pan-European winner.



# Transform operating model.



We are leveraging on digitalisation to transform our operating model. We are ahead of schedule, with an improved cost reduction. The optimisation of the cost base will remain important to ensure our Group's efficiency and effectiveness.

# Strengthen and optimise capital.



We will maintain a strong capital position by generating solid profit. We confirm our MDA buffer. The Group fared well in the EBA stress test results, with the third highest CET1 ratio among systemic banks in the Eurozone.

# Management Report of Bank Austria for 2018

<b>Economic environment – market developments</b>	<b>16</b>
<b>Bank Austria at a glance</b>	<b>18</b>
<b>Business developments in 2018</b>	<b>19</b>
<b>Details of the 2018 income statement</b>	<b>21</b>
<b>Financial position and capital resources</b>	<b>24</b>
<b>Non-financial performance indicators</b>	<b>28</b>
<b>Human Resources</b>	<b>32</b>
<b>Outlook</b>	<b>34</b>
<b>Development of business segments</b>	<b>38</b>



# Management Report (CONTINUED)

## Economic environment – market developments

### Global economic high reached in 2018

In 2018, the world economy exceeded the pinnacle of the current economic cycle. The upturn, largely concurrent around the world, gradually lost momentum and growth patterns became geographically less and less consistent during the course of the year. Whilst the US economic situation boomed, underpinned by strong fiscal stimulus, and the recovery in Europe also continued – though at a discernibly slower rate – in many emerging markets the momentum dwindled gradually from the start of the year and some, such as Argentina and Turkey, faced sharp economic declines. Alongside the cyclical slowdown of the growth rate, there were increased challenges for the world economy due to growing political uncertainty, mounting protectionism in economic policy, and the gradual tightening of monetary policy in the USA. The tailwind behind the price of oil, contingent on economic trends and political influences and which yielded an increase from just over US\$ 60 per barrel at the start of the year up to US\$ 85, turned in October due to a surplus. By the end of the year, the price of crude oil sank by almost 40% to less than US\$ 55 per barrel. At US\$ 71.8 per barrel, the 2018 yearly average for the price of oil was nevertheless up by 30% on the 2017 value. Influenced by flagging economic trends and growing risks for the world economy, the stock exchanges came under pressure. The upturn on the capital markets that has continued uninterrupted for almost ten years and was led by growth in the USA, came to a halt at the end of 2018.

● The **global economy** reached the peak of expansion in 2018 with a 3.7% increase in economic performance. In contrast to the broad-based upturn in 2017, economic expansion proceeded unevenly in both regional and sectoral terms. While domestic trends ensured continued upswing, supported by the still ongoing improvement of the situation on the labour markets, investment activity and foreign trade lost steam during the course of the year. Three factors gave further fuel to the cyclical deceleration of global expansion. Firstly, 2018 saw further intensification of political conflicts in many places. This had an increasingly negative impact on the economic climate and contributed to mounting uncertainty. The paradigm shift in US foreign policy under President Trump brought renewed sanctions by the USA against Russia as a result of the annexation of the Crimean Peninsula, as well as the announcement that US troops would be withdrawn from Syria. The USA also enforced economic sanctions against Iran and international companies trading with Iran following revocation of the nuclear deal. In Europe it was predominantly impending Brexit, the withdrawal of the United Kingdom from the European Union at the end of March 2019, that catered for political tensions with the potential for economic disturbance. Secondly, in 2018 the US administration started implementing the protectionist

economic policy that had previously only been talked about. Trade agreements with Mexico and Canada were renegotiated. The introduction and increase of US import duties escalated into a trade dispute with China and led to considerable disruption in trade flows and market prices in the sectors affected. While the dynamics of global trade remained largely unaffected by the constraints of 2018, there quickly emerged a strain on the economic climate and the investment plans of businesses around the world, with the potential for increasingly negative consequences for the global economy. Thirdly, by the end of 2018 the incremental normalisation of monetary policy in the industrialised nations, first and foremost through the continued lift in the target range of the Fed Funds Rate in the USA to 2.25 to 2.5%, gave rise to a toughening of financing conditions. For emerging nations in Latin America, Asia and the Middle East in particular, the capital drains following higher US interest rates resulted in a greater scarcity of financing.

● For the **US economy**, 2018 was a very strong year. With economic growth that reset the 2.9% of 2015, the USA outpaced most industrialised countries. The reason behind this was primarily the powerful fiscal support created by tax cuts and a wide programme of public expenditure, which nevertheless raised the budget deficit to 5% of GDP and extended public debt to markedly above 100% of GDP. By contrast, a largely neutral fiscal policy meant the expansion of the European economy lost momentum during the course of 2018. After the 2.5% of 2017, GDP growth in the eurozone decreased to 1.8% in 2018. A combination of four factors brought about the slowdown in the growth of the **European economy**. The slackening in global trade resulted in a marked drop-off in export dynamics. The rise of the Euro against the US dollar in the early months of the year to USD 1.25 to the Euro put even more pressure on export performance. The increase in oil price put a strain on household incomes and corporate profits. Ultimately, flagging support by monetary policy had an impact.

### ECB ended its bond purchasing programme in 2018

In 2018, the European Central Bank (ECB) once again made no changes to its key interest rates. The key interest rates in Europe have now remained unchanged since March 2016. The interest rate for the main refinancing instrument is 0%. The marginal lending rate is 0.25% and the deposit rate remains minus 0.4%. On the other hand, towards the end of 2018 the ECB ultimately phased out its asset-buying programme entirely, which at the start of 2018 had been cut back to € 30 billion per month and reduced to € 15 billion in the final quarter. Since the start of 2019 the ECB, despite keeping

# Management Report (CONTINUED)

its portfolio of purchased assets steady at just under € 2,600 billion by renewing bonds on maturity, nevertheless, no longer carries out any further purchases. In this regard, the Federal Reserve is already one step ahead. In 2018, the Fed continued as planned what it had started in October 2017, namely reducing its balance of originally USD 4,500 billion by no longer fully replacing maturing US state bonds and mortgage-backed securities. In addition to this, the Fed continued in 2018 to raise its key interest rates in small steps of 25 basis points. During the course of the year, there were in total four interest rate hikes, allowing the US economy to start 2019 with a key interest rate range of 2.25 to 2.5%. In consequence of the streamlining of monetary policy, interest rates in the USA showed clear buoyancy. By the end of 2018, the three-month LIBOR increased by 110 basis points to 2.8% during the course of the year. Long-term interest rates also showed an upward trend. The yield on ten-year US state bonds rose from 2.4% at the start of the year temporarily up to more than 3%, though concluded the year lower down at 2.7%. In the last months of the year, investors have once again been drawn to state bonds as a reliable alternative, after uncertainty in the stock market heightened as a result of economic worries. October saw the end of almost ten years' uninterrupted upswing on the US stock exchanges. In autumn, the Dow Jones Average reached a record high of more than 26,800 points, though ultimately finished 2018 with a drop of almost 7% within the year. The European stock exchanges, listing companies with a stronger export focus, were hit even harder by the economic uncertainty. The Euro Stoxx 50 ended 2018 down by almost 15%, the leading German index DAX over 18% and the Austrian ATX was almost 20% lower than at the start of the year.

On the other hand, European interest rates did not follow the US lead in 2018. Over the course of the year, the 3-month Euribor did surmount its low point of minus 0.33%, if only just. Though showing a slight uptrend in the first months of the year, the yield on ten-year German federal bonds – the safe haven of Europe – ended the year at just 0.25%, even lower than at the start of the year. This in view of growing uncertainty in Europe caused in part by impending Brexit. The yield on the Austrian counterpart was relatively stable at just under 20 basis points higher.

## Economic situation and market developments in Austria

In **Austria**, economic growth increased in 2018 to 2.7%. Energetic global trade has stimulated Austrian exports. Together with a domestic economy driven by still very powerful investment activity and the highest consumption dynamics for ten years, this resulted in the greatest increase in GDP since the 2011 recovery hot on the heels

of the financial crisis. Furthermore, above average economic growth as compared to European standards was once again achieved. The economic high point, however, was reached early on in 2018. From the spring onwards, the rate of growth slowed down. The uncertainty caused by protectionist US trade policy, characterised by the increase in import duties on European steel and aluminium from June onwards as well as the announcement of further tariff-related trade restricting measures, has affected export trends. According to a survey conducted for the UniCredit Bank Austria purchasing managers' index, as of October the number of new orders from abroad went down. The investment dynamics which in Austria depend heavily on the global trend of demand due to the economy's strong focus on exports, something expressed in a goods export rate of almost 39% of GDP, began to wane as a result. At 3.4%, gross fixed capital formation nevertheless registered a marked increase, only marginally less than the 2017 figure of 3.9%. The growth in both equipment and construction investments lost a certain amount of momentum. The sound combination of high profitability and liquidity of companies as well as prolonged favourable financing terms continued to support investment activity in 2018. However, capacity utilisation was significantly higher than the long-term average value despite a gradual downtrend. Individual consumption, responsible for more than 50% of overall demand, was the only area to achieve greater momentum than the previous year with an increase of 1.6%. This was caused on the one hand by an increase in real wages, particularly as average 2% inflation was marginally lower than in 2017, and on the other hand by the positive development in the labour market with employment growth even standing at 2.3%. This led to a drop in unemployment rates from 8.5% or 5.5% (Eurostat) in 2017 to just 7.7% or 4.9% as a 2018 yearly average.

● In 2018, the continued economic recovery gave plenty of impetus to the loan demand in Austria. Unlike the economic situation, loan growth rates remained at a level during the course of the year. 2018 also saw growth in consumer and SME credit for the first time in years. Demand for residential building loans remained high in 2018, and growth at slightly below 5% was comparable to that of 2017. Despite the renewed powerful momentum in corporate credit, a large part of the investment boom in Austria is financed not by bank loans but rather by internal financing and other forms. The growth in company investments decreased to slightly above 5%, yet this does point towards the high liquidity of Austrian firms. For private households in 2018, there was also further marked accumulation of bank deposits, which remained by far the most notable class of investment. The second-most important investment class also continued to be the funds in 2018, while bonds and life insurance again reached a new decline. Direct investments by private households in Austria in shares remained insignificant.

# Management Report (CONTINUED)

## Bank Austria at a glance

### Income statement figures<sup>1)</sup>

(€ million)	2018	2017 <sup>2)</sup>	+/-
Net interest	963	998	-3.5%
Dividends and other income from equity investments	155	154	+0.8%
Net fees and commissions	706	711	-0.8%
Net trading, hedging and fair value income/loss	103	77	+33.4%
Operating income	1,983	2,022	-1.9%
Operating costs	-1,221	-1,292	-5.5%
Operating profit	762	729	+4.5%
Net write-downs of loans and provisions for guarantees and commitments	66	-9	n. m.
Net operating profit	829	720	+15.1%
Profit or loss before tax	716	571	+25.5%
Total profit or loss after tax from discontinued operations	15	114	-86.9%
Net profit or loss attributable to the owners of the parent company	637	653	-2.6%
Cost/income ratio	61.6%	63.9%	-2.3 PP
Cost of risk	-11 bp	2 bp	-12 bp

### Volume figures

(€ million)	31 DEC. 2018	1 JAN. 2018 <sup>3)</sup>	+/-
Total assets	99,029	102,148	-3.1%
Loans and receivables with customers	62,599	59,823	+4.6%
Direct funding	68,299	70,487	-3.1%
Loan/direct funding ratio	91.7%	84.9%	+6.8 PP
Equity	8,361	8,339	+0.3%
Risk-weighted assets (overall) <sup>4)</sup>	34,365	33,205	+3.5%

### Capital ratios<sup>5)</sup>

	31 DEC. 2018	1 JAN. 2018	
Common Equity Tier 1 capital ratio	18.6%	19.6%	-1.0 PP
Tier 1 capital ratio	18.7%	19.6%	-0.9 PP
Total capital ratio	21.4%	22.2%	-0.8 PP
Leverage Ratio	6.0%	5.8%	-0.2 PP

### Staff

(Full-time equivalent)	31 DEC. 2018	31 DEC. 2017	+/-
Austria in total	5,374	5,532	-158

### Offices

	31 DEC. 2018	31 DEC. 2017	+/-
BA AG – Retail customer branches	123	123	0

1) Bank Austria Group's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting

2) Comparative figures for 2017 recast to reflect the current structure and methodology.

3) 1 Jan. 2018 recast to reflect the first-time application of IFRS 9 and an adjustment in the social capital.

4) Regulatory risk-weighted assets.

5) Pursuant to Basel 3 / IFRS 9 according to the current state of the transitional provisions; capital ratios based on all risks; 01/01/2018 including the first-time application of IFRS 9 and an adjustment in the social capital; leverage ratio: 01/01/2018 including an adjustment in the social capital.

n. m. = not meaningful / PP = percentage point(s) / bp = basis point(s)

# Management Report (CONTINUED)

## Business developments in 2018

### Major events

In 2018, work systematically continued on implementing the reorientation of Bank Austria as part of the UniCredit Group's strategic "Transform 2019" plan. The bank has an excellent starting point: Bank Austria is not only the largest individual institution in the country, but it also allows its customers to access all opportunities offered by a large international bank through being part of UniCredit Group. Our customers can therefore make use of **the high-quality consulting and services, the UniCredit banking network in Central and Eastern Europe, and the global presence of UniCredit Group.**

In line with the UniCredit Group approach of being a simple, successful pan-European commercial bank, the focus of the strategic realignment is on simplifying processes. The main focus here is on further **digitisation** and **streamlining the product range**. In addition, work is also continuously undertaken on other initiatives to achieve revenue growth and cost savings.

Moving to the new Campus in the second quarter of 2018 was a defining event in the reporting period. The relocation of more than 5,000 head office employees within a short period of time was logistically highly demanding, but was executed and completed

according to plan. Bank Austria's new head office, which it shares with other UniCredit Group companies, is on the site of Vienna's former Northern Railway Station. The concentration of areas of the bank, which were previously spread across various sites in Vienna, on the "Austria Campus", together with the state-of-the-art standards of the new site, will lead to significant increases in efficiency and savings. The new site has been designed to be barrier-free. Having its own geothermal plant will also enable it to make a highly significant environmental contribution to reducing CO<sub>2</sub> emissions.

As part of Bank Austria's increased focus on its core function as a leading bank in Austria, it has also focused on the sale of assets not required for operations. In 2018, in this context, further parts of the real estate portfolio that were mainly held by Immobilien Holding were sold, as a result of which most of the property not required for the core business has been sold.

In the context of financial reporting, the new reporting standard **IFRS 9** had to be applied for the first time, which resulted in changes to the applicable valuation approaches for many balance sheet items. This required comprehensive preparations in the accounting department and other areas of the bank.

# Management Report (CONTINUED)

## Condensed income statement of Bank Austria<sup>1)</sup>

(€ million)

	RECAST <sup>2)</sup>		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	2018	2017	+/- €	+/- %	2018	2017	2018	2017
Net interest	963	998	-35	-3.5%	0	-18	963	980
Dividend income and other income from equity investments	155	154	+1	+0.8%	0	0	155	154
Net fees and commissions	706	711	-6	-0.8%	0	0	706	711
Net trading, hedging and fair value income	103	77	+26	+33.4%	0	0	103	77
Net other expenses/income	57	81	-24	-30.0%	0	0	57	81
Operating income	1,983	2,022	-38	-1.9%	0	-18	1,983	2,004
Payroll costs	-632	-667	+35	-5.3%	0	0	-632	-667
Other administrative expenses	-561	-596	+34	-5.8%	0	0	-561	-596
Recovery of expenses	0	1	0	-27.9%	0	0	0	1
Amortisation, depreciation and impairment losses on intangible and tangible assets	-29	-30	+1	-4.3%	0	0	-29	-30
Operating costs	-1,221	-1,292	+71	-5.5%	0	0	-1,221	-1,292
Operating profit	762	729	+33	+4.5%	0	-18	762	711
Net write-downs of loans and provisions for guarantees and commitments	66	-9	+76	n.m.	0	18	66	9
<b>Net operating profit</b>	<b>829</b>	<b>720</b>	<b>+108</b>	<b>+15.1%</b>	<b>0</b>	<b>0</b>	<b>829</b>	<b>720</b>
Provisions for risks and charges	-42	3	-46	n.m.	0	0	-42	3
Systemic charges	-122	-102	-21	+20.4%	0	0	-122	-102
Integration/restructuring costs	2	-65	+67	n.m.	0	0	2	-65
Net income/loss from investments	50	14	+36	>100%	0	0	50	14
<b>Profit or loss before tax</b>	<b>716</b>	<b>571</b>	<b>+145</b>	<b>+25.5%</b>	<b>0</b>	<b>0</b>	<b>716</b>	<b>571</b>
Income tax for the period	-79	-12	-66	>100%	0	0	-79	-12
Total profit or loss after tax from discontinued operations	15	114	-99	-86.9%	0	0	15	114
Non-controlling interests	-16	-19	+3	-17.5%	0	0	-16	-19
<b>Net profit or loss<sup>3)</sup></b>	<b>637</b>	<b>653</b>	<b>-17</b>	<b>-2.6%</b>	<b>0</b>	<b>0</b>	<b>637</b>	<b>653</b>

n.m. = not meaningful.

1) Bank Austria Group's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting. / 2) Recast to reflect the consolidation perimeter and business structure in 2018. / 3) Attributable to the owners of the parent company.

# Management Report (CONTINUED)

## Details of the 2018 income statement

*The following commentary on Bank Austria's performance is based on the income statement structure used for segment reporting. The comparative figures for 2017 are recast to reflect the current structure and methodology.*

*Segment reporting covers four business segments: Retail Banking, Corporate Banking, Private Banking and Corporate & Investment Banking. Corporate Banking as used in this commentary is the sum of corporate customer business, leasing and factoring activities. Those parts of the bank that are not assigned to any business segment are reported in the Corporate Center segment.*

*The item "Total profit or loss after tax from discontinued operations" reflects the results from Immobilien Holding companies which are still held by Bank Austria but are classified as held for sale, including the results from the sale of property companies and properties held by these companies.*

**Operating income** in 2018 was €1,983 million, just under the previous year's figure (€2,022 million). Net interest decreased, which was partially due to the planned phasing out of funding of the earlier CEE subsidiaries remaining in Bank Austria, but also due to the current low interest rate environment. Net fees and commissions were slightly lower than the previous year and net trading, hedging and fair value income developed positively.

**Net interest** represented almost half of operating income and therefore continues to be the most important income item. At €963 million, there was a decline on the previous year of –3.5%, which, as described above, was partly due to the planned phasing out of funding for the subsidiaries still remaining in Bank Austria. The continuing environment of extremely low, and sometimes even negative, interest rates continues to have a negative effect on interest income.

At €155 million, **dividends and other income from equity investments** remained more or less unchanged from the previous year. The item mainly comprises pro rata results from material

equity investments such as the 3 Banken Group and Oesterreichische Kontrollbank.

**Net fees and commissions** (€706 million) recorded a slight decrease in 2018 of €6 million or 0.8% compared to the same period in 2017. More than two-fifths of net fees and commission was generated by asset management business; despite a difficult market environment the amount of the previous year was nearly reached. Almost one-half of net fees and commissions came from payment transactions, a business area which remained a major generator of contributions with income just under the previous year's level. Income from financing services was increased compared to the level of 2017.

**Net trading, hedging and fair value income** (€103 million) recorded a very positive development. Compared to the previous year, an increase of 33% was achieved.

The income statement item **net other expenses/income** mainly includes various items that are not included in the aforementioned income items. Income of €57 million (compared to €81 million in the same period of the previous year) was generated in 2018.

Bank Austria continues to pay great attention to the development of costs. After recording substantial cost savings of 14.1% in 2017, there was a further substantial reduction in operating costs of –€71 million or –5.5% to €1,221 million in 2018 (previous year: €1,292 million). Cost reductions were achieved in all major cost types.

At €632 million, **payroll costs** were –€35 million or –5.3% down on the 2017 figure, which mainly reflected the reduction in staff capacities (FTE) implemented in line with the ongoing strategy. The majority of the staff cuts made taking account of social responsibility, with attractive models for employees, had already been made in 2017, but the full savings naturally only began to take effect in 2018.

# Management Report (CONTINUED)

The decline in **other administrative expenses** by –5.8% to €561 million was also due to Bank Austria's very strict cost management representing a special focus by the bank as part of implementing the ongoing UniCredit Group "Transform 2019" strategy. Despite the one-off costs that resulted from the move of head-office employees to the new site at the Austria Campus in 2018, the bank succeeded in reducing costs to this extent.

The development of **amortisation, depreciation and impairment losses on intangible and tangible assets** (–4.3%) also reflects the implementation of the savings measures, including branch closures and other reductions in fixed assets.

As a consequence of the developments and measures shown, the cost/income ratio (61.6%) continued to improve further (previous year: 63.9%), which shows how successful the restructuring activities have been.

The **operating result** of €762 million shows growth of 4.5% based on the successful cost reduction measures.

Supported by a positive economic environment and the bank's professional credit risk management, **net write-downs of loans and provisions for guarantees and commitments** recorded a positive result. It was possible to reverse provisions formed in previous years and generate an overall positive amount of €66 million (an amount of –€9 million was recorded in the same period of the previous year).

The **cost of risk** ratio, expressed in basis points/bp as a ratio of the net write-downs of loans and provisions for guarantees and commitments and the average credit volume (see also alternative performance measures in the glossary), shows by definition a negative value of –11 bp for Bank Austria in 2018 due to the positive contribution of net write-downs of loans and provisions for guarantees and commitments (+2 bp in 2017). The divisions have the following cost of risk: Retail Banking –27 bp, Corporate Banking 15 bp and CIB division –26 bp.

● Operating performance (net operating profit) was €829 million in 2018, which corresponded to an increase on 2017 of 15.1% up from €720 million. The Austrian customer segments made the following contributions to operating performance: Retail Banking +€145 million, Corporate Banking +€316 million, Private Banking +€44 million and CIB +€275 million.

Under the **provisions for risks and charges** item an amount of –€42 million (previous year +€3 million) was reported in 2018.

**Systemic charges** were higher than in the previous year at –€122 million (–€102 million in the same period in 2017), where the difference mainly resulted from a one-off credit of €22 million in the previous year due to the CEE demerger. Of the total amount, the bank levy accounted for €64 million (including a pro rata special payment of €46 million), and contributions to the deposit guarantee scheme and the resolution fund totalled €58 million. The pro rata special payment of the bank levy which is paid in four instalments in 2017–20 is based on the new regulation of the Austrian bank levy enacted in 2016.

The **integration/restructuring costs** in the ongoing financial year show a positive balance of €2 million. A new formation is more than compensated for as a result of the release of a provision for a property transaction. The item was recorded as –€65 million in the previous year.

**Net income from investments** was positive at €50 million (previous year: €14 million), partly due to the sale of real estate.

In total, **profit before tax** of €716 million was generated from the mentioned operating and non-operating items. In comparison with the 2017 financial year, this shows a considerable increase of +€145 million which is mainly due to an improved net operating profit, the absence of the previous year's negative effect from integration/restructuring costs and the considerable increase in net income from investments.



# Management Report (CONTINUED)

**Income tax** amounts to €79 million, which is a considerable increase compared to the previous year (€12 million). In 2017, the tax item was influenced by positive one-off effects.

Total **profit or loss after tax from discontinued operations** includes the contribution of +€15 million (in the previous year: +€114 million) from the Immobilien Holding companies ("Immo Holding"), including the results from the sale of property companies and properties held by these companies. The majority of these assets not required for operations have now been sold off.

**Non-controlling interests** (minority interests) amounted to –€16 million (previous year: –€19 million).

Overall, a net profit (**net profit or loss attributable to the owners of Bank Austria**) of €637 million was generated in 2018, following €653 million in 2017. The operating result (net operating profit) clearly improved whilst the contribution from the sale of Immo Holding properties decreased as expected.

# Management Report (CONTINUED)

## Financial position and capital resources

From 2018 onwards, Bank Austria prepares its consolidated financial statements in accordance with IFRS 9, which resulted in changes to the applicable valuation approaches for many balance sheet items. Overall, the first-time application of IFRS 9 led to a slight increase in total assets (+€10 million) and an insignificant reduction in shareholders' equity (–€3 million) compared to the balance sheet figures as at 31/12/2017 – see pages 48 to 49.

Generally, the Bank Austria Group's balance sheet at 31/12/2018 reflects the strategic target structure of an **Austrian universal bank** focused on traditional commercial banking busi-

ness with customers. **Loans and receivables with customers** is the largest item on the asset side by far with a proportion of more than 60%. The Corporate Banking and Corporate & Investment Banking divisions accounted for more than two-thirds of total lending volume, underscoring Bank Austria's leading position as a major lender to the Austrian business sector. Furthermore, the bank holds an important position in lending to Austrian retail customers. **Deposits from customers** represent more than half of liabilities. Approximately 60% consists of deposits from the Retail Banking and Private Banking divisions and constitutes a solid refinancing basis for Bank Austria.

### Major items in the statement of financial position

(€ million)

	31 DEC. 2018	1 JAN. 2018 <sup>1)</sup>	CHANGE VS. 1 JAN. 2018	
			+/-	+/- %
<b>ASSETS</b>				
Cash and cash balances	98	230	–132	–57.4 %
Financial assets held for trading	783	992	–209	–21.1 %
Loans and receivables with banks	14,485	18,933	–4,448	–23.5 %
Loans and receivables with customers	62,599	59,823	+2,776	+4.6 %
Other financial assets	16,959	18,181	–1,222	–6.7 %
Hedging instruments	1,891	2,327	–436	–18.7 %
Other assets	2,215	1,662	+553	+33.3 %
<b>Total assets</b>	<b>99,029</b>	<b>102,148</b>	<b>–3,119</b>	<b>–3.1 %</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from banks	14,444	15,126	–682	–4.5 %
Deposits from customers	55,651	55,463	+187	+0.3 %
Debt securities in issue	12,402	14,722	–2,320	–15.8 %
Financial liabilities held for trading	770	1,004	–235	–23.4 %
Hedging instruments	1,546	1,707	–161	–9.4 %
Other liabilities	5,856	5,786	+70	+1.2 %
o/w pensions and other post-retirement benefit obligations	3,776	3,726	+50	+1.4 %
Equity	8,361	8,339	+21	+0.3 %
<b>Total liabilities and equity</b>	<b>99,029</b>	<b>102,148</b>	<b>–3,119</b>	<b>–3.1 %</b>

1) Recast to reflect the first-time application of IFRS 9 and the adjustment in the social capital.

# Management Report (CONTINUED)

## Reconciliation of the short version of the balance sheet (as shown in the Management Report on page 24) to the balance sheet items of the consolidated interim financial statements

### Assets

(€ million)

	31 DEC. 2018	1 JAN. 2018 <sup>1)</sup>
Cash and cash balances	98	230
Financial assets held for trading	783	992
Loans and receivables with banks	14,485	18,933
a) Financial assets at amortised cost	14,485	18,933
Loans and receivables with customers	62,599	59,823
a) Financial assets at amortised cost	61,397	58,479
b) Financial assets mandatorily at fair value	1,202	1,344
Other financial assets	16,959	18,181
a) Financial assets at amortised cost (banks)	799	750
b) Financial assets at amortised cost (customers)	324	393
c) Financial assets designated at fair value	–	–
d) Financial assets mandatorily at fair value	162	180
e) Financial assets at fair value through other comprehensive income	13,490	14,921
f) Investments in associates and joint ventures	2,183	1,937
Hedging instruments	1,891	2,327
a) Derivatives used for hedging	1,619	2,084
b) Fair value changes of the hedged items in portfolio hedge (+/–)	271	243
Other assets	2,215	1,662
a) Tangible assets	601	629
b) Intangible assets	3	9
of which goodwill	–	–
c) Tax assets	355	302
d) Non-current assets and disposal groups classified as held for sale	926	330
e) Other assets	330	391
<b>TOTAL ASSETS</b>	<b>99,029</b>	<b>102,148</b>

### Liabilities and equity

(€ million)

	31 DEC. 2018	1 JAN. 2018 <sup>1)</sup>
Deposits from banks	14,444	15,126
Deposits from customers	55,651	55,463
Debt securities issued	12,402	14,722
Financial liabilities held for trading	770	1,004
Hedging instruments	1,546	1,707
a) Derivatives used for hedging	1,368	1,655
b) Fair value changes of the hedged items in portfolio hedge (+/–)	178	52
Other liabilities	5,856	5,786
a) Financial liabilities designated at fair value	247	301
b) Tax liabilities	52	34
c) Liabilities included in disposal groups classified as held for sale	540	56
d) Other liabilities	697	1,146
e) Provisions for risks and charges	4,320	4,250
of which pensions and other post-retirement benefit obligations	3,776	3,726
Shareholders' equity	8,361	8,339
a) Revaluation reserves	–1,305	–963
b) Other provisions	3,148	2,772
c) Share premium reserve	4,136	4,135
d) Share capital	1,681	1,681
e) Minority interests (+/–)	64	61
f) Net profit or loss <sup>2)</sup>	637	653
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>99,029</b>	<b>102,148</b>

1) Recast to reflect the first-time adoption of IFRS 9 and the adjustment in the social capital.

2) attributable to the owners of the parent company

# Management Report (CONTINUED)

In comparison to 01/01/2018 (recast), there is a decrease in **total assets** of –€3.1 billion or –3.1 % to €99.0 billion.

**Loans and receivables with banks** reduced by –€4.4 billion to €14.5 billion. This is caused by, inter alia, declining financing to UniCredit Group companies, in particular to the previous CEE subsidiaries.

**Loans and receivables with customers** increased by +€2.8 billion to €62.6 billion. A significant increase in volume was generated by the CIB division in particular.

Non-performing gross loans reduced due to excellent credit quality compared to the end of 2017, from €2.6 billion to €2.1 billion, which is also reflected in a reduced (4.2 % to 3.3 %) gross NPL ratio.

**Deposits from banks** slightly decreased by €0.7 billion compared to the end of 2017.

**Deposits from customers** reached €55.7 billion, a slight increase (€0.2 billion) compared to the end of 2017. Deposits in the CIB division declined as expected, while deposits from retail customers were higher on the reporting date.

**Debt securities in issue** amounted to €12.4 billion. In accordance with the bank's liquidity strategy and the resulting conservative issue activity, this resulted in a decrease (–€2.3 billion) compared to the end of 2017.

The excellent refinancing basis through non-banks is documented overall in the summarised "direct funding (avg.)" item (customer deposits + debt securities in issue + financial liabilities valued at fair value), which amounted to €68.3 billion as at 31/12/2018. This means that loans to non-banks are covered by deposits from non-banks and debt securities in issue to the extent of about 109 %.

**Provisions for risks and charges** totalled around €4.3 billion as at the end of 2018. The largest item thereof is provisions for pensions and similar obligations, which amounted to €3.8 billion. The increase was mainly due to the new mortality tables. In 2018, the discount rate for social capital increased from 1.80 % to 1.85 %.

**Shareholders' equity** amounted to €8.4 billion as at the reporting date of 31/12/2018. Compared to 01/01/2018, there was an increase of €21 million, where the current annual profit of €637 million, the dividend payment of €379 million and the net effect of the new mortality tables of –€144 million were the key elements of the change in 2018.

## Capital resources and risk-weighted assets

*Regulatory capital, capital requirements and regulatory capital ratios are calculated in accordance with the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) to implement Basel 3 in the European Union. Under the Austrian CRR Supplementary Regulation and ECB Regulation 2016/445 on the exercise of options and discretions available in EU law, these provisions are not yet fully applicable, but will be gradually introduced over several years.*

*Bank Austria Group calculates its consolidated regulatory capital and consolidated regulatory capital requirements on an IFRS basis.*

*Subsequently, the figures as at 01/01/2018 are presented according to IFRS 9 and including the adjustment of the provision for social capital mentioned in the previous section, in order to ensure comparability with the 2018 annual figures.*

**Capital resources** of the Bank Austria Group decreased in comparison to 01/01/2018 from €7.4 billion to €7.3 billion of **regulatory capital**. The key drivers of this development were the effects already shown in social capital due to the new mortality tables and other valuation effects.

**Common Equity Tier 1 capital (CET1)** was influenced by these developments and amounted to €6.4 billion (01/01/2018: €6.5 billion). Items that are now to be directly and exclusively deducted from CET1 have also had a negative effect on CET1 since the end of the transitional provisions as at 01/01/2018, and the shift increased AT1 and Tier 2. For **Tier 2 capital** (€0.9 billion), this effect was partly also offset by amortisation and foreign currency effects from recognised subordinated instruments.

In comparison to the end of 2017, **risk weighted assets (RWA)** increased from €33.2 billion to **€34.4 billion**, mainly due to a growth in the credit risk by €1.2 billion to €30.9 billion.

The increase in RWA and the slight decrease in shareholders' equity resulted in a reduction in the capital ratios, as shown in the table below. The ratios continue to significantly exceed the legal requirements.

# Management Report (CONTINUED)

## Capital ratios\*) based on all risks

	31 DEC. 2018	1 JAN. 2018
Common Equity Tier 1 capital ratio	18.6 %	19.6 %
Tier 1 capital ratio	18.7 %	19.6 %
Total capital ratio	21.4 %	22.2 %

\*) Based on all risks and in accordance with the CRR transitional provisions; figures as at 01/01/2018 including the first-time application of IFRS 9 and the adjustment in the social capital.

Without taking the transitional provisions defined in the CRR into account, the Common Equity Tier 1 Ratio (fully loaded) was 18.6 % and the total capital ratio (fully loaded) was 21.1 %.

● The **Leverage Ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 6.0 % as at 31/12/2018. Without taking the transitional provisions defined in the CRR into account, the value is 5.9 %.

## Permanent establishments

There are no permanent establishments.

# Management Report (CONTINUED)

## Non-financial performance indicators

*As a member of UniCredit Group, Bank Austria does not prepare its own non-financial declaration in accordance with Section 243b of the Austrian Commercial Code (UGB), since it is included in UniCredit SpA's non-financial report pursuant to Section 243b (7) UGB. This report is available on UniCredit's website (<https://www.unicreditgroup.eu/en.html>).*

### Research and development

Bank Austria is a credit institution and provides banking services. The production process of a bank generally does not involve research and development in an industrial sense. But a bank's day-to-day business operations continuously benefit from development activities. Generally, Bank Austria aims to meet the needs of different customer groups with simple products. In addition, new regulatory provisions necessitate new developments and adjustments on an ongoing basis.

In the area of information and communication technology (ICT), investment at UniCredit level focuses on further developing digitisation while maintaining stringent cost management. The main objective is to enhance the customer experience and expand it to include digital channels in addition to automating internal processes. In 2018, some €81 million were invested in IT; once again a large proportion of this amount went into the aforementioned digitisation and further development of online channels (mobile banking, online sales, self-service facilities) in addition to regulatory requirements (including International Financial Reporting Standards/IFRS and the new General Data Protection Regulation/GDPR). In addition, the move to the new headquarters at the Campus in Vienna's second district and the conversion to uniform work spaces for the central units were completed. ICT expenses and investments (investment budgets) are capitalised at the UniCredit subsidiary UniCredit Services and charged to Bank Austria. UniCredit Services provides the entire Group with IT services, enabling UniCredit to benefit from Group-wide developments and joint IT platforms as well as unlocking significant synergies in the IT sector.

### Corporate Sustainability

In our view, sustainability is closely linked to responsible ways of interacting with the public at large and using economic and ecological resources. The balance between these aspects guides our day-to-day activities.

### Community

Social commitment is an essential component of our sustainability strategy. In addition to long-term partnerships which we have developed over many years, it is particularly important for Bank Austria to offer a platform to as many new initiatives as possible – even smaller ones – in order to showcase its day-to-day work to a broader public. Every year we award the Bank Austria Social Prize, which comes with total funding of €81,000, as part of a large customer event. Over the nine years that the Bank Austria Social Prize has been awarded, the bank has supported more than 120 projects across Austria with a total of around €600,000.

Long-term partnerships which we have developed over many years with well-known charitable organisations are a particularly important aspect of Bank Austria's activities in the social sector, with the active involvement of employees and customers. Focusing on continuity, this strategy has been pursued in our cooperation with SOS Children's Villages, where we act as house sponsor in Children's Villages throughout Austria. Caritas is another partner with which we have maintained close cooperation in Vienna and throughout Austria for over 25 years. This covers proven projects such as the Integration through Sport initiative, young Caritas Käfig League, the Bank Austria Volunteers Day, and cooperation in disaster relief activities. The Caritas Family Fund of Bank Austria has so far helped around 650 Austrian families who experienced hardship without any fault of their own.

UniCredit Group's "Gift Matching Programme" is an annual initiative, unique in Austria, which allows Bank Austria to promote the social commitment of its employees. The idea behind the programme is simple: private donations made by employees are increased by funds held by UniCredit Foundation. This not only supports charitable organisations, but strengthens the interaction and social awareness of employees.

The promotion of the arts and culture is also an important part of our social commitment. Bank Austria has long been one of the most important private sponsors in Austria. We focus on long-term partnerships with renowned partners, such as the Bank Austria Art Forum, the Albertina or the Musikverein. We have also long promoted young talent, which we believe to be a sustainable investment in the future. In order to reach as many projects here as possible as well as keeping our finger on the pulse in terms of support, for the past four years Bank Austria has been pursuing an

# Management Report (CONTINUED)

innovative path that is unique in Austria in the field of cultural promotion: Every year, in cooperation with the wemakeit platform, we provide €100,000 for crowdfunding campaigns. As the projects each receive one third of their campaign total as bank sponsoring, a total project volume of three times the amount of the money used is supported. So we have been able to provide more than €1 million on a broad basis based on this principle of promoting the Austrian arts and culture scene.

We received an award in recognition of this in 2017 from the Economy and Arts (Maecenas) initiative.

In the sporting field, we also focus on traditional sponsoring activities and on people with disabilities. We are proud to be a partner of the Austrian Paralympic Committee and to actively support our committed athletes right from the start each year.

Our economic and social responsibility also includes a large group project. Under the title SIB – Social Impact Banking – Bank Austria will, in future, promote projects with a demonstrable social impact, but will also continue its long-standing tradition of providing financial knowledge to students, disadvantaged social groups and start-up companies.

## Customers

### Customer focus guarantees long-term success

Positive customer experiences are always at the forefront of our activities. Our new service model has been comprehensively and consistently implemented over the past two years in order to meet our customers' demands for a multi-channel bank.

### Customer satisfaction measures the quality of customer relationships

At Bank Austria, we measure customer satisfaction both traditionally via telephone surveys with around 9,000 interviews per year across all customer segments and online via "MyFeedback". This allows customers to give feedback quickly and easily on their smartphones directly after consultations, services or online usage. Our customers make extensive use of this opportunity to express their satisfaction at various contact points within our multi-channel bank. In 2018, we received a total of 26,000 submissions via MyFeedback. This feedback allows us to react quickly to the our customers' requirements and complaints. The quality of the feedback on service, reliability and

consultation is embedded in the scorecards. Figures for customer satisfaction show a positive trend for 2018; Retail Banking – customer orientation index +1 year-on-year, Corporate Banking – reliability index +3 year-on-year.

### Customer complaints give an opportunity for positive customer experiences

The BeschwerdeExzellenz project enables us to review all internal and external complaint processes and improve them on an ongoing basis with a view to optimising the handling of complaints for our customers at all points of contact (branch, @mail, call centre, etc.). We aim to offer the highest standards both with regard to response time (within 48 hours) and, of course, finding satisfactory solutions for our customers. Moreover, we have pooled specific competencies in the ombudsman's office, e.g. for cases of social hardship, where customers in financial difficulty receive assistance to reduce their debt, or are granted additional time for payment, etc., quickly and without excessive bureaucracy, or by using a specialist team for complaints concerning foreign currency loans. We maintained close contact with consumer protection organisations, the Chamber of Labour, debtor associations and special interest groups in order to proactively prevent specific issues and find solutions together with our customers.

## Employees

### Working at the new Campus

Since the first half of 2018, UniCredit Bank Austria's headquarters has been located at the Austria Campus in the second district of Vienna, one of the most important urban development areas in Vienna.

The building, designed by architect Boris Podrecca, was completed by Austrian real estate specialist developer SIGMA in around three years. The new corporate headquarters accounts for around 45% of the Austria Campus site and is used under a long-term rent agreement.

Around 5,300 employees from 16 companies of the Bank Austria Group and the resident UniCredit CEE units work at the addresses of Rothschildplatz 1 and Rothschildplatz 4, in office space of approximately 100,000 m<sup>2</sup>. Infrastructure facilities, a Bank Austria branch and a self-service branch, a hotel with event centre and restaurants, a nursery and a health centre can be found in close proximity.



# Management Report (CONTINUED)

The new headquarters will unlock significant synergies – through shorter distances, better use of space, and lower operating and maintenance costs. Its own geothermal plant on the Austria Campus is one of Europe's largest geothermal energy systems in terms of size. It will be used for cooling in summer and for heating in winter.

We are also creating attractive working methods for the bank's central functions using our future-oriented "smart working" concept. The open space in the Austria Campus provides flexible, usable office architecture and modern technology, and is characterised by processes which use minimal amounts of paper.

Mobile and flexible working promote cooperation and communication, and boost productivity, as proved to our customers every day. Remote Work offers the option of flexible working in terms of office hours and location. This improves environmental protection as well as our employees' work-life balance.

## Diversity

Bank Austria sees diversity as one of its key values. Diversity management promotes productivity, creativity and innovation. UniCredit Group employs people who differ from one another in their gender, the colour of their skin, in their language, ethnic, cultural and religious values, in their marital status, age, state of health, social status and sexual orientation. The bank benefits from the manifold qualities, talents and personalities of employees as all people in the company are recognised and respected in all their diversity. One particular measure which aims to contribute to supporting employees' different ways of life and which can be assessed through external audits is the "Job and Family" audit performed at Bank Austria for the first time at the end of 2009. It was successfully followed by a re-audit in 2018.

In the target agreement, which has been concluded for an additional three years, the focus is firstly on providing an optimum infrastructure to best support working time flexibility and the continued expansion of "Remote Work". Communication activities, as well as special support programmes for management, are also the focus of the measures taken by both management and the Employees' Council. And, of course, there will also be further initiatives to ensure equal opportunities for men and women in all respects. Controlling is key to the success of these efforts. Qualitative objectives and quantitative targets are defined with regard to (almost) any measure and the results are regularly measured.

## Disability

Inclusivity, i.e. recognition and appreciation of differences, is an integral part of Bank Austria's corporate culture. Therefore, disability has also been an important topic for the company for many years. Two disability managers are responsible for planning and implementing numerous measures aimed at both employees and customers. They are supported by a network of about 60 disability employees. Pilot projects were carried out in which various options were trialled under the motto "barrier-free banking" to make it easier for people with disabilities to access all of our financial services.

Measures that have already been implemented include a special bank card for visually impaired people, sections of Bank Austria's website which enable customers to listen to spoken information and read texts in simple language, and a shuttle service introduced in 2010 for customers with limited mobility, which is steadily being expanded to cover the whole of Austria. With SmartBanking in sign language, our tried and tested Bank Austria consulting services have been available to the deaf via video calling since autumn 2015. Employees also undergo comprehensive training to raise their awareness of and sensitise them to customers with disabilities.

# Management Report (CONTINUED)

## Environmental management

An environmental management system (EMS) has been in place at Bank Austria since 2009. In May 2011, Bank Austria's EMS was certified in accordance with ISO 14001, a standard that is widely recognised internationally. The EMS covers the head office buildings and all branches. By complying with this globally important standard, a company can prove that it operates in an environmentally conscientious and sustainable way. Environmental management benefits the community while also having advantages for the company in the form of cost savings resulting from a more efficient use of resources. The company therefore makes an important contribution to worldwide measures aimed at reducing CO<sub>2</sub>.

It is worth highlighting that Bank Austria has already integrated the new requirements from the amendments to the standard made at the end of 2015 into its management system and waived the designated transitional period. The amended standard ISO 14001:2015, just like Bank Austria, now places particular value on senior management's responsibility and on consideration of external influences on the company's environmental performance.

With regard to operational climate protection considerations, Bank Austria, as one of the six founding members, has, since November 2011, been a partner of klima:aktiv pakt2020, which was created by the Austrian Ministry of Sustainability and Tourism. The participating companies undertake to meet the Austrian climate related targets for 2020. As part of this effort, Bank Austria has additionally undertaken, through a voluntary agreement on objectives, to reduce CO<sub>2</sub> emissions by 45% and achieve a 51% share of renewable energies.

The move to the new Bank Austria headquarters at the Austria Campus, which took place in the first half of 2018, has had a highly positive effect on energy consumption. Initial figures from

the second half of 2018 already show that savings made in the building, which was erected according to the latest environmental building standards, are entirely within the range of the upfront forecasts. For 2019, we can therefore assume a reduction in electricity and heating energy consumption compared to the previous headquarters buildings of around 20 gigawatt hours. This equates to the heating energy requirements of more than 2,500 new-build flats of 80m<sup>2</sup>. The new working concept with a considerable expansion in remote working has had a particularly positive environmental effect.

In addition, Bank Austria operates one of Europe's largest private geothermal systems, thereby proving itself once more to be a technological and environmental pioneer.

# Management Report (CONTINUED)

## Human Resources

### Human Resources Austria

After the successful restructuring of the past two years, our focus in 2018 returned to growth. This year, we also moved to our new head office at the Austria Campus. At our new headquarters, we are setting standards for modern working and collaboration. We have also been able to implement our “SmartWorking” concept in an open-plan office. In the process, all central units with a total of 5,300 employees were brought together in a single site, for which office space of approximately 60,000m<sup>2</sup> was developed in two buildings which are organised as modern work spaces from every perspective. SmartWorking means that we have been able to set standards for modern working through cutting-edge IT and the option for mobile and remote working.

**Internal Recruiting:** Bank Austria’s internal job market is an integral part of the human capital strategy and provides a platform for internal vacancies. The aim is to show employees new prospects within the company. Depending on the individual skills, interests and resources, it is possible to work on short-term projects and initiatives across the Group in addition to the opportunity to move to a new position. Finding the right job or an exciting challenge no longer depends on employees’ CVs and training alone but also on their personal motivation and activity. The internal job board, which has been made clearly accessible thanks to various tools, shows employees new prospects, makes better use of employee potential and boosts employee satisfaction.

**Assessment of staff performance:** Sustainable differentiation, transparency, a feedback culture and commitment are the main drivers of our development and remuneration decisions. Our UniCredit Performance Management is a modern, fair and transparent performance evaluation and development system for all employees of Bank Austria. Each individual always has access to the evaluations

and feedback documentation in his/her personal electronic archive. We use this process to strengthen the performance mindset and inclusion within our bank and our Group, always keeping in mind that this is based on our five fundamentals (Customers First – People Development – Cooperation & Synergies – Risk Management – Execution & Discipline) and that this is the most suitable way to implement the Transform 2019 plan.

**Staff development:** Digital learning media are becoming increasingly important. While advancing digitisation opens up new channels for our customers to do banking business with us, it also offers our employees new ways of cooperating internally and learning. The UniCredit Academy Austria therefore added digital self-study media and methods to the comprehensive portfolio of learning media, with emphasis on needs-oriented real-time learning. One of the areas on which the Academy is focusing is support for business divisions in relation to “Transform 2019”. For example, the UniCredit Academy Austria provides effective support for the introduction of the new service model in retail banking by providing an intensive change and learning programme which includes workshops and seminars as well as intensive self-determined and team-determined learning phases. In addition, the progressive digitisation of the banking world was supported and a learning path entitled “#digitalbanking” was successfully piloted. Another area on which the UniCredit Academy Austria’s activities are focusing is to encourage learning from and with one another, and learning on the job. The UniCredit Academy Austria is thus following the 70/20/10 principle of what is called “new learning” (70% learning on the job, 20% learning by sharing, and 10% formal learning). Employees can learn on a self-determined basis and are not tied to specific time schedules, thereby enhancing the return on learning for everyone – in line with the motto: higher earnings through effective learning.

# Management Report (CONTINUED)

**Reward & Benefits:** Our human resources activities, especially those in the area of rewards and benefits, are based on and guided by the Global Job Model, the Group-wide job evaluation system used for describing and categorising all roles and activities within UniCredit, and by the UniCredit Competency Model and the five guiding principles, which define essential skills and employee conduct in our company. Our Group-wide total compensation system provides for a balanced mix of fixed and variable monetary and non-monetary components. Remuneration of top management is determined within UniCredit by way of a Group Compensation System, which has been in place for several years and has also been implemented at Bank Austria. Parts of the variable components of compensation are withheld in line with all regulatory requirements, and deferred payments are made subject to sustainability, partly in the form of UniCredit shares. The bonus pool method used across the Group ensures that variable components of remuneration are subject to the achievement of sustainable, long-term financial and non-financial performance criteria. The introduction of this method on the other hand further strengthens the link between variable remuneration and risk-weighted results of Bank Austria.

**Succession planning:** Our Executive Development Plan (EDP) and Talent Management Review (TMR) programme support our managers in developing the relevant qualities and skills for the future success of Bank Austria. We focus on the development and training of managers from within the bank, giving special attention to raising the percentage of female managers on a sustainable basis – a focus that starts with our talents.

In 2018, we also boosted our pool of junior executives with our forward-looking manpower planning to ensure we are prepared for a constantly changing, digitised society and can make a lasting contribution to shaping Bank Austria.

**Diversity and equal opportunities:** Bank Austria sees diversity as one of its key values. Diversity management activities are aimed at enhancing productivity, creativity and innovation (see the Diversity section in the section Corporate Sustainability). The importance of this topic is also reflected in the agreement on objectives for our top management.

**Gender Balance:** UniCredit launched a Group-wide Gender Balance Programme with a view to creating fair workplaces based on equal rights for men and women, and ensuring that these values are firmly anchored in the corporate culture. The degree to which this objective is reached, especially at management level, is measured by means of an annual dashboard for the Strategy & Nomination Committee. We are proud that the proportion of women on the Supervisory Board is currently 36%, where the Chair of the Nominations Committee is also a woman. Greater value is placed on having candidates of both genders in the appointment process for management positions who will be fairly assessed for each position, ensuring equal opportunities. Salary adjustments always consider gender-equal compensation.

# Management Report (CONTINUED)

## Outlook

### Economic scenario

This economic scenario reflects the latest developments at the date of preparation of this report. After exceeding the economic high point in 2018, the world economy faces a period of moderate expansion in 2019. The combination of an increasingly protectionist trade policy, a tightening of financing terms, heightened macroeconomic uncertainty, fiscal stimulus running dry in the USA and the economic slowdown in China will pull the brake on growth rates both in industrialised and emerging nations. All the same the Federal Reserve's cycle of raising interest rates is for now being continued, and in Europe is only just being implemented in 2019. After the rude awakening in the autumn of 2018 from the sweet dreams of a supposedly interminable bull run, the challenges for the markets are expected to become even greater in 2019. With a weaker growth outlook and profit expectations, volatility may increase and with it also the probability of appreciable adjustments, particularly in markets where valuations are exhausted. More defensive assets such as fixed-interest bonds with a high rating are consequently becoming increasingly attractive, compared to shares for which there is limited upswing potential but high risk of marked down-moves.

● The **world economy** will adopt a calmer course of growth in 2019 and, after 3.7% in the previous year, will achieve a slightly under-potential increase of 3.3%. For a start, US protectionist trade measures primarily against China will slowly make an impact. The direct effects on trade of the import duties that were introduced or announced, are manageable, though indirectly the measures have a stifling effect on economic trends. Particularly in the USA the optimism of the corporate sector has already abated. The heightened uncertainty could at the very least delay investment, which represents the most trade-sensitive spending category. Global trade in 2019 will no longer achieve the estimated powerful 3.6% increase of 2018, the more so as not only will economic growth slow down in general, but also the structure of growth in industrialised nations, which demonstrate greater trade elasticity, is expected to shift towards domestic economies. The manufacturing industry has for several months shown significantly better growth in new business overall, compared with an appreciable flagging of export orders. This is particularly relevant for many emerging nations, since high demand for foreign capital would be required to develop a vigorously expanding internal economy.

In addition to the trade disputes initiated by the USA, a whole range of other political factors are contributing to an increasingly uncertain macro-economic landscape. The unpredictability of decisions made by the US president, the weakening of a multilateral-

ism that shaped the post-war period, a more confrontational US foreign policy, regional conflicts and growing geopolitical tensions as well as, specifically in Europe, the political uncertainty caused in part by impending Brexit and the European Parliament elections in May, all have the potential to disrupt the economic situation.

Also forming part of this is the further development of the Federal Reserve's monetary policy which 2018 put a strain on growth through less favourable financing conditions in the corresponding countries and above all also put pressure on emerging countries in Latin America, Asia and the Middle East where the economy is in part heavily dependent on capital inflow from US investors. In practice, due to the economic situation and following growing criticism of the Fed from the political sphere, only one further key interest rate hike of 25 basis points is expected in 2019. In mid-2019, the Fed Funds Target Rate is expected to reach the peak of the streamlining cycle underway since the end of 2015, with a range from 2.50 to 2.75%.

Monetary policy will also no longer be so accommodating in Europe in 2019. The bond purchasing programme was discontinued at the end of 2018. However, the ECB plans to keep the volume of every single part of the bond purchasing programme steady for the longer term, even past the point of possible increases in interest rates, in order to retain favourable liquidity conditions. In a weaker economic environment, the liquidity supply of banks could be given priority through ECB special measures. An extension of the existing targeted longer-term refinancing operations (TLTRO) is due to come up in 2019. The general framework furthermore suggests that the ECB also in 2019 will not increase key interest rates.

Alongside the monetary policy, economic development in China is also a factor likely to slow the pace of the global economy. Increased efforts to get a handle on the debt problem, together with the trade dispute with the USA, could quicken the ongoing deceleration of the Chinese economic situation.

Not least, an end is in sight for what is ultimately the longest economic upturn in US history. With strong fiscal stimulus coming to an end, there is a marked increase in the risk of an appreciable market downturn with negative consequences for the world economy. Following a moderate dip in economic growth from an estimated 2.9% in 2018 to 2.4% in 2019, the overheated US economy may even slide into a mild and brief recession in 2020.

● The **eurozone** economy already forfeited some momentum during the course of 2018, though attained above-potential growth of 1.8%. In 2019, growth dynamics in the eurozone are

# Management Report (CONTINUED)

expected to decline further. We expect an increase in GDP of 1.4%, especially as an economic slowdown is expected in most large eurozone countries. In particular France with a drop in economic growth from 1.5 to 1.2% and Italy with just 0.5 after 0.8% are screwing down the average that also the German economy should not fully achieve. In contrast, Spain will be the only country of the Big Four to stand out positively with growth of more than 2%, yet will no longer achieve the dynamics of 2018.

The slight decrease in economic growth as a 2019 yearly average compared to the previous year is predominantly a consequence of a statistical overhang. The average growth rate across the individual quarters will almost match those of 2018. The appreciable negative effects of the nascent US downturn should only be felt on the growth of the European economy towards the end of 2019. Overall for 2019, we assume there will be minor strain on the eurozone economy due to weaker global trade and the somewhat less supportive monetary policy of the ECB. This strain should, however, be offset by a more favourable exchange rate against the US dollar, a lower oil price and to some degree positive fiscal stimulus.

While external risks accumulate, the domestic economy promises to be a backbone of economic growth in the eurozone once again in 2019. Despite the economy cooling off slightly, employment growth continues to be vigorous and the improvement in the situation on the labour market, with a drop in unemployment to an average 8.2% in 2018, supports wage dynamics. Disposable income increased nominally by more than 3% towards the end of 2018. With a yearly average inflation of 1.4%, lower compared to 2018, we can expect plenty of support for consumption in 2019 despite an expected moderate deceleration of nominal wage growth. The continuing buoyant mood of European consumers – even if the optimism has since abated somewhat – will also encourage individual consumption in 2019 and permit an increase of around 1.5%. For the time being we also see no sign of an end to the strong period of investment in the eurozone, especially considering the European economy lags behind the USA in the economic cycle. In our view, there is catch-up demand in the construction industry in particular. Moreover, the liquidity of businesses is good and, despite initial steps by the ECB to normalise monetary policy, financing conditions are favourable. We, therefore, expect a continued recovery of investments within a growth range of 2 to 3% with a slight downward drift across the course of the year.

● The **Austrian economy** started 2019 in good form. Optimism prevails in all economic areas and both businesses and consumers are looking confidently to the year ahead. Even if trend indicators as well as initial real economic data point towards a slowdown, the economic

situation should remain robust well into 2019. With a global environment that will be less benign than in 2018, Austria should achieve economic growth of 1.6% thanks first and foremost to domestic demand. With this, the Alpine republic would again exceed eurozone growth. Although a no-deal Brexit – which is not our assumption – could have a short-term negative impact also on the Austrian economy and hence on the home market of Bank Austria, Austria would probably be less concerned than other countries, due to its comparably lower dependence on the economy of the United Kingdom. Mid- to long-term consequences are currently still hard to assess, due to the uncertainties regarding the precise conditions of the Brexit.

Domestic demand will once again be the driving force behind the Austrian economy, even if consumption dynamics and, above all, investment growth are likely to slow down. At the same time, individual consumption will play a crucial part in cushioning unfavourable external influences on the local economy, despite a slow-down of dynamics to around 1.5% following the strongest increase in consumption in 2018 for over a decade. Moderate fiscal stimulus with the introduction of the “Kinderbonus Plus”, an annual tax deduction of up to € 1,500 per child, further improvement of the unemployment rate to 7.4% and higher wage dynamics will contribute to this, the more so as inflation pressures remain manageable thanks to relief afforded by the price of oil. As a yearly average, inflation is expected to remain unchanged in 2019 at 1.8% and is therefore once again higher than in the eurozone. Gross fixed capital formation will finish up at the end of a very long investment cycle with a slowdown to around 2%, especially as financing conditions begin to change and the optimism amongst businesses, excepting construction, has abated.

● The strong domestic economy will offer a favourable business environment for financing in 2019 as well. We can, however, bank on decelerated growth in credit demand, due in part to declining order trends in the export sector across the course of the year. This is likely to apply more to corporate loan demand, especially as the liquidity of businesses continues to be very good. Alongside consumer and SME credit, the demand for residential building loans will in comparison be barely less than in 2018, encouraged both by the continued high need for housing as well as low interest rates.

● On the investment side, the low interest rate environment will continue to determine the behaviour of private households. However, the share in short-term deposits should continue to decline even more. The holdings of life insurance and bonds are also expected to continue to decrease net in 2019, with funds again as the second-most important type of asset. Due to the already very high valuations, it is expected for 2019 that private households will not significantly increase their direct investments in shares.

# Management Report (CONTINUED)

## Medium-term and long-term objectives

We have successfully concluded the second full year of the “Transform 2019” Group strategy and have achieved all of its goals to date. After the successful restructuring, our focus for 2019 is fully on growth. We are part of UniCredit, a successful pan-European commercial bank with a simple business model, fully plugged-in Corporate & Investment Banking and a unique network in Western, Central and Eastern Europe that we make available to our broadly diversified customer base.

With “Transform 2019”, we have laid the foundation to be a pan-European leader. In Bank Austria, to this end we have implemented clear measures for restructuring the Bank and completed the reorganisation as far as possible. The foundations for further growth have been laid. In order to implement this strategy as best as possible, our Supervisory Board resolved to reallocate responsibilities for the business divisions on the Bank Austria Management Board. As at 1 January 2019, two new Board areas of responsibility were created: “Retail Banking” and “Corporate Banking”. The Board areas of responsibility, COO and Human Capital, will be assigned to the CEO in the course of 2019.

We are expanding our existing competitive advantages in order to sustainably generate profits in future and, at the same time, become even more modern and more attractive to our customers. For Bank Austria, this specifically means:

- The further development of the business model with regard to focused customer service and a sustainably low-cost structure, with an increased focus on digitisation and corresponding investments in the IT structure.
- Further exploiting potential with regard to the broad customer base and the Group's market leadership position in many business areas and regions by unlocking Group synergies and taking advantage of cross-selling opportunities.
- Consistently reducing the cost base through a significantly leaner Corporate Centre.

- As “Unternehmerbank” (an entrepreneurs' bank), we are the most important financial partner for corporate customers in Austria and are continuing to expand our number one position in Austrian corporate banking – as part of a leading European banking group – with a broad spectrum of expertise and competence and through UniCredit's international network. Our digital services for companies won the award for the most innovative financial service in 2018 at the Alpbach Financial Symposium.

- As a leading partner for private banking customers, we offer a recognised, excellent range of products and services – either directly at Bank Austria or at our subsidiary Schoellerbank.

- A new service model was implemented for retail customers that takes changing customer needs into account. It includes fewer, but significantly larger and modern branches with longer opening hours and improved consulting services for our customers. Our real estate experts and investment experts provide advice in person at our branches and via video. Expert consulting services can also be accessed from any location via SmartBanking.

We continuously adjust our services, internal organisational structures and processes to meet the changing needs of our customers. For this purpose, numerous initiatives in the customer area are in progress alongside income and cost initiatives. We are also continuing the expansion of our digital range of products and services, such as the successful introduction of photo transfers in 2017 as the only bank in Austria or “sending money to mobile phone contacts” as the first financial services provider in Austria. As part of our digitisation offensive, we presented our new internet banking service, 24You, a completely revised internet banking service with many new functions such as a personal finance manager, a chat and call-back function, and a completely reorganised securities department. Our Alexa banking Skill provides an additional innovative service as part of our multi-channel strategy. We are the only bank in Austria to offer customers who want to use this service a digital speech assistant for non-personalised services, such as exchange rate information, branch opening hours and general market, financial and economic information. Further innovations for our digital product range are planned for 2019.



# Management Report (CONTINUED)

On the revenue side, Bank Austria will further expand its leading market position in three business areas: Corporate Banking, Corporate & Investment Banking, and servicing wealthy individuals in Private Banking. UniCredit Bank Austria's growth trajectory focuses on asset management. Our service for wealthy private customers therefore is being expanded considerably, with consultation services at additional locations. At the same time, Schoellerbank, in association with UniCredit Wealth Management, is becoming the center of excellence for particularly wealthy customers. Retail banking activities focus on consistently expanding branches and the digital marketplace – with the online shop and the online branch – giving them equal weight as channels for product sales and advisory services.

With the end of the first half of 2018, the relocation of all central units to the new head office on the Austria Campus was completed. By moving to our new headquarters, we are setting standards for modern working and collaboration. The geographic concentration on one site and the changeover to SmartWorking will lead to a further increase in efficiency and cost reductions, among others also in the Corporate Center.

## Further information

The following detailed information is included in the notes to the consolidated financial statements:

- Events after the end of the reporting period are included in section F.16 within "F – Additional disclosures" of the notes to the consolidated financial statements on page 247.
- The risk report is a separate chapter ("E – Risk report") in the notes to the consolidated financial statements (pages 170 to 229).
- The report on key features of the internal control and risk management system in relation to the accounting process is contained in section E.15 of the risk report (pages 228 to 229).
- Information on the use of financial instruments is included in the notes to the consolidated financial statements, parts B, C and E in particular.

# Segment report (CONTINUED)

## Development of business segments

### Retail Banking

(€ million)	2018	2017 <sup>1)</sup>	CHANGE	
Operating income	735	780	–45	–5.8 %
Operating costs	–637	–679	+42	–6.2 %
Operating profit	98	101	–3	–3.0 %
Net write-downs of loans	47	26	+22	+84.5 %
Net operating profit	145	127	+19	+14.8 %
<b>Profit (loss) before tax</b>	<b>106</b>	<b>95</b>	<b>+11</b>	<b>+12.0 %</b>
Loans to customers	17,538	17,756	–218	–1.2 %
Deposits from customers	23,426	22,517	+909	+4.0 %
Ø Risk-weighted assets (RWA) <sup>2)</sup>	7,507	7,958	–451	–5.7 %
ROAC in % <sup>3)</sup>	7.2	6.6	+0.6 PP	n. m.

1) In segment reporting the comparative figures for 2017 were recast to reflect the structure and methodology of the 2018 reporting period (see section D – segment reporting in the notes to the consolidated financial statements). / 2) Average risk-weighted assets (all risks) under Basel 3. / 3) Calculation based on 12.5 % allocated capital. / These comments also apply to the segment tables on the following pages. / n. m. = not meaningful

#### ● Operating profit

The Retail Division maintained operating profit almost unchanged at €98 million in 2018 after €101 million in 2017 despite the still difficult market environment. Operating income reduced by –€45 million (–5.8%), partially due to positive one-off effects in the previous year and also because of a decrease in net interest (–4.9%). Strict cost management and the implementation of measures to increase efficiency in sales led to a substantial reduction in operating costs to €637 million (–6.2% compared to the previous year).

#### ● Net write-downs of loans

Thanks to excellent risk management and a continuing positive environment, a positive figure again was posted in 2018 at €47 million, €22 million more than in 2017.

#### ● Profit before tax

After taking account of the positive net write-downs of loans and non-operating expenses of –€39 million (mostly systemic charges), the Retail Division's profit before tax increased to €106 million in 2018 (+12% compared to the previous year).

#### ● Loans and receivables with customers/customer deposits

Loans slightly decreased to €17.5 billion compared to the previous year (–€0.2 billion). Customer deposits increased by €0.9 billion to €23.4 billion.

Retail Banking also serves business customers and the independent professions with annual turnover of up to €3 million. Numerous growth initiatives were launched in 2018 in these business segments.

The branch network was also modernised on an ongoing basis in the reporting period. Our customers benefit from extended opening hours at numerous branches (9 a.m. – 6 p.m. or 8:30 a.m. – 5:30 p.m.). Depending on location, we also provide consulting services to retail and business customers and independent professionals via video (8 a.m. to 8 p.m.). In the investment area, we offer innovative investment solutions and benefit from our collaboration with strong partners here. Our high-quality advisory service is, moreover, complemented by the Premium asset management for affluent retail customers and the self-employed (starting from a volume of €50,000). In investment and real-estate financing, we rely on our experts who support consultants either locally or via video.

As a result of our customers' growing need to carry out daily transactions via digital channels, Bank Austria also continues to rely on the gradual expansion of its digital product range and services. With the introduction of 24You, the most user-friendly internet banking service in Austria, UniCredit Bank Austria modernised the most significant digital channel, i.e. internet banking, in the last quarter of 2018. At the same time, Bank Austria is the first domestic bank to offer service via the speech assistant "Alexa", such as exchange rate information, financial and economic information and information about branch opening times. In the mobile area, digital services are continually being optimised, such as recently with the option for contactless withdrawal from our cash machines using smartphones. Our customers therefore have the option of withdrawing money contactlessly and comfortably at any time either with their bank card or with the mobile bank card app. The strong focus on the expansion of our digital sales channels allows us to focus on our core business and simplify processes.

# Segment report (CONTINUED)

## Corporate Banking (including factoring and leasing units)

(€ million)	2018	2017	CHANGE	
Operating income	555	583	-29	-4.9 %
Operating costs	-199	-213	+14	-6.7 %
Operating profit	356	370	-14	-3.9 %
Net write-downs of loans	-40	-27	-13	+46.3 %
Net operating profit	316	343	-27	-7.9 %
<b>Profit (loss) before tax</b>	<b>272</b>	<b>317</b>	<b>-45</b>	<b>-14.1 %</b>
Loans to customers	26,732	25,957	+775	+3.0 %
Deposits from customers	15,064	15,118	-54	-0.4 %
Ø Risk-weighted assets (RWA)	9,140	8,592	+549	+6.4 %
ROAC in %	17.3	22.3	-5.0 PP	n. m.

### ● Operating profit

In 2018, operating income of €555 million was recorded in a persistently difficult interest rate environment. However, it was not possible to achieve the level of the previous year where there were several large one-off transactions. A significant reduction in operating costs of €14 million (-6.7%) to €199 million was achieved due to strict cost management and other cost reduction measures, resulting in operating profit of €356 million (-3.9% compared to the previous year's figure of €370 million).

### ● Net write-downs of loans

The high quality of the credit portfolio was significantly influenced by a risk provision of one large customer, thereby increasing net write-downs of loans and provisions for guarantees and commitments to €40 million (previous year: €27 million).

### ● Profit before tax

Non-operating expenses amounted to -€44 million (previous year -€26 million) and are in particular due to the systemic charges of -€26 million. After deduction of non-operating expenses, profit before tax of €272 million remains.

### ● Loans and receivables with customers/customer deposits

The lending volume, at €26.7 billion (31/12/2017: €26.0 billion), increased significantly; customer deposits remained on the same level as in the previous year (€15.1 billion).

In business with corporate customers in Austria, 2018 was shaped by the continuing strong economy in Austria. With companies showing high levels of investment activity, Bank Austria's new business in investment financing also experienced strong growth. However, at the same time, there was an even stronger trend by companies towards increased financing from own reserves or cash flow. The focus of credit growth in Austria has been in the real estate and construction sector, where Bank Austria continues to follow a prudent and risk-aware growth course, focusing on large experienced companies in the sector. In business with customers from the public sector, growth in funding was achieved that is also reflected in a slight increase in market share.

The low interest rate environment continues to be a challenge for Corporate Banking.

With an extensive presence across Austria and recognised for the expertise and reliability of its advisers, Bank Austria remains the most important strategic financial partner for Austrian companies. A continuous increase in customer satisfaction and sustained high profitability speak for themselves.

The international nature of the UniCredit Group also remains an important growth pillar for Corporate Banking in Austria. Growth rates significantly above average were also achieved in this segment in 2018. Close collaboration between local customer advisers and specialists from the UniCredit International Centre in Vienna (and at appointments, events and, in the short-term, via video calls in all other regions of Austria) is an important factor for continued success as a large, locally positioned European bank. Growth in trade financing with an already very high market share is only one indication of the success of this strategy.

# Segment report (CONTINUED)

## Private Banking

(€ million)	2018	2017	CHANGE	
Operating income	161	155	+6	+3.8%
Operating costs	-117	-121	+4	-3.3%
Operating profit	43	33	+10	+29.6%
Net write-downs of loans	1	-1	+2	n.a.
Net operating profit	44	32	+12	+37.4%
<b>Profit (loss) before tax</b>	<b>40</b>	<b>28</b>	<b>+13</b>	<b>+46.3%</b>
Total financial assets	23,637	24,518	-881	-3.6%
Loans to customers	653	650	+3	+0.5%
Deposits from customers	9,005	8,958	+47	+0.5%
Ø Risk-weighted assets (RWA)	461	578	-117	-20.3%
ROAC in %	52.5	28.1 +24.4 PP		n.m.

### ● Operating profit

The Private Banking Division recorded a very positive performance in 2018. Despite the continuing low interest rate environment, operating income increased from €155 million to €161 million (+3.8%) with the increase being driven by interest income. Operating costs of €117 million showed a decrease of -3.3% which led to a significant increase in operating profit to €43 million (+29.6% compared to the previous year).

### ● Profit before tax

Profit before tax reached €40 million and was therefore up +€13 million (+46.3%) over the previous year's figure. The systemic charges of €5 million were the only significant deduction among non-operating items.

### ● Volumes

The volume of total financial assets decreased by 3.6% in comparison to the previous year to €23.6 billion, partly due to the turbulent developments on the financial markets. Assets under management amounted to €9.4 billion.

In the past year, due to the ongoing low interest rate environment and the volatile markets caused by geopolitical tensions, focus was on the asset management programme VermögensManagement 5Invest, managed by the BA Private Banking experts and the further

successful development of the flexible investment consulting model UNIVERS Exklusiv with a lump-sum expenses agreement. The consulting model UNIVERS Exklusiv currently serves customers with a total investment volume of over €1.4 billion. This corresponds to a year-on-year increase of around 5%.

2019, the offer for wealthy private customers will be considerably extended in Retail Banking. Firstly, the previous entry threshold of €500,000 will be reduced to an investment horizon of €300,000, and secondly, the advisory service will be significantly expanded with 11 additional sites, in particular in Vienna, to 26 sites in future. At the same time, Schoellerbank, in association with UniCredit Wealth Management, will become the centre of excellence for particularly wealthy customers.

Thus the Private Banking Division consisting of Bank Austria and Schoellerbank remains a clear market leader in advising wealthy private customers and plans on further increasing its market share and generating growth in invested customer assets.

Schoellerbank, established in 1833, is one of the leading private banks in Austria and specialises in investment and retirement provision. Its core competence is asset management, where experts invest their customers' money according to the motto "invest, don't speculate". This traditional bank also supports its customers, who have already entrusted it with some €11.3 billion, in making all the financial decisions in their life: from covering basic financial services to financial planning, estate succession and foundation management. The bank's many years of experience and expertise have yielded many satisfied and loyal customers as well as all the key awards in the finance sector: Schoellerbank is frequently recognised in independent international industry tests; it has not only been Austria's most widely awarded private bank for many years, but this also continues to underscore its expertise and leading role in the Austrian private banking market. The company's own investment company and its innovative products also contribute considerably to its success. With 10 locations, Schoellerbank – a wholly-owned subsidiary of UniCredit Bank Austria AG – is also the only private bank represented throughout Austria.

# Segment report (CONTINUED)

## Corporate & Investment Banking (CIB)

(€ million)	2018	2017	CHANGE	
Operating income	402	412	-10	-2.4 %
Operating costs	-169	-181	+12	-6.4 %
Operating profit	233	231	+2	+0.7 %
Net write-downs of loans	42	-26	+68	n.a.
Net operating profit	275	205	+69	+33.8 %
<b>Profit (loss) before tax</b>	<b>248</b>	<b>174</b>	<b>+73</b>	<b>+42.1 %</b>
Loans to customers	17,695	14,880	+2,814	+18.9 %
Deposits from customers	8,314	9,365	-1,051	-11.2 %
Ø Risk-weighted assets (RWA)	9,571	8,056	+1,515	+18.8 %
ROAC in %	15.4	12.8	+2.6 PP	n.m.

### ● Operating profit

Operating profit in the CIB business area increased by almost 0.7% to €233 million in 2018. Operating income showed a decline of €10 million or -2.4% to €402 million. Increases in income in customer business were more than compensated for by decreases in Treasury. At the same time, operating costs were reduced by 6.4% to €169 million thanks to strict cost management and efficiency-increasing measures.

### ● Net write-downs of loans

Due to the excellent quality in the credit portfolio, a positive contribution from credit risk was recorded in 2018. The positive balance was +€42 million (2017: -€26 million).

### ● Profit before tax

The CIB business area recorded growth of 42.1% to €248 million in profit before tax, an increase of €73 million compared to the previous year, based on cost reductions and partly on positive special effects.

### ● Loans and receivables with customers/customer deposits

In comparison to the end of 2017, lending volume considerably increased by 18.9% to €17.7 billion. Customer deposits, at €8.3 billion, declined as expected.

Development in 2018 once more shows the strength of the CIB Austria business area as part of UniCredit, a simple pan-European commercial bank with fully plugged-in Corporate & Investment Banking and a unique network in Western, Central and Eastern Europe with a broadly diversified customer base of 26 million customers.

The CIB business area further expanded its leading market position in multinational companies in this reporting period as well. In addition to providing intensive services to Austrian multinational companies, CIB continued to service the extended core markets such as Scandinavia on a sustainable basis. Business developed positively despite a persistently challenging and highly competitive market environment. In particular, the successful conclusion of structured financing resulted in significant growth for CIB Austria.

The combination of local presence and global best-in-class product expertise enables UniCredit to connect companies with global institutional investors and support around 1,500 multinational companies, important financial institutions and institutional customers via one of the largest commercial customer networks in Europe with 14 core European markets and a further 16 countries via our international network.


UniCredit is the second largest lender for companies and institutional customers in Europe. Since 2012, UniCredit has always been among the top three in Europe for syndicated financing and Euro bonds. Despite increased market volatility, more than €25 billion was financed through syndicated loans in 2018. As a result, UniCredit made a significant contribution to the European economy.

UniCredit is also investing intensely in IT and digital innovations across the Group. UniCredit provides intelligent solutions for customers, such as in the area of instant payments and virtual accounts, and is a founding member of the we.trade platform, which is based on blockchain technology. As a result, we also offer our customers in Austria ongoing cutting-edge innovations that have already proved successful in other core markets.

# Management Report (CONTINUED)

Vienna, 21 February 2019

The Management Board



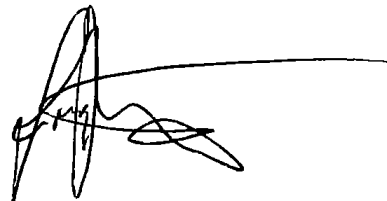
Robert Zadrazil  
CEO  
Chief Executive Officer



Romeo Collina  
Deputy-CEO



Dieter Hengl  
Corporate & Investment  
Banking Division



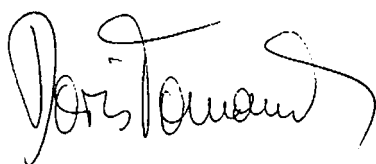
Gregor Hofstätter-Pobst  
CFO Finance



Jürgen Kullnigg  
CRO Risk Management



Mauro Maschio  
Privatkundenbank



Doris Tomanek  
Human Capital



Susanne Wendler  
Unternehmerbank

# Consolidated Financial Statements

in accordance with International Financial Reporting Standards (IFRSs)

<b>Consolidated Income Statement for the year ended 31 December 2018</b>	<b>44</b>
<b>Income statement</b>	<b>44</b>
<hr/>	
<b>Consolidated Statement of Comprehensive Income</b>	<b>45</b>
<b>Statement of comprehensive income</b>	<b>45</b>
<b>Earnings per share</b>	<b>45</b>
<hr/>	
<b>Statement of Financial Position at 31 December 2018</b>	<b>46</b>
<hr/>	
<b>Statement of Changes in Equity</b>	<b>48</b>
<hr/>	
<b>Statement of Cash Flows</b>	<b>50</b>



# Consolidated Income Statement

of the Bank Austria Group for the year ended 31 December 2018

## Income statement for the year ended 31 December 2018

(€ million)

	Notes	2018	2017
Interest income and similar revenues	B.1	1,585	1,547
Interest expense and similar charges	B.1	–621	–567
<b>Net interest margin</b>		<b>963</b>	<b>980</b>
Fee and commission income	B.2	900	907
Fee and commission expense	B.2	–195	–195
<b>Net fees and commissions</b>		<b>706</b>	<b>712</b>
Dividend income and similar revenues	B.3	7	18
Net gains (losses) on trading	B.4	70	
Gains and losses on financial assets and liabilities held for trading (IAS 39)	B.4		66
Fair value adjustments in hedge accounting	B.5	–2	–2
Gains (Losses) on disposal and repurchase of:	B.6	14	
a) financial assets at amortised cost		–	
b) financial assets at fair value through other comprehensive income		14	
c) financial liabilities		0	
Gains and losses on disposal of: (IAS 39)	B.6		12
a) loans			–
b) available-for-sale financial assets			17
c) held-to-maturity investments			–
d) financial liabilities			–5
Net gains (losses) on other financial assets/ liabilities at fair value through profit or loss:	B.7	21	
a) financial assets/liabilities designated at fair value		0	
b) other financial assets mandatorily at fair value		20	
Gains and losses on financial assets/ liabilities at fair value through profit or loss (IAS 39)	B.7		1
<b>OPERATING INCOME</b>		<b>1,778</b>	<b>1,787</b>
Net losses/recoveries on credit impairment relating to:	B.8	96	
a) financial assets at amortised cost		95	
b) financial assets at fair value through other comprehensive income		1	
Impairment losses on (IAS 39):	B.8		13
a) loans			23
b) available-for-sale financial assets			–2
c) held-to-maturity investments			6
d) other financial assets			–15
Gains/Losses from contractual changes with no cancellations		0	–
<b>Net profit from financial activities</b>		<b>1,874</b>	<b>1,800</b>
Administrative expenses:		–1,312	–1,388
a) staff costs	B.9	–643	–681
b) other administrative expenses	B.10	–669	–707
Net provisions for risks and charges:	B.12	–55	4
a) commitments and financial guarantees given	B.11	–13	–
b) other net provisions		–42	4
Net value adjustments/write-backs on property, plant and equipment	B.13	–63	–74
Net value adjustments/write-backs on intangible assets	B.14	–3	–4
Other operating expenses/income	B.15	82	86
<b>OPERATING COSTS</b>		<b>–1,351</b>	<b>–1,376</b>
Gains (Losses) of equity investments	B.16	159	136
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value		–1	–1
Gains (Losses) on disposals on investments	B.17	34	12
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>716</b>	<b>571</b>
Tax expense (income) related to profit or loss from continuing operations	B.18	–79	–12
<b>Profit (Loss) after tax from continuing operations</b>		<b>638</b>	<b>558</b>
Profit (Loss) after tax from discontinued operations	B.19	15	114
<b>NET PROFIT OR LOSS FOR THE YEAR</b>		<b>653</b>	<b>673</b>
Minority profit (loss) of the year		16	19
<b>PARENT COMPANY'S PROFIT (LOSS) OF THE YEAR</b>		<b>637</b>	<b>653</b>

# Consolidated Statement of Comprehensive Income

of the Bank Austria Group for the year ended 31 December 2018

## Statement of comprehensive income

(€ million)

	1 JAN. – 31 DEC. 2018	1 JAN. – 31 DEC. 2017
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>653</b>	<b>673</b>
<b>Other comprehensive income after tax not reclassified to profit or loss</b>	<b>-151</b>	<b>61</b>
Equity instruments designated at fair value through other comprehensive income	–	–
Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	–	–
Hedge accounting of equity instruments designated at fair value through other comprehensive income	–	–
Property, plant and equipment	–	–
Intangible assets	–	–
Defined-benefit plans	-151	61
Non-current assets and disposal groups classified as held for sale	–	–
Portion of valuation reserves from investments valued at equity method	–	–
<b>Other comprehensive income after tax reclassified to profit or loss</b>	<b>-180</b>	<b>-179</b>
Foreign investments hedging	–	–
Foreign exchange differences	-1	-1
Cash flow hedging	-71	-43
Hedging instruments (non-designated items)	–	–
Financial assets (different from equity instruments) at fair value through other comprehensive income	-112	–
Available-for-sale financial assets: (IAS 39)	–	-136
Non-current assets and disposal groups classified as held for sale	–	–
Part of valuation reserves from investments valued at equity method	5	1
<b>Total other comprehensive income after tax</b>	<b>-331</b>	<b>-118</b>
<b>COMPREHENSIVE INCOME</b>	<b>322</b>	<b>555</b>
Minority consolidated comprehensive income	0	21
<b>PARENT COMPANY'S CONSOLIDATED COMPREHENSIVE INCOME</b>	<b>322</b>	<b>534</b>

## Earnings per share (in €, basic and diluted)

(€)

	1 JAN. – 31 DEC. 2018	1 JAN. – 31 DEC. 2017
Earnings per share from profit (loss) after taxes from continuing operations	1.33	1.82
Earnings per share from profit (loss) after taxes from discontinued operations	0.06	0.49

# Statement of Financial Position

## of the Bank Austria Group at 31 December 2018

### Assets

(€ million)

	Notes	31 DEC. 2018	31 DEC. 2017 ADJUSTED <sup>1)</sup>	31 DEC. 2016 ADJUSTED <sup>2)</sup>
Cash and cash balances	C.1	98	230	165
Financial assets at fair value through profit or loss:	C.2	2,147		
a) financial assets held for trading	C.2	783		
b) financial assets designated at fair value		0		
c) other financial assets mandatorily at fair value		1,365		
Financial assets held for trading (IAS 39)	C.2		1,008	1,113
Financial assets at fair value through profit or loss (IAS 39)	C.2		6	14
Financial assets at fair value through other comprehensive income	C.3	13,490		
Available-for-sale financial assets (IAS 39)	C.3		15,057	15,791
Financial assets at amortised cost:	C.4	77,005		
a) loans and advances to banks	C.4	15,284		
b) loans and advances to customers	C.4	61,721		
Held-to-maturity investments (IAS 39)	C.4		216	236
Loans and receivables with banks (IAS 39)	C.4		19,688	20,762
Loans and receivables with customers (IAS 39)	C.4		60,032	60,926
Hedging derivatives	C.5	1,619	2,084	2,661
Changes in fair value of portfolio hedged items (+/-)	C.6	271	243	-36
Investments in associates and joint ventures	C.7	2,183	1,937	1,777
Property, plant and equipment	C.8	601	629	695
Intangible assets	C.9	3	9	11
Tax assets:	C.10	355	279	332
a) current		31	43	55
b) deferred		324	236	277
Non-current assets and disposal groups classified as held for sale	C.11	926	330	900
Other assets	C.12	330	391	450
<b>TOTAL ASSETS</b>		<b>99,029</b>	<b>102,138</b>	<b>105,797</b>

1) Figures as published as at 31.12.2017, incl. adjustment in deferred taxes of €10 million from €226 million to €236 million (social capital).

2) Figures as published as at 31.12.2016, incl. adjustment in deferred taxes of €12 million from €265 million to €277 million (social capital).

## Statement of Financial Position (CONTINUED)

## of the Bank Austria Group at 31 December 2018

## Liabilities and shareholders' equity

(€ million)

	Notes	31 DEC. 2018	31 DEC. 2017 ADJUSTED <sup>1)</sup>	31 DEC. 2016 ADJUSTED <sup>2)</sup>
Financial liabilities at amortised cost:	C.13	82,497		
a) deposits from banks	C.13	14,444		
b) deposits from customers	C.13	55,651		
c) debt securities in issue	C.13	12,402		
Deposits from banks (IAS 39)	C.13		15,126	13,939
Deposits from customers (IAS 39)	C.13		55,463	56,239
Debt securities in issue (IAS 39)	C.13		14,722	17,394
Financial liabilities held for trading	C.14	770		
Financial liabilities held for trading (IAS 39)	C.14		1,004	1,107
Financial liabilities designated at fair value	C.15	247		
Financial liabilities at fair value through profit or loss (IAS 39)	C.15		301	399
Hedging derivatives	C.16	1,368	1,655	2,153
Changes in fair value of portfolio hedged items (+/-)	C.17	178	52	-196
Tax liabilities:	C.18	52	34	54
a) current		50	27	33
b) deferred		2	7	21
Liabilities associated with assets classified as held for sale	C.19	540	56	123
Other liabilities	C.20	697	1,321	2,458
Provisions for risks and charges:	C.21	4,320	4,063	4,321
a) commitments and guarantees given	C.21	196	-	-
b) post-retirement benefit obligations		3,776	3,726	3,963
c) other provisions for risks and charges		348	337	357
Valuation reserves		-1,305	-899	-785
Reserves		3,148	2,711	2,047
Share premium		4,136	4,134	4,133
Share capital		1,681	1,681	1,681
Minority shareholders' equity (+/-)		64	62	88
Profit (Loss) of the year (+/-)		637	653	641
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>99,029</b>	<b>102,138</b>	<b>105,797</b>

1) Figures as published as at 31.12.2017, including adjustment of post-retirement benefit obligations of €101 million from €3,625 million to €3,726 million; this includes a reclassification of €11 million from other liabilities to post-retirement benefit obligations. The valuation reserves were adjusted by €-67 million from €-831 million to €-899 million.

2) Figures as published as at 31.12.2016, including adjustment of post-retirement benefit obligations of €108 million from €3,855 million to €3,963 million; this includes a reclassification of €11 million from other liabilities to post-retirement benefit obligations. The valuation reserves were adjusted by €-73 million from €-712 million to €-785 million.

# Statement of Changes in Equity

of the Bank Austria Group for the year ended 31 December 2018

(€ million)	BALANCE AS AT 31 DEC. 2017	ADJUSTMENT OF SOCIAL CAPITAL	BALANCE AS AT 31 DEC. 2017 <sup>*)</sup>	FIRST-TIME ADOPTION IFRS 9	BALANCE AS AT 1 JAN. 2018 INCL. ADJUSTMENT OF SOCIAL CAPITAL & IFRS 9 IMPACT	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
						RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Issued capital:							
a) ordinary shares	1,681		1,681		1,681	0	0
b) other shares	0		0		0	0	0
Share premium	4,135		4,135		4,135	0	0
Reserves:							
a) other reserve	2,710	0	2,711	62	2,772	653	-379
b) foreign currency reserve	0		0		0	0	0
Cashflow Hedge Reserve	149		149		149	0	0
Revaluation Reserve FA @FVTOCI	500		500	-64	436	0	0
Revaluation Reserve associates and joint ventures	36		36		36	0	0
Pension and similar liabilities IAS 19	-1,589	6	-1,584		-1,584	0	0
Net profit or loss for the period	653		653		653	-653	0
<b>Shareholders' Equity Group</b>	<b>8,275</b>	<b>6</b>	<b>8,281</b>	<b>-3</b>	<b>8,278</b>	<b>0</b>	<b>-379</b>
Shareholders' Equity minorities	62		62	0	61	-16	0
<b>Total Shareholders' Equity</b>	<b>8,336</b>	<b>6</b>	<b>8,342</b>	<b>-3</b>	<b>8,339</b>	<b>-16</b>	<b>-379</b>

<sup>\*)</sup> Adjustment of social capital

(€ million)	BALANCE AS AT 31 DEC. 2016	ADJUSTMENT OF SOCIAL CAPITAL	BALANCE AS AT 31 DEC. 2016 <sup>*)</sup>	ALLOCATION OF PROFIT FROM PREVIOUS YEAR
Issued capital:				
a) ordinary shares	1,681		1,681	
b) other shares	0		0	
Share premium	4,133		4,133	
Reserves:				
a) other reserve	2,059	-13	2,047	641
b) foreign currency reserve	1		1	0
Cashflow Hedge Reserve	192		192	
Revaluation Reserve FA @FVTOCI	638		638	
Revaluation Reserve associates and joint ventures	36		36	
Pension and similar liabilities IAS 19	-1,577	-73	-1,650	
Net profit or loss for the period	641		641	-641
<b>Shareholders' Equity Group</b>	<b>7,804</b>	<b>-86</b>	<b>7,718</b>	<b>0</b>
Shareholders' Equity minorities	88		88	-50
<b>Total Shareholders' Equity</b>	<b>7,892</b>	<b>-86</b>	<b>7,806</b>	<b>-50</b>

<sup>\*)</sup> Adjustment of social capital

## Statement of Changes in Equity (CONTINUED)

of the Bank Austria Group for the year ended 31 December 2018

CHANGES DURING THE PERIOD					
SHAREHOLDERS' EQUITY TRANSACTIONS					SHAREHOLDERS' EQUITY GROUP AS AT 31 DEC. 2018
CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	
0	0	0	0	0	1,681
0	0	0	0	0	0
0	0	2	2	0	4,136
65	-6	43	37	0	3,148
0	0	0	0	-1	-1
0	0	0	0	-71	77
0	0	0	0	-115	321
35	0	-44	-44	5	32
0	0	0	0	-151	-1,735
637	0	0	0	0	637
<b>737</b>	<b>-6</b>	<b>0</b>	<b>-5</b>	<b>-333</b>	<b>8,297</b>
16	0	0	0	2	64
<b>753</b>	<b>-6</b>	<b>0</b>	<b>-6</b>	<b>-331</b>	<b>8,361</b>

CHANGES DURING THE PERIOD					
SHAREHOLDERS' EQUITY TRANSACTIONS					SHAREHOLDERS' EQUITY GROUP AS AT 31 DEC. 2017
CHANGES IN RESERVES	CHANGES IN CONSOLIDATION SCOPE	OTHER	TOTAL	COMPREHENSIVE INCOME	
			0		1,681
			0		0
		1	1		4,135
	23		23		2,710
	0		0	-1	0
	0		0	-43	149
			0	-138	500
	0		0	1	36
		0	0	61	-1,589
653			0		653
<b>653</b>	<b>23</b>	<b>1</b>	<b>24</b>	<b>-120</b>	<b>8,275</b>
19	1	0	1	2	62
<b>673</b>	<b>24</b>	<b>1</b>	<b>25</b>	<b>-118</b>	<b>8,336</b>

# Statement of Cash Flows

of the Bank Austria Group for the year ended 31 December 2018

(€ million)

	2018	2017
<b>NET PROFIT OR LOSS</b>	<b>653</b>	<b>673</b>
Non-cash items included in net profit and adjustments to reconcile net profit to cash flows from operating activities		
Depreciation, amortisation, net write-downs of loans, and changes in fair values	-31	-
Depreciation, amortisation, net write-downs of loans, and changes in fair values (IAS 39)	-	71
Increase in staff-related provisions and other provisions	143	122
Interest income/interest expenses from investing activities (IAS 39)	-	104
Gains/losses on disposal of intangible assets, property, plant and equipment, and investments	-49	-24
Increase/decrease in other non-cash items	-111	-235
<b>SUB-TOTAL</b>	<b>604</b>	<b>711</b>
Increase/decrease in operating assets and liabilities after adjustment for non-cash components		
Financial assets held for trading	209	-
Financial assets held for trading (IAS 39)	-	74
Financial assets designated at fair value	0	-
Financial assets mandatorily at fair value	179	-
Financial assets at fair value through other comprehensive income	1,280	-
Financial assets at amortized cost	1,698	-
Loans and receivables with banks and customers (IAS 39)	-	1,816
Other asset items	-362	559
Financial liabilities at amortized cost	-2,741	-
Deposits from banks and customers (IAS 39)	-	456
Financial liabilities held for trading	-235	-
Financial liabilities held for trading (IAS 39)	-	-102
Financial liabilities designated at fair value	-54	-
Debt securities in issue (IAS 39)	-	-2,133
Other liabilities items	-432	-1,608
<b>CASH FLOWS FROM OPERATING ACTIVITIES <sup>2)</sup></b>	<b>146</b>	<b>-227</b>
Proceeds from disposal of investments	0	-
financial assets (IAS 39)	-	3,237
disposal of property, plant and equipment, intangible assets and investment property	106	68
sales (less cash disposed of) of subsidiaries	89	486
dividends received	39	48
Payments for investments in equity instruments	0	-
financial assets (IAS 39)	-	-2,680
plants, intangible assets	-131	-119
subsidiaries and acquisition of business units (less cash acquired)	-2	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES <sup>2) 3)</sup></b>	<b>101</b>	<b>1,040</b>
Proceeds from capital increase	0	0
Dividends paid	-379	0
Proceeds from issues of subordinated liabilities	0	0
Payments for repayment of subordinated liabilities	0	-748
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-379</b>	<b>-748</b>



# Statement of Cash Flows (CONTINUED)

## of the Bank Austria Group for the year ended 31 December 2018

	2018	2017
<b>CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD</b>	<b>230</b>	<b>165</b>
Cash flows from operating activities	146	-227
Cash flows from investing activities	101	1,040
Cash flows from financing activities	-379	-748
Effects of changes in scope of consolidation	0	0
Effects of exchange rate changes	0	0
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD <sup>1)</sup></b>	<b>98</b>	<b>230</b>
<b>PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS</b>		
Income taxes received (+)/paid (-) from operating activities	-4	65
Interest received from operating activities	1,585	1,352
from investing activities (IAS 39)	-	224
Interest paid from operating activities	-621	-226
from investing activities (IAS 39)	-	-386
Dividends received from investing activities	39	48

1) Cash and cash equivalents consists of cash in the amount of €97 million (2017: €100 million) and cash with central banks in the amount of €0,8 million (2017: €130 million)

2) Due to the entry into force of IFRS 9, the structure and the method of calculating the cash flow from operating activities and the cash flow from investing activities was changed. The "Held-to-maturity investments in accordance with IAS 39" (Financial assets at amortized cost in accordance with IFRS 9) have been reclassified to cash flow from operating activities. Previous year not adjusted.

3) Of which: Cash flow from investing activities from discontinued operations in the amount of €33 million. (2017: €469 million)



# Notes to the Consolidated Financial Statements

<b>A – Accounting methods</b>	<b>55</b>
<b>B – Notes to the income statement</b>	<b>123</b>
<b>C – Notes to the statement of financial position</b>	<b>137</b>
<b>D – Segment reporting</b>	<b>159</b>
<b>E – Risk report</b>	<b>169</b>
<b>F – Additional disclosures</b>	<b>231</b>
<b>Concluding Remarks of the Management Board of UniCredit Bank Austria AG</b>	<b>249</b>
<b>Report of the Auditors</b>	<b>250</b>
<b>Report of the Supervisory Board for 2018</b>	<b>256</b>
<b>Statement by Management</b>	<b>260</b>
<b>Supervisory Board and Management Board of UniCredit Bank Austria AG</b>	<b>262</b>

## Note

In this report, "Bank Austria" and "the Bank Austria Group" refer to the Group. To the extent that information relates to the parent company's separate financial statements, "UniCredit Bank Austria AG" is used.

In adding up rounded figures and calculating the percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded off.



# A – Accounting methods

<b>A.1 – Information on the company</b>	<b>56</b>
<b>A.2 – Basis for the preparation of the financial statements</b>	<b>56</b>
<b>A.3 – Consolidation principles</b>	<b>57</b>
<b>A.4 – Application of amended and new financial reporting standards</b>	<b>59</b>
A.4.1 – First-time application of amended and new financial reporting standards and accounting methods	59
A.4.2 – New and amended financial reporting standards not yet adopted by the Group	66
<b>A.5 – Significant accounting policies</b>	<b>68</b>
A.5.1 – Business Combinations	68
A.5.2 – Foreign currency translation	68
A.5.3 – Financial instruments	69
A.5.4 – Impairment test of investments in subsidiaries, associates and other companies	85
<b>A.6 – Information on other financial statement line items</b>	<b>86</b>
A.6.1 – Cash and cash equivalents	86
A.6.2 – Property, plant and equipment; investment property	86
A.6.3 – Intangible assets	87
A.6.4 – Non-current assets held for sale	87
A.6.5 – Income tax	88
A.6.6 – Other assets	88
A.6.7 – Provisions for risks and charges and contingent liabilities	88
A.6.8 – Equity	91
A.6.9 – Net interest	91
A.6.10 – Fees and commissions	92
A.6.11 – Dividends	92
A.6.12 – Gains and losses on disposals of financial instruments	92
A.6.13 – Gains and losses on financial assets/liabilities at fair value through profit or loss	92
A.6.14 – Impairments	92
A.6.15 – Impairment/write-backs on property, plant and equipment and on intangible assets	92
A.6.16 – Profit (loss) on equity investments	92
A.6.17 – Gains and losses on disposal of investments	92
<b>A.7 – Information on fair value</b>	<b>93</b>
A.7.1 – General information	93
A.7.2 – Fair value hierarchy	94
A.7.3 – Day One Profit/Loss	98
A.7.4 – Additional information on fair value	98
A.7.5 – Transfer between portfolios	104
<b>A.8 – Group of consolidated companies and changes in the group of consolidated companies of the Bank Austria Group in 2018</b>	<b>105</b>

## A – Accounting methods (CONTINUED)

### A.1 – Information on the company

UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna, Austria, (“Bank Austria” or “BA”) is a universal bank conducting banking business within the meaning of Section 1 (1) of the Austrian Banking Act. It is registered under no. FN 150714p in the Austrian Register of Firms. The Bank Austria Group as part of the UniCredit Group offers a complete range of banking and other financial services, such as corporate finance, foreign trade financing, project finance, capital markets and money market services, securities and foreign exchange trading, investment banking, consumer credit and mortgage lending, savings accounts, asset management, leasing and factoring. The bank operates in the market under the “Bank Austria” brand name. Austria is the geographical focus of business activities.

### A.2 – Basis for the preparation of the financial statements

The consolidated financial statements of Bank Austria for financial year 2018 and the comparative information have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and endorsed by the European Commission up to 31 December 2018, pursuant to EU Regulation 1606/2002. SIC and IFRIC interpretations and the additional disclosure requirements according to Section 245a UGB (Austrian Business Code) and Section 59a of the Austrian Banking Act as well as the disclosure requirements specified in the Accounting Manual of UniCredit S.p.A., the ultimate parent company, required to be applied throughout the Group were taken into account in the preparation of the consolidated financial statements.

The following documents have been used to interpret and support the application of IFRS, even though they have not all been endorsed by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements issued by the IASB in 2010;
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or the IFRS Interpretations Committee supplementing the IFRS;
- ESMA (European Securities and Markets Authority) and Consob (Italian stock market supervisory authority) documents on the application of specific IFRS provisions;
- Interpretative documents on the application of IFRS in Austria prepared by the Austrian Financial Reporting and Advisory Committee (AFRAC).

The consolidated financial statements comprise the consolidated statement of financial position, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the consolidated statement of cash flows (compiled using the indirect method for operating cash flows) and the notes to the consolidated financial statements. The Group management report is a complement to the consolidated financial statements.

It must be noted that IFRS 9 was to be applied for the first time in the consolidated financial statements as at 31 December 2018 and that no retroactive adjustments were made in this respect.

The consolidated financial statements are prepared in euros, the presentation currency of the Group. Unless indicated otherwise, all figures are in millions of euros (€).

These consolidated accounts have been prepared on the assumption that the business is a going concern in accordance with IAS 1, as there is no uncertainty as to the company's ability to continue its business operations.

The measurement criteria adopted are consistent with this assumption and with the principles of accrual based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form. These criteria have not changed with respect to the previous year.

#### **Risk and uncertainty due to use of estimated figures**

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the consolidated financial statements, as well as the disclosure concerning contingent assets and liabilities. Estimates and assumptions in this regard are based on historic values considered appropriate under the given circumstances. These values were used to estimate the balance sheet values of assets and liabilities for which no proof of value from other sources is available.



## A – Accounting methods (CONTINUED)

The parameters and information used to estimate the above-mentioned figures in the statement of financial position, the income statement and the statement of comprehensive income are significantly affected by such factors which could change rapidly in ways that are currently unforeseeable, such that effects on future carrying amounts cannot be ruled out.

Estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognised in the period in which these reviews are carried out, provided that the change only concerns that period. If the revision concerns both current and future periods, it is recognised accordingly in both current and future periods.

Uncertainty affecting estimates is generally inherent in the measurement of:

- fair value of financial instruments not listed in active markets (A.7);
- loans and receivables, investments and, in general, any other financial assets/liabilities (C);
- post-employment benefit obligations and other employee benefits (A.6.7);
- provisions for risks and charges (A.6.8, C.26) and contingent liabilities (C);
- other intangible assets (A.6.3, C.9);
- impairments of financial instruments (A.5.3);
- deferred tax assets (C.10).

This is because the measurement of these items is mainly dependent on both the evolution of socio-economic conditions and the performance of the financial markets, which affect interest rates, securities prices, actuarial assumptions and the creditworthiness of borrowers and counterparties. With regard to assessing credit risks, it must be noted that the estimate of IFRS 9 is based on forward-looking information and, in particular, on the development of macroeconomic scenarios that are used when calculating the risk provision. Further information can be found in part A – 5.3.3. Impairment of financial instruments and Part E – Risk report – Section E.2 – Credit risk.

A more detailed description of the relevant estimates and assumptions used in the consolidated financial statements of the Bank Austria Group as well as quantitative sensitivity analyses are disclosed in detail in the relevant notes to the consolidated financial statements.

### A.3 – Consolidation principles

This section outlines the consolidation criteria and principles used to prepare the consolidated accounts at 31 December 2018.

#### Consolidated Accounts

The financial information in the consolidated financial statements includes the parent company, UniCredit Bank Austria AG, together with its subsidiaries, associates and joint ventures as at 31 December 2018.

Amounts in foreign currencies are converted at closing exchange rates in the statement of financial position, whereas the average exchange rate for the year is used for the income statement.

The data logged to prepare the consolidated financial statements in accordance with IFRS including the notes of significant, fully consolidated subsidiaries is audited by auditing companies.

#### Subsidiaries

Subsidiaries are entities which the parent company controls in accordance with IFRS 10. An investor controls an entity when it is exposed, or has rights, to variable returns from its involvement with a subsidiary and has the ability to influence those returns through its power over the subsidiary.

The carrying amount of an ownership interest in a fully consolidated entity held by the parent company or another Group company is eliminated – against the recognition of the assets and liabilities of the investee – as an offsetting entry to the corresponding portion of equity of the subsidiary due to the Group.

Intragroup balances, off-balance sheet transactions, income and expenses and gains/losses between consolidated companies are eliminated in full.

## A – Accounting methods (CONTINUED)

A subsidiary's income and expenses are included in the consolidated financial statements from the date the parent acquires control. On disposal of a subsidiary, its income and expenses are consolidated up to the date of disposal, i.e., until the parent ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and the carrying amount of its net assets is recognised in the item "Gains and losses on disposal of investments" in profit or loss. In the event that the subsidiary is part of a sales group and was already classified as "held for sale purposes", the difference between the proceeds from the sale and the carrying amount of the subsidiary's net assets is recorded in the profit and loss account under the item "Total profit or loss after tax from discontinued operations".

Minority interests are recognised in the item "Non-controlling interests" in the consolidated statement of financial position separately from liabilities and parent shareholders' equity. Minority interests in the profit or loss of the Group are separately disclosed under the item "Non-controlling interests" of the consolidated income statement.

The fair value of identifiable assets acquired and liabilities assumed, when a subsidiary is included in consolidation for the first time, is measured at the acquisition date.

### Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, which is usually structured in the legal form of a separate vehicle.

Investments in jointly controlled companies are accounted for under the equity method, if they are material for the Bank Austria Group.

### Associates

These are entities over which an investor has significant influence and which are not subsidiaries or joint ventures. It is presumed that:

- the investor has significant influence if the investor holds, directly or indirectly, at least 20 per cent of the voting power of an investee;
- is able to exercise significant influence through:
  - representation on the board of directors or equivalent governing body of the investee;
  - participation in the policy-making processes, including participation in decisions about dividends or other distributions;
  - material transactions between the investor and the investee;
  - interchange of managerial personnel;
  - provision of essential technical information.

Shares in associates are accounted for according to the equity method if their carrying amounts include dormant reserves and goodwill (less impairment). The investor's share of the profit and loss of the investee after the date of acquisition is recognised in the item "Profit (Loss) on equity investments" in the income statement. Distributions received from an investee reduce the carrying amount of the investment.

The changes in the revaluation reserves of associates, which are recorded as a contra item to changes in value of assets and liabilities that are relevant to this purpose, are reported separately in the Statement of Comprehensive Income.

## A – Accounting methods (CONTINUED)

### A.4 – Application of amended and new financial reporting standards

#### A.4.1 – First-time application of amended and new financial reporting standards and accounting methods

Except for the changes described below, the accounting policies applied are consistent with those of the previous financial year.

##### **New and amended financial reporting standards adopted in 2018**

The following new and amended accounting guidelines were applied for the first time by the Group from 1 January 2018 onwards.

##### ***IFRS 9 Financial instruments***

##### **Summary of the effects of the IFRS 9 application**

These new accounting regulations pursuant to IFRS 9 “Financial instruments” are to be applied for the first time from 1 January 2018 onwards.

The requirements of the new accounting standards were implemented in a comprehensive project in accordance with UniCredit Group in order to ensure the introduction of uniform accounting and risk supervision methods for all Group companies across the Group.

The Group-wide project was divided into two major areas:

- **“Classification and Measurement”** with the aim of ensuring the classification of financial instruments in accordance with the new IFRS 9 criteria, and
- **“Impairment”**, with the aim of developing and implementing models and methods for the calculation of impairment.

The entire project was carried out with the help of all relevant Bank Austria departments and with the active involvement of the Management Board and senior management.

The changes resulting from the first-time application of IFRS 9 can be summarised as follows:

- The classification and measurement of **commitments and debt instruments** is governed by IFRS 9
  - a) according to the “business model” in which the financial instrument is held and
  - b) according to the characteristics of the cash flows of the financial instruments. The essential question here is whether the cash flows of the financial instruments include “solely payment of principal and interests”.
- Under IFRS 9, **equity instruments** are classified either as “at fair value through profit or loss” or, if the option has been selected (FVOCI option), as “at fair value through other comprehensive income”. If the FVOCI option has been selected, all valuation results are recognised in other comprehensive income. In addition, the cumulative valuation results on the disposal of an equity instrument recognised directly in equity are not transferred to the profit and loss account (no “recycling”), but only reclassified to shareholder’s equity within the reserves.
- Compared to IAS 39, which has been based on incurred credit losses, the expected credit losses are to be recognised as an **impairment** in accordance with IFRS 9 (for details see A.5.3. – financial instruments).
- The **hedge accounting provisions** have changed with respect to the dedication of hedge accounting or the determination of the effectiveness of hedge accounting. The new standard provides the option for the user to continue to adhere to the previous hedge accounting rules of IAS 39 until the IASB completes the project to define the new rules for macro hedges. Bank Austria makes use of this opportunity and applies IAS 39 for hedge accounting.
- Bank Austria Group used the valued at fair value option for selected financial liabilities. The changes in the fair value attributable to fluctuations in the company’s own credit risk (“own credit risk”) would therefore have to be recognised in other comprehensive income (without recycling). After BA hedged the fluctuations of its own credit risk with credit default swaps, which were to be assessed through profit and loss and would result in a so-called “accounting mismatch” as a result of the assessment of its own credit risk, value adjustments of these instruments as a result of this credit risk shall still be recognised in the profit and loss account.

## A – Accounting methods (CONTINUED)

According to the transition regulations of IFRS 9, Bank Austria, similarly to UniCredit Group, decided not to adjust the comparison figures from the 2017 consolidated financial statements and therefore not make any retroactive adjustment to previous reporting periods. The effects resulting from the transition to IFRS 9 are therefore shown in the opening balance sheet for the 2018 financial year as such:

**Assets**

(€ million)

	31 DEC. 2017 ADJUSTED <sup>2)</sup>	RECLASSIFICATION	REMEASUREMENT	1 JAN. 2018 ADJUSTED FOR SOCIAL CAPITAL & IFRS
Cash and cash balances	230			230
Financial assets at fair value through profit or loss:		2,505	10	2,515
a) financial assets held for trading		992		992
b) financial assets designated at fair value				–
c) other financial assets mandatorily at fair value <sup>1)</sup>		1,512	10	1,523
Financial assets held for trading (IAS 39)	1,008	–1,008		
Financial assets at fair value through profit or loss (IAS 39)	6	–6		
Financial assets at fair value through other comprehensive income		14,899	22	14,921
Available-for-sale financial assets (ex IAS 39 Item N. 40)	15,057	–15,057		
Financial assets at amortised cost:		78,603	–46	78,556
a) loans and advances to banks		19,688	–5	19,683
b) loans and advances to customers		58,915	–41	58,873
Held-to-maturity investments (ex IAS 39 Item N. 50)	216	–216		
Loans and receivables with banks (ex IAS 39 Item N. 60)	19,688	–19,688		
Loans and receivables with customers (ex IAS 39 Item N. 70)	60,032	–60,032		
Hedging derivatives	2,084			2,084
Changes in fair value of portfolio hedged items (+/–)	243			243
Equity investments	1,937			1,937
Property, plant and equipment	629			629
Intangible assets	9			9
Tax assets:	279		23	302
a) current	43			43
b) deferred	236		23	259
Non-current assets and disposal groups classified as held for sale	330			330
Other assets	391			391
<b>TOTAL ASSETS</b>	<b>102,138</b>	<b>0</b>	<b>9</b>	<b>102,148</b>

1) Figures adjusted: Change of allocation between Financial assets held for trading and Other financial assets mandatorily at fair value.

2) Figures as published as at 31 December 2017, including adjustment of deferred taxes of 10 million € from 226 million € to 236 million € (social capital).

## A – Accounting methods (CONTINUED)

## Liabilities and shareholders' equity

(€ million)

	31 DEC. 2017 ADJUSTED <sup>1)</sup>	RECLASSIFICATION	REMEASUREMENT	1 JAN. 2018 ADJUSTED FOR SOCIAL CAPITAL & IFRS
Financial liabilities at amortised cost:				85,311
a) deposits from banks		15,126		15,126
b) deposits from customers		55,463		55,463
c) debt securities in issue		14,722		14,722
Deposits from banks (IAS 39)	15,126	–15,126		–
Deposits from customers (IAS 39)	55,463	–55,463		–
Debt securities in issue (IAS 39)	14,722	–14,722		–
Financial liabilities held for trading		1,004		1,004
Financial liabilities held for trading (IAS 39)	1,004	–1,004		–
Financial liabilities designated at fair value		301		301
Financial liabilities at fair value through profit or loss (IAS 39)	301	–301		–
Hedging derivatives	1,655			1,655
Value adjustment of hedged financial liabilities (+/–)	52			52
Tax liabilities:	34			34
a) current	27			27
b) deferred	7			7
Liabilities associated with assets classified as held for sale	56			56
Other liabilities	1,321	–187	12	1,146
Provisions for risks and charges:	4,063	187		4,250
a) commitments and guarantees given		187		187
b) post-retirement benefit obligations	3,726			3,726
c) other provisions for risks and charges	337			337
Valuation reserves	–899		–64	–963
Reserves	2,711		61	2,772
Share premium	4,135			4,135
Share capital	1,681			1,681
Minority shareholders' equity (+/–)	61		0	61
Profit (Loss) of the year (+/–)	653			653
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>102,138</b>	<b>0</b>	<b>9</b>	<b>102,148</b>

1) Figures as published as at 31.12.2017, including adjustment in post-retirement benefit obligations of 101 million € from 3,625 m € to 3,726 m €; this includes a reclassification of 11 m € from other liabilities to post-retirement benefit obligations. Valuation reserves were adjusted by –67 m € from –831 m € to –899 m €.

The effects of IFRS 9 must also be considered in the assessment of the regulatory capital ratio (CRD/CRR). EU Regulation no. 2017/2395 issued on 27 December 2017 provides a voting right in this regard to phase-in the first-time application effects of the additional risk provision in CET1 over a transition period of five years starting from 2018 onwards. Bank Austria is not making use of this transitional arrangement.

The application of IFRS 9 led to a decrease in equity by 3 million € after taxes (–26 million € before taxes). The first-time adoption of IFRS 9 has an effect on the regulatory CET1 of –8 bp (“fully loaded”).

## A – Accounting methods (CONTINUED)

## Transition of financial assets

The following table shows a transition of the individual balance sheet items of IAS 39 to the new balance sheet items pursuant to IFRS 9. In the reclassification column, IAS 39 values are reclassified in the relevant balance sheet items pursuant to IFRS 9 and the revaluation column reflects the assessment logic according to IFRS 9.

(€ million)

IAS 39 CATEGORY		NEW IFRS 9 CATEGORY					
PRODUCT DETAILS	IAS 39 BOOK VALUE AT 31 DEC. 2017	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS DESIGNATED AT FAIR VALUE		
		RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE
Financial assets held for trading	1,008	992	0	992	0	0	0
Financial assets at fair value through profit or loss	6	0	0	0	0	0	0
Available for sale financial assets	15,057	0	0	0	0	0	0
Held to maturity investments	216	0	0	0	0	0	0
Loans to banks	19,688	0	0	0	0	0	0
Loans to customers	60,032	0	0	0	0	0	0
<b>IFRS 9 TOTAL</b>				<b>992</b>			<b>0</b>

IAS 39 CATEGORY		NEW IFRS 9 CATEGORY					
PRODUCT DETAILS	IAS 39 BOOK VALUE AT 31 DEC. 2017	FINANCIAL ASSETS MANDATORY AT FAIR VALUE			FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME		
		RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE
Financial assets held for trading	1,008	16	0	16	0	0	0
Financial assets at fair value through profit or loss	6	6	0	6	0	0	0
Available for sale financial assets	15,057	157	0	157	14,899	22	14,921
Held to maturity investments	216	0	0	0	0	0	0
Loans to banks	19,688	0	0	0	0	0	0
Loans to customers	60,032	1,333	10	1,344	0	0	0
<b>IFRS 9 TOTAL</b>				<b>1,523</b>			<b>14,921</b>

IAS 39 CATEGORY		NEW IFRS 9 CATEGORY					
PRODUCT DETAILS	IAS 39 BOOK VALUE AT 31 DEC. 2017	FINANCIAL ASSETS AT AMORTIZED COST			TOTAL		
		RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE
Financial assets held for trading	1,008	0	0	0	1,008	0	1,008
Financial assets at fair value through profit or loss	6	0	0	0	6	0	6
Available for sale financial assets	15,057	0	0	0	15,057	22	15,078
Held to maturity investments	216	216	0	216	216	0	216
Loans to banks	19,688	19,688	–5	19,683	19,688	–5	19,683
Loans to customers	60,032	58,699	–41	58,659	60,032	–30	60,003
<b>IFRS 9 TOTAL</b>				<b>78,556</b>			<b>95,993</b>

## A – Accounting methods (CONTINUED)

## Transition of financial liabilities

(€ million)

IAS 39 CATEGORY		NEW IFRS 9 CATEGORY					
		FINANCIAL LIABILITIES AT AMORTIZED COST – DEPOSITS FROM BANKS			FINANCIAL LIABILITIES AT AMORTIZED COST – DEPOSITS FROM CUSTOMERS		
PRODUCT DETAILS	IAS 39 BOOK VALUE AT 31 DEC. 2017	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE
Deposits from banks	15,126	15,126	–	15,126	–	–	–
Deposits from customers	55,463	–	–	–	55,463	–	55,463
Debt securities in issue	14,722	–	–	–	–	–	–
Financial liabilities held for trading	1,004	–	–	–	–	–	–
Financial liabilities at fair value through p&l	301	–	–	–	–	–	–
IFRS 9 TOTAL		15,126			55,463		

IAS 39 CATEGORY		NEW IFRS 9 CATEGORY					
		FINANCIAL LIABILITIES AT AMORTIZED COST – DEBT SECURITIES IN ISSUE			FINANCIAL LIABILITIES HELD FOR TRADING		
PRODUCT DETAILS	IAS 39 BOOK VALUE AT 31 DEC. 2017	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE
Deposits from banks	15,126	–	–	–	–	–	–
Deposits from customers	55,463	–	–	–	–	–	–
Debt securities in issue	14,722	14,722	–	14,722	–	–	–
Financial liabilities held for trading	1,004	–	–	–	1,004	–	1,004
Financial liabilities at fair value through p&l	301	–	–	–	–	–	–
IFRS 9 TOTAL		14,722			1,004		

IAS 39 CATEGORY		NEW IFRS 9 CATEGORY					
		FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			TOTAL		
PRODUCT DETAILS	IAS 39 BOOK VALUE AT 31 DEC. 2017	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE	RE- CLASSIFICATION	RE- MEASUREMENT	IFRS 9 BOOK VALUE
Deposits from banks	15,126	–	–	–	15,126	–	15,126
Deposits from customers	55,463	–	–	–	55,463	–	55,463
Debt securities in issue	14,722	–	–	–	14,722	–	14,722
Financial liabilities held for trading	1,004	–	–	–	1,004	–	1,004
Financial liabilities at fair value through p&l	301	301	–	301	301	–	301
IFRS 9 TOTAL		301			86,616		



## A – Accounting methods (CONTINUED)

### Transition of impairment

The following table shows the IAS 39 impairments of 31 December 2017 and the IFRS 9 impairments of 1 January 2018. The reclassifications are a result of changes in the area of application of the new impairment regulations compared to IAS 39. The revaluations are a result of the new IFRS 9 impairment calculation to be applied.

PRODUCT DETAILS	IMPAIRMENT			
	IAS 39 – 31 DEC. 2017	RECLASSIFICATION	CHANGE IN MEASUREMENT	IFRS 9 – 1 JAN. 2018
<b>Financial assets at fair value through other comprehensive income</b>	0	0	2	2
<b>Financial assets at amortised cost</b>	1,815	0	46	1,861
- Debt Securities	1	15	7	23
- loans and advances to banks	3	–	6	9
- loans and advances to customers	1,811	–15	32	1,828
of which: financial leasing	67	–	7	73
<b>Loan commitments and financial guarantees given</b>	143	–	42	185
<b>TOTAL</b>	<b>1,958</b>	<b>0</b>	<b>90</b>	<b>2,048</b>

### Impact on regulatory capital

In the following summary table, the capital adequacy figures as of 1 January 2018, taking into account IFRS 9, are compared with the values adjusted according to IAS 39 as at 31 December 2017:

### Impact on regulatory capital

(€ million)

	1 JAN. 2018 <sup>1)</sup> (IFRS 9)		31 DEC. 2017 ADJUSTED <sup>2)</sup> (IAS 39)	
	UNWEIGHTED ASSETS	WEIGHTED ASSETS / REQUIREMENTS	UNWEIGHTED ASSETS	WEIGHTED ASSETS / REQUIREMENTS
<b>A. RISK ASSETS</b>				
A1. Credit and counterparty risk	114,981	29,679	114,978	29,677
1. Standard approach	42,642	8,751	42,668	8,779
2. IRB approach	71,137	20,803	71,109	20,772
3. Securitizations	1,153	122	1,153	123
4. CCP	48	3	48	3
<b>B. CAPITAL REQUIREMENTS</b>				
B1. Credit and counterparty risk		2,374		2,374
B2. Credit valuation adjustment risk		2		2
B3. Settlement risk		0		0
B4. Market risk		24		24
1. Standard approach		2		2
2. Internal model		22		22
3. Concentration risk		–		–
B5. Operational risk		256		256
1. Basic indicator approach		–		–
2. Traditional standardized approach		54		54
3. Advanced measurement approach		201		201
B.6 Other calculation elements				
B.7 Total capital requirements		2,656		2,656
<b>C. RISK ASSETS AND CAPITAL RATIO</b>				
C.1 Risk weighted assets		33,205		33,203
C.2 Common equity Tier 1 Capital/Risk weighted assets (CET1 capital ratio) <sup>3)</sup>		19.6%		19.6%
C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio) <sup>3)</sup>		19.6%		19.6%
C.4 Total Own Funds/Risk weighted assets (Total capital ratio) <sup>3)</sup>		22.2%		22.2%

1) Recast to reflect the first-time adoption of IFRS 9 and the adjustment in the social capital

2) figures as at 31/12/2017 including adjustment in the social capital

3) based on all risks.

## A – Accounting methods (CONTINUED)

### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was implemented by the EU with effect of 1 January 2018 (EU Regulation 2016/1905 of 22 September 2016 and published on 29 October 2016).

The standard governs at which time (or over which periods) and in which amount sales proceeds are to be realised. The Standard supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. All IFRS users are required to apply IFRS 15, which applies to almost all contracts with customers; the main exceptions are lease contracts, financial instruments and insurance contracts. Bank Austria analysed the effects of IFRS 15 using the five-step model in detail where net commission income falls within the area of application of IFRS 15. The analysis showed that no relevant effects with regard to the allocation of income of individual periods or items have emerged in the profit and loss account.

### ***IFRIC 22 – Foreign Currency Transactions and Advance Consideration***

On 8 December 2016, the IASB issued IFRIC 22, which clarified the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation came into force on 1 January 2018 and the adoption of the standard into EU law took place in the first quarter of 2018. The interpretation has no effects on Bank Austria.

### ***Amendments to IAS 40 Investment Property***

On 8 December 2016 the IASB also issued amendments to IAS 40 which contain clarifications with regard to cases where the classification as “investment property” may be changed, especially if property is under construction. The interpretation came into force on 1 January 2018 and the adoption of the standard into EU law took place in the first quarter of 2018. The effect on Bank Austria is immaterial.

### ***Amendments to IFRS 2 Share-based Payment***

On 20 June 2016, the IASB issued amendments relating to IFRS 2 to clarify the classification and measurement of share-based payment transactions. These amendments include clarifications of the treatment of vesting conditions for cash-settled share-based payment transactions and clarifications concerning modifications of such payment transactions from cash-settled to equity-settled. The amendments are effective for financial years beginning on or after 1 January 2018. The adoption of the standard into EU law took place in the first quarter of 2018. The amendments have no effects on the Bank Austria Group.

### ***Amendments resulting from “Annual Improvements to IFRS 2014–2016 Cycle”***

On 8 December 2016, the IASB issued amendments under the Annual Improvements to IFRS project. These amendments relate to the deletion of exemptions in IAS 1 which are no longer relevant, a clarification of disclosure requirements in accordance with IFRS 12 Disclosure of Interests in Other Entities and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and clarifications with regard to the election by certain investment companies to measure at fair value certain equity investments in accordance with IAS 28 Investments in Associates and Joint Ventures. The adoption of the standard into EU law took place in the first quarter of 2018. The effect on Bank Austria is limited to the ad-hoc individual cases when applying IFRS 5.

### ***Amendments to IFRS 4 Insurance Contracts***

On 12 September 2016 the IASB issued amendments to IFRS 4, the existing insurance contracts Standard. The objective of the amendments is to reduce the effects resulting from different dates of first-time application of IFRS 9 and IFRS 17, the Standard which will supersede IFRS 4, primarily for companies with extensive insurance activities. The adoption of the standard into EU law took place in November 2017. This has no effect on Bank Austria.

## A – Accounting methods (CONTINUED)

### A.4.2 – New and amended financial reporting standards not yet adopted by the Group

#### **Amendments to IFRS 3 Business combinations**

On 22 October 2018, the IASB adapted the criteria to define business operations. In order to classify the business operations, inputs and at least one substantive process is necessary which collectively contribute to the ability to generate outputs. Changes include guidelines and examples when there is a substantive process.

The change in standard leads to an optional concentration test. If the entire fair value of the acquired gross assets is concentrated on one or more assets of the same kind, then there is no business operations.

As a result, future acquisitions are to be accounted for as business combinations. This has corresponding effects on the recognition of goodwill, but also on the consideration of deferred taxes and transaction costs. The amendments are applicable for annual periods beginning on or after 1 January 2020. A premature application is permitted subject to an assumption into EU law. An analysis of the effects is also conducted where necessary based on the facts and circumstances.

#### **IFRS 16 Leases**

The main idea behind the IFRS 16 Standard is to recognise in the lessee's statement of financial position all leases and the related contractual rights and obligations. In the future the lessee will not need to make a distinction between finance leases and operating leases, which has so far been required under IAS 17.

The new regulations are mandatory for financial years ending on or after 1 January 2019 when they will begin to be applied and replace IAS 17 leases and related interpretations. Earlier application is permitted if IFRS 15 is also applied. The adoption of the standard into EU law took place in October 2017. Bank Austria made an initial estimate of the possible effects of IFRS 16. The actual effects of the assumption of the standard can however change as a result of possible changes to the company structure or relevant leases.

The Group decided not to make any adjustment to the previous year's period with regard to IFRS 16. IFRS 16 is not applied to leases relating to intangible assets, short-term leases (<12 months) and low value assets (<€5,000). The standard mainly governs leases for material assets such as property, business premises and motor vehicles.

Taking into account the number of leases within Bank Austria, the application of IFRS 16 will result in an increase in assets and liabilities resulting from the recognition of rights of use and related lease liabilities. Costs for reduction, removal or reproduction are recognised as part of the right of use when the lessee assumes an obligation for these costs. The obligation for such costs is recognised under application of IAS 37 "Provisions, contingent liabilities and contingent assets".

The interest rate used to discount the lease payments and to calculate the right of use is the same as the incremental borrowing rate of the lessee as this was defined as the best indicator. The incremental borrowing rate is calculated "point in time" and not on an average basis.

The effects of the application of IFRS 16 on the CET1 capital ratio is approximately –20 bp according to an initial estimate.

#### **Amendments to IFRS 9: Prepayment rules with negative compensation**

On 12 October 2017, the IASB issued prepayment rules with negative compensation (amendments to IFRS 9). For financial instruments that include a prepayment amount that results in negative compensation, the proposed amendment provides that if B4.1.11 (b) and B4.1.12 (b) of IFRS 9 are applied, such an asset will be carried at amortised cost, depending on the business model allocation or at fair value in other comprehensive income. As a result, paragraphs B4.1.11(b) and B4.1.12(b) of IFRS 9 (as issued in 2014) were changed in order to allow for negative compensation for premature contract terminations to be handled appropriately.

The amendment is effective for annual periods beginning on or after 1 January 2019, one year after the first application of IFRS 9. Earlier application is permitted, meaning that the standard adjustment can be considered as part of the first-time adoption of IFRS 9. However, for companies in the EU, early adoption is dependent on the endorsement. Bank Austria does not have any such transactions.

## A – Accounting methods (CONTINUED)

### ***IFRS 17 Insurance contracts***

IFRS 17 governs the principles with regard to the formation, evaluation, disclosure and information for insurance contracts with the area of application of the standard. The standard was published on 18 May 2017 and must be applied as mandatory for the first time to financial years starting on or after 01 January 2022. There is still no endorsement by the EU. UniCredit Bank Austria AG does not expect any significant effect from this standard but details such as the effect on the off-balance sheet area must still be analysed.

### ***IFRIC 23 – Uncertainty over Income Tax Treatments***

On 7 June 2017, IFRIC 23 was published which clarifies the balancing of uncertainty with regard to income tax. The interpretation is to be applied to taxable profit (tax losses) and unused tax losses and tax credits if there is uncertainty with regard to income tax treatment pursuant to IAS 12. The effects are being analysed.

### ***Amendments to IAS 28 with regard to long-term investments in associates and joint ventures***

On 12 October 2017, the IASB published amendments to IAS 28 in order to clarify that a company applies IFRS 9, “Financial instruments”, including the impairment regulations on long-term investments in associates or joint ventures that make up part of the net investment in this associated company or joint venture but that are not balanced according to the equity method. The amendments are effective for financial years beginning on or after 1 January 2019. Earlier application is permitted. Bank Austria must therefore analyse the potential effects of the amendment to this standard.

### ***Amendments to the “Annual Improvements to IFRS (2015–2017 Cycle)”***

On 12 December 2017, the IASB issued amendments under the Annual Improvements to IFRS project. Changes were made to the four standards as a result of the Annual Improvements to IFRSs (2015–2017). IFRS 3 clarifies that, when a company acquires control over a combined activity, the shares previously held in the business must be revalued. IFRS 11 clarifies that, when a company acquires control over business operations, the shares previously held in the business must be revalued. IAS 12 clarifies that the income tax effects of the collection of dividends are to be shown in the operating result. This applies regardless of how the tax burden arose. IAS 23 clarifies that third-party funds that are to be specifically allocated to the procurement or creation of a qualifying asset are to be excluded from general borrowing costs only as long as the condition for their intended final use has not yet been met. The adoption of the standard into EU law took place in the first quarter of 2019.

### ***Amendments to IAS 19: Plan amendments, curtailment or settlement***

On 7 February 2018, the IASB published changes to IAS 19 (Plan Amendment, Curtailment or Settlement – Amendments to IAS 19). According to IAS 19, pension obligations are to be assessed based on up-to-date assumptions in the case of plan amendments, curtailment or settlement. This change clarifies that, after such an event, service expenses and net interest for the rest of the period must be considered based on updated assumptions. The amendments are to be applied as of 1 January 2019. Premature application is permitted. The effect of this change is being analysed.

### ***Changes to IAS 1 and IAS 9 with regard to the definition of materiality***

The IASB issued the “Definition of material (changes to IAS 1 and IAS 8)” in order to strengthen the definition of “material” and to harmonise the various definitions in the framework concept and standards themselves. Information is material if it can be reasonably expected that its omission, erroneous presentation or concealment could influence the decisions of the primary recipients that are made based on this conclusion. The amendments are required to be applied for annual periods beginning on or after 1 January 2020. Premature application is permitted. The effect of this change must still be analysed.

### ***Changes to the reference to the framework concept in IFRS standards***

Together with the revised framework concept, the IASB also issued changes to the reference to the framework concept in IFRS standards. This includes changes to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Not all changes shall apply however to the updating of this announcement with regard to the references to the framework concept or quotations contained therein. Some announcements are only updated to indicate the version of the framework concept they refer (the IASC framework concept assumed by the IASB in 2001, the IASB framework concept of 2010 or the new, revised framework concept of 2018) or to indicate that the definitions of the standard were not updated in harmony with the new definitions developed in the revised framework concept.

These amendments, provided they are up to date, are to be applied to financial years starting on or after 1 January 2020. The effect of this change still has to be analysed.

## A – Accounting methods (CONTINUED)

### A.5 – Significant accounting policies

#### A.5.1 – Business combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.

IFRS 3 requires that all business combinations shall be accounted for by applying the purchase method, which involves the following steps:

- identifying the acquirer;
- determining the acquisition date;
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- recognising and measuring goodwill or a gain from a bargain purchase.

After initial recognition, goodwill is tested for impairment at least annually.

If the consideration transferred exceeds the purchase price for the acquiree, the acquirer shall reassess the fair values and recognise immediately any excess remaining after that reassessment in profit or loss.

If the acquisition concerns a percentage less than 100% of the assets of the acquired company, non-controlling interests are recognised. At the acquisition date, non-controlling interests are valued:

- either at fair value ("full goodwill method") or
- as a proportion of non-controlling interests in the assets, liabilities and identifiable contingent liabilities of the acquired company.

A decision on the method applied in the case of an acquisition will be made on a case-by-case basis.

**Business combinations under common control** (e.g. transfers of entities to and from other subsidiaries of UniCredit S.p.A. outside the Bank Austria Group) are not within the area of application of IFRS and are accounted for using the predecessor basis of accounting, with any effects directly recognised in equity.

A reduction of a stake from a controlled entity to an entity with significant influence accounted for under the equity method is accounted for as a sale without any proportionate elimination of the result of deconsolidation regarding the percentage of ownership retained. The fair value of the remaining stake is the initial value for the subsequent accounting according to the equity method.

#### A.5.2 – Foreign currency translation

The consolidated financial statements are prepared in euros, the presentation currency of the Group.

Various entities in the Group use a different functional currency, the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into euro using the exchange rates prevailing at the dates of the transaction or valuation when items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rate of exchange of the European Central Bank effective at the balance sheet date. Any resulting exchange differences are included in the income statement under "gains and losses on financial assets and liabilities held for trading".

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated into euro using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in euro are translated into the functional currency using the rate of exchange at the date the fair value was determined.

The exchange differences on a non-monetary item are recognised in other comprehensive income if the gain or loss on a non-monetary item is recognised in other comprehensive income. Any exchange component of a gain or loss on a monetary item is recognised in the income statement if the gain or loss on the monetary item is recognised in the income statement.

## A – Accounting methods (CONTINUED)

For consolidation purposes assets, liabilities and equity of foreign operations, the functional currency of which is not euro, are translated into the Group's presentation currency at the closing rate of exchange. Items of income and expenses are translated at the average rate of exchange for the reporting period. Differences arising from the use of spot and weighted average exchange rates and from the remeasurement of a foreign operation's net assets at the closing rate of the period are recognised in the revaluation reserves.

The exchange differences arising on the translation of the financial statements of a foreign operation are recognised in other comprehensive income and accumulated in a separate component of equity. The amount attributable to any non-controlling interests is allocated to and recognised as part of non-controlling interests.

Goodwill and intangible assets recognised on acquisition of foreign subsidiaries (brands, customer relationships) and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of a foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign subsidiary and associate, which results in the loss of control or loss of significant influence of that operation, all the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In case of a partial disposal of a foreign operation that does not result in the loss of control, the proportionate share of the accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

### Exchange rates used for foreign currency translation<sup>\*)</sup>

(Exchange rate in currency/€)

		2018		2017		CHANGE IN %	
		AVERAGE	END OF REPORT- ING PERIOD	AVERAGE	END OF REPORT- ING PERIOD	AVERAGE	END OF REPORT- ING PERIOD
US Dollar	USD	1.1810	1.1450	1.1297	1.1993	4.54 %	–4.53 %
British Pound	GBP	0.8847	0.8945	0.8767	0.8872	0.92 %	0.82 %
Japanese Yen	JPY	130.3960	125.8500	126.7110	135.0100	2.91 %	–6.78 %
Swiss Franc	CHF	1.1550	1.1269	1.1117	1.1702	3.89 %	–3.70 %

<sup>\*)</sup> Lists the major exchange rates

## A.5.3 – Financial instruments

### A.5.3.1 – General definitions in the context of financial instruments

#### *Initial recognition and measurement*

A financial instrument is any contract giving rise to a financial asset at one company and a financial liability or equity instrument at another company. Pursuant to IFRS 9, all financial assets and financial liabilities (including derivative financial instruments) must be assessed according to their assigned category and recognised accordingly in the balance sheet. The categories are described in more detail in subsequent sections. The Group classifies its financial instruments into the following categories:

- Financial assets at fair value through profit or loss
  - Financial assets held for trading
  - Financial assets designated at fair value
  - Other financial assets mandatorily at fair value
- Financial assets at fair value through other comprehensive income
- Financial assets at amortised cost
  - Loans and receivables with banks
  - Loans and receivables with customers
- Financial liabilities at amortised cost
  - Deposits from banks
  - Deposits from customers
  - Debt securities in issue
- Financial liabilities held for trading
- Financial liabilities designated at fair value

## A – Accounting methods (CONTINUED)

### ***Classification and subsequent assessment of financial assets***

Portfolios for the core business of the Bank Austria Group are assigned to either a “hold” or a “hold and sell” business model, depending on the specific portfolio strategy and the expectations relating to the future sales activities of the portfolio. The definition of the business model was effected at the level of the business areas of the Bank Austria Group. Those portfolios the Bank Austria Group holds for trading are assigned to an “Other” business model, to reflect the underlying trading intention.

An analysis of the asset's cash flow characteristics (SPPI-Test) is also needed for classifying financial assets into the corresponding valuation categories of IFRS 9, as well as defining the “business model” criterion.

To determine the cash flows for loans and debt instruments, the Bank Austria Group has developed processes and systems, in order to determine subsequently whether the asset's contractual cash flow permits a later revaluation “at amortised cost” (in the “hold” business model) or “at fair value through other comprehensive income” (under the “hold and sell” business model).

The valuation of this SPPI criterion is done depending on the relevant product and contract characteristics. The analysis is done with the help of both a software solution developed by UniCredit Holding (the “SPPI-Tool”) and using information from external data providers.

### ***Derecognition***

Derecognition is the removal of a previously recognised financial asset or financial liability.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS 9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset (or a group of assets), e. g. interest cash flows from an asset;
- the part comprises a clearly identified percentage of the cash flows from a financial asset, e. g., a 90 per cent share of all cash flows from an asset;
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flow, e. g. a 90 per cent share of interest cash flows from an asset.
- In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).

A financial asset must be derecognised when the contractual rights to the cash flows from the financial asset expire or the contractual rights to receive the cash flows of the financial asset are transferred to a non-Group counterparty. Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the Group to pay amounts not received from the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Group is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Derecognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset or expense accruing on the liability.



## A – Accounting methods (CONTINUED)

The main transactions that do not allow, under the above rules, derecognition of a financial asset are securitisations, repurchase (sales and buybacks of securities) and stock lending transactions.

In the case of securitisations the Group does not derecognise the financial asset on purchase of the equity tranche or provision of other forms of support of the structure which result in the Group retaining the credit risk of the securitised portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Securities lending transactions collateralised by other securities or not collateralised are shown as liability obligations that are recorded as off-balance sheet items.

### A.5.3.2 – Categories of financial instruments

#### *Financial assets valued at amortised cost*

A financial asset is assessed at amortised cost, if:

- it is held to collect contractual cash flows ("hold" business model)
- and its cash flows exclusively consist of interest payments and repayments. (SPPI conformity)

The amortised cost of a financial asset is the amount at which the asset is initially recognised, less principal repayments and adjusted for the amortisation of premiums or discounts (differences between initial recognition and repayment), which is calculated using the effective interest method. The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The carrying amount of financial assets at amortised cost is adjusted if impairments or value recoveries result from the assessment process. Impairments are recognised in the profit and loss account under the item "Impairment of financial assets at amortised cost".

Upon disposal, the accumulated profits and losses are also recognised in the item "Profits and losses on disposals of financial assets at amortised cost". Amounts that result from the adjustment of the carrying amounts of the financial assets before the deduction of accumulated amortisations are recognised in the item "Income/expenses due to contractual changes (without terminations)". The effects of contractual changes on the expected loss are recorded in contrast in the item "Impairments on financial assets at amortised cost".

#### *Financial assets at fair value through profit or loss*

##### **Financial assets held for trading**

A financial asset is classified as a "financial asset held for trading" if it

- was acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for derivatives which constitute financial guarantees and derivatives designated as hedging instruments).

## A – Accounting methods (CONTINUED)

Financial assets held for trading are measured at fair value with the first-time recording on the settlement date. This is equal to the amount paid, excluding transaction costs, which are recognised in profit and loss even when directly attributable to the financial assets. After initial recognition these financial assets are measured at their fair value through profit or loss.

Profit or loss from disposal, repayment or change in the fair value of an asset is recorded through profit or loss in gains and losses on financial assets and liabilities held for trading, including profit or loss from financial derivatives that refer to financial assets or financial liabilities that are designated at fair value or other financial assets that must be measured at fair value. If the fair value of a financial instrument falls below zero, which may happen in the case of derivative contracts, it shall be recorded under financial liabilities held for trading.

### ***Financial assets at fair value through profit or loss***

A financial asset can irrevocably be designated at fair value through profit or loss (fair value option) when it is recognised for the first time, if as a result inconsistencies in the measurement or recognition (accounting mismatch) can be remedied or significantly reduced. Inconsistencies can arise if the valuation of assets or liabilities or the recognition of profits and losses is based on different grounds.

Financial assets that are required to be recognised at fair value through profit or loss under the fair value option are accounted for in the same way as instruments in the category “Financial assets held for trading”.

### ***Other financial assets mandatorily at fair value***

A financial asset is required to be classified at fair value if the classification rules are not satisfied for measurement at amortised cost or at fair value through profit or loss. This includes in particular the following financial assets:

- loans and bond issues that are not assigned to a “hold” or “hold and sell” business model
- loans and bond issues that do not meet the SPPI criterion
- shares in a mutual fund
- equity instruments for which Bank Austria does not exercise the option of accounting as at fair value through profit or loss

Financial assets that are required to be recognised at fair value through profit or loss are accounted for in the same way as instruments in the category “Financial assets designated at fair value through profit or loss”.

### ***Financial assets at fair value through other comprehensive income***

A financial asset is measured at fair value through profit or loss if the instrument is both assigned to the “hold and sell” business model and the SPPI criterion is met and the cash flows therefore represent only repayments and interest payments on the outstanding principal amount.

This balance sheet item also includes equity instruments for which Bank Austria exercises the option of accounting as at fair value through profit or loss.

On initial recognition, at settlement date, an AfS financial asset is measured at fair value through other comprehensive income plus transaction costs and income directly attributable to the transaction.

In the case of debt instruments, the recognition of interest income takes place using the effective interest method and thus analogous to the treatment of instruments recognised at amortised cost. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income (“other comprehensive income”) and shown in the statement of financial position in the balance sheet under accumulated other comprehensive income. Furthermore, the impairment regulations of IFRS 9 must be considered for these instruments. Impairment income or expenses are recorded in the profit and loss account. Upon de-recognition of the financial asset, the amount previously accumulated in other comprehensive income is reclassified in the income statement (“recycling”).

For equity instruments, gains and losses arising from changes in fair value are recognised in the statement of comprehensive income (“other comprehensive income”) and shown in the statement of financial position in the balance sheet under accumulated other comprehensive income. The cumulative amount recognised in other comprehensive income (as opposed to debt instruments) is never reclassified to the income statement and reclassified to other comprehensive income at the time of de-recognition. Dividends received from these instruments are reported in the income statement.

## A – Accounting methods (CONTINUED)

### **Derivatives**

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

- Its value changes in response to: the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or another variable (usually called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is considered a component of a structured contract that also included a non-derivative host contract. As a result, part of the cash flows of the compound financial instrument are subject to fluctuations similar to those of a free-standing derivative. If the host contract falls within the shape of a financial asset in the area of application of IFRS 9, then the entire contract must be measured in this way. For such instruments, there shall not be any obligation to separate the embedded derivative from the host contract.

Derivatives embedded in financial liabilities and derivatives embedded in financial assets whose host contracts are not subject to the regulations of IFRS 9 are to be separated, unchanged, from the host contract.

The conditions for separation from the host contract were assumed, unchanged, from IAS 39 into IFRS 9 and this must take place if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

If an embedded derivative is spun-off, then the host contract must be treated according to the IFRS provisions and the derivative must be classified according to IFRS 9.

All derivatives are initially measured at fair value. Subsequent to initial recognition all derivatives are measured at fair value with changes in fair value recognised in profit or loss.

### **Financial liabilities valued at amortised cost**

Financial liabilities measured at amortised cost include financial instruments (with the exception of financial liabilities held for trading that are measured at fair value) which have various forms of third-party financing.

The amortised cost of a financial liability is the amount at which the liability is initially recognised, less principal repayments and adjusted for the amortisation of premiums or discounts (differences between initial recognition and repayment), which is calculated using the effective interest method; less value adjustments.

### **Financial liabilities held for trading**

Financial liabilities held for trading include:

- derivatives, with the exception of derivatives designated as hedging instruments
- delivery obligations from short sales
- financial liabilities with short-term resale intent
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

A financial liability held for trading is measured at fair value through profit or loss both on initial recognition and subsequent measurement.

## A – Accounting methods (CONTINUED)

### ***Financial liabilities designated at fair value***

Financial assets can be irrevocably designated at fair value through profit and loss (fair value option) on their initial recognition if the classification of existing inconsistencies in the assessment of liabilities or the recording of profit or loss on a different basis is remedied or significantly reduced and the liability belong to a group of financial liabilities that are managed according to a documented risk management or investment strategy and whose performance is evaluated on a fair value basis.

Financial liabilities in this category are measured at fair value through profit or loss both on initial recognition and in subsequent measurement.

For instruments designated under the fair value option, the changes in fair value arising from the credit risk of the financial liability are recognised in the statement of comprehensive income and recognised in the “revaluation reserve” item in the statement of financial position, unless there are mismatches in valuation or recognition (“Accounting Anomaly” / “Accounting Mismatch”) caused or increased. In the latter case, all fair value changes are recognised in profit or loss.

### **A.5.3.3 – Categories of financial instruments**

The new impairment model for showing expected credit losses is to be applied to all debt instruments that are shown at either “amortised cost” or “at fair value through other comprehensive income, in equity” and also to off-balance sheet instruments such as guarantees and lending commitments.

Instruments under the scope of the new impairment rules are therefore allocated in a consideration of the ratio of the change in credit risk between the date of initial recognition and the current credit risk at the measurement date, either Level 1, Level 2, or Level 3:

- Level 1 includes all newly added financial instruments and those for which a significant increase in the default risk since the initial recognition has been determined and instruments with a low default risk (low credit risk exemption).
- Level 2 includes instruments for which a significant increase in the default risk since the initial recognition has been determined, but creditworthiness is not yet affected.
- Level 3 includes instruments with affected creditworthiness.

The amount of expected credit losses to be recognised depends on the level of allocation. For Level 1 instruments, a credit loss equal to the expected 12-month credit loss (“1 year ECL”) is recognised. For Level 2 and 3 instruments, on the other hand, a credit loss amounting to the lifetime credit loss expected (“lifetime ECL”) is recognised.

In order to meet the new requirements of IFRS 9, Bank Austria has developed specific methods to determine the expected credit losses based on the PD, LGD and EAD parameters as well as a scenario-based consideration of forward-looking macroeconomic information.

The Level transfer logic (from Level 1 to Level 2) is a central and key component of the new impairment regulations. Bank Austria uses both relative and absolute criteria for the transfer of levels. The significant criteria for a transfer from Level 1 to Level 2 include:

- a transaction-based relative comparison between probability of default (PD) at the reporting date and that at initial recognition using internal models. The threshold values are determined using a complex statistical process in which the probability of default, the age of the loan, the historic default behaviour and the relevant segment are considered. To summarise, it can be said that every month the probability of default (1-year PD) as of the reporting weight and the probability of default (1-year PD) at the start of business are compared. The limits from which a deterioration is considered significant is, as explained, determined for each transaction individually using a function which shows the highest PD at the time of the initial recognition. The higher the PD is at the start of business, the lower the relative tolerated deterioration is, which leads to a shift into Level 2. The functions are determined for various sub-portfolios and are calibrated differently. Calibration takes place based on the relevant long-term default rate, with the addition of the share of the sub-portfolio with the characteristics “30-day delay” and “forbearance”. This shall therefore ensure that a corresponding share of the sub-portfolio will be classified as Level 2 for average economic situations. This share may increase or decrease depending on the relevant economy. If the PD of a transaction sufficiently improves by the next reporting date, it will be transferred back to Level 1;
- absolute criteria such as 30 days overdue;
- other internal criteria (e.g. forbearance measures, foreign currency loans in the retail segment, taking into account the inherent risks since the initial recognition) After the Level 2 criterion lapses, which is normally after two years with the forbearance criterion, the transaction will be reclassified according to the other criteria.

## A – Accounting methods (CONTINUED)

For loans and receivables, the expected credit losses to be recognised are determined on the basis of the present value of future expected repayments and interest payments. In determining the present value, the payments to be expected and their dates must be identified and the discount rate (fair value of the money) must be determined.

The amount of the loan loss provisions for impaired instruments classified as bad loans or unlikely to pay is determined by the difference between the carrying amount and the present value of future expected cash flows, discounted with the original effective interest rate.

For instruments with a fixed interest rate, the underlying interest rate is thus constant over the term, while instruments with a variable interest rate are recalculated depending on the contractual conditions.

If the original effective interest rate cannot be determined, or if the determination would result in unreasonably high costs, the value is approximated.

Recovery periods are estimated based on business and economic plans as well as historical considerations and observations for similar business cases. Consideration is therefore given to the relevant customer segment, the type of loan agreement and the security in addition to other relevant factors that are appropriate for the determination.

For impaired instruments, consideration is also given to the new requirements with regard to i) the adjustment of the point-in-time calibration and forward-looking information; and ii) the application of multiple scenarios.

### **Parameter and risk definition**

Specific methods have been developed at Bank Austria to determine expected credit losses. The methods are based essentially on the input parameters PD, LGD and EAD as well as the effective interest rate:

- PD (Probability of Default): Likelihood of a loan default during a defined period e.g. one year
- LGD (Loss Given Default): Loss rate of outstanding loan amount in case of loan default
- EAD (Exposure at Default): Estimate of the loan amount at the time of the loan default
- The effective interest rate is the discount rate that reflects the fair value of the money.

Credit risk parameters are calibrated for regulatory purposes over a horizon encompassing the entire economic cycle ("through the cycle, TTC"). It is therefore necessary that these parameters for IFRS 9 purposes be calibrated point-in-time and forward-looking, so they reflect the current situation and the expectations of future economic performance. Consequently, the values used for regulatory purposes for PD, LGD and EAD are adjusted in order to take the requirements of IFRS 9 into consideration. The major adjustments include

- an elimination of regulatory conservative factors,
- a "point in time" calibration instead of the regulatory "through the cycle" adaptation,
- the consideration of forward-looking, macroeconomic information and
- the modelling of credit risk parameters over the life of the instrument (multi-year perspective).

The modelling of the multi-year PDs includes a "point in time" adjustment of the observed cumulative default rates with consideration of future-oriented macroeconomic information.

The conservativity margins in the recovery rates included in the regulatory "through the cycle" LGC are broadly adjusted according to IFRS 9 so that they reflect the current expectations in consideration of forward-looking, macroeconomic information when discounting with the effective interest rate.

The EAD is modelled on the expected lifetime ("lifetime EAD") based on the regulatory (one-year) EADs, without any conservativity factors and in consideration of the expected cash flow.

### **Special features of the group of foreign currency loans**

The foreign currency credit portfolio or repayment vehicle credit portfolio with final maturity in the retail customer segment was analysed collectively as a special group of financial instruments, with the result that the entire portfolio, since the initial application of IFRS 9, is assigned to Level 2, and the modelling of the expected credit loss considers some additional specific factors that are not relevant for the remaining credit portfolio.

New business of this kind has not been recorded for more than a decade, and old business has long maturities, as is customary for mortgage-backed transactions. The allocation to Level 2 is based on the long-term exchange rate development of the Swiss Franc (which led to increased EADs compared with the time the loan was issued) and as a result of the development of repayment vehicles frequently remaining considerably below original expectations.

## A – Accounting methods (CONTINUED)

As a result of the special significance of the currency development for this portfolio, in addition to the forward-looking information described below, that is applied to the remaining portfolios, the following factors are considered:

- A scenario-weighted adjustment of the lifetime EAD was made, which is based inter alia on the long-term exchange rate development of the Swiss Franc.
- Certain components of the regulatory PD model (e.g. an increase in the one-year PD with loans maturing shortly before they are due) are also adjusted to the PD curve logic used for IFRS 9.
- Adjustments were also made to the LGC in order to take the specific properties of this portfolio in a lifetime concept into consideration.

### *Consideration of forward-looking information*

Macroeconomic forecast are considered in the determination of expected credit losses. The application of a multiple scenario consideration of forward-looking component considers the partly non-linear nature in the correlation between the macroeconomic changes and the credit risk. The multiple scenarios are considered by estimating certain factors ("overlay factor") and the direct application to the expected credit losses of the portfolio. The inclusion of forward-looking macroeconomic information is consistent with other macroeconomic forecasting techniques used in the UniCredit Group (e.g. taking into account macroeconomic forecasts of expected credit losses within the EBA Stress Test and the ICAAP), using independent functionalities of UniCredit Research. This results in the creation of a unified starting point, which is adjusted to meet each of the now divergent regulatory requirements, using internally developed scenarios. The macro scenarios are the modelled by the Group unit responsible for stress tests for their effect on the credit risk parameter. This leads to adjustments of the parameter on the multi-year horizon of the scenario. For subsequent terms, the parameters are gradually approximated to their original values.

The Bank selected three macroscenarios based on the economic environment in order to determine forward-looking information: a basic scenario, a positive scenario and a negative scenario. The basic scenario is considered the most likely and therefore forms a central reference point. The positive and negative scenarios present positive alternative developments which are correspondingly better or worse in comparison with the basic scenario with regard to the Bank's relevant economic areas.

- The **basic scenario** reflects the macroeconomic development expected in the Group. It expects a positive, stable economic growth for the Eurozone and most CEE countries, even if growth will be somewhat slow compared to 2018. For interest rates in the Eurozone, a slight increase is forecast, although they shall remain at a comparatively low level, historically. The annual growth of the gross domestic product (GDP) in the Eurozone is expected to be 1.7% for 2019, 1.1% for 2020 and 1.3% for 2021 (the corresponding expectations for Austria are 1.9%, 1.5% and 1.6% and for Germany 1.7%, 1.5% and 1.7%). This scenario assumed that the three-month EURIBOR shall remain slightly negative before becoming positive again in 2020.
- The **positive scenario** is based on the event that the positive growth from 2018 shall experience a slight weakening both globally and in Europe in 2019, supported by the global economic trend and corresponding economic policy. In this scenario, growth in the Eurozone is in particular consolidated as a result of Germany's contribution and shows a further acceleration by 2020, which is reflected (compared with the basic scenario) in increased annual growth rates of real GDP over the next three years: between +0.2% and +0.6% in the period from 2019 to 2021. In more detail, it is assumed that the annual growth rates of the real GDP for the Eurozone shall remain at +2% in 2019 and then return to +1.7% (2020) and +1.5% (2021). For Austria, the appropriate values in this period are +2.2%, +2.1% and +1.9%. The three-month EURIBOR remains negative in 2019 in this scenario, but increases slowly, but consistently, in 2020/2021, triggered by a policy of monetary tightening, which is more aggressive in comparison to the basic scenario. Such a scenario is considered plausible and appropriate in order to describe a trend that arises better than the basic scenario.
- The **negative scenario** is one of the scenarios that was used as part of the ICAAP (Internal Capital Adequacy Assessment Program). In coordination with the ICAAP, a scenario was selected which represents every macroeconomic and financial risk for the Group that are considered to be the most relevant with regard to business activities and regions. The "widespread contagion" scenario is based on the assumption that the political risk in the European Union is increasing. The cause of this is the growing influence of populist parties in Italy, Germany and France, coupled with other aspects such as increasing tension between the central government in Spain and the region of Catalonia. This leads to an increase in the risk premiums of various asset classes and to slowed growth both in the Eurozone and in CEE states. In more detail, the annual GDP growth in the Eurozone would be +0.3%, -0.5% and +0.5% for 2019, 2020 and 2021; for Austria, these values would be +0.6%, +0.1% and 1.0%. The short-term interest rates measured by the three-month EURIBOR remain negative over the entire three-year horizon, on the assumption that the ECB will extend its liquidity support programme in this scenario. Such a scenario is considered plausible and appropriate in order to describe a trend that arises worse than the basic scenario.

In view of the choice of scenario and the associated deviations from the basic scenario, we believe that the occurrence of the negative scenario is less probably than the occurrence of the positive scenario.

## A – Accounting methods (CONTINUED)

In accordance with the regulations of IFRS 9, it can be determined that the credit risk of a financial asset is not significantly increased if the asset has a low default risk on the reporting date (low credit risk exemption). Bank Austria applies this exemption rule to securities with "investment grade" creditworthiness.

The calculation of the expected credit defaults for impaired assets was also adjusted with regard to the new requirements of IFRS 9 insofar as the forward-looking information and scenarios are considered.

With regard to the definition of impaired assets, Bank Austria's current default definition was assumed and which is also used for regulatory purposes.

With regard to hedge accounting, Bank Austria is making use of the option to continue to use the existing hedge accounting rules of IAS 39.

### **Gross exposure, risk provisioning and net exposure depending on value adjustment as of 1 Jan. 2018**

The following tables show a reconciliation of the gross book values to the net book values, showing the corresponding impairment level, and separately according to the IFRS 9 valuation categories, as of 1 January 2018.

(€ million)

	GROSS AMOUNT		
	STAGE 1	STAGE 2	STAGE 3
<b>Financial assets at fair value through other comprehensive income</b>	<b>14,712</b>	<b>109</b>	<b>–</b>
- Debt securities	14,712	109	–
- Loans and advances to banks	–	–	–
- Loans and advances to customers	–	–	–
<b>Financial assets at amortized cost</b>	<b>57,175</b>	<b>20,638</b>	<b>2,603</b>
- Debt securities	1,059	84	25
- Loans and advances to banks	18,150	788	4
- Loans and advances to customers	37,966	19,767	2,575

(€ million)

	LOAN LOSS PROVISION		
	STAGE 1	STAGE 2	STAGE 3
<b>Financial assets at fair value through other comprehensive income</b>	<b>1</b>	<b>2</b>	<b>–</b>
- Debt securities	1	2	–
- Loans and advances to banks	–	–	–
- Loans and advances to customers	–	–	–
<b>Financial assets at amortized cost</b>	<b>68</b>	<b>393</b>	<b>1,399</b>
- Debt securities	0	19	5
- Loans and advances to banks	5	0	4
- Loans and advances to customers	63	374	1,391

(€ million)

	NET EXPOSURE		
	STAGE 1	STAGE 2	STAGE 3
<b>Financial assets at fair value through other comprehensive income</b>	<b>14,712</b>	<b>108</b>	<b>–</b>
- Debt securities	14,712	108	–
- Loans and advances to banks	–	–	–
- Loans and advances to customers	–	–	–
<b>Financial assets at amortized cost</b>	<b>57,107</b>	<b>20,245</b>	<b>1,204</b>
- Debt securities	1,058	65	20
- Loans and advances to banks	18,145	787	0
- Loans and advances to customers	37,903	19,393	1,184



## A – Accounting methods (CONTINUED)

### **Write-off**

With respect to the first-time adoption of IFRS 9, portfolios of non-performing loans were analysed and the following characteristics were identified for depreciation events:

- no factual expectation regarding the recovery due to the high credit age
- waiver of credit management measures due to the low credit volume and economic aspects
- guaranteed amount of zero or non-collectable
- substantial difficulties in the execution of the guarantee with respect to the debtor as well as the legal framework

IFRS 9 requires the gross book value of a financial asset to be reduced directly if it is reasonably estimated that a financial asset cannot be fully or partially realised. A depreciation is a write-off procedure. Full or partial depreciation does not represent a loss of legal title to the recoverability of the credit.

In order to ensure the implementation of the technical accounting requirements and compliance with ECB regulation from the “Guidance to banks on non-performing loans”, appropriate guidelines were developed at Bank Austria to analyse non-performing loans.

### **Governance**

The methodical framework conditions to determine the expected credit losses in accordance with IFRS 9 was developed based on Group-wide models, regulations and standards. The inclusion of forward-looking macroeconomic information using multiple scenarios is therefore consistent with other macroeconomic forecasting techniques used in the UniCredit Group (e.g. taking into account macroeconomic forecasting of expected credit losses within the EBA Stress Test and the ICAAP). The models were therefore also partly validated by the Group internal validation department before being handled in the RICO. Subsequent amendments and adaptations are also the subject of the approval process in the RICO.

The application of the new requirements under IFRS 9 also resulted in adjustments to the internal procedural rules. This in particular concerns the process to determine the expected credit losses and the associated technical accounting depiction of the credit risk provisions.

The adjustments in the calculation process for the expected credit losses in particular include the previously described adjustments of the input parameters for the multi-year consideration of the credit losses and the consideration of the forward-looking macroeconomic in particular in the use of multiple scenarios.

### **Contractual modifications**

As part of renegotiations of loans and receivables, contractual cash flow is changed, meaning that an assessment regarding the significance of the change is necessary.

In the case of a creditworthiness-related, non-significant change in the contractual cash flow, an adjustment will be made to the gross carrying amount of the instrument based on a net present value consideration of the new contractual cash flow, discounted with the original effective interest rate. The difference between the old gross book value and the new gross book value is recognised in profit or loss, taking into account the impact on expected credit losses, as a change in gain or loss.

In this context, changes in the contractual cash flows triggered by changes in the original contract or by (simultaneous) conclusion of a new contract are significant if the contractual right to cash flows is thereby transferred to the new contract. The contractual right to cash flows expires in particular if the renegotiations lead to changes in the classification of the instrument or result in a change in the credit currency.

If cash flows differ significantly, the contractual rights of the cash flow from the original instruments shall be considered to have been forfeited. In this case, the original instrument will be derecognised and a new financial instrument will be recognised at fair value plus any chargeable transaction costs.

### **Instruments with credit standing already impaired in access (“POCI”)**

Loans and receivables measured at amortised cost or at fair value through profit or loss and classified as distressed at the date of acquisition are classified as impaired or credit impaired (“POCI”) instruments.

For these financial assets, the effective interest rate and the interest received are to be applied to the amortised cost of the financial asset. Expected credit losses must therefore be reassessed on an ongoing basis in order to record positive and negative changes in the need for impairment.

## A – Accounting methods (CONTINUED)

Instruments with impaired creditworthiness are assigned to Level 3 upon initial recognition. If the quality of the credit risk improves over the lifetime of the instrument and the instrument is no longer classified as non-performing, it will be transferred to Level 2. However, a transfer into Level 1 is not possible for these instruments, as the credit risk provisions to be recognised must be taken into account taking into account the total residual maturity.

In addition, within Bank Austria, those instruments are classified as instruments with impaired creditworthiness ("POCI") whose contractual cash flows are significantly changed as part of restructuring or the renegotiation of impaired instruments.

### A.5.3.4 – Further explanations in the context of financial instruments

#### **Factoring**

Loans acquired in factoring transactions with recourse are recognised to the extent of the advances granted to customers on their consideration. Loans that were acquired without recourse are fully recognised.

#### **Guarantees and credit derivatives in the same class**

Guarantees and credit derivatives in the same class measured under IFRS 9 (i.e. contracts under which the issuer makes pre-established payments in order to compensate the guaranteed party or buyer of protection for losses sustained due to default by a debtor on the maturity of a debt instrument) are initially and subsequently (on remeasurement following impairment losses) recognised in the item "Other liabilities". On first recognition guarantees given are recognised at fair value, which usually corresponds to the amount received when the guarantee is issued. After initial recognition, guarantees given are recognised at the greater of the initially recognised value, net of any amortised portion, and the estimated amount required to meet the obligation. The effects of valuation, related to any impairment of the underlying, are recognised in the item "Write-downs and write-backs due to impairment of other financial transactions" in the income statement.

For credit commitments and financial guarantees, the time at which the company is the party of the irrevocable commitment shall be considered as the time of the initial recognition for the purposes of applying the impairment regulations.

#### **Finance leases**

In the case of finance leases, all risks and opportunities associated with the property shall transfer to the lessee. The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:

- Statement of Financial Position: Value of the receivable, less the lease rates
- Profit and loss account; collected interest

See also section "Property, plant and equipment".

#### **Operating leasing**

For operating leasing, the opportunities and risks associated with the subject of the lease shall remain with the lessor, who shall remain the economic owner of the subject of the lease. The lease relationship shall be a normal rental lease from the perspective of the lessee. The lessee shall not account for either the subject of the lease nor any obligations arising from the lease agreement, but shall only consider lease payments.

#### **Hedge accounting**

Hedging instruments are those created to hedge market risks (interest-rate, currency and price) to which the hedged positions are exposed. Hedge accounting is applied for most of these hedging instruments.

Hedging derivatives are initially recognised at the settlement date and are valued at their fair value.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Bank Austria applies the previous regulations on hedge accounting of IAS 39. In order for hedge accounting in accordance with IAS 39 to be recognised, hedges must be effective to a great extent. A hedge relationship is considered to be effective to a great extent if the hedge relationship falls within a range of 80-125 percent at the start of the hedge relationship and in the subsequent periods.

## A – Accounting methods (CONTINUED)

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment cannot confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.

In addition, the hedging relationship ceases when the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, expires or is repaid; or it is no longer highly probable that the forecast transaction will occur.

Hedging instruments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are accounted for as follows:

- **Micro Fair Value Hedge** – every market change of the hedge derivative (e.g.: Interest rate swaps, swaptions, caps, floors) is recognised in the P&L item “Fair value adjustments in hedge accounting”. Profit or loss from the change in the hedged risk in the hedged item is also recognised in the same item and at the same time changes the carrying amount of the hedged item as a “basis adjustment”. If the hedging relationship is terminated for reasons other than the sale of the hedged item, this is measured according to the original criterion dictated by the accounting standard applied to the relevant portfolio. In the case of interest-bearing instruments, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge. The difference in fair value of the hedging derivative since the latest effectiveness testing date is recognised in profit or loss under the item “Fair value adjustments in hedge accounting”. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognised through profit or loss in the item “Gains and losses on disposal or repurchase”.
- **Cash Flow Hedge** – the effective part of the market value application of the hedge (e.g. cross-currency swaps, interest rate swaps), is recognised in equity in other comprehensive income under “Revaluation reserves according to IAS 39”. The ineffective portion of the gain or loss is recognised through profit or loss in the item “Fair value adjustments in hedge accounting”. If a cash flow hedge is no longer considered effective or is terminated for other reasons, the accumulated value gain or loss of the hedge recorded until that point shall remain under revaluation reserves until the hedged future transaction occurs or is no longer considered probable. In the first case, the recorded valuation results upon the occurrence of the hedged future transaction are recorded in the item in which the valuation effect of the hedged transaction is reflected, or they change, provided the transaction leads to an asset or liability being recorded. In the last case, the valuation results recorded in the reserve shall transfer into the profit and loss account and be recognised under the item “Fair value adjustments in hedge accounting”. The fair value changes recorded in item “Revaluation reserves” are also disclosed in the Statement of Comprehensive Income.
- **Portfolio Fair Value Hedge** for financial assets or debts: Pursuant to IAS 39, not only fixed-interest assets or debts can be hedged against interest rate changes as a fair value hedge, but also a monetary item that is spread across a number of financial assets or debts (or parts thereof). Accordingly, a group of derivatives can be used to hedge fluctuations in fair value in a portfolio of hedge items as a consequence of fluctuations in market interest rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macro hedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80–125 per cent. Net changes – gains or losses – in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in special line items on the asset or liability side. The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in the profit and loss item “Fair value adjustments in hedge accounting”. If the hedging relationship is terminated, for reasons other than the sale of the hedged items, a cumulative gain or loss in the balance sheet line items is recognised through profit or loss in interest income or expenses, along the residual life of the hedged financial assets or liabilities. If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in the item “Gains and losses on disposal or repurchase”.

A portfolio fair value hedge is also used by Bank Austria for fixed-rate exposures. The bank uses interest rate swaps and cross-currency interest rate swaps with fixed legs, which hedge fixed exposures resulting from transactions on the assets side or liabilities side – depending on the currency – in euro or foreign currency. In this context Bank Austria applies the EU carve-out because it also includes replication portfolios of sight deposits in the portfolio of hedged items. The previously applied Group cash flow hedge was terminated at the end of October 2014 and the cash flow hedge reserve is subsequently being dissolved.

Cash flow hedges are used by Bank Austria for protecting future variable cash flows against changes in market rates. They hedge the exposure to variability in cash flows which result from assets or liabilities or from planned transactions and have an effect on profit or loss. Changes in the fair values of derivatives designated as hedging instruments are divided into a portion that is determined to be an effective hedge, and into an ineffective portion. The effective portion of any gain or loss on the hedging instrument is included in the cash flow hedge reserve and recognised in profit or loss in the same period in which the change in the value of the hedged item is recognised in profit or loss. This neutralises the effect on profit or loss. The effectiveness of cash flow hedges is measured on a regular basis in accordance with IAS 39.

## A – Accounting methods (CONTINUED)

The micro fair value hedge at Bank Austria serves to hedge changes in market value from individual fixed-interest items in the assets or liabilities side against changes in the market interest rate. This hedging therefore in particular takes place with interest swaps, caps, floors and swaptions. When initiating the hedge relationship, the prospective efficacy is verified using a critical terms match. Subsequently, ongoing efficiency is proven by a retrospective efficacy test. If changes in market value from an underlying transaction and hedge derivative of the hedge relationship are outside of the 80/125 % efficiency corridor in the retrospective consideration, the hedge relationship must be wound up and the instruments balanced separately.

### **Equity investments**

The principles governing the recognition and measurement of equity investments under IFRS 10 and IFRS 11 are given in detail in Part A.3 – Consolidation principles. Remaining interests other than subsidiaries, associates and joint ventures, and interests recognised in items “Non-current assets and disposal groups classified as held for sale” and “Liabilities included in disposal groups classified as held for sale” are classified as AFS and treated accordingly.

### **Repo transactions and securities lending**

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks, or as an asset held for trading. In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers, or as an HFT financial liability. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accrual basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions. Counterparty risk related to such securities lending or borrowing transactions is shown in the tables in section “E.2 – Credit risk”.

### **Liabilities, debt securities in issue and subordinated loans**

The items “Deposits from banks”, “Deposits from customers” and “Debt securities in issue” are used for all forms of third-party funding other than trading liabilities or those valued at fair value through profit and loss.

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

Hybrid debt instruments relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. Any subsequent changes in fair value are recognised in the profit and loss item “Gains and losses on financial assets and liabilities held for trading”.

The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract. Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part, recognised in the item “Equity instruments”, any time contractual terms provide for physical delivery settlement. The equity part is initially measured at the residual value, i.e., the overall market value of the instrument less the net present value of a financial liability with no conversion clause and the same cash flow. The financial liability is recognised at amortised cost. Within the Bank Austria Group, only the subsidiary Bank Austria Wohnbaubank AG has issued debt instruments theoretically involving convertibility to equity instruments, due to tax reasons. However, in line with practice in the Austrian banking sector, the embedded call options are deemed to have a fair value of zero upon issuance as a conversion into equity does virtually never occur.

Debt securities in issue are shown net of repurchased amounts. Any difference between the carrying value of the liability and the amount paid to repurchase it is recognised in the Group’s profit and loss accounts under the item “Gains and losses on the disposal of financial liabilities”. Subsequent disposal by the issuer is considered as a new issue which does not produce gains or losses.

## A – Accounting methods (CONTINUED)

### ***Loan securitisations***

Loans and receivables also include loans securitised which cannot be derecognised under IFRS 9.

Corresponding amounts received for the sale of securitised loans net of the amount of any issued securities and any other type of credit enhancement held in portfolio (retained risk) are recognised in the liability items “Deposits from banks” and “Deposits from customers”, respectively.

Both assets and liabilities are measured at amortised cost and interest is recognised through profit or loss. Impairment losses on securitised assets sold but not derecognised are reported in item “Impairment losses (a) loans and receivables”.

### ***Asset encumbrance***

Assets used to guarantee own liabilities and commitments are summarised here. Such assets continue to be recognised in the financial statements as long as the Bank Austria Group retains beneficial ownership. For information on assets pledged as security see section F.8.

### **A.5.3.5 – Categories of financial instruments from the comparison period (IAS 39)**

#### ***Financial assets and financial liabilities at fair value through profit or loss***

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held for trading and financial assets and liabilities designated as at fair value through profit or loss upon initial recognition.

#### ***Financial assets and financial liabilities held for trading (HfT)***

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

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for derivatives which constitute financial guarantees and derivatives designated as hedging instruments).

Like other financial instruments, on initial recognition, at settlement date, a held-for-trading financial asset is measured at its fair value on the settlement date. This is equally equal to the amount paid, excluding transaction costs, which are recognised in profit and loss even when directly attributable to the financial assets.

After initial recognition these financial assets and liabilities are measured at their fair value through profit or loss. An exception is represented by derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which is therefore measured at cost.

All changes in fair value are recognised as part of “Gains and losses on financial assets and liabilities held for trading” in the income statement. Interest income and expenses are reported under “net interest”.

A gain or loss arising from sale or redemption or a change in the fair value of an HfT financial instrument is recognised in the income statement item “Gains and losses on financial assets and liabilities held for trading”. Financial assets held for trading include securities held for trading and positive market values of derivative financial instruments, recognised at their fair values. The item financial liabilities held for trading shows negative market values of derivative financial instruments and short positions held in the trading portfolio.

#### ***Financial instruments at fair value through profit or loss (fair value option)***

Any financial instrument may be designated as a financial instrument measured at fair value through profit and loss on initial recognition, in accordance with the provisions of IAS 39, except for the following:

- investments in equity instruments for which there is no price quoted in active markets and whose fair value cannot be reliably determined.

## A – Accounting methods (CONTINUED)

Financial assets and liabilities classified in this category are those that have been designated by management upon initial recognition under the so-called “fair value option”. Management may only designate an instrument at fair value through profit and loss upon initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains and losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets and liabilities, which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recognised at fair value in the balance sheet. Changes to the fair value are recognised in financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or interest expense using the effective interest rate.

Financial instruments at fair value (FiaFV) includes financial assets and liabilities:

- (i) not belonging to the regulatory trading book, whose risk is:
  - connected with debt positions measured at fair value
  - and managed by the use of derivatives not treatable as accounting hedges.
- (ii) that are a hybrid (combined) instrument and include embedded derivatives that had to be spun-off from the host contract, provided they do not fall within the area of application of IFRS 9.

FiaFV are accounted for like HfT financial instruments (see above), however gains and losses, whether realised or unrealised, are recognised in item “Gains (losses) on financial assets and liabilities measured at fair value”.

### **Available-for-sale financial assets (Afs)**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss. These assets are held for an indefinite period of time and can meet the need to ensure liquidity and face changes in interest rates, exchange rates and prices.

AfS financial assets are money market instruments, other debt instruments or equity instruments; they include shares held as non-controlling interests where these do not constitute controlling or associate interests, or joint control.

On initial recognition, at settlement date, an AfS financial asset is measured at fair value, which is usually equal to the consideration of the transaction, plus transaction costs and income directly attributable to the instrument. In subsequent periods AfS assets are measured at fair value, the interest on interest-bearing instruments being recognised at amortised cost in the income statement.

Equity instruments (shares) not listed in an active market and whose fair value cannot be reliably determined are valued at cost.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event such as an improvement in the debtor’s creditworthiness occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the amount of the reversal is recognised in the same profit or loss item. The reversal cannot result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.

## A – Accounting methods (CONTINUED)

### ***Held-to-maturity investments (HtM)***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, for which there is the positive intention and ability to hold them to maturity.

If, during the financial year, more than an insignificant amount of held-to-maturity investments are sold or reclassified before maturity, the remaining HtM financial assets shall be reclassified as available-for-sale and no financial assets shall be classified as HtM investments for the two following financial years, unless the sales or reclassifications:

- are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after substantially all of the financial asset's original principal has been collected through scheduled payments or prepayments;
- are attributable to an isolated event that is beyond the reporting entity's control, is non-recurring and could not have been reasonably anticipated.

After initial recognition at its fair value, which will usually be the price paid including transaction costs and income directly attributable to the acquisition or provision of the financial asset (even if not yet settled), a held-to-maturity investment is measured at amortised cost using the effective interest method. A gain or loss is recognised in profit or loss in the item "Gains and losses on disposal of held-to-maturity investments" when the financial asset is derecognised.

### ***Loans and receivables according to IAS 39***

Loans and receivables according to IAS 39 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 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 is usually the price paid including transaction costs and income directly attributable to the acquisition or issuance of the financial asset (even if not yet 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 and losses on disposal";

or

- when a loan or receivable is impaired (or the impairment loss previously recognised is reversed): in the item "Impairment losses (a) loans and receivables".

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 revenue".

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

## A – Accounting methods (CONTINUED)

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 contractually agreed amounts.

Derecognition of a loan or receivable in its entirety is made when the rights under the loan have failed to produce the expected results, 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 (a) loans and receivables" 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.

### A.5.4 – Impairment test of investments in subsidiaries, associates and other companies

The impairment test of investments in subsidiaries and associates was based on a Discounted Cash Flow Valuation Model (3-phase model):

- Phase 1 planning period (2019–2021):  
The 2019 budget figures for net profit and risk-weighted assets were used for 2019, and currently available multi-year planning figures were used for subsequent years.
- Phase 2 (2022–2026):  
Return on equity converges towards the rate of cost of capital in this phase.
- Phase 3 – perpetual annuity:  
Calculation of the present value of a perpetual annuity on the assumption of a long-term growth rate which takes the sustained long-term economic growth expected by UniCredit Bank Austria AG for the euro area into account (unchanged compared to the previous year at 2%).

The expected cash flows for banks are determined on the basis of CET1 capital ratios sought to be achieved in the long term while complying with regulatory requirements. Unless the specific circumstances or the business model result in a higher value, UniCredit Bank Austria AG uses a target CET1 capital ratio of 11.5%. The cash flows are discounted using the rate of cost of capital which is determined on the basis of the long-term risk-free interest rate, the market risk premium for Austria (in consideration of the recommendations of the Austrian Chamber of Tax Consultants and Auditors) and an appropriate beta rate. The discount rate is a nominal rate after taxes.

Less significant investments in other companies are valued using models which are adapted to the object of business.

As the parameters and data used to test carrying amounts for impairment are significantly influenced by the overall economic environment and by market conditions, which may be subject to rapid unpredictable changes, the results of future impairment tests may differ from those which were used for the 2018 financial statements.



## A – Accounting methods (CONTINUED)

### A.6 – Information on other financial statement line items

#### A.6.1 – Cash and cash equivalents

The amount of cash and cash equivalents stated in the statement of cash flows includes the cash holdings (cash and demand deposits with central banks). In addition to the cash and cash equivalents shown in the item “Cash and cash balances” in the statement of financial position, cash and cash equivalents also include those in the item “Non-current assets and disposal groups classified as held for sale”.

#### A.6.2 – Property, plant and equipment; investment property

The item includes:

- land;
  - buildings;
  - furniture and fixtures;
  - plant and machinery;
  - other equipment;
- and is divided into
- assets used in the business and
  - assets held as investments.

**Assets used in the business** are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used for more than one period.

This category also includes assets that are rented out that are used by the Group as a lessee within the context of a financial lease relationship or that are leased by the Group as a lessor within the context of an operating lease relationship.

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use. Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in the item “Other assets”.

**Assets held for investment purposes** (“Investment Property”) are properties covered by IAS 40, i.e. properties held (owned or under a finance lease) in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:

- “General and administrative expenses”, if they refer to assets used in the business; or:
- “Other net operating income”, if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is valued at cost less any accumulated depreciation and any cumulative impairment losses.

Exceptions are made for property investments underlying liabilities whose yield is linked to their fair value.

For these latter assets the fair value model as per IAS 40.32A is used.

## A – Accounting methods (CONTINUED)

An item with a finite useful life is subject to straight-line depreciation.

As in the previous year, useful life continues to be assessed in Bank Austria as follows:

PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS)	USEFUL LIFE
Buildings	max. 50 years
Movables	max. 25 years
Electronic equipment	max. 15 years
Other	max. 10 years

Land and buildings are recognised separately, even if acquired together. Land is not subject to depreciation because the useful life is normally unlimited. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is verified at least at the end of every financial year. The use conditions of the assets, its state of maintenance and expectations regarding obsolescence are inter alia used as a basis for this estimate. Should the expectations deviate from earlier estimates, the depreciation amount for the ongoing financial year and subsequent financial years shall be adjusted accordingly.

If there is objective evidence that an asset has been impaired the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognised in profit and loss item "Impairment/write-backs on property, plant and equipment".

If the value of a previously impaired asset increases again, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

Property, plant and equipment is derecognised when it is disposed of or if no further economic benefit can be expected from its use or sale. A difference between the sales proceeds or the achievable value and the carrying amount is recorded in the item "Profit and losses from the disposal of financial investments" in the profit and loss account.

### A.6.3 – Intangible assets

Intangible assets mainly include software and are not explained due to their insignificance.

### A.6.4 – Non-current assets held for sale

Non-current assets or groups of associated assets/liabilities (i.e. so-called "disposal groups", which may also be cash-generating units) whose sale is highly probable, are recognised in the item "Non-current assets and disposal groups classified as held for sale" and in the item "Liabilities included in disposal groups classified as held for sale", respectively, at the lesser of the carrying amount and fair value net of disposal costs.

If a disposal group constitutes a separate material line of business or geographical operation, it is referred to as a "discontinued operation". The balance of revenue and expense relating to discontinued operations and the measurement as determined above of discontinued operations, net of current and deferred tax, is recognised in the item "Total profit or loss after tax from discontinued operations".

The revaluation reserves relating to "Non-current assets held for sale", which are recorded as a contra item in other comprehensive income within equity, are reported separately in the Statement of Comprehensive Income.

## A – Accounting methods (CONTINUED)

### A.6.5 – Income tax

Tax assets and tax liabilities are recognised in the consolidated balance sheet in the item “Tax assets” and in the item “Tax liabilities”, respectively.

In compliance with the “balance sheet liability method”, current and deferred tax items are:

- current tax liabilities, i.e. the amount of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. the amounts of income tax recoverable in future financial years and attributable to:
  - deductible temporary differences,
  - the carryforward of unused tax losses and
  - the carryforward of unused tax credits;
- deferred tax liabilities, i.e. the amounts of income tax due in future financial years in respect of taxable temporary differences;
- current tax assets, i.e. the amount of tax paid in excess of income tax due in accordance with local tax regulations.

Current and deferred tax assets and tax liabilities are calculated in accordance with local tax regulations and are recognised in profit or loss on an accrual basis.

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

Furthermore, deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be generated by the entity. In accordance with the provisions of IAS 12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilised will be available is reviewed periodically. The carrying amount of deferred tax assets is reduced to the extent that it is not probable that sufficient taxable profit will be available. Deferred tax assets from unused tax losses can only be balanced to the extent in which sufficient temporary taxable differences are available or as long as there are convincingly substantial indications that a sufficiently taxable result will be available against which the unused tax losses can be used.

Deferred tax assets and deferred tax liabilities are offset in the consolidated financial statements if the conditions specified in IAS 12.74 are met.

Actual and deferred taxes are recorded under the item “Income tax” in the profit and loss account taxes that refer to items that are recorded directly under equity in the same or in another financial year are excluded from this.

Pursuant to the group taxation rules introduced in Austria in 2005, Bank Austria has formed a group of companies. There is a profit and loss transfer agreement with 12 (2017: 15) Group members. There is a tax allocation agreement with 149 (2017: 135) Group members. These agreements and arrangements do not include foreign companies.

### A.6.6 – Other assets

The components of this item are trade receivables, tax receivables and other deferred tax assets, provided that these are not related to income taxes.

### A.6.7 – Provisions for risks and charges and contingent liabilities

#### A.6.7.1 – Long-term former employee benefits

For retirement provisions – i.e. provisions for employee benefits payable after the completion of employment – a distinction is made between defined-contribution plans and defined-benefit plans according to the economic nature of the plan.

In detail: Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company.

Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employees.

## A – Accounting methods (CONTINUED)

Defined-benefit plans are present-valued by an external actuary using the projected unit credit method. This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to theoretical seniority at the time of benefit payment.

The amount recognised in the item "Provisions for risks and charges – (a) post-retirement benefit obligations" is the present value of the obligation at the balance sheet date. The UniCredit Bank Austria AG sub-group currently does not have any plan assets. Pursuant to IAS 19, actuarial gains and losses are not recognised in profit or loss but directly in equity. Such gains and losses are stated in the table "Other comprehensive income".

Under a commitment to provide defined benefits, UniCredit Bank Austria AG recognises a pension provision for the entitlements of employees who retired before the pension reform as at 31 December 1999 became effective, and – as a special feature of UniCredit Bank Austria AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by pensioners for whom UniCredit Bank Austria AG has assumed the obligations of the mandatory pension insurance scheme pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG) if these persons signed a pension agreement not later than 29 February 2016 and if they leave the company to take retirement by 31 December 2016. All pension insurance obligations of active employees were in the meantime transferred to the state pension insurance system (the effect transfer of the claims took place in the first quarter of 2016). In 2018, the last outstanding partial payment was transferred to the PVA for the transfer of pension entitlements.

With regard to the provision for social capital (i.e. the provisions for pensions, severance pay and similar obligations), an adjustment was made as the contribution for health care provisions and non-wage labour costs to be paid by UniCredit Bank Austria AG for former employees whose pension insurance provider is UniCredit Bank Austria AG were not previously included in the provision for certain retirement models, but were considered as an ongoing expense in the income statement. This adjustment had a retroactive effect as of 31 December 2016 / 1 January 2017; together with an adjustment of the provision for work incapacity that was necessary due to the levy of pension trusteeship for employees involved in social insurance, this led to an increase in the provision for pensions and similar obligations (social capital) compared to the figures published on 31 December 2017 and an adjustment in equity. For information on the application of the new life expectancy tables for 2018, please see point C.21 Provisions.

Employee groups who may assert claims from the social capital provisions, have different durations. The following durations were determined for employees as at 31 December 2018.

Based on the materiality of the pension provision in the overall assessment of the social capital, calculations are based on the total duration:

Pension	12.7 years
Severance payment	8.9 years
Anniversary bonus	5.9 years
<b>TOTAL</b>	<b>12.4 years</b>

The present value of pension obligations and severance-payment obligations as well as anniversary bonuses is determined with due regard to internal service regulations, on the basis of the following actuarial assumptions:

- Discount rate: 1.85 % p.a. (2017: 1.8 % p.a.)  
This percentage is the rounded percentage according to the Mercer Yield Curve (MYC) as at 31/12/2018 based on the cash flows determined for the pension plan for active employees and pensioners. The duration for the pension plan is 12.74 years (2017: 12.64 years; the weighted duration for pension, severance and long-term service plans is 12.2 years (2017: 12.2 years).
- Collective agreement dynamic 2.05 % p.a. (2017: 2.05 % p.a.)  
(Assumption of increases for employees and non-Bank Austria ASVG pensioners; the percentage rate applied for Bank Austria ASVG was 1.4 %, unchanged compared with the previous year).
- Career trends include regular salary increases under the current collective bargaining agreement for employees of Austrian banks and the effects of the transitional rules under the 2005 reform of Bank Austria's staff regulations. Irregular increases are calculated at 0.25 % p.a. (2017: 0.25 % p.a.) (assumption of increases for employees).
- Pension increase (BA - ASVG: 1.40 % p.a. (2017: 1.40 % p.a.)
- Pension increase (other): 2.05 % p.a. (2017: 2.05 % p.a.)
- No discount for staff turnover.
- Updated life expectancy tables for 2018 for employees (Aktuarverein Österreich, life expectancy tables for employees)

## A – Accounting methods (CONTINUED)

## Sensitivity analysis

(€ million)

		EFFECT ON DEFINED BENEFIT OBLIGATION	
		31 DEC. 2018	31 DEC. 2017 <sup>1)</sup>
Discount rate	–0.25 %	117	115
	0.25 %	–112	–109
Salary increase rate	–0.25 %	–7	–7
	0.25 %	7	7
Pension increase rate	–0.25 %	–105	–103
	0.25 %	110	108

1) Adjustment in social capital

No provisions are made for defined-contribution plans. Payments agreed to be made to a pension fund for defined-contribution plans are recognised as an expense.

**A.6.7.2 – Other provisions**

Provisions for risks and charges are recognised when

- the entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

Where the effect of the time value of money is significant, the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised. Allocations made in the year are recognised in profit or loss and include increases due to the passage of time; they are also net of any reversal.

“Other provisions” also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments, merit payments, contractual payments and payments under non-competition agreements, which are measured as per defined benefit plans; accordingly these obligations are calculated using the projected unit credit method (see above under retirement payments and similar obligations).

Restructuring provisions are formed in the case of a restructuring programme that entails significant changes with regard to the modality of the business activity.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of Bank Austria, or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of resources, or because the amount of obligation cannot be reliably measured.

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the probability of settlement is low.

## A – Accounting methods (CONTINUED)

### A.6.7.3 – Share-based payments

Remuneration to employees and members of the Management Board for services rendered with compensation through equity instruments of the parent company includes shares and share options.

Instruments are measured at fair value at the time of allocation.

The fair value is recorded under the item “Management costs – staff costs” and in the profit and loss account as expenses charged to reserves within equity. This takes place according to the appropriate period, i.e. the period in which the services were acquired.

### A.6.7.4 – Other long-term employee benefits

Long-term employee benefits – e.g. long-service bonuses, paid on reaching a predefined number of years’ service – are recognised in the item “Other liabilities” on the basis of the measurement at the balance sheet date of the liability, also in this case determined by an external actuary using the projected unit credit method (see section “Provisions for risks and charges – post-employment benefits”).

Gains/actuarial (losses) on this type of benefit are recognised at once through profit or loss.

### A.6.8 – Equity (€ million)

Equity is composed of paid-in capital (capital made available to the company by shareholders; subscribed capital plus capital reserves), other reserves (retained earnings, profit carried forward from the previous year and net profit), foreign currency translation reserves, IFRS 9 reserves and actuarial gains/losses. The valuation reserve financial assets @FVTOCI, the reserve financial assets @FVTOCI of associates and joint ventures and the components from hedge accounting not recorded through profit or loss (cash flow hedge reserve) are combined under IFRS 9 reserves after consideration of deferred tax.

### A.6.9 – Net interest

Interest income, interest expenses and similar income and expenses relating to monetary items, i.e. liquidity and current debts assessed in the interim, financial instruments held for trading, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets at amortised cost, hedging derivatives, other assets, financial liabilities at amortised cost, liabilities held for trading, financial liabilities designated at fair value through profit or loss and other liabilities.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives,

- hedging interest-bearing assets and liabilities;
- HFT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HFT assets and liabilities paying differentials or margins on different maturities.

As a result of the currently low interest rate levels, interbank business has partly led to expenses for financial assets and income from financial liabilities at Bank Austria. In addition, Bank Austria accrued negative interest in deposit banking with large and institutional customers when a certain limit was exceeded. Expenses relating to loans and receivables (assets) are included in “Interest income and similar revenues”. Income that BA received for deposits (liabilities) is recorded in “Interest expense and similar charges”.

## A – Accounting methods (CONTINUED)

### A.6.10 – Fees and commissions

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, deposit fees, investment managing fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Other commission expenses mainly relate to transaction and service fees, which are expensed as the services are received.

### A.6.11 – Dividends

Dividends are recognised in profit or loss in the financial year in which their distribution has been approved.

### A.6.12 – Gains and losses on disposals of financial instruments

The results from the disposals of financial assets at amortised cost, financial assets measured at fair value through other comprehensive income and financial liabilities are shown under this item.

### A.6.13 – Gains and losses on financial assets/liabilities at fair value through profit or loss

Gains and losses of financial assets held for trading or that do not fall within the “hold” or “hold and sell” business model are allocated to this item. Gains and losses from assets that had to be measured at fair value are shown separately from those designated as this value. Gains and losses from financial liabilities designated at fair value through profit or loss also fall under this item.

### A.6.14 – Impairments

Impairments on financial assets at amortised cost, impairments on financial assets measured at fair value through other comprehensive income and impairments on off-balance-sheet obligations such as credit commitments and financial guarantees are shown under this item.

### A.6.15 – Impairment/write-backs on property, plant and equipment and on intangible assets

Write-downs on assets held under finance leases are part of this item.

### A.6.16 – Profit (loss) on equity investments

The investor's share of profit or loss of the investee is recognised in this item.

### A.6.17 – Gains and losses on disposal of investments

This item includes gains/losses on the disposal of investments in property and other assets.

## A – Accounting methods (CONTINUED)

### A.7 – Information on fair value

#### A.7.1 – General information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i. e. an exit price).

The fair value of a financial liability with a demand feature (e. g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

For financial instruments listed in active markets, fair value is determined on the basis of official prices in the principal market to which the Group has access (Mark to Market).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, agency that determines prices or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

If the observable prices in an active market for the identical item held by another party as an asset, or other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset are not available, the Group should use another valuation technique, such as:

- (i) an income-based approach (e. g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset);
- (ii) a market-based approach (e. g. using quoted prices for similar liabilities or equity instruments held by other parties as assets).

The Group uses valuation models (Mark to Model) in keeping with the methods generally accepted and used by the market. Valuation models include techniques based on the discounting of future cash flows and on volatility estimates, and they are subject to revision both during their development and periodically in order to ensure their consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile.

Indeed, these prices/quotations are relevant for determining significant parameters in terms of the credit risk, liquidity risk and price risk of the instrument being valued.

Reference to these "market" parameters makes it possible to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified.

If for one or more risk factors it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.

As a further guarantee of the objectivity of valuations derived from valuation models, the Group employs:

- independent price verifications (IPVs);
- fair value adjustments (FVAs).

Within the context of the independent price verification, the valuation parameters for the prices of trading items are regularly checked by the engagement-independent risk management units in UniCredit Group's relevant centre of competence. This verification calls for comparing and adjusting the daily price in line with valuations obtained from independent market participants.



## A – Accounting methods (CONTINUED)

For instruments that are not listed on an active market, prices are used for the aforementioned verification that are provided as reference values from information providers. Prices that are considered representative for the instrument to be measured are therefore weighted more heavily.

This valuation includes the “executability” of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the information provider to obtain the information.

Independent price verification is supplemented by the calculation of fair-value adjustments, which are also recognised for accounting purposes, to take into account risks mainly associated with both the limited liquidity of the positions, the valuation models used and counterparty risk.

### A.7.2 - Fair value hierarchy

IFRS 13 calls for classifying instruments being measured at fair value as a function of the ability to observe the inputs used for pricing.

To be specific, three levels are specified:

- Level 1 The fair value of instruments classified in this level is determined based on quotation prices observed in active markets;
- Level 2 The fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets;
- Level 3 The fair value of instruments classified in this level is determined based on valuation models that primarily use inputs that cannot be observed in active markets.

The following tables show a breakdown of the financial assets and financial liabilities measured at fair value according to the aforementioned levels.

#### Accounting portfolios at fair value – Breakdown by fair value levels

(€ million)

	31 DEC. 2018			31 DEC. 2017		
	IFRS 9			IAS 39		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value through profit or loss	7	1,582	559			
Financial assets held for trading	–	776	7	–	977	31
Financial assets designated at fair value	–	–	–			
Financial assets mandatorily at fair value	7	806	552			
Financial assets at fair value through other comprehensive income	11,839	1,551	100			
Financial assets at fair value through P&L (IAS 39)				–	–	6
Available-for-sale financial assets (IAS 39)				13,678	1,238	97
Hedging derivatives	–	1,619	–	–	2,082	2
Property, plant and equipment	–	–	13	–	–	14
Intangible assets	–	–	–	–	–	–
<b>TOTAL</b>	<b>11,846</b>	<b>4,752</b>	<b>672</b>	<b>13,678</b>	<b>4,297</b>	<b>150</b>
Financial liabilities held for trading	–	759	10	–	1,000	4
Financial liabilities designated at fair value	–	245	1	–	299	2
Hedging derivatives	–	1,368	–	–	1,655	–
<b>TOTAL</b>	<b>–</b>	<b>2,373</b>	<b>12</b>	<b>–</b>	<b>2,954</b>	<b>6</b>

## A – Accounting methods (CONTINUED)

## Annual changes in financial liabilities at fair value level 3

(€ million)

	31 DEC. 2018							
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) FINANCIAL ASSETS MANDATORILY AT FAIR VALUE				
Opening balances 1 Jan. 2018	710	31	–	679	109	2	14	–
<b>Increases</b>	<b>115</b>	<b>1</b>	<b>–</b>	<b>114</b>	<b>79</b>	<b>–</b>	<b>–</b>	<b>–</b>
Purchases	6	1	–	5	–	–	–	–
Profits recognised in:	16	–	–	16	18	–	–	–
Income statement	16	–	–	16	–	–	–	–
of which unrealised gains <sup>1)</sup>	10	–	–	10	–	–	–	–
Equity <sup>2)</sup>	18	X	X	X	18	–	–	–
Transfers from other levels	32	–	–	32	–	–	–	–
Other increases	60	–	–	60	60	–	–	–
<b>Decreases</b>	<b>265</b>	<b>25</b>	<b>–</b>	<b>241</b>	<b>86</b>	<b>1</b>	<b>1</b>	<b>–</b>
Sales	68	25	–	44	–	1	–	–
Redemptions	–	–	–	–	2	–	–	–
Losses recognised in:	–	–	–	–	10	–	1	–
Income statement	–	–	–	–	–	–	1	–
of which unrealised losses <sup>3)</sup>	–	–	–	–	–	–	1	–
Equity <sup>4)</sup>	10	X	X	X	10	–	–	–
Transfers to other levels	13	–	–	13	–	–	–	–
Other decreases	184	–	–	184	75	–	–	–
<b>Closing balances 31 Dec. 2018</b>	<b>559</b>	<b>7</b>	<b>–</b>	<b>552</b>	<b>100</b>	<b>–</b>	<b>13</b>	<b>–</b>

1), 3) Increases/decreases in financial assets are recognised in the income statement in the following items:

- Gains and losses on financial assets held for trading;
- Fair value adjustments in hedge accounting;
- Gains and losses on financial assets at fair value through profit or loss.

2), 4) Gains or losses arising out of changes in fair value are recognised in the equity item "Revaluation reserves" – except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under "Impairment losses on available-for-sale financial assets" and "Gains and losses on financial assets and liabilities held for trading", respectively – until the financial asset is sold, at which time cumulative gains and losses presented in revaluation reserves are recognised in profit or loss in "Gains (losses) on disposal or repurchase of available-for-sale financial assets".

## A – Accounting methods (CONTINUED)

## Annual changes in assets at fair value level 3

(€ million)

	2017				
	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L	FINANCIAL ASSETS AVAILABLE FOR SALE	HEDGING DERIVATIVES	TANGIBLE ASSETS
Opening balances as at 1 Jan. 2017	37	14	131	–	23
<b>Increases</b>	–	–	30	2	1
Purchases	–	–	–	2	–
Profits recognised in:					
Income statement	–	–	–	–	–
of which unrealised gains <sup>1)</sup>	–	–	–	–	–
Equity <sup>2)</sup>	X	X	14	–	–
Transfers from other levels	–	–	6	–	–
Other increases	–	–	10	–	–
<b>Decreases</b>	<b>–7</b>	<b>–8</b>	<b>–64</b>	<b>–</b>	<b>–10</b>
Sales	–3	–	–4	–	–9
Redemptions	–	–6	–2	–	–
Losses recognised in:					
Income statement	–4	–	–	–	–1
of which unrealised losses <sup>3)</sup>	–	–	–	–	–1
Equity <sup>4)</sup>	X	X	–3	–	–
Transfers to other levels	–	–	–51	–	–
Other decreases	–	–2	–4	–	–
<b>Closing balances as at 31 Dec. 2017</b>	<b>31</b>	<b>6</b>	<b>97</b>	<b>2</b>	<b>14</b>

1), 3) Increases/decreases in financial assets are recognised in the income statement in the following items:

- Gains and losses on financial assets held for trading;
- Fair value adjustments in hedge accounting;
- Gains and losses on financial assets at fair value through profit or loss.

2), 4) Gains or losses arising out of changes in fair value are recognised in the equity item "Revaluation reserves" – except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under "Impairment losses on available-for-sale financial assets" and "Gains and losses on financial assets and liabilities held for trading", respectively – until the financial asset is sold, at which time cumulative gains and losses presented in revaluation reserves are recognised in profit or loss in "Gains (losses) on disposal or repurchase of available-for-sale financial assets".

## A – Accounting methods (CONTINUED)

## Annual changes in financial liabilities at fair value level 3

(€ million)

	2018		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	HEDGING DERIVATIVES
<b>Opening balances as at 1 Jan. 2018</b>	<b>4</b>	<b>1</b>	<b>–</b>
<b>Increases</b>	<b>6</b>	<b>–</b>	<b>–</b>
Issuance	6	–	–
Losses recognised in:	–	–	–
Income statement	–	–	–
<i>of which unrealised losses<sup>1)</sup></i>	–	–	–
Equity	X	–	–
Transfers from other levels	–	–	–
Other increases	–	–	–
<b>Decreases</b>	<b>–</b>	<b>–</b>	<b>–</b>
Redemptions	–	–	–
Purchases	–	–	–
Profits recognised in:	–	–	–
Income statement	–	–	–
<i>of which unrealised gains</i>	–	–	–
Equity	–	–	–
Transfers to other levels	–	–	–
Other decreases	–	–	–
<b>Closing balances as at 31 Dec. 2018</b>	<b>10</b>	<b>1</b>	<b>–</b>
	2017		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES AT FAIR VALUE	HEDGING DERIVATIVES
<b>Opening balances as at 1 Jan. 2017</b>	<b>18</b>	<b>2</b>	<b>–</b>
<b>Increases</b>	<b>–</b>	<b>–</b>	<b>–</b>
Issuance	–	–	–
Losses recognised in:	–	–	–
Income statement	–	–	–
<i>of which unrealised losses<sup>1)</sup></i>	–	–	–
Equity	X	X	–
Transfers from other levels	–	–	–
Other increases	–	–	–
<b>Decreases</b>	<b>–14</b>	<b>–1</b>	<b>–</b>
Redemptions	–2	–	–
Purchases	–	–	–
Profits recognised in:	–	–	–
Income statement	–12	–	–
<i>of which unrealised gains<sup>2)</sup></i>	–	–	–
Equity	X	X	–
Transfers to other levels	–	–	–
Other decreases	–	–1	–
<b>Closing balances as at 31 Dec. 2017</b>	<b>4</b>	<b>1</b>	<b>–</b>

1), 2) Increases/decreases in financial liabilities are recognised in the income statement in the following items:

- Gains and losses on financial liabilities held for trading;
- Fair value adjustments in hedge accounting;
- Gains and losses on financial liabilities at fair value through profit or loss.

## Accounting portfolios measured at fair value: transfers between Levels of the fair value hierarchy (Level 1 and Level 2)

In 2018, as in the previous year, there were no transfers from Level 1 or Level 2 for financial assets or for financial liabilities.

## A – Accounting methods (CONTINUED)

### A.7.3 – Day One Profit /Loss

The value at which financial instruments are recognised is equal to their fair value on the same date. The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is usually assumed to be equal to the amount collected or paid. For financial instruments held for trading (see Part A.5.3.2 above) and instruments designated at fair value (see Part A.5.3.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

Under IFRS 9, recognition of a Day-One Profit/Loss requires the relevant fair value to be determined by reference to a market price quotation in an active market for an identical asset or an identical liability or on the basis of a valuation technique which uses only observable market data.

Every part of the fair value of these instruments, that is not directly reflected in the fair value, is considered as a fair value adjustment in the profit and loss account (CVA, DVA, FuVA).

The balance of value adjustments to reflect various model risks was €16.4 million at 31 December 2018 (31 December 2017: €27.9 million).

### A.7.4 – Additional information on fair value

Information required under IFRS 13 about accounting portfolios measured at fair value on a recurring basis is provided below.

#### Fixed income securities

Fixed income securities are priced in a two-tier process depending on the liquidity in the respective market. Liquid instruments in active markets are valued at their market price. The accounting portfolios of such instruments are shown within the fair value hierarchy in Level 1. Instruments not traded in active markets are marked to model based on implied credit spread curves derived from Level 1 instruments. The model maximises the use of observable input and minimises the use of unobservable inputs. In this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3, respectively; Level 3 is applied in case comparable credit spread curves are not available (and unobservable credit spreads are used), or in the case of complex bonds. Under fair value accounting, fair value adjustments are included for the consideration of liquidity and model deficiencies caused as a result of a lack of observable market data for Level 2 and Level 3 accounting portfolios.

In the global bond Independent Price Verification (IPV) process, market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

#### Structured financial products

The company determines the fair value of structured financial products using the appropriate derivative valuation methodology given the nature of the embedded derivative. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

#### Asset-backed securities

“Structured Credit Bonds” are covered by the Independent Price Verification (IPV) process.

According to the IPV process the quality of a price is assessed based upon the availability of quotes of independent market players for identical assets. The process relies in the first instance on Markit as reliable collector of market quotes.

As a second step “fallback” prices are assessed by benchmarking each security to a pool of similar securities with available market quotes. The Level classification is derived from the Bond IPV process.

#### OTC derivatives

Fair value of derivatives not traded in an active market is determined using a valuation technique. In such cases, where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts. Valuation techniques that are based on inputs that are observable are referred to as Level 2 valuations. Valuation techniques that use significant unobservable inputs are referred to as Level 3 valuations.

## A – Accounting methods (CONTINUED)

### Equity instruments

Equity instruments are assigned to Level 1 when a quoted price is available on an active market and to Level 3 when no quotations are available or quotations have been suspended indefinitely. Equity instruments are disclosed as Level 2 only if the market where the equity is quoted is not considered to be sufficiently active and therefore an adjustment to the quoted prices appears to be required.

### Investment funds

The Bank Austria Group holds investments in certain investment funds that calculate the net asset value (NAV) per share, including mutual funds, private equity funds, and real estate funds. The company's investments include co-investments in funds that are managed by the company and investments in funds that are managed by third parties.

### Private equity funds

When reliable information for fair value measurements is not available, private equity funds are valued at cost.

A decline of value might give reason for an impairment if certain criteria are met. Objective evidence is given when an adverse effect on the expected future cash flows can be presumed, and quantified reliably, and is significant or prolonged. Private equity funds must be valued at fair value through profit and loss at Bank Austria.

### Other funds

The Bank Austria Group holds investments also in mutual funds and real estate funds. Mutual funds are usually assigned to Level 1 or Level 2 due to the high level of transparency and traceability of their market and observable inputs.

Real estate funds disclosure as level 2 or level 3 is mainly related to the characteristics of their underlying asset. Regardless of the typology, investment funds are evaluated through an adequate adjustment of the NAV based on the specific features of each fund.

### Fair value adjustments

The base fair value assessments have to be adjusted for factors not included in the base NPV that a market participant would consider in order to arrive at the derivative instrument's fair value. Such adjustments, within the Bank Austria Group, include:

- Credit and Debit Valuation Adjustment (CVA/DVA)
- Funding Valuation Adjustment (FundVA)
- Model risk
- Close-out risk
- Market liquidity risk
- Other adjustments

If fair value adjustments are measured on the basis of a net exposure in accordance with IFRS 13.48, such adjustment is apportioned to the individual transactions using consistent algorithms.

### Credit and Debit Valuation Adjustment (CVA/DVA)

Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit Bank Austria AG's own credit quality.

UniCredit CVA/DVA methodology is based on the following input:

- Expected exposure profiles derived by simulation techniques
- PD and sectoral information of customers
- CDS availability for customers

In general, a bilateral CVA calculation based on market-implied PDs and LGDs (CDS) is applied for performing counterparts. There are exceptions for Specific Wrong Way Risk, which are calculated on a unilateral basis.

A CVA calculation based on the expected loss is carried out for non-performing counterparts.

## A – Accounting methods (CONTINUED)

### ***Funding Valuation Adjustment***

Funding valuation adjustments (FundVAs) are incorporated into derivative valuations to reflect the impact of funding especially for uncollateralised derivative transactions.

Bank Austria's FundVA methodology is based on the following input:

- Expected exposure profiles derived by simulation techniques
- PD and sectoral information of customers
- CDS availability for customers
- Funding spread

### ***Model risk***

Financial models are used for the valuation of the financial instruments if direct market quotes are not readily available. Model risk is represented by the possibility that a financial instrument's evaluation is actually sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in terms of pricing. The model risk adjustments refer to the risk that the actual fair value of the instrument differs from the value produced by the model. The reserve with regard to structured own issues (own credit spread) is covered under the model risk fair-value adjustment.

### ***Close-out risk***

The close-out adjustment accounts for the costs of closing an (aggregated) position measured at fair value. The position could be closed by a sale (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. Therefore the bid/ask spread determines the adjustment. Moreover a close-out adjustment of the NAV is required when there are some penalties related to position write-off in an investment fund.

### ***Other adjustments***

Other fair value adjustments, which are not included in the previous categories, could be taken into consideration to align the evaluation to the current exit price, e.g. adjustments of equity prices whose quotation on the market is not representative of the effective exit price or adjustments of less liquid securities.

### **Description of the valuation processes used by the entity for fair value measurements categorised within Level 3 of the fair value hierarchy**

Fair value measurements of assets and liabilities are determined using various techniques, including, but not limited to, discounted cash flows and internal models. Based on the observability of inputs used, all the financial instruments are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy. When a position involves one or more significant inputs that are not directly observable, additional price verification procedures are applied. These procedures may include reviewing relevant historical data, analysing profit and loss, valuing each component of a structured trade individually, and benchmarking, among others. This approach involves estimation and expert judgement and, therefore, might require valuation adjustments which take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model.

According to the Group market Risk Governance Guidelines, all price models developed by the company's trading areas shall be tested and validated centrally and independently of the market risk units of the holding company. This guarantees an appropriate separation between the offices that are responsible for development and validation. The purpose of this independent control framework is to assess model risk arising from models' theoretical soundness, calibration techniques where needed, and the appropriateness of the model for a specific product in a defined market.

In addition to the daily marking to market or marking to model, Independent Price Verification (IPV) shall be performed. The independent price verification (IPV) provides a fair value for every non-liquid instrument. The sensitivity analysis for Level 3 positions with respect to the unobservable model input is based on the following categories of model inputs:

**Credit spreads (SP):** for instruments exposed to issuer risk the unobservable input is mainly the issuer credit spread.

**Interest rates (IR):** in the absence of liquid interest rate swap markets the term structure of the yield curve is proxied.

**Equity (EQ):** in the absence of active markets, approximate values are used.

## A – Accounting methods (CONTINUED)

The reasonable alternative estimate for the model input is disclosed in the column “Range”.

(€ million)

PRODUCT CATEGORIES		FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	UNOBSERVABLE PARAMETERS	RANGE	
Derivatives	Financial	Equity	1.8	1.8	Underlying	50%/2–10%
		Foreign Exchange	0.1	0.1	Interest Rate	2%
		Interest Rate	0.0	0.0	Swap Rate (bp)	0.2%
	Credit derivatives		0.2	3.9	Credit Spread	0.04–3%
Debt Securities and Loans		Corporate/ Government/Other	39.7	0.0	Price	0.04–3%
Equity Securities		Unlisted Equity & Holdings	74.3		Price	10%
Units in Investment Funds		Real Estate & Other Funds	18.4		Price	10%

(€ million)

PRODUCT CATEGORIES	FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES		
<b>Derivatives</b>	Financial		
	Equity	+ / –	14.4
	Foreign Exchange	+ / –	0.4
	Interest Rate	+ / –	0.0
	Credit derivatives	+ / –	0.0
<b>Debt Securities and Loans</b>	Corporate / Government / Other	+ / –	0.8
<b>Equity Securities</b>	Unlisted Equity & Holdings	+ / –	4.9
<b>Units in Investment Funds</b>	Real Estate & Other Funds	+ / –	0.9

### Description of the valuation technique used to measure the fair value of items categorised in Level 2 or Level 3

Valuation techniques are used to value positions for which a market price is not available from market sources. UniCredit Group uses well known valuation techniques for determining fair values of financial and non-financial instruments that are not actively traded and quoted. The valuation techniques used for Level 2 and Level 3 assets and liabilities are described as follows.

#### Option pricing model

Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

#### Discounted cash flow

Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimate of the cash flow and the application of market parameters for discounting: the discounting factor reflects the risk premiums demanded by the market or the refinancing premiums for instruments with similar risk and liquidity profiles in order to calculate a cash value. The fair value of the contract is given by the sum of the present values of future cash flows.

#### Hazard rate model

To value a CDS we need to use a term structure of default swap spreads, a recovery rate assumption and a hazard rate model.

#### Market approach

A valuation technique, that uses prices and other information that arises in market transactions involving identical or comparable (i.e. similar) assets, liabilities or groups of assets and liabilities. e.g. business premises.



## A – Accounting methods (CONTINUED)

### **Adjusted NAV**

Net asset value is the total value of a fund's assets less liabilities. An increase in the inventory value leads to an increase in the measurement of the fair value.

### **Description of the unobservable inputs used to measure the fair value of items categorised in Level 3 and of the sensitivity of the fair value measurement to changes in those inputs**

The directional sensitivity of the company's Level 3 fair value measurements to changes in essentially unobservable inputs is provided below. For fair value measurement where significant unobservable inputs are used (Level 3) sensitivity analysis is performed in order to generate a range of reasonably possible alternative valuations. The impact of an unobservable input on the Level 3 fair value measurements depends on the correlation between various inputs used in the valuation process. Furthermore, the effect of a change in an unobservable input impacts the amount and the direction of the fair value measurement depending also on the nature of the instrument and on whether the instrument is held as an asset or as a liability.

### **Volatility**

Volatility is a measure for variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions (assets) benefit from increases in volatility, whereas short option positions (liabilities) will suffer losses.

Differentiated are the following kinds of volatility: interest volatility, inflation volatility, exchange rate volatility and the volatility of shares, share indices or other indices.

### **Correlation**

Correlation is a measure of the relationship between the movements of two variables. Changes to the degree of correlation may, depending on the kind of correlation, have a very favourable or unfavourable effect on the fair value of an instrument.

Correlation is a pricing input for a derivative product where the payoff is driven by multiple underlying risks. The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks.

### **Dividends**

The derivation of a forward price for an individual stock or index is important both for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings and, to a lesser extent, the relevant funding rates applicable to the stock in question. The dividend yield and timing represent the most significant parameters in determining fair value for instruments that are sensitive to an equity forward price.

### **Interest rate curve**

The less liquid currencies' interest curve refers to the rates in currencies for which a market liquidity in terms of tightness, depth and resiliency does not exist. The illiquidity of these input data directly impacts the valuation of bonds or derivatives expressed in illiquid currencies.

## A – Accounting methods (CONTINUED)

### ***Credit spreads***

Different valuation models, especially for credit derivatives, require an input for the credit spread which reflects the credit quality of the associated credit name. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either U.S. Treasury or LIBOR, and is generally expressed in terms of basis points. The ranges for credit spreads cover a variety of underlyings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

### ***Loss Given Default (LGD)/recovery rate***

LGD, also known as loss severity (the inverse concept is the recovery rate), represents the percentage of contractual cash flows lost in the event of a default, expressed as the net amount of loss relative to the outstanding balance. An increase in the loss severity, in isolation, would result in a decrease in a fair value measurement. Loss Given Default is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination.

### ***Prepayment rate (PR)***

The PR is the estimated rate at which forecast prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security. In general, as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

### ***Probability of default (PD)***

The probability of default is an estimate of the likelihood of not collecting contractual amounts. It provides an estimate of the likelihood that a client of a financial institution will be unable to meet its debt obligations over a particular time horizon. The PD of an obligor not only depends on the risk characteristics of that particular obligor but also on the economic environment and the degree to which it affects the obligor.

The management of financial instruments that are not measured at fair value in the balance sheet, e.g. receivables with customers and credit institutions and deposits from customers and credit institutions, does not take place on a fair value basis.

The fair value of these instruments is mainly only calculated for reporting purposes (with the exception of loans and securities that must be recognised at fair value according to IFRS 9) and has no effect on the balance sheet or the profit and loss account. As these instruments are generally not traded, the FV measurement is based on internal parameters (e.g. PDs) partly classified as unobservable inputs pursuant to IFRS 13.

### ***Loans***

The fair value of loans and receivables with customers and banks measured at amortised cost is mainly determined using a risk-adjusted net present value approach. For some portfolios simplified approaches are applied, taking into consideration their financial features.

Cash flows include capital repayments and interest payments and depend on contractual conditions and market conditions (i.e. interest rates).

The risk-free rate represents the amount of interest the market asks for investments with no risk for a specific maturity.

## A – Accounting methods (CONTINUED)

Credit Spread (CS) represents the excess return a market participant asks for a risky investment. CS for non-quoted products, such as loans to non-banks, cannot be derived from observable market prices; the bank therefore estimates the CS based on counterpart/transaction specific factors (i.e. recovery-rate assumptions and probability of default).

### ***Liabilities***

The fair value of liabilities, recorded at amortised cost, is determined using the Discounted Cash Flow model as previously described for loans and receivables. The bank's own credit spread is determined using Bank Austria's subordinated and non-subordinated risk curves.

The classification into the levels of the fair value hierarchy is made according to the same methodology as for loans and receivables.

### ***Financial assets at fair value through other comprehensive income***

Considering that financial assets measured at fair value through other comprehensive income are mainly composed of securities, fair value for this asset class is determined according to what was previously explained in the section "Additional information on fair value – fixed income securities".

### ***Cash and cash balances***

Cash and cash balances are not carried at fair value in the consolidated statement of financial position, but they are carried at book value, due to their short-term nature and generally negligible credit risk.

### ***Debt securities in issue***

The fair value of debt securities in issue, recorded at amortised cost, is determined using the Discounted Cash Flow model.

## A.7.5 – Transfer between portfolios

Due to the unusual circumstances caused by the financial market crisis, ABS (asset-backed securities) were reclassified with effect of 1 July 2008 to the fair value determined on this reporting date from the trading portfolio to "Financial assets at amortised cost: b) loans and receivables with customers".

As at 31 December 2018, an amount of €117 million (2017: €167 million) in loans and receivables with customers is included under this heading.

## A – Accounting methods (CONTINUED)

### A.8 – Group of consolidated companies and changes in the group of consolidated companies of the Bank Austria Group in 2018

#### Consolidated companies

##### Investments in subsidiaries (consolidated line by line)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2018	VOTING RIGHTS % *)	2017	VOTING RIGHTS % *)
			HOLDING %		HOLDING %	
"BF NINE" Holding GmbH	VIENNA	EUR 35,000	100.00		100.00	
AI Beteiligungs GmbH	VIENNA	EUR 35,000	100.00		100.00	
Allegro Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
ALMS Leasing GmbH.	VIENNA	EUR 36,000	100.00		100.00	
Alpine Cayman Islands Ltd.	GEORGETOWN	EUR 798	100.00		100.00	
ALV Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
ANTARES Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Arno Grundstücksverwaltungs Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
Austria Leasing GmbH	VIENNA	EUR 36,336	100.00		100.00	
BA Alpine Holdings Inc. (US)	WILMINGTON	USD 74,435,918	100.00		100.00	
BA Betriebsobjekte GmbH	VIENNA	EUR 5,630,000	100.00		100.00	
BA Betriebsobjekte GmbH & Co Beta Vermietungs OG	VIENNA	EUR 1,000	Merged on 24.11.2018		100.00	
BA Betriebsobjekte Praha, spol. s. r. o.	PRAGUE		Sold on 18.06.2018		100.00	
BA CA SECUND Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA Eurolease Beteiligungsgesellschaft m. b. H.	VIENNA	EUR 363,364	100.00		100.00	
BA GebäudevermietungsgmbH	VIENNA	EUR 36,336	100.00		100.00	
BA GVG-Holding GmbH	VIENNA	EUR 18,168	100.00		100.00	
BA Immo-Gewinnscheinfonds1	VIENNA		99.00		99.00	
BA-CA Andante Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA CENA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA-CA Finance (Cayman) Limited	GEORGETOWN	EUR 15,000	100.00		100.00	
BA-CA Finance II (Cayman) Limited	GEORGETOWN	EUR 15,000	100.00		100.00	
BACA HYDRA Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA KommunalLeasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA Leasing Carmen GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA-CA Leasing Drei Garagen GmbH	VIENNA	EUR 35,000	100.00		100.00	
BA-CA Leasing MAR Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BACA Leasing und Beteiligungsmanagement GmbH	VIENNA	EUR 18,287	100.00		100.00	
BA-CA Markets & Investment Beteiligung Ges. m. b. H.	VIENNA	EUR 127,177	100.00		100.00	
BA-CA Presto Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BA-CA Wien Mitte Holding GmbH	VIENNA	EUR 35,000	100.00		100.00	
BAL CARINA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HESTIA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HORUS Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL HYPNOS Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL LETO Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
BAL OSIRIS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
BAL SOBEK Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Creditanstalt Leasing Immobilienanlagen GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Finanzservice GmbH	VIENNA	EUR 490,542	100.00		100.00	
Bank Austria Hungaria Beta Leasing Kft.	BUDAPEST	HUF 3,000,000	100.00		100.00	
Bank Austria Leasing ARGO Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	

\*) Voting rights are disclosed only if different from the percentage of holding.

## A – Accounting methods (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2018	VOTING RIGHTS % *)	2017	VOTING RIGHTS % *)
			HOLDING %		HOLDING %	
Bank Austria Leasing HERA Immobilien Leasing GmbH	VIENNA	EUR 36,337	100.00		100.00	
Bank Austria Leasing Ikarus Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Leasing MEDEA Immobilien Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Bank Austria Real Invest Client Investment GmbH	VIENNA	EUR 145,500	94.95		94.95	
Bank Austria Real Invest Immobilien-Kapitalanlage GmbH	VIENNA	EUR 5,000,000	94.95		94.95	
Bank Austria Real Invest Immobilien-Management GmbH	VIENNA	EUR 10,900,500	94.95		94.95	
Bank Austria Wohnbaubank AG	VIENNA	EUR 18,765,944	100.00		100.00	
Baulandentwicklung Gdst 1682/8 GmbH & Co OEG	VIENNA		100.00		100.00	
Beteiligungsverwaltungsgesellschaft der Bank Austria Creditanstalt Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Brewo Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
CABET-Holding GmbH	VIENNA	EUR 290,909	100.00		100.00	
CABO Beteiligungsgesellschaft m. b. H.	VIENNA	EUR 35,000	100.00		100.00	
CA-Leasing Senioren Park GmbH	VIENNA	EUR 36,500	100.00		100.00	
CA-Leasing Zeta Kft.	BUDAPEST	HUF 3,000,000	100.00		100.00	
CALG 307 Mobilen Leasing GmbH	VIENNA	EUR 18,286	100.00		100.00	
CALG 443 Grundstückverwaltung GmbH	VIENNA	EUR 36,336	100.00		100.00	
CALG 445 Grundstückverwaltung GmbH	VIENNA	EUR 18,168	100.00		100.00	
CALG 451 Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Alpha Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Anlagen Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Anlagen Leasing GmbH & CO Grundstückvermietung und -verwaltung KG	MUNICH	EUR 2,326,378	99.90		99.90	
CALG Delta Grundstückverwaltung GmbH	VIENNA	EUR 36,336	100.00		100.00	
CALG Gamma Grundstückverwaltung GmbH	VIENNA	EUR 36,337	100.00		100.00	
CALG Grundstückverwaltung GmbH	VIENNA	EUR 36,500	100.00		100.00	
CALG Immobilien Leasing GmbH	VIENNA	EUR 254,355	100.00		100.00	
CALG Minal Grundstückverwaltung GmbH	VIENNA	EUR 18,286	100.00		100.00	
card complete Service Bank AG	VIENNA	EUR 6,000,000	50.10		50.10	
Cards & Systems EDV-Dienstleistungs GmbH	VIENNA	EUR 75,000	55.00		55.01	
Castellani Leasing GmbH	VIENNA	EUR 1,800,000	100.00		100.00	
Charade Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Chefren Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Civitas Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Communa - Leasing Grundstücksverwaltungsgesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
Contra Leasing-Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
DBC Sp. z. o. o.	WARSAW		Liquidated on 05.12.2018		100.00	
DC Bank AG	VIENNA	EUR 5,000,000	50.07		50.07	
DC elektronische Zahlungssysteme GmbH	VIENNA	EUR 35,000	50.10		50.10	
Diners Club CS s. r. o.	BRATISLAVA	EUR 995,000	50.07		50.07	
Diners Club Polska Sp. z. o. o.	WARSAW	PLN 7,500,000	50.07		50.07	
DiRana Liegenschaftsverwertungsgesellschaft m. b. H.	VIENNA	EUR 17,500	100.00		100.00	
DLV Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
DUODEC Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease AMUN Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease ANUBIS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	

\*) Voting rights are disclosed only if different from the percentage of holding.

## A – Accounting methods (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2018		2017	
			HOLDING %	VOTING RIGHTS % *)	HOLDING %	VOTING RIGHTS % *)
Eurolease ISIS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease MARDUK Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease RA Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Eurolease RAMSES Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
Euroventures-Austria-CA-Management GesmbH	VIENNA		Sold on 14.12.2018		100.00	
Expanda Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
FactorBank Aktiengesellschaft	VIENNA	EUR 3,000,000	100.00		100.00	
FINN Arsenal Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
FMC Leasing Ingatlanhasznosító Kft.	BUDAPEST	HUF 3,000,000	100.00		100.00	
FMZ Savaria Szolgáltatató	BUDAPEST	HUF 3,000,000	75.00		75.00	
FMZ Sigma Projektentwicklungs GmbH	VIENNA	EUR 35,000	100.00		100.00	
Folia Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
Fugato Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
GALA Grundstückverwaltung Gesellschaft m. b. H.	VIENNA	EUR 27,434	100.00		100.00	
Garage Am Hof Gesellschaft m. b. H.	VIENNA		Sold on 28.06.2018		92.60	
Gebäudeleasing Grundstückverwaltungsgesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Gemeindeleasing Grundstückverwaltung Gesellschaft m. b. H.	VIENNA	EUR 18,333	100.00		100.00	
Grundstücksverwaltung Linz-Mitte GmbH	VIENNA	EUR 35,000	100.00		100.00	
Hamzo Project Development I GmbH	VIENNA	EUR 35,000	99.98		Added to scope of consolidation on 25.10.2018	
HERKU Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
HONEU Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
Human Resources Service and Development GmbH	VIENNA	EUR 18,168	100.00		100.00	
HVB-Leasing Forte Kft.	BUDAPEST		Sold on 02.08.2018		100.00	
HVB-Leasing Garo Kft	BUDAPEST	HUF 3,100,000	Merged on 01.12.2018		100.00	
HVB-Leasing Jupiter Kft.	BUDAPEST	HUF 3,000,000	100.00		100.00	
HVB-Leasing Rocca Kft.	BUDAPEST	HUF 3,000,000	100.00		100.00	
HVB-Leasing Rubin Kft.	BUDAPEST		Disposal on 01.01.2018		100.00	
HVB-Leasing Rubin Kft.	BUDAPEST	HUF 3,000,000	Merged on 01.12.2018		100.00	
Immobilien Holding GmbH (former BA-CA Infrastructure Finance Advisory)	VIENNA	EUR 36,336	100.00		100.00	
Immobilien Rating GmbH	VIENNA	EUR 50,000	95.92		95.92	
Immobilienleasing Grundstückverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
INTRO Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
ISB Universale Bau GmbH	BERLIN	EUR 6,288,890	100.00		100.00	
IVONA Beteiligungsverwaltung GmbH	VIENNA		Disposal on 01.01.2018		99.00	
Jausern-Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
"JOHA" Gebäude-Errichtungs- und -Vermietungsgesellschaft m. b. H. in Liqu.	LEONDING		Liquidated on 19.06.2018		94.03	
Kaiserwasser Bau- und Errichtungs GmbH und Co OG	VIENNA	EUR 36,336	99.80	100	99.80	
KBA/CA-Leasing Beteiligungen GmbH	VIENNA	EUR 454,000	100.00		100.00	
KLEA ZS-Immobilienvermietung G. m. b. H.	VIENNA	EUR 36,336	Merged on 08.09.2018		100.00	
KLEA ZS-Liegenschaftsvermietung G. m. b. H.	VIENNA	EUR 36,336	100.00		100.00	

\*) Voting rights are disclosed only if different from the percentage of holding.

## A – Accounting methods (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2018	VOTING RIGHTS % *)	2017	VOTING RIGHTS % *)
			HOLDING %		HOLDING %	
KSG Karten-Verrechnungs- und Servicegesellschaft m. b. H.	VIENNA	EUR 44,000	50.10		50.10	
Kunsthaus Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Kutra Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
Lagermax Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Lagev Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
LARGO Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Lassallestraße Bau-, Planungs-, Errichtungs- und Verwertungsgesellschaft m. b. H.	VIENNA		Sold on 30.11.2018		100.00	
LEASFINANZ Alpha Assetvermietung GmbH	VIENNA	EUR 35,000	100.00		100.00	
LEASFINANZ Bank GmbH	VIENNA	EUR 36,500	100.00		100.00	
LEASFINANZ GmbH	VIENNA	EUR 218,019	100.00		100.00	
Legato Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Lelev Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
LINO Hotel-Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
Lipark Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Liva Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
M. A. V. 7., Bank Austria Leasing Bauträger GmbH & Co. OG.	VIENNA	EUR 3,707	100.00		100.00	
MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA	PUERTO DE LA CRUZ		Disposal on 01.01.2018		100.00	
MBC Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Mcl Re Ljubljana, Poslovni Najem Nepremi Nin, D. O. O.	LJUBLJANA	EUR 7,500	100.00		100.00	
Menuett Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
MM Omega Projektentwicklungs GmbH	VIENNA	EUR 35,000	100.00		100.00	
Mögra Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
MY Drei Handels GmbH	VIENNA	EUR 17,500	Merged on 24.11.2018		100.00	
Nage Lokalvermietungsgesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
NÖ. HYPO LEASING ASTRICTA Grundstückvermietungs Gesellschaft m. b. H.	VIENNA	EUR 36,337	95.00		95.00	
Nordbahnhof Projekte Holding GmbH	VIENNA	EUR 35,000	Merged on 09.10.2018		100.00	
Oct Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
OLG Handels- und Beteiligungsverwaltungsgesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
Palais Rothschild Vermietungs GmbH & Co OG	VIENNA	EUR 2,180,185	100.00		100.00	
Paytria Unternehmensbeteiligungen GmbH	VIENNA	EUR 36,336	100.00		100.00	
PELOPS Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
Piana Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
POLLUX Immobilien GmbH	VIENNA	EUR 36,500	100.00		100.00	
Posato Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Prelude Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
PRO WOHNBAU GmbH	VIENNA	EUR 23,621,113	100.00		100.00	
Projekt-Lease Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
QUADEC Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Quart Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Quint Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
RAMSES Immobilien Gesellschaft m. b. H. & Co OG	VIENNA		Sold on 28.06.2018		99.80	
RANA-Liegenschaftsverwertung GmbH	VIENNA	EUR 72,700	99.90		99.90	
Real Invest Immobilien GmbH	VIENNA	EUR 36,400	94.90		94.00	
Real Invest Property GmbH & Co SPB Jota KG	VIENNA			72.75	42.30	

\*) Voting rights are disclosed only if different from the percentage of holding.

## A – Accounting methods (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2018	VOTING RIGHTS % *)	2017	VOTING RIGHTS % *)
			HOLDING %		HOLDING %	
Real-Lease Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Real-Rent Leasing Gesellschaft m. b. H.	VIENNA	EUR 73,000	100.00		100.00	
Regev Realitätenverwertungsgesellschaft m. b. H.	VIENNA	EUR 726,728	100.00		100.00	
RE-St. Marx Holding GmbH	VIENNA	EUR 35,000	100.00		Added to scope of consolidation on 09.10.2018	
RIGEL Immobilien GmbH	VIENNA	EUR 36,500	100.00		100.00	
RSB Anlagenvermietung Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
Schoellerbank Aktiengesellschaft	VIENNA	EUR 20,000,000	100.00		100.00	
Schoellerbank Invest AG	SALZBURG	EUR 2,543,549	100.00		100.00	
SECA-Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
SEDEC Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Sext Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Shopping Palace Bratislava, v. o. s.	BRATISLAVA			72,75	42,30	
Sigma Leasing GmbH	VIENNA	EUR 18,286	100.00		100.00	
SIRIUS Immobilien GmbH	VIENNA	EUR 36,500	100.00		100.00	
Success 2015 B. V. (– abgestimmt mit Consyn_nod)	AMSTERDAM		100.00		100.00	
Sonata Leasing-Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
Spectrum Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
Stewe Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
Terz Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
TREDEC Z Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Treuconsult Beteiligungsgesellschaft m. b. H.	VIENNA	EUR 365,000	94.95		94.95	
Treuconsult Property Epsilon GmbH	VIENNA		Liquidated on 15.06.2018		94.95	
UCLA Immo-Beteiligungsholding GmbH & Co KG	VIENNA	EUR 10,000	100.00		100.00	
Ufficium Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,337	100.00		100.00	
Unicom Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
UniCredit AURORA Leasing GmbH	VIENNA	EUR 219,000	100.00		100.00	
UniCredit Bank Austria AG	VIENNA	EUR 1,681,033,521	100.00		100.00	
UniCredit Center am Kaiserwasser GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Garagen Errichtung und Verwertung GmbH	VIENNA	EUR 57,000	100.00		100.00	
UniCredit Ingatlanlizing Zrt.	BUDAPEST	HUF 82,000,000	Merged on 01.10.2018		100.00	
UniCredit KFZ Leasing GmbH	VIENNA	EUR 648,000	100.00		100.00	
UniCredit Leasing (Austria) GmbH	VIENNA	EUR 17,296,134	100.00		100.00	
UniCredit Leasing Fuhrparkmanagement GmbH	VIENNA	EUR 364,000	100.00		100.00	
UniCredit Leasing ImmoTruck Zrt.	BUDAPEST	HUF 52,500,000	100.00		100.00	
UniCredit Leasing Kft.	BUDAPEST	HUF 3,100,000	100.00		100.00	
UniCredit Leasing Mars Kft.	BUDAPEST	HUF 3,000,000	80.00		80.00	
UniCredit Leasing Technikum GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Leasing Uranus Kft.	BUDAPEST	HUF 3,000,000	80.00		80.00	
UniCredit Leasing Versicherungsservice GmbH & Co KG	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Leasing Alpha Assetvermietung GmbH	VIENNA	EUR 35,000	100.00		100.00	
UniCredit Luna Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Mobilien und KFZ Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Pegasus Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Polaris Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit Rent d. o. o. Beograd	BELGRADE	RSD 3,285,948,900	100.00		100.00	
UniCredit TechRent Leasing GmbH	VIENNA	EUR 36,336	100.00		100.00	
UniCredit Zega Leasing GmbH	VIENNA	EUR 36,500	100.00		100.00	
UniCredit-Leasing Hospes Ingatlanhasznosító Kft.	BUDAPEST	HUF 3,000,000	100.00		100.00	
UniCredit-Leasing Luna Ingatlanhasznosító Kft.	BUDAPEST	HUF 3,000,000	80.00		80.00	
UniCredit-Leasing Neptunus Ingatlanhasznosító Kft.	BUDAPEST	HUF 3,010,000	100.00		96.35	

\*) Voting rights are disclosed only if different from the percentage of holding.



## A – Accounting methods (CONTINUED)

NAME	MAIN OFFICE/ OPERATIONAL HQ	ISSUED CAPITAL	2018	VOTING RIGHTS % *)	2017	VOTING RIGHTS % *)
			HOLDING %		HOLDING %	
UNIVERSALE International Realitäten GmbH	VIENNA	EUR 32,715,000	100.00		100.00	
UNO-Einkaufszentrum-Verwaltungsgesellschaft m. b. H.	LEONDING		Liquidated on 26.06.2018		94.95	
Vape Communa Leasinggesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Wohnpark Brandenburg-Görden GmbH	BRANDENBURG		Disposal on 01.01.2018		100.00	
WÖM Grundstücksverwaltungs-Gesellschaft m. b. H.	VIENNA	EUR 36,336	100.00		100.00	
Z Leasing Alfa Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing ARKTUR Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing AURIGA Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing CORVUS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing DORADO Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing DRACO Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing Gama Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing GEMINI Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing HEBE Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing HERCULES Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing IPSILON Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing Ita Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing JANUS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing KALLISTO Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing KAPA Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing LYRA Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing NEREIDE Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing OMEGA Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing PERSEUS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing SCORPIUS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing TAURUS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 73,000	100.00		100.00	
Z Leasing VENUS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Z Leasing VOLANS Immobilien Leasing Gesellschaft m. b. H.	VIENNA	EUR 36,500	100.00		100.00	
Zapadni Trgovacki Centar d. o. o.	RIJEKA	HRK 20,000	100.00		100.00	

\*) Voting rights are disclosed only if different from the percentage of holding.

## A – Accounting methods (CONTINUED)

## Breakdown of non-controlling interests

## Non-controlling interests

(€ million)

	31 DEC. 2018	31 DEC. 2017
card complete Service Bank AG	48	48
DC Bank AG	11	11
Other entities	20	20
Consolidation adjustments	-15	-17
<b>TOTAL</b>	<b>64</b>	<b>62</b>

## A – Accounting methods (CONTINUED)

## Investments in subsidiaries with material non-controlling interests, 2018

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHARE- HOLDERS' EQUITY	SHARE- HOLDERS' EQUITY ATTRIB- UTABLE TO NON CONTROLLING INTERESTS	NON- CONTROLLING INTERESTS %
card complete Service Bank AG <sup>1)</sup>	690,689	1	583,831	105,666	254,719	96,605	48,206	49.90

1) card complete Service Bank AG: classified as held for sale.

## Investments in subsidiaries with material non-controlling interests, 2017

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	FINANCIAL LIABILITIES	SHARE- HOLDERS' EQUITY	SHARE- HOLDERS' EQUITY ATTRIB- UTABLE TO NON CONTROLLING INTERESTS	NON- CONTROLLING INTERESTS %
card complete Service Bank AG	698,696	1	598,301	100,394	223,093	96,282	48,044	49.90

## A – Accounting methods (CONTINUED)

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DIS- CONTINUED OPERATIONS	NET PROFIT OR LOSS <sup>(1)</sup>	OCI <sup>(2)</sup>	COMPREHENSIVE INCOME <sup>(3) = (1) + (2)</sup>	TOTAL COM- PREHENSIVE INCOME ATTRIB- UTABLE TO NON- CONTROLLING INTERESTS	DIVIDENDS PAID TO NON- CONTROLLING INTERESTS
6,992	100,581	-62,151	37,610	30,534	–	30,534	–	30,534	15,237	15,232

(€ thousand)

NET INTEREST MARGIN	OPERATING INCOME	OPERATING COSTS	TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	TOTAL PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX FROM DIS- CONTINUED OPERATIONS	NET PROFIT OR LOSS <sup>(1)</sup>	OCI <sup>(2)</sup>	COMPREHENSIVE INCOME <sup>(3) = (1) + (2)</sup>	TOTAL COM- PREHENSIVE INCOME ATTRIB- UTABLE TO NON- CONTROLLING INTERESTS	DIVIDENDS PAID TO NON- CONTROLLING INTERESTS
7,122	89,740	-53,381	35,252	35,252	–	35,252	4,444	39,696	17,591	48,157

## A – Accounting methods (CONTINUED)

## Investments in associates and joint ventures

NAME	METHOD OF ACCOUNTING	MAIN OFFICE/ OPERATIONAL HQ	NATURE OF RELATIONSHIP	DATE OF PUBLICATION <sup>3)</sup>
ARWAG Holding-Aktiengesellschaft	At equity	VIENNA	5	30.09.2014 <sup>1)</sup>
Bank für Tirol und Vorarlberg Aktiengesellschaft	At equity	INNSBRUCK	1	30.09.2018
BKS Bank AG	At equity	KLAGENFURT	1	30.09.2018
CBD International Sp. z. o. o.	At equity	WARSAW	5	31.12.2017
Fides Leasing GmbH	Joint Venture	WIEN	2	31.12.2018
HETA BA Leasing Süd GmbH	Joint Venture	KLAGENFURT	2	31.12.2018
MARINA CITY Entwicklungs GmbH	Joint Venture	VIENNA	5	30.06.2015 <sup>2)</sup>
MARINA TOWER Holding GmbH	Joint Venture	VIENNA	5	30.06.2015 <sup>2)</sup>
Megapark OOD	At equity	SOFIA	5	31.12.2017 <sup>2)</sup>
Muthgasse Alpha Holding GmbH in Liqu.	Joint Venture	VIENNA	5	30.09.2014 <sup>2)</sup>
NOTARTREUHANDBANK AG	At equity	VIENNA	1	30.09.2018
Oberbank AG	At equity	LINZ	1	30.09.2018
Objekt-Lease Grundstücksverwaltungs-Gesellschaft m. b. H. in Liqu.	Joint Venture	VIENNA	2	31.03.2018 <sup>2)</sup>
Oesterreichische Kontrollbank Aktiengesellschaft	At equity	VIENNA	1	30.09.2018
Österreichische Hotel- und Tourismusbank Gesellschaft m. b. H.	At equity	VIENNA	1	31.12.2017 <sup>1)</sup>
Österreichische Wertpapierdaten Service GmbH	At equity	VIENNA	3	31.12.2017
Palatin Grundstückverwaltungs Gesellschaft m. b. H.	Joint Venture	STOCKERAU	2	31.12.2018
PSA Payment Services Austria GmbH	At equity	VIENNA	2	31.12.2017
Purge Grundstücksverwaltungs-Gesellschaft m. b. H. in Liqu.	Joint Venture	VIENNA	2	31.12.2018
"UNI" Gebäudemanagement GmbH	At equity	LINZ	5	30.09.2018
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG	At equity	VIENNA	1	31.12.2017

1) Reclassification in accordance with IFRS 5 as investments classified as held for sale.

2) Disposal in 2018

3) The most recent financial statements used for consolidation.

Nature of relationship:

1 = Banks

2 = Financial entities

3 = Ancillary banking entities services

4 = Insurance enterprises

5 = Non-financial enterprises

6 = Other equity investments

Voting rights are disclosed only if different from the percentage of holding.

## A – Accounting methods (CONTINUED)

(€ thousand)

2018				2017			
ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD	ISSUED CAPITAL	HOLDING %	VOTING RIGHTS %	CARRYING AMOUNT € THSD
EUR 3,000,000	34.38		22,603	EUR 3,000,000	34.38		22,603
EUR 68,062,500	47.38	46.85	694,769	EUR 61,875,000	47.39	46.79	604,623
EUR 85,886,000	29.78	30.30	339,217	EUR 79,279,200	29.78	30.35	263,428
PLN 100,500	49.75		750	PLN 100,500	49.75		5,928
EUR 36,000	50.00		101	EUR 36,000	50.00		69
EUR 36,500	50.00		1,558	EUR 36,500	50.00		1,568
Sold on 23.07.2018				EUR 120,000	25.00		
Sold on 23.07.2018				EUR 35,000	25.00		383
Sold on 20.07.2018				BGN 50,936,362	49.24		
Liquidated on 11.12.2018				EUR 35,000	52.94		20
EUR 8,030,000	25.00		8,339	EUR 8,030,000	25.00		6,870
EUR 105,820,000	27.17	27.29	736,333	EUR 105,873,525	27.17	27.29	646,194
Liquidated on 01.03.2018				EUR 36,336	50.00		16
EUR 130,000,000	49.15		388,436	EUR 130,000,000	49.15		379,250
EUR 11,628,000	50.00		15,587	EUR 11,628,000	50.00		15,018
EUR 100,000	29.30		46	EUR 36,336	29.30		24
EUR 36,336	50.00		93	EUR 36,336	50.00		109
EUR 285,000	24.00		6,420	EUR 285,000	24.00		6,335
EUR 36,336	50.00		1	EUR 36,336	50.00		
EUR 18,168	50.00		33	EUR 18,168	50.00		9
EUR 15,550,309	21.54		6,203	EUR 15,550,309	21.54		6,246

1) Reclassification in accordance with IFRS 5 as investments classified as held for sale.

2) Disposal in 2018

3) The most recent financial statements used for consolidation.

Nature of relationship:

1 = Banks

2 = Financial entities

3 = Ancillary banking entities services

4 = Insurance enterprises

5 = Non-financial enterprises

6 = Other equity investments

Voting rights are disclosed only if different from the percentage of holding.

## A – Accounting methods (CONTINUED)

## Investments in associates and joint ventures: accounting information 2018\*)

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON- FINANCIAL ASSETS	FINANCIAL LIABILITIES
<b>Under significant influence</b>					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	11,233,339	628,936	10,136,296	468,107	9,334,425
BKS BANK AG	8,184,364	308,013	7,732,774	143,577	6,797,581
NOTARTREUHANDBANK AG	2,539,546	3	2,537,426	2,117	2,490,455
OBERBANK AG	21,341,556	234,465	20,499,179	607,912	17,729,662
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M. B. H.	979,747	986	972,729	6,032	940,800
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	27,997,694	397,760	27,469,278	130,656	25,472,831

\*) Data per 30.9.2018

## Investments in associates and joint ventures: accounting information 2017

NAME	TOTAL ASSETS	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON- FINANCIAL ASSETS	FINANCIAL LIABILITIES
<b>Under significant influence</b>					
BANK FUER TIROL UND VORARLBERG AKTIENGESELLSCHAFT	10,460,583	325,276	9,625,655	509,652	8,827,465
BKS BANK AG	7,545,270	491,751	6,905,904	147,615	6,329,711
NOTARTREUHANDBANK AG	2,061,495	2	2,059,931	1,562	2,031,612
OBERBANK AG	20,094,773	977,316	18,398,370	719,087	16,863,541
OESTERREICHISCHE HOTEL- UND TOURISMUSBANK GESELLSCHAFT M. B. H.	972,543	990	967,017	4,536	935,352
OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT	27,121,319	1,234,747	25,707,719	178,853	24,374,017

## A – Accounting methods (CONTINUED)

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	OPERATING COSTS <sup>1)</sup>	TAX EXPENSE (INCOME)	PROFIT (LOSS)	PROFIT (LOSS) AFTER REVALUATION RESERVE	DIVIDENDS RECEIVED
321,344	1,577,570	331,978	122,083	-57,888	-16,058	92,874	99,842	4,398
234,416	1,152,367	262,480	125,617	-73,093	-10,813	69,895	100,047	2,715
15,736	33,354	14,278	13,404	-6,149	-2,259	5,879	5,879	-
902,204	2,709,690	685,915	322,769	-188,963	-42,210	223,560	188,633	8,635
7,772	31,175	18,803	4,250	-2,900	-1,449	2,645	2,645	750
1,734,553	790,310	379,640	79,265	-69,014	-11,717	40,064	36,162	16,082

(€ thousand)

NON-FINANCIAL LIABILITIES	NET EQUITY	TOTAL REVENUES	NET INTEREST MARGIN	OPERATING COSTS	TAX EXPENSE (INCOME)	PROFIT (LOSS)	PROFIT (LOSS) AFTER REVALUATION RESERVE	DIVIDENDS RECEIVED
304,998	1,328,120	271,329	159,881	-171,954	-15,014	72,528	67,928	3,910
192,704	1,022,855	215,595	155,537	-126,734	-5,586	60,940	67,423	2,715
2,408	27,475	14,277	15,229	-6,338	-1,608	4,595	4,595	1,125
801,628	2,429,604	528,429	382,451	-264,249	-40,406	205,527	209,159	6,237
7,154	30,037	7,862	4,476	-4,679	-821	2,295	2,295	750
1,975,683	771,619	120,192	85,044	-71,206	-9,879	39,107	39,107	9,840



## A – Accounting methods (CONTINUED)

## Consolidated companies and changes in consolidated companies of the Bank Austria Group in 2018

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
<b>Opening balance</b>	<b>248</b>	<b>21</b>	<b>269</b>
<b>Additions</b>	<b>2</b>	<b>–</b>	<b>2</b>
Newly established companies	–	–	–
Acquired companies	1	–	1
Other changes	–	–	–
Changes in UniCredit Group	1	–	1
<b>Disposals</b>	<b>–21</b>	<b>–5</b>	<b>–26</b>
Companies sold or liquidated	–10	–5	–15
Mergers	–7	–	–7
Changes in UniCredit Group	–4	–	–4
<b>CLOSING BALANCE</b>	<b>229</b>	<b>16</b>	<b>245</b>

Changes in the consolidation scope mainly relate to sales of real estate companies and further measures to simplify the structure of the UniCredit Bank Austria Group's holdings of equity interests.

The sales profit from disposals from the group of consolidated companies in the 2018 financial year amounts to €53 million and mainly concerns the sale of companies from RAMSES Immobilien Gesellschaft m. b. H. & Co OG, Garage Am Hof Gesellschaft m. b. H., Megapark OOD, MARINA TOWER Holding GmbH, MARINA CITY Entwicklungs GmbH.

## A – Accounting methods (CONTINUED)

List of subsidiaries and associates  
not consolidated because the equity investments are not material

NAME	MAIN OFFICE/ OPERATIONAL HQ	HOLDING %
"Megapark 2" E. o. o. d.	Sofia	80.00
"Neue Heimat" Gemeinnützige Wohnungs-und Siedlungsgesellschaft, Gesellschaft mit beschränkter Haftung	Wiener Neustadt	27.00
BA WORLDWIDE FUND MANAGEMENT LTD	Tortola	94.95
BA-CA Investor Beteiligungs GmbH	Vienna	89.26
Bank Austria Real Invest Asset Management GmbH	Vienna	94.95
Bank Austria - CEE BeteiligungsgmbH	Vienna	100.00
Einlagensicherung der Banken und Bankiers Gesellschaft m. b. H.	Vienna	30.61
ELINT Gesellschaft m. b. H. u. Co OG.	Vienna	89.26
ELINT Gesellschaft m. b. H.	Vienna	89.26
FONTANA Hotelverwaltungsgesellschaft m. b. H.	Vienna	100.00
GELAND Alpha Beteiligungs GmbH	Vienna	89.26
GEWOG Gemeinnützige Wohnungsbau-Gesellschaft m. b. H.	Vienna	25.00
M. A. I. L. Real Estate Management Jota Bratislava s. r. o.	Bratislava	94.95
Megapark Invest GmbH in Liqu.	Vienna	80.00
Palais Rothschild Vermietungs GmbH	Vienna	100.00
RAMSES-Immobilienholding GmbH	Vienna	100.00
Real(e)value Immobilien BewertungsGmbH	Vienna	100.00
Treuconsult Property Alpha GmbH	Vienna	94.95
Alfa Holding Ingatlanszolgaltato Kft.	Győr	95.00
Sigma Holding Ingatlanszolgaltato Kft.	Budapest	95.00
HVB-Leasing Rubin Kft.	Budapest	100.00
Wohnpark Brandenburg-Görden Gesellschaft m. b. H in Liq.	Brandenburg	100.00
"MARTIANEZ COMERCIAL, SOCIEDAD ANONIMA"	Puerto de la Cruz	100.00
Real Invest Property Jota Immobilienverwertungs GmbH	Vienna	100.00

\*) Inclusion of companies is based on quantitative criteria (e. g.: total assets < €5 million, possibility of realisation of profit) and qualitative criteria (e. g.: strategic relevance).

## A – Accounting methods (CONTINUED)

## Exposure towards unconsolidated structured entities

## Exposure towards unconsolidated investment funds

## Units in investment funds

(€ million)

EXPOSURE TYPE	CATEGORY	31 DECEMBER 2018			31 DECEMBER 2017		
		BOOK VALUE	NOMINAL VALUE	FAIR VALUE	BOOK VALUE	NOMINAL VALUE	FAIR VALUE
Units in investment funds	Fair value option (IAS 39)				6	6	6
	Available for sale (IAS 39)				21	1	21
	Financial assets mandatorily at fair value through p&I	26	30	26			
	Held for trading	–	–	–	–	–	–
<b>TOTAL</b>		<b>26</b>	<b>30</b>	<b>26</b>	<b>27</b>	<b>7</b>	<b>27</b>

## Other exposure towards unconsolidated investment funds

## Assets

(€ million)

EXPOSURE TYPE	CATEGORY	31 DECEMBER 2018		31 DECEMBER 2017	
		BOOK VALUE	NOMINAL VALUE	BOOK VALUE	NOMINAL VALUE
Loans and receivables	Loans and receivables (IAS 39)			174	175
	Financial assets at amortised cost: b) Loans and receivables with customers	206	206		
Credit derivatives	Held for trading	3	162	4	359
Other derivatives	Held for trading	–	–		
Guarantees	Off-balance sheet	–	–		
Credit lines revocable	Off-balance sheet	–	1,835		1,660
Credit lines irrevocable	Off-balance sheet	–	190		503
<b>TOTAL</b>		<b>209</b>	<b>2,393</b>	<b>178</b>	<b>2,696</b>

## Liabilities

(€ million)

EXPOSURE TYPE	CATEGORY	31 DEC. 2018	31 DEC. 2017
		BOOK VALUE	BOOK VALUE
Derivatives	Liabilities (IAS 39)		986
	Financial liabilities at amortised cost: b) Loans and receivables with customers	1,132	
Other derivatives (no credit risk)	Liabilities	–	–
<b>TOTAL</b>		<b>1,132</b>	<b>986</b>

## Income from unconsolidated structured entities

Fees and commissions earned by Bank Austria Group from unconsolidated investment funds amounted to €32 million in 2018 (previous year: €32 million).

## A – Accounting methods (CONTINUED)

### Disclosures of material restrictions

Minimum regulatory capital requirements and disbursement blocks restrict the ability of subsidiaries of our Group to pay dividends or redeem capital.

These minimum capital requirements are a result of the regulations of the CRR, BWG (Austrian Banking Act), capital buffer regulations and any SREP regulations. According to CRR, equity can only be reduced with the approval of the responsible supervisory authorities,

In addition, there are additional restrictions other than legal or regulatory minimum capital requirements and restrictions that are based on such minimum capital requirements, such as limitations on large exposures.



## B – Notes to the income statement

<b>B.1 – Interest income / Interest expense</b>	<b>124</b>
<b>B.2 – Fee and commission income / Fee and commission expense</b>	<b>125</b>
<b>B.3 – Dividend income and similar revenue</b>	<b>126</b>
<b>B.4 – Net gains (losses) on trading</b>	<b>126</b>
<b>B.5 – Fair value adjustments in hedge accounting</b>	<b>127</b>
<b>B.6 – Gains and losses on disposals and repurchase of financial instruments</b>	<b>127</b>
<b>B.7 – Net change in financial assets and liabilities at fair value through profit or loss</b>	<b>128</b>
<b>B.8 – Impairments</b>	<b>129</b>
<b>B.9 – Staff costs</b>	<b>130</b>
<b>B.10 – Other administrative expenses</b>	<b>131</b>
<b>B.11 – Provisions for credit risk on commitments and financial guarantees</b>	<b>131</b>
<b>B.12 – Net provisions for risks and charges</b>	<b>131</b>
<b>B.13 – Depreciations, impairments and write-backs on property, plant and equipment</b>	<b>132</b>
<b>B.14 – Depreciations, impairments and write-backs on intangible assets</b>	<b>132</b>
<b>B.15 – Other net operating income</b>	<b>132</b>
<b>B.16 – Profit (Loss) on equity investments</b>	<b>133</b>
<b>B.17 – Gains and losses on disposal of investments</b>	<b>133</b>
<b>B.18 – Income tax</b>	<b>134</b>
<b>B.19 – Profit (Loss) after tax from discontinued operations</b>	<b>134</b>
<b>B.20 – Earnings per share</b>	<b>135</b>
<b>B.21 – Appropriation of profits</b>	<b>135</b>

## B – Notes to the income statement (CONTINUED)

## B.1 – Interest income/Interest expense

## Interest income and similar revenues

(€ million)

	2018				2017
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	DEPOSITS	TOTAL
<b>Financial assets at fair value through profit or loss</b>	<b>2</b>	<b>51</b>	<b>97</b>		<b>150</b>
Financial assets held for trading *)	–	–	97		97
Financial assets designated at fair value	–	–	–		–
Other financial assets mandatorily at fair value	2	51	–		53
<b>Financial assets at fair value through other comprehensive income</b>	<b>181</b>	<b>–</b>	<b>–</b>		<b>181</b>
<b>Financial assets at fair value through profit or loss (IAS 39)</b>					<b>–</b>
<b>Available-for-sale financial assets (IAS 39)</b>					<b>200</b>
<b>Held-to-maturity investments (IAS 39)</b>					<b>4</b>
<b>Financial assets at amortised cost</b>	<b>4</b>	<b>1,051</b>	<b>–</b>		<b>1,055</b>
Loans and advances to banks	–	69	–		69
Loans and advances to customers	4	981	–		986
<b>Hedging derivatives</b>	<b>–</b>	<b>–</b>	<b>143</b>		<b>143</b>
<b>Other assets</b>	<b>–</b>	<b>–</b>	<b>15</b>		<b>15</b>
<b>Other financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>41</b>	<b>41</b>
<b>TOTAL</b>	<b>187</b>	<b>1,102</b>	<b>254</b>	<b>41</b>	<b>1,585</b>
<i>of which: interest income on credit impaired financial assets</i>	<i>1</i>	<i>39</i>	<i>–</i>	<i>–</i>	<i>40</i>

\*) Change to gross display

Within this item, total interest income from financial assets that are not at fair value through profit or loss was €1,251 million (previous year: €1,304 million). Interest income from financial assets in foreign currencies amounted to €229 million.

Income that we received for deposits (liabilities) is shown in the amount of €41 (previous year: €21 million) under interest and similar revenue. The total interest income for impaired financial assets classified in stage 3 was €40 million.

€12 million from the reversal of impairments is included in interest income. In 2017, €16 million was recorded under the impairment item from the reversal of impairments.

## Interest and similar expenses

(€ million)

	2018				2017
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	LOANS	TOTAL
<b>Financial liabilities at amortised cost</b>	<b>–187</b>	<b>–283</b>	<b>–</b>	<b>–</b>	<b>–470</b>
Deposits from central banks	–1	–	–	–	–1
Deposits from banks	–98	–	–	–	–98
Deposits from customers	–88	–	–	–	–88
Debt securities in issue	–	–283	–	–	–283
<b>Financial liabilities held for trading *)</b>	<b>–</b>	<b>–</b>	<b>–98</b>	<b>–</b>	<b>–98</b>
<b>Financial liabilities designated at fair value</b>	<b>–</b>	<b>–2</b>	<b>–</b>	<b>–</b>	<b>–2</b>
<b>Other liabilities and funds</b>	<b>–</b>	<b>–</b>	<b>–2</b>	<b>–</b>	<b>–2</b>
<b>Hedging derivatives</b>	<b>–</b>	<b>–</b>	<b>–14</b>	<b>–</b>	<b>–14</b>
<b>Financial assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–36</b>	<b>–36</b>
<b>TOTAL</b>	<b>–187</b>	<b>–285</b>	<b>–114</b>	<b>–36</b>	<b>–621</b>

\*) Change to gross display

Within this item, total interest expense for liabilities that are not at fair value through profit or loss was –€573 million (previous year: –€562 million). Interest expenses from financial liabilities in foreign currencies were –€67 million. Expenses that are accrued for receivables (assets) of €50 million (previous year: €31 million) were recorded under interest and similar expenses.

## B – Notes to the income statement (CONTINUED)

## B.2 – Fee and commission income/Fee and commission expense

## Fee and commission income

(€ million)

	2018	2017
Guarantees given	38	41
Credit derivatives	2	2
Management, brokerage and consultancy services:	357	372
Securities trading	–	–
Currency trading	2	3
Portfolio management	219	223
Individual	55	
Collective	165	
Custody and administration of securities	53	55
Custodian bank	32	34
Placement of securities	4	5
Reception and transmission of orders	20	20
Advisory services	–	2
Distribution of third party services	27	30
Collection and payment services *)	95	276
Securitisation servicing	–	–
Factoring	3	3
Tax collection services	–	–
Management of multilateral trading facilities	–	–
Management of current accounts	134	135
Other services *)	271	78
<b>TOTAL</b>	<b>900</b>	<b>907</b>

\*) In 2018, fee income from credit cards resp. debit cards was reclassified from collection and payment services to other services.

## Fee and commission expense

(€ million)

	2018	2017
Guarantees received	–14	–17
Credit derivatives	–	–
Management, brokerage and consultancy services:	–62	–65
Trading in financial instruments	–3	–3
Currency trading	–	–
Portfolio management	–13	–13
Own portfolio	–3	
Third party portfolio	–10	
Custody and administration of securities	–25	–28
Placement of financial instruments	–	–
Off-site distribution of financial instruments, products and services	–20	–20
Collection and payment services	–113	–110
Other services	–5	–3
Security borrowing	–	
<b>TOTAL</b>	<b>–195</b>	<b>–195</b>



## B – Notes to the income statement (CONTINUED)

## B.3 – Dividend income and similar revenue

(€ million)

	2018	
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS
		TOTAL
Financial assets held for trading	–	–
Other financial assets mandatorily at fair value	–	–
Financial assets at fair value through other comprehensive income	5	–
Equity investments	2	–
<b>TOTAL</b>	<b>7</b>	<b>–</b>

(€ million)

	2017	
	DIVIDENDS	INCOME FROM UNITS IN INVEST- MENT FUNDS
		TOTAL
Financial assets held for trading	–	–
Available-for-sale financial assets	6	8
Financial assets at fair value through profit or loss	–	–
Other	4	X
<b>TOTAL</b>	<b>10</b>	<b>8</b>

## B.4 – Net gains (losses) on trading

(€ million)

	2018				2017
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT
<b>Financial assets held for trading</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>2</b>
Debt securities	–	1	–	–	1
Equity instruments	–	–	–	–	–
Units in investment funds	–	–	–	–	–
Loans	–	–	–	–	–
Other	1	–	–	–	1
<b>Financial liabilities held for trading</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Debt securities	–	–	–	–	–
Deposits	–	–	–	–	–
Other	1	–	–	–	–
<b>Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>25</b>
<b>Derivatives</b>	<b>42</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>43</b>
Financial derivatives	42	–	–	–	42
on debt securities and interest rates	42	–	–	–	42
on equity securities and share indices	–	–	–	–	–
on currency and gold	X	X	X	X	–
other	–	–	–	–	–
Credit derivatives	–	–	–	–	–
of which: economic hedges related to the fair value option	X	X	X	X	–
<b>TOTAL</b>	<b>44</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>70</b>

## B – Notes to the income statement (CONTINUED)

## B.5 – Fair value adjustments in hedge accounting

(€ million)

	2018	2017
<b>Gains on:</b>		
Fair value hedging instruments	388	301
Hedged financial assets (in fair value hedge relationship)	–	30
Hedged financial liabilities (in fair value hedge relationship)	96	59
Cash-flow hedging derivatives	–	–
Assets and liabilities denominated in currency	–	–
<b>Total gains on hedging activities</b>	<b>484</b>	<b>390</b>
<b>Losses on:</b>		
Fair value hedging instruments	–389	–392
Hedged financial assets (in fair value hedge relationship)	–97	–
Hedged financial liabilities (in fair value hedge relationship)	–	–
Cash-flow hedging derivatives	–	–
Assets and liabilities denominated in currency	–	–
<b>Total losses on hedging activities</b>	<b>–486</b>	<b>–392</b>
<b>NET HEDGING RESULT</b>	<b>–2</b>	<b>–2</b>
<i>of which: net gains (losses) of hedge accounting on net positions</i>	–	–

In 2018, there was positive differences in connection with hedges of €143 million and negative differences in connection with hedges of –€14 million.

## B.6 – Gains and losses on disposals and repurchase of financial instruments

(€ million)

	2018			2017		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
<b>Financial assets</b>						
Financial assets at amortised cost	–	–	–	–	–	–
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	–	–	–	–	–	–
Financial assets at fair value through other comprehensive income	14	–	14			
Debt securities	14	–	14			
Loans	–	–	–			
<i>Available-for-sale financial assets (IAS 39)</i>				19	–2	17
<i>Debt securities</i>				16	–2	14
<i>Equity instruments</i>				–	–	–
<i>Units in investment funds</i>				3	–	3
<i>Loans</i>				–	–	–
<i>Held-to-maturity investments (IAS 39)</i>				–	–	–
<b>TOTAL ASSETS</b>	<b>14</b>	<b>–</b>	<b>14</b>	<b>19</b>	<b>–2</b>	<b>17</b>
<b>Financial liabilities</b>						
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Debt securities in issue	–	–	–	–	–5	–5
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–5</b>	<b>–5</b>
<b>TOTAL FINANCIAL ASSETS AND LIABILITIES</b>	<b>14</b>	<b>–</b>	<b>14</b>	<b>19</b>	<b>–7</b>	<b>12</b>

## B – Notes to the income statement (CONTINUED)

## B.7 – Net change in financial assets and liabilities at fair value through profit or loss

## Financial assets and liabilities designated at fair value through profit or loss

(€ million)

	2018				NET PROFIT
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	
<b>Financial assets</b>	–	–	–	–	–
Debt securities	–	–	–	–	–
Loans	–	–	–	–	–
<b>Financial liabilities</b>	<b>6</b>	–	<b>–5</b>	–	–
Debt securities	6	–	–	–	6
Deposits from banks	–	–	–5	–	–5
Deposits from customers	–	–	–	–	–
<b>Financial assets and liabilities in foreign currency: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	–
<b>TOTAL</b>	<b>6</b>	–	<b>–5</b>	–	–

Changes in fair values resulting from changes in UniCredit Bank Austria AG's own creditworthiness were €5 million (previous year: –€9 million) for the past financial year.

## Other financial assets mandatorily at fair value

(€ million)

	2018				NET PROFIT
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	
<b>Financial assets</b>	<b>32</b>	<b>8</b>	<b>–17</b>	<b>–2</b>	<b>20</b>
Debt securities	–	–	–4	–	–4
Equity securities	10	–	–	–	10
Units in investment funds	6	6	–4	–	8
Loans	16	1	–9	–2	6
<b>Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	–
<b>TOTAL</b>	<b>32</b>	<b>8</b>	<b>–17</b>	<b>–2</b>	<b>20</b>

## Financial assets and financial liabilities at fair value through profit or loss Liabilities (IAS 39)

(€ million)

	2017				NET PROFIT
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	
<b>Financial assets</b>	–	–	–	–	–
Debt securities	–	–	–	–	–
Equity securities	–	–	–	–	–
Units in investment funds	–	–	–	–	–
Loans	–	–	–	–	–
<b>Financial liabilities</b>	–	–	<b>–9</b>	<b>–1</b>	<b>–9</b>
Debt securities	–	–	–9	–1	–9
Deposits from banks	–	–	–	–	–
Deposits from customers	–	–	–	–	–
<b>Credit and financial derivatives</b>	<b>19</b>	–	<b>–9</b>	–	<b>10</b>
<b>TOTAL</b>	<b>19</b>	–	<b>–18</b>	<b>–1</b>	<b>1</b>

## B – Notes to the income statement (CONTINUED)

## B.8 – Impairments

## Impairment of financial assets at amortised cost

(€ million)

	2018					
	WRITE-DOWNS			WRITE-BACKS		TOTAL
	LEVEL 1 AND LEVEL 2	LEVEL 3 WRITE-OFF	OTHERS	LEVEL 1 AND LEVEL 2	LEVEL 3	
<b>Loans and advances to banks</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>1</b>
Loans	-1	-	-	2	-	1
Debt securities	-	-	-	-	-	-
<i>of which: impaired related to purchase agreements</i>	-	-	-	-	-	-
<b>Loans and advances to customers</b>	<b>-112</b>	<b>-27</b>	<b>-154</b>	<b>211</b>	<b>175</b>	<b>93</b>
Loans	-112	-27	-154	196	175	78
Debt securities	-	-	-	16	-	16
<i>of which: impaired related to purchase agreements</i>	-	-	-	2	2	3
<b>TOTAL</b>	<b>-113</b>	<b>-27</b>	<b>-154</b>	<b>214</b>	<b>175</b>	<b>95</b>

Details of the development of impairments on loans and receivables with customers are given in the risk report.

## Net losses/recoveries on credit impairment relating to financial assets at fair value through other comprehensive income

(€ million)

	2018					
	WRITE-DOWNS			WRITE-BACKS		TOTAL
	LEVEL 1 AND LEVEL 2	LEVEL 3 WRITE-OFF	OTHERS	LEVEL 1 AND LEVEL 2	LEVEL 3	
<b>Debt securities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Loans and advances to customers	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-
<i>of which: Impaired related to purchase agreements</i>	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>

## Impairments (IAS 39)

(€ million)

	2017					
	WRITE-DOWNS			WRITE-BACKS		TOTAL
	WRITE-OFFS	SPECIFIC	PORTFOLIO	SPECIFIC	PORTFOLIO	
<b>Impairment losses on loans and receivables</b>	<b>-19</b>	<b>-209</b>	<b>-30</b>	<b>239</b>	<b>42</b>	<b>23</b>
Loans to banks	-	-	-	-	-	-
Loans to customers	-19	-209	-30	239	42	23
<b>Impairment losses on available-for-sale financial assets</b>	<b>-2</b>	<b>-</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-2</b>
Debt securities	-	-	X	-	X	-
Equity instruments	-	-	X	-	X	-
Units in investment funds	-2	-	X	-	X	-2
<b>Impairment losses on held-to-maturity investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>
Debt securities	-	-	-	6	-	6
<b>Impairment losses on other financial transactions</b>	<b>-</b>	<b>-79</b>	<b>-</b>	<b>60</b>	<b>4</b>	<b>-15</b>
Guarantees given	-	-59	-	42	-	-17
Credit derivatives	-	-	-	-	-	-
Commitments to disburse funds	-	-20	-	18	4	2
Other transactions	-	-	-	-	-	-
<b>TOTAL</b>	<b>-21</b>	<b>-288</b>	<b>-30</b>	<b>305</b>	<b>46</b>	<b>13</b>

## B – Notes to the income statement (CONTINUED)

## B.9 – Staff costs

(€ million)

	2018	2017
<b>Employees</b>	<b>-634</b>	<b>-673</b>
Wages and salaries	-479	-524
Social charges	-121	-140
Provision for retirements and similar provisions	-76	-75
<i>Defined contribution</i>	-1	-
<i>Defined benefit</i>	-76	-75
Payments to external pension funds	-15	-15
<i>Defined contribution</i>	-13	-14
<i>Defined benefit</i>	-1	-1
Costs related to share-based payments	-3	-2
Other employee benefits	-32	-29
Recovery payments seconded employees <sup>*)</sup>	92	112
<b>Other staff</b>	<b>-9</b>	<b>-8</b>
<b>TOTAL</b>	<b>-643</b>	<b>-681</b>

<sup>\*)</sup> This includes recovery of staff costs relating to Bank Austria employees who are not active within the Group.

## Remuneration of the pension provided for performance-based obligations

(€ million)

	2018	2017
<b>Pension and similar funds allowances – with defined benefits</b>		
Current service cost	-12	-14
Settlement gains (losses)	-	-
Past service cost	-	-1
Interest cost on the DBO	-63	-60
Interest income on plan assets	-	-
Other costs/revenues	-	-
Administrative expenses paid through plan assets	-	-
<b>TOTAL RECOGNISED IN PROFIT OR LOSS</b>	<b>-76</b>	<b>-75</b>

## Other employee benefits

(€ million)

	2018	2017
Seniority premiums	-5	-2
Compensation for entitlements of employees	-12	-14
Other	-15	-12
<b>TOTAL</b>	<b>-32</b>	<b>-29</b>

## B – Notes to the income statement (CONTINUED)

## B.10 – Other administrative expenses

(€ million)

	2018	2017
Indirect taxes and duties	-58	-39
Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	-58	-57
Guarantee fee for DTA conversion	-	-
Miscellaneous costs and expenses	-553	-611
Advertising, marketing and communication	-28	-36
Expenses related to credit risk	-4	-4
Indirect expenses related to personnel	-9	-9
Information and communication technology expenses	-235	-239
Consulting and professional services	-25	-22
Real estate expenses	-90	-96
Premises rentals	-35	-39
Utilities	-15	-15
Other real estate expenses	-39	-42
Other functioning costs	-161	-204
<b>TOTAL</b>	<b>-669</b>	<b>-707</b>

Ex-ante contributions to resolution funds and deposit guarantee schemes include contributions based on harmonised EU regulations and contributions based on existing local regulations.

## B.11 – Provisions for credit risk on commitments and financial guarantees

(€ million)

	2018		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Loan commitments	-19	32	12
Financial guarantees given	-60	35	-25
<b>TOTAL</b>	<b>-79</b>	<b>67</b>	<b>-13</b>

## B.12 – Net provisions for risks and charges

(€ million)

	2018			2017
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Other provisions				
Legal disputes	-41	4	-36	1
Staff costs	-	-	-	-
Other	-10	4	-6	3
<b>TOTAL</b>	<b>-51</b>	<b>8</b>	<b>-42</b>	<b>4</b>

## B – Notes to the income statement (CONTINUED)

## B.13 – Depreciations, impairments and write-backs on property, plant and equipment

(€ million)

	2018			2017
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT
<b>Property, plant and equipment</b>				
<b>Owned</b>	<b>-61</b>	<b>-12</b>	<b>-</b>	<b>-73</b>
used in the business	-56	-3	-	-59
held for investment	-5	-9	-	-14
<b>Finance lease</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
used in the business	-	-	-	-
held for investment	-	-	-	-
<b>Non-current assets and disposal groups classified as held for sale</b>	<b>-</b>	<b>-2</b>	<b>13</b>	<b>10</b>
used in the business	-	-	13	13
held for investment	-	-2	-	-2
<b>TOTAL</b>	<b>-61</b>	<b>-14</b>	<b>13</b>	<b>-63</b>

## B.14 – Depreciations, impairments and write-backs on intangible assets

(€ million)

	2018			2017
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT
<b>Intangible assets</b>				
<b>Owned</b>	<b>-3</b>	<b>-</b>	<b>-</b>	<b>-3</b>
generated internally by the company	-	-	-	-
other	-3	-	-	-3
<b>Finance leases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>-3</b>	<b>-</b>	<b>-</b>	<b>-3</b>

## B.15 – Other net operating income

## Balance of other operating expenses

(€ million)

	2018	2017
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-1	-1
Write-downs on leasehold improvements	-13	-21
Costs related to the specific service of financial leasing	-1	-1
Other	-25	-35
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>-40</b>	<b>-58</b>

## Balance of other operating income

(€ million)

	2018	2017
<b>Recovery of costs</b>	<b>-</b>	<b>1</b>
<b>Other gains</b>	<b>122</b>	<b>143</b>
Revenues from administrative services	28	42
Revenues on rentals Real Estate investments (net of operating direct costs)	9	5
Revenues from operating leases	47	32
Recovery of miscellaneous costs paid in previous years	6	5
Revenues on Financial Leases activities	-	1
Others	32	59
<b>TOTAL OPERATING INCOME</b>	<b>122</b>	<b>144</b>
<b>OTHER OPERATING INCOME AND EXPENSES</b>	<b>82</b>	<b>86</b>

## B – Notes to the income statement (CONTINUED)

## B.16 – Profit (Loss) on equity investments

(€ million)

	2018	2017
<b>Jointly owned companies - equity</b>	–	–
<b>Income</b>	<b>7</b>	<b>–</b>
Revaluations	–	–
<b>Net profit</b>	<b>7</b>	<b>–</b>
<b>Companies subject to significant influence</b>	<b>–</b>	<b>–</b>
<b>Income</b>	<b>185</b>	<b>136</b>
Revaluations	150	136
Gains on disposal	9	–
Writebacks <sup>1)</sup>	27	–
Other gains	–	–
<b>Expense</b>	<b>–33</b>	<b>–</b>
Writedowns	–1	–
Impairment losses <sup>2)</sup>	–32	–
Losses on disposal	–	–
Other expenses	–	–
<b>Net profit</b>	<b>152</b>	<b>136</b>
<b>TOTAL</b>	<b>159</b>	<b>136</b>

1) Write-backs in the amount of €27.0 million concern BKS.

2) In 2018, the impairment item included a devaluation of the Group carrying amount of BTV in the amount of €28.1 million.

## B.17 – Gains and losses on disposal of investments

(€ million)

	2018	2017
<b>Property</b>		
Gains on disposal	17	9
Losses on disposal	–	–
<b>Other assets</b>		
Gains on disposal	22	3
Losses on disposal	–5	–
<b>TOTAL</b>	<b>34</b>	<b>12</b>



## B – Notes to the income statement (CONTINUED)

## B.18 – Income tax

(€ million)

	2018	2017
Current tax (–)	–61	–15
Adjustment to current tax of prior years (+/–)	5	8
Reduction of current tax for the year (+)	35	52
Changes to deferred tax assets (+/–)	–189	–113
Changes to deferred tax liabilities (+/–)	131	55
<b>TAX EXPENSE FOR THE YEAR (–)</b>	<b>–79</b>	<b>–12</b>

Deferred tax assets of €73 million (previous year: –€20 million) were offset against equity in UniCredit Bank Austria AG, mainly due to the change in the life expectancy table and the recognition of actuarial gains and losses on pension and severance-payment obligations in the reporting year.

## Reconciliation of theoretical tax charge to actual tax charge

(€ million)

	2018	2017
<b>Total profit or loss before tax from continuing operations</b>	<b>716</b>	<b>571</b>
Applicable tax rate	25 %	25 %
<b>Theoretical tax</b>	<b>–179</b>	<b>–142</b>
Different tax rates	1	–
Non-taxable income	67	56
Non-deductible expenses	–57	–12
Different fiscal laws	0	6
Prior years and changes in tax rates	14	78
a) effects on current tax	7	78
b) effects on deferred tax	7	–
Valuation adjustments and non-recognition of deferred taxes	74	1
Amortisation of goodwill	–	–
Non-taxable foreign income	–	–
Other differences	1	1
<b>RECOGNISED TAXES ON INCOME</b>	<b>–79</b>	<b>–12</b>

## B.19 – Profit (Loss) after tax from discontinued operations

(€ million)

	2018	2017
Income	21	45
Expense	–27	–22
Gains and losses from valuations of the group of assets and associated liabilities	–	–
Realised gains (losses)	21	123
Tax expenses	–1	–32
<b>Profit (Loss)</b>	<b>15</b>	<b>114</b>

## B – Notes to the income statement (CONTINUED)

### B.20 – Earnings per share

#### Earnings per share

	2018	2017
Net profit or loss attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	637	653
from continuing operations	622	539
from discontinued operations	15	114
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
<b>Basic/diluted earnings per share in €</b>	<b>2.75</b>	<b>2.82</b>
from continuing operations	2.69	2.33
from discontinued operations	0.06	0.49

#### Total earnings per share

	2018	2017
Comprehensive income attributable to the ordinary shareholders of UniCredit Bank Austria AG in € million	322	534
from continuing operations	307	420
from discontinued operations	15	114
Weighted average number of ordinary shares (in million) outstanding in the reporting period	231.2	231.2
<b>Basic/diluted comprehensive earnings per share in €</b>	<b>1.39</b>	<b>2.31</b>
from continuing operations	1.33	1.82
from discontinued operations	0.06	0.49

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Earnings per share are calculated on the basis of the average number of shares outstanding (2018: 231.2 million shares; 2017: 231.2 million shares).

### B.21 – Appropriation of profits

UniCredit Bank Austria AG's net profit pursuant to the UGB (Austrian Business Code) of the financial year of 1 January 2018 to 31 December 2018 amounted to €202,193,444.53. In consideration of the profit carried forward of €1,265,716.60, this results in usable balance sheet profit of €203,459,161.13. At the Shareholders' Meeting, the Management Board shall suggest distributing a dividend of €0.87 per share entitled to benefits on the share capital of €1,681,033,521.40. With 231,228,820 shares, the distribution therefore results in an amount of €201,169,073.40. In addition, the Management Board shall also suggest carrying the remainder of €2,290,087.73 forward.



## C – Notes to the statement of financial position

### Assets

C.1 – Cash and cash balances	138
C.2 – Financial assets measured at fair value through profit or loss	138
C.3 – Financial assets measured at fair value through other comprehensive income	140
C.4 – Financial assets at amortised cost	141
C.5 – Hedging derivatives (assets)	143
C.6 – Changes in market value of portfolio hedged items (assets)	143
C.7 – Investments in associates and joint ventures	143
C.8 – Property, plant and equipment	144
C.9 – Intangible assets	147
C.10 – Tax claims	148
C.11 – Non-current assets and disposal groups classified as held for sale	149
C.12 – Other assets	150

### Liabilities and equity

C.13 – Financial liabilities at amortised cost	150
C.14 – Financial liabilities held for trading	152
C.15 – Financial liabilities measured at fair value through profit or loss	152
C.16 – Hedging derivatives (liabilities and equity)	153
C.17 – Changes in fair value of portfolio hedged items (liabilities and equity)	153
C.18 – Tax obligations	153
C.19 – Liabilities associated with assets classified as held for sale	154
C.20 – Other liabilities and equity	154
C.21 – Provisions for risks and charges	155
C.22 – Equity	157

## C – Notes to the statement of financial position (CONTINUED)

## C.1 – Cash and cash balances

(€ million)

	31 DEC. 2018	31 DEC. 2017
Cash	97	100
Demand deposits with central banks	1	131
<b>TOTAL</b>	<b>98</b>	<b>230</b>

## C.2 – Financial assets measured at fair value through profit or loss

## Financial assets held for trading

(€ million)

	IFRS 9 AMOUNTS AS AT 31 DEC. 2018			IAS 39 AMOUNTS AS AT 31 DEC. 2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial assets (non-derivatives)</b>						
<b>Debt securities</b>	–	–	–	–	2	–
Structured securities	–	–	–	–	–	–
Other debt securities	–	–	–	–	2	–
<b>Equity instruments</b>	–	–	–	–	–	–
<b>Units in investment funds</b>	–	–	–	–	–	–
<b>Loans</b>	–	–	–	–	–	–
Reverse Repos	–	–	–	–	–	–
Other	–	–	–	–	–	–
<b>Total (non-derivatives)</b>	–	–	–	–	2	–
<b>Derivative instruments</b>	–	–	–	–	–	–
<b>Financial derivatives</b>	–	775	7	–	975	29
Trading	–	644	7	–	–	–
Related to fair value option	–	131	–	–	–	–
Other	–	–	–	–	–	–
<b>Credit derivatives</b>	–	–	–	–	–	2
Trading	–	–	–	–	–	–
Related to fair value option	–	–	–	–	–	–
Other	–	–	–	–	–	–
<b>Total (derivatives)</b>	–	775	7	–	975	31
<b>TOTAL</b>	–	776	7	–	977	31
<b>Total Level 1, Level 2 and Level 3</b>			<b>783</b>			<b>1,008</b>

## Other financial assets mandatorily at fair value

(€ million)

	AMOUNTS AS AT 31 DEC. 2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>Debt securities</b>	–	122	14
Structured securities	–	–	–
Other debt securities	–	122	14
<b>Equity instruments</b>	–	–	–
<b>Units in investment funds</b>	7	1	18
<b>Loans</b>	–	683	520
<b>TOTAL</b>	7	806	552
<b>Total Level 1, Level 2 and Level 3</b>			<b>1,365</b>

## C – Notes to the statement of financial position (CONTINUED)

## Breakdown per borrower/issuer

(€ million)

	AMOUNTS AS AT 31 DEC. 2018
<b>Debt securities</b>	<b>136</b>
Central Banks	–
Governments and Other Public Sector Entities	35
Banks	3
Other financial companies	12
<i>of which: insurance companies</i>	12
Non-financial companies	86
<b>Units in investment funds</b>	<b>26</b>
<b>Loans and advances</b>	<b>1,202</b>
Central Banks	–
Governments and Other Public Sector Entities	–
Banks	–
Other financial companies	3
Non-financial companies	763
Households	436
<b>TOTAL</b>	<b>1,365</b>

## Financial assets measured at fair value through profit or loss (IAS 39)

(€ million)

	31 DEC. 2017			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	–	–	–	–
Equity instruments	–	–	–	–
Units in investment funds	–	–	6	6
Loans	–	–	–	–
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>6</b>
<b>COST</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>6</b>

## C – Notes to the statement of financial position (CONTINUED)

## C.3 – Financial assets measured at fair value through other comprehensive income

(€ million)

	AMOUNTS AS AT 31 DEC. 2018		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>Debt securities</b>	<b>11,839</b>	<b>1,527</b>	<b>26</b>
Structured securities	–	–	–
Other	11,839	1,527	26
<b>Equity instruments</b>	<b>–</b>	<b>24</b>	<b>74</b>
<b>Loans</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>11,839</b>	<b>1,551</b>	<b>100</b>
<b>Total Level 1, Level 2 und Level 3</b>	<b>–</b>	<b>–</b>	<b>13,490</b>

## Breakdown per borrower/issuer

(€ million)

	AMOUNTS AS AT 31 DEC. 2018
<b>Debt securities</b>	<b>13,392</b>
Central Banks	–
Governments and Other Public Sector Entities	11,989
Banks	889
Other financial companies	–
<i>of which: insurance companies</i>	–
Non-financial companies	514
<b>Equity instruments</b>	<b>98</b>
Banks	–
Other issuers	98
Other financial companies	43
<i>of which: insurance companies</i>	15
Non-financial companies	53
Other	2
<b>TOTAL</b>	<b>13,490</b>

## Gross carrying amounts and accumulated impairments

(€ million)

	GROSS VALUE			TOTAL ACCUMULATED IMPAIRMENTS		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Debt securities	13,326	67	–	–	1	–
Loans	–	–	–	–	–	–
<b>TOTAL</b>	<b>13,326</b>	<b>67</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	–	–	–	–	–	–

## Available-for-sale financial assets (IAS 39)

(€ million)

	31 DEC. 2017			TOTAL
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	
Debt securities	13,677	1,202	49	14,928
<i>Structured securities</i>	–	–	15	15
<i>Other</i>	13,677	1,202	34	14,913
Equity instruments	–	36	72	108
<i>Measured at fair value</i>	–	36	48	84
<i>Carried at cost</i>	–	–	24	24
Units in investment funds	–	1	20	21
<b>TOTAL</b>	<b>13,677</b>	<b>1,239</b>	<b>141</b>	<b>15,057</b>

## C – Notes to the statement of financial position (CONTINUED)

## C.4 – Financial assets at amortised cost

## Loans and receivables with banks

(€ million)

	IFRS 9 AMOUNTS AS AT 31 DEC. 2018			IAS 39 AMOUNTS AS AT 31 DEC. 2017
	BOOK VALUE			BOOK VALUE
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	
<b>Loans to central banks</b>	<b>5,130</b>	<b>–</b>	<b>–</b>	<b>8,366</b>
Time deposits	–	–	–	–
Compulsory reserves	5,127	–	–	8,364
Reverse repos	–	–	–	–
Other	4	–	–	2
<b>Loans to banks</b>	<b>10,153</b>	<b>–</b>	<b>–</b>	<b>11,322</b>
Loans	7,808	–	–	8,195
Current accounts and demand deposits	569	–	–	654
Time deposits	7,239	–	–	7,541
Other loans	1,546	–	–	2,377
Reverse repos	204	–	–	1,037
Other	1,343	–	–	1,340
Debt securities	799	–	–	750
<b>TOTAL (BOOK VALUE)</b>	<b>15,284</b>	<b>–</b>	<b>–</b>	<b>19,688</b>
<b>TOTAL (FAIR VALUE)</b>	<b>15,338</b>	<b>–</b>	<b>–</b>	<b>19,758</b>
Fair Value – Level 1	–	–	–	–
Fair Value – Level 2	9,948	–	–	11,022
Fair Value – Level 3	5,391	–	–	8,736
Loan loss provisions deducted from loans and receivables	–	–	–	3

## Loans and receivables with customers

(€ million)

	AMOUNTS AS AT 31 DEC. 2018			AMOUNTS AS AT 31 DEC. 2017
	BOOK VALUE			BOOK VALUE
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS	
<b>Loans</b>	<b>60,427</b>	<b>970</b>	<b>2</b>	<b>59,847</b>
Current accounts	6,876	170	1	7,013
Reverse repos	–	–	–	–
Mortgages	11,795	25	–	12,352
Credit cards and personal loans, including wage assignment loans	383	43	–	976
Finance leases	2,424	109	–	2,477
Factoring	1,732	5	–	1,479
Other loans	37,218	618	2	35,550
<b>Debt securities</b>	<b>307</b>	<b>17</b>	<b>–</b>	<b>185</b>
<b>TOTAL (BOOK VALUE)</b>	<b>60,734</b>	<b>987</b>	<b>2</b>	<b>60,032</b>
<b>TOTAL (FAIR VALUE)</b>	<b>62,258</b>	<b>–</b>	<b>–</b>	<b>60,320</b>
Fair value – Level 1	3	–	–	–
Fair value – Level 2	25,240	–	–	22,422
Fair value – Level 3	37,015	–	–	37,898
Loan loss provisions deducted from loans and receivables	–	–	–	1,811



## C – Notes to the statement of financial position (CONTINUED)

## Finance leases: customers

(€ million)

	31 DEC. 2018		31 DEC. 2017	
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Amounts receivable under finance leases:	–	–	–	–
Up to 12 months	475	396	460	383
From 1 to 5 years	1,324	1,110	1,333	1,101
Over 5 years	1,237	1,026	1,222	992
<b>GROSS/NET INVESTMENT IN THE LEASE</b>	<b>3,036</b>	<b>2,533</b>	<b>3,015</b>	<b>2,477</b>
<i>of which: unguaranteed residual value</i>	107	95	126	112
Unearned finance income	–503	–	–539	X
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS RECEIVABLE (NET INVESTMENT IN THE LEASE)</b>	<b>2,533</b>	<b>2,533</b>	<b>2,477</b>	<b>2,477</b>

## Breakdown per borrower/issuer

(€ million)

	AMOUNTS AS AT 31 DEC. 2018		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS
<b>Debt securities</b>	<b>307</b>	<b>17</b>	<b>–</b>
Governments and other Public Sector Entities	98	7	–
Other financial companies	148	10	–
Non-financial companies	62	–	–
<b>Loans</b>	<b>60,427</b>	<b>970</b>	<b>2</b>
Governments and other Public Sector Entities	7,222	186	–
Other financial companies	4,086	9	–
Non-financial companies	31,965	502	2
Households	17,154	272	–
<b>Total</b>	<b>60,734</b>	<b>987</b>	<b>2</b>

## Gross carrying amounts and accumulated impairments

(€ million)

	GROSS VALUE			TOTAL ACCUMULATED IMPAIRMENTS		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Debt securities	1,060	50	22	–	3	5
Loans	59,070	16,194	2,131	48	305	1,161
<b>TOTAL</b>	<b>60,130</b>	<b>16,244</b>	<b>2,153</b>	<b>48</b>	<b>308</b>	<b>1,166</b>
<i>of which: purchased or originated credit-impaired financial assets</i>	–	–	2	–	–	–

## Held-to-maturity investments (IAS 39)

(€ million)

	31 DEC. 2017				
	BOOK VALUE	FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Debt securities	216	219	3	179	37
Loans	–	–	–	–	–
<b>TOTAL</b>	<b>216</b>	<b>219</b>	<b>3</b>	<b>179</b>	<b>37</b>

## C – Notes to the statement of financial position (CONTINUED)

## C.5 – Hedging derivatives (assets)

(€ million)

	31 DEC. 2018					31 DEC. 2017				
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	NOTIONAL AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	
<b>Financial derivatives</b>	–	1,619	–	1,619	43,532	–	2,082	2	2,084	
Fair value hedge	–	1,573	–	1,573	38,426	–	1,944	2	1,946	
Cash flow hedge	–	46	–	46	5,106	–	138	–	138	
Credit derivatives	–	–	–	–	–	–	–	–	–	
<b>TOTAL</b>	–	1,619	–	1,619	43,532	–	2,082	2	2,084	

## C.6 – Changes in market value of portfolio hedged items (assets)

(€ million)

	31 DEC. 2018	31 DEC. 2017
Positive changes	914	312
Negative changes	–643	–69
<b>TOTAL</b>	<b>271</b>	<b>243</b>

## C.7 – Investments in associates and joint ventures

(€ million)

	CHANGES IN	
	31 DEC. 2018	31 DEC. 2017
<b>Opening balance as at 1 Jan.</b>	<b>1.937</b>	<b>1.777</b>
<b>Increases</b>	<b>277</b>	<b>160</b>
Purchases	–	–
Write-backs	27	–
Revaluation	148	136
Other changes <sup>*)</sup>	102	24
<b>Decreases</b>	<b>–32</b>	<b>–</b>
Sales	–	–
Write-downs	–	–
Impairment	–32	–
Other changes	–	–
<b>CLOSING BALANCE AS AT 31 DEC.</b>	<b>2.183</b>	<b>1.937</b>

<sup>\*)</sup> Other changes includes effects from the conversion to IFRS 9 from companies consolidated at equity, capital increases and the reclassification of a company held for sale.

## C – Notes to the statement of financial position (CONTINUED)

## C.8 – Property, plant and equipment

(€ million)

	31 DEC. 2018	31 DEC. 2017
<b>Assets for operational use</b>	<b>387</b>	<b>406</b>
<b>Owned</b>	<b>387</b>	<b>406</b>
Land	25	27
Buildings	93	99
Office furniture and fittings	41	86
Electronic systems	17	16
Other	212	178
<b>Leased</b>	<b>–</b>	<b>–</b>
Land	–	–
Buildings	–	–
Office furniture and fittings	–	–
Electronic systems	–	–
Other	–	–
<b>Investment property</b>	<b>208</b>	<b>223</b>
<b>Owned</b>	<b>208</b>	<b>223</b>
Land	125	128
Buildings	83	95
<b>Inventories of tangible assets regulated by IAS 2</b>	<b>6</b>	
<b>SUMME</b>	<b>601</b>	<b>629</b>

## Development of assets held as financial investments measured at fair value

(€ million)

	31 DEC. 2018				31 DEC. 2017			
	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
<b>Assets carried at cost</b>	<b>194</b>	–	62	133	<b>209</b>	<b>15</b>	<b>49</b>	<b>151</b>
<b>Owned</b>	<b>194</b>	–	62	133	<b>209</b>	<b>15</b>	<b>49</b>	<b>151</b>
Land	125	–	21	108	128	6	11	111
Buildings	69	–	41	25	81	9	38	40
<b>Assets measured at fair value</b>	<b>13</b>	–	–	<b>13</b>	<b>14</b>	–	–	<b>14</b>
<b>Owned</b>	<b>13</b>	–	–	<b>13</b>	<b>14</b>	–	–	<b>14</b>
Land	–	–	–	–	–	–	–	–
Buildings	13	–	–	13	14	–	–	14
<b>TOTAL</b>	<b>208</b>	–	62	<b>147</b>	<b>223</b>	<b>15</b>	<b>49</b>	<b>165</b>

## C – Notes to the statement of financial position (CONTINUED)

## Development of property, plant and equipment used in operations

(€ million)

	2017					
	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
Gross opening balance	38	223	228	139	197	825
Total net reduction in value	–	–93	–163	–122	–56	–434
Opening balance	38	130	66	18	140	392
Increases	–	1	28	6	83	118
Purchases	–	1	28	6	82	117
Capitalised expenditure on improvements	–	–	–	–	–	–
Write-backs	–	–	–	–	–	–
Positive exchange differences	–	–	–	–	–	–
Transfer from properties held for investment	–	–	–	–	–	–
Other changes	–	–	–	–	1	1
Reductions	–11	–33	–8	–8	–46	–106
Disposals	–2	–11	–	–	–21	–34
Depreciation	–	–7	–6	–8	–25	–46
Impairment losses	–	–	–	–	–	–
Negative exchange differences	–	–	–	–	–	–
Transfers to	–9	–15	–	–	–	–24
property, plant and equipment held for investment	–8	–9	–	–	–	–17
assets held for sale	–1	–6	–	–	–	–7
Other changes	–	–	–2	–	–1	–3
ENDING BALANCE	27	99	86	16	178	406
Reductions in value – at cost – properties – lands	–	–94	–163	–128	–56	–441
GROSS CLOSING BALANCE	27	193	249	144	234	847
	2018					
	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
Gross opening balance	27	193	249	144	234	847
Total net reduction in value	–	–94	–163	–128	–56	–441
Opening balance	27	99	86	16	177	406
Increases	–	5	17	40	109	171
Purchases	–	1	14	13	73	101
Capitalised expenditure on improvements	–	–	–	–	–	–
Write-backs	–	–	–	–	–	–
Positive exchange differences	–	–	–	–	–	–
Transfer from properties held for investment	–	–	–	–	–	–
Other changes	–	3	3	28	36	70
Reductions	–3	–11	–62	–40	–74	–190
Disposals	–	–5	–57	–21	–21	–105
Depreciation	–2	–6	–5	–8	–35	–56
Impairment losses	–	–	–	–	–3	–3
Negative exchange differences	–	–	–	–	–	–1
Transfers to	–	–	–	–10	–1	–12
property, plant and equipment held for investment	–	–	–	–	–	–
assets held for sale	–	–	–	–10	–1	–12
Other changes	–	–	–	–	–14	–14
ENDING BALANCE	25	93	41	17	212	387
Reductions in value – at cost – properties – lands	–	–76	–148	–64	–55	–343
GROSS CLOSING BALANCE	25	169	189	81	267	729

## C – Notes to the statement of financial position (CONTINUED)

## Development of assets held as investments

(€ million)

	2017		
	LAND	BUILDINGS	TOTAL
<b>Gross opening balance</b>	<b>148</b>	<b>246</b>	<b>394</b>
Total net reduction in value	–	–91	–91
<b>Opening balance</b>	<b>148</b>	<b>155</b>	<b>303</b>
<b>Increases</b>	<b>16</b>	<b>15</b>	<b>31</b>
Purchases	–	1	1
Capitalised expenditure on improvements	–	–	–
Increases in fair value	–	–	–
Write-backs	3	–	3
Positive exchange differences	1	1	2
Transfer from properties used in the business	7	9	16
Other changes	5	4	9
<b>Reductions</b>	<b>–36</b>	<b>–75</b>	<b>–111</b>
Disposals	–7	–18	–25
Depreciation	–	–8	–8
Reductions in fair value	–	–1	–1
Impairment losses	–5	–4	–9
Negative exchange differences	–	–	–
Transfer to	–24	–44	–68
<i>Properties used in the business</i>	–	–	–
<i>Non-current assets and disposal groups classified as held for sale</i>	–24	–44	–68
Other changes	–	–	–
<b>GROSS OPENING BALANCE</b>	<b>128</b>	<b>95</b>	<b>223</b>
Total net reduction in value	–	–86	–86
<b>CLOSING BALANCE</b>	<b>128</b>	<b>181</b>	<b>309</b>
<b>MEASURED AT FAIR VALUE</b>	<b>128</b>	<b>101</b>	<b>229</b>
	2018		
	LAND	BUILDINGS	TOTAL
<b>Gross opening balance</b>	<b>128</b>	<b>181</b>	<b>309</b>
Total net reduction in value	–	–86	–86
<b>Opening balance</b>	<b>128</b>	<b>95</b>	<b>223</b>
<b>Increases</b>	<b>6</b>	<b>21</b>	<b>27</b>
Purchases	6	21	27
Capitalised expenditure on improvements	–	–	–
Increases in fair value	–	–	–
Write-backs	–	–	–
Positive exchange differences	–	–	–
Transfer from properties used in the business	–	–	–
Other changes	–	–	–
<b>Reductions</b>	<b>–9</b>	<b>–34</b>	<b>–43</b>
Disposals	–1	–	–1
Depreciation	–	–5	–5
Reductions in fair value	–	–1	–1
Impairment losses	–3	–6	–9
Negative exchange differences	–	–	–
Transfer to	–5	–21	–26
<i>Properties used in the business</i>	–	–	–
<i>Non-current assets and disposal groups classified as held for sale</i>	–5	–21	–26
Other changes	–	–	–
<b>GROSS OPENING BALANCE</b>	<b>125</b>	<b>83</b>	<b>208</b>
Total net reduction in value	–	–96	–96
<b>CLOSING BALANCE</b>	<b>125</b>	<b>179</b>	<b>304</b>
<b>MEASURED AT FAIR VALUE</b>	<b>129</b>	<b>66</b>	<b>195</b>

## C – Notes to the statement of financial position (CONTINUED)

## C.9 – Intangible assets

(€ million)

	31 DEC. 2018	31 DEC. 2017
<b>Goodwill</b>	–	–
<b>Other intangible assets</b>	<b>3</b>	<b>9</b>
Assets carried at cost	3	9
Intangible assets generated internally	–	–
Other assets	3	9
Assets measured at fair value	–	–
<b>TOTAL</b>	<b>3</b>	<b>9</b>

## Development of intangible assets

(€ million)

	2017 OTHER INTANGIBLE ASSETS
<b>Gross opening balance</b>	<b>530</b>
Total net reduction in value	–519
<b>Net opening balance as at 1 Jan. 2017</b>	<b>11</b>
<b>Increases</b>	<b>2</b>
Purchases	2
Increases in intangible assets generated internally	–
Write-backs	–
Positive exchange differences	–
Other changes	1
<b>Reduction</b>	<b>–4</b>
Disposals	–
Write-downs	–4
Amortisation	–4
Write-downs	–
Transfer to non-current assets held for sale	–
Negative exchange differences	–
Other changes	–
<b>NET CLOSING BALANCE AS AT 1 JAN. 2017</b>	<b>9</b>
Total net write-down	–522
<b>GROSS CLOSING BALANCE</b>	<b>531</b>
	2018 OTHER INTANGIBLE ASSETS
<b>Gross opening balance</b>	<b>531</b>
Total net reduction in value	–522
<b>Net opening balance as at 1 Jan. 2018</b>	<b>9</b>
<b>Increases</b>	<b>3</b>
Purchases	3
Increases in intangible assets generated internally	–
Write-backs	–
Positive exchange differences	–
Other changes	–
<b>Reduction</b>	<b>9</b>
Disposals	–
Write-downs	3
Amortisation	3
Write-downs	–
Transfer to non-current assets held for sale	7
Negative exchange differences	–
Other changes	–
<b>NET CLOSING BALANCE AS AT 1 JAN. 2018</b>	<b>3</b>
Total net write-down	–550
<b>GROSS CLOSING BALANCE</b>	<b>553</b>

## C – Notes to the statement of financial position (CONTINUED)

## C.10 – Tax claims

(€ million)

	31 DEC. 2018	31 DEC. 2017 <sup>*)</sup>
<b>Deferred tax assets deriving from tax losses</b>	<b>5</b>	<b>6</b>
<b>Deferred tax assets deriving from temporary differences</b>	<b>690</b>	<b>805</b>
Financial assets and liabilities (different from Credits and Debts)	83	135
Credits and debts with banks and clients	–	29
Hedging and hedged item revaluation	113	–
Intangible assets different from goodwill	–	1
Goodwill and equity investments	–	–
Assets and liabilities held for disposal	–	–
<i>Other assets and other liabilities</i>	45	73
<i>Provisions, pension funds and similar</i>	449	567
Other	–	–
<b>Accounting offsetting</b>	<b>–371</b>	<b>–575</b>
<b>TOTAL</b>	<b>324</b>	<b>236</b>

\*) Adjusted in social capital

The assets include deferred tax assets arising from the carryforward of unused tax losses in the amount of €5 million (previous year: €6 million). Most of the tax losses carried forward can be used without time restriction.

In respect of tax losses carried forward in the amount of €2,093 million (previous year: €2,165 million), no deferred tax assets were recognised because, from a current perspective, a tax benefit is unlikely to be realised within a reasonable period. There was no multi-year plan to estimate the usability of tax losses carried forward as at 31 December 2018. This plan will be prepared in 2019 for the next four years. For this reason, based on the approved 2019 budget and in consideration of the forecast economic environment, a plan has been prepared for the following years that serves as a basis for the tax forecast. The result shows that capitalising the tax losses carried forward shall be avoided. It must be noted that Bank Austria has made assumptions with regard to the use of the losses carried forward that could change if the economic conditions and other framework conditions change and therefore could have an effect on the income tax treatment.

With regard to the tax losses carried forward that are to be assigned to the spun-off CEE area, the loss carryforwards were properly factored.

No deferred tax assets were recognised for the following items (gross amounts):

(€ million)

	31 DEC. 2018	31 DEC. 2017
Tax losses carried forward	2,093	2,165
Deductible temporary differences	–	1
<b>TOTAL</b>	<b>2,093</b>	<b>2,166</b>

The major part of tax losses carried forward comes from companies in Austria and can be carried forward without time restriction. In Austria, the annual set-off of losses carried forward is limited to 75% of the relevant taxable profit.

## C – Notes to the statement of financial position (CONTINUED)

## C.11 – Non-current assets and disposal groups classified as held for sale

(€ million)

	31 DEC. 2018	31 DEC. 2017
<b>Assets available for sale</b>		
Financial assets	661	1
Equity investments	16	–
Property, Plant and Equipment	92	233
<i>of which: obtained by taking possession of collateral</i>	–	–
Intangible assets	7	–
Other non-current assets	112	3
<b>Total</b>	<b>887</b>	<b>237</b>
<i>of which: carried at cost</i>	<i>834</i>	<i>169</i>
<i>of which: designated at fair value - level 1</i>	–	–
<i>of which: designated at fair value - level 2</i>	–	–
<i>of which: designated at fair value - level 3</i>	53	68
<b>Discontinued operations</b>	–	–
Financial assets at fair value through profit and loss	–	–
- Financial assets held for trading	–	–
- Financial assets designated at fair value	–	–
- Other financial assets mandatorily at fair value	–	–
Financial assets at fair value through other comprehensive income	–	–
Financial assets at amortised cost	–	–
<i>Financial assets designated at FV (IAS 39)</i>	–	–
<i>Available for sale financial assets (IAS 39)</i>	–	–
<i>Held to maturity investments (IAS 39)</i>	–	–
<i>Loans and receivables with banks (IAS 39)</i>	–	–
<i>Loans and receivables with customers (IAS 39)</i>	–	–
Equity investments	23	–
Property, Plant and Equipment	–	–
<i>of which: obtained by taking possession of collateral</i>	–	–
Intangible assets	–	–
Other assets	16	93
<b>Total</b>	<b>39</b>	<b>93</b>
<i>of which: carried at cost</i>	–	–
<i>of which: designated at fair value - level 1</i>	–	–
<i>of which: designated at fair value - level 2</i>	–	–
<i>of which: designated at fair value - level 3</i>	39	93
<b>Total (Assets available for sale and discontinued operations)</b>	<b>926</b>	<b>330</b>

**Asset groups held for sale**

The total amount of asset groups classified as held for sale relates to Immobilien Holding GmbH Group (assets of €39 million which have not yet been sold and liabilities of €35 million).

**Individual assets**

This item mainly includes card complete, classified as held-for-sale.



## C – Notes to the statement of financial position (CONTINUED)

## C.12 – Other assets

(€ million)

	31 DEC. 2018	31 DEC. 2017
Gold, silver and precious metals	7	10
Accrued income other than capitalised income	10	5
Interest and charges to be debited	5	5
Customers	5	
Items in processing	88	184
Adjustments for unpaid bills and notes	1	4
Tax items other than those included in item 110	1	5
Inventories		4
Leasehold improvements		41
Other items	217	133
<b>TOTAL</b>	<b>330</b>	<b>391</b>

## C.13 – Financial liabilities at amortised cost

## Deposits from banks

(€ million)

	31 DEC. 2018	31 DEC. 2017
	BOOK VALUE	BOOK VALUE
<b>Deposits from central banks</b>	<b>3,994</b>	<b>4,050</b>
<b>Deposits from banks</b>	<b>10,450</b>	<b>11,076</b>
Current accounts and demand deposits	1,489	1,618
Time deposits	8,601	2,012
Loans	60	7,009
Repos	41	120
Other	20	6,890
Other liabilities	300	437
<b>TOTAL (BOOK VALUE)</b>	<b>14,444</b>	<b>15,126</b>
<b>TOTAL FAIR VALUE</b>	<b>14,515</b>	<b>15,237</b>
Fair value – Level 1	–	–
Fair value – Level 2	4,181	7,517
Fair value – Level 3	10,334	7,720

## C – Notes to the statement of financial position (CONTINUED)

## Deposits from customers

(€ million)

	31 DEC. 2018	31 DEC. 2017
	BOOK VALUE	BOOK VALUE
Current accounts and demand deposits	48,449	41,306
Time deposits	6,891	7,525
Loans	281	6,581
<i>Repos</i>	271	832
<i>Other</i>	9	5,749
Other liabilities	30	52
<b>TOTAL (BOOK VALUE)</b>	<b>55,651</b>	<b>55,463</b>
<b>TOTAL FAIR VALUE</b>	<b>55,786</b>	<b>55,790</b>
Fair Value – Level 1	–	–
Fair Value – Level 2	295	1,892
Fair Value – Level 3	55,491	53,898

## Debt securities in issue

(€ million)

	31 DEC. 2018				31 DEC. 2017			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>Securities</b>								
Bonds	12,254	5,800	6,444	119	14,575	6,983	7,995	–
<i>Structured</i>	712	–	693	–	721	–	720	–
<i>Other</i>	11,542	5,800	5,751	119	13,854	6,983	7,275	–
Other securities	148	–	144	–	148	–	148	–
<i>Structured</i>	–	–	–	–	–	–	–	–
<i>Other</i>	148	–	144	–	148	–	148	–
<b>TOTAL</b>	<b>12,402</b>	<b>5,800</b>	<b>6,588</b>	<b>119</b>	<b>14,722</b>	<b>6,983</b>	<b>8,143</b>	<b>–</b>
<b>Total Level 1, Level 2 and Level 3</b>				<b>12,507</b>				<b>15,126</b>

## C – Notes to the statement of financial position (CONTINUED)

## C.14 – Financial liabilities held for trading

(€ million)

	31 DEC. 2018		
	FAIR VALUE		
	LEVEL 1	LEVEL 2	LEVEL 3
<b>Total</b>	–	–	–
<b>Derivatives instruments</b>			
Financial derivatives	–	759	6
Trading	–	655	6
Related to fair value option	–	104	–
Other	–	–	–
Credit derivatives	–	–	4
Trading derivatives	–	–	–
Related to fair value option	–	–	4
Other	–	–	–
<b>Total</b>	–	<b>759</b>	<b>10</b>
<b>TOTAL</b>	–	<b>759</b>	<b>10</b>
<b>Total Level 1, Level 2 and Level 3</b>			<b>770</b>

## Financial liabilities held for trading (IAS 39)

(€ million)

	31 DEC. 2017			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 1	TOTAL
<b>Financial liabilities</b>	–	–	–	–
Deposits from banks	–	–	–	–
Deposits from customers	–	–	–	–
Debt securities	–	–	–	–
<b>Derivatives instruments</b>	–	<b>1,000</b>	<b>4</b>	<b>1,004</b>
Financial derivatives	–	1,000	3	1,003
Credit derivatives	–	–	1	1
<b>TOTAL</b>	–	<b>1,000</b>	<b>4</b>	<b>1,004</b>

## C.15 – Financial liabilities measured at fair value through profit or loss

(€ million)

	31 DEC. 2018			
	NOMINAL VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3
<b>Deposits from banks</b>	<b>1</b>	–	–	<b>1</b>
Structured	–	–	–	–
Other	1	–	–	1
of which:	–	–	–	–
loan commitments given	–	–	–	–
financial guarantees given	–	–	–	–
<b>Deposits from customers</b>	–	–	–	–
Structured	–	–	–	–
Other	–	–	–	–
of which:	–	–	–	–
loan commitments given	–	–	–	–
financial guarantees given	–	–	–	–
<b>Bonds</b>	<b>201</b>	–	<b>245</b>	–
Structured	201	–	245	–
Other	–	–	–	–
<b>TOTAL</b>	<b>202</b>	–	<b>245</b>	<b>1</b>
<b>Total Level 1, Level 2 and Level 3</b>	–	–	–	<b>247</b>

## C – Notes to the statement of financial position (CONTINUED)

Of the changes in fair values in 2018, income of €5 million (2017: an expense of €9 million) related to changes in the bank's own credit risk. In the valuation as at 31 December 2018, the portion relating to changes in the bank's own credit risk was cumulative income of €3 million (31 December 2017: accumulated expenses in the amount of €2 million). The repayment amount of liabilities as at 31 December 2018 is approximately the same as the recognised fair value.

**Financial liabilities measured at fair value through profit or loss (IAS 39)**

(€ million)

	31 DEC. 2017			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 1	TOTAL
Deposits from banks	–	–	–	–
Deposits from customers	–	–	–	–
Bonds	–	300	1	301
<i>Structured</i>	–	300	–	300
<i>Other</i>	–	–	1	1
<b>TOTAL</b>	<b>–</b>	<b>300</b>	<b>1</b>	<b>301</b>

**C.16 – Hedging derivatives (liabilities and equity)**

(€ million)

	31 DEC. 2018				31 DEC. 2017			
	NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial derivatives</b>	<b>55,880</b>	<b>–</b>	<b>1,368</b>	<b>–</b>	<b>40,582</b>	<b>–</b>	<b>1,655</b>	<b>–</b>
Fair value	48,339	–	1,300	–	37,787	–	1,615	–
Cash flows	7,541	–	68	–	2,795	–	40	–
<b>Credit derivatives</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>55,880</b>	<b>–</b>	<b>1,368</b>	<b>–</b>	<b>40,582</b>	<b>–</b>	<b>1,655</b>	<b>–</b>
<b>Total Level 1, Level 2 and Level 3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,368</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,655</b>

**C.17 – Changes in market value of portfolio hedged items (liabilities and equity)**

(€ million)

	31 DEC. 2018	31 DEC. 2017
Positive changes to financial liabilities	222	1,086
Negative changes to financial liabilities	–44	–1,034
<b>TOTAL</b>	<b>178</b>	<b>52</b>

**C.18 – Tax obligations**

(€ million)

	31 DEC. 2018	31 DEC. 2017
<b>Deferred tax liabilities deriving from temporary differences</b>	<b>372</b>	<b>575</b>
Financial assets and liabilities (different from credits and debts)	230	220
Credits and debts with banks and clients	–	21
Hedging and hedged item revaluation	132	177
Tangible assets and intangible assets different from goodwill	2	3
Goodwill and equity investments	–	–
<i>Assets and liabilities held for disposal</i>	–	–
<i>Other assets and other liabilities</i>	8	154
Other	–	–
<b>Accounting offsetting</b>	<b>–370</b>	<b>–568</b>
<b>TOTAL</b>	<b>2</b>	<b>7</b>

For temporary differences in connection with shares in domestic subsidiaries in the amount of €906 million (previous year: €969 million), no deferred taxes were formed pursuant to IAS 12.39 as their disposal currently is not planned.

## C – Notes to the statement of financial position (CONTINUED)

## C.19 – Liabilities associated with assets classified as held for sale

(€ million)

	31 DEC. 2018	31 DEC. 2017
<b>Liabilities associated with assets available for sale <sup>*)</sup></b>	–	–
Deposits	158	–
Securities	–	–
Other liabilities	347	2
<b>Total</b>	<b>505</b>	<b>2</b>
<i>of which: carried at cost</i>	<i>505</i>	<i>2</i>
<i>of which: designated at fair value - level 1</i>	–	–
<i>of which: designated at fair value - level 2</i>	–	–
<i>of which: designated at fair value - level 3</i>	–	–
<b>Liabilities associated with discontinued operations</b>	–	–
Financial liabilities at amortised cost	–	–
<i>Deposits from banks (IAS 39)</i>	–	–
<i>Deposits from customers (IAS 39)</i>	–	–
<i>Debt securities in issue (IAS 39)</i>	–	–
Financial liabilities held for trading	–	–
Financial liabilities designated at fair value	–	–
Provisions	–	–
Other liabilities	35	54
<b>Total</b>	<b>35</b>	<b>54</b>
<i>of which: carried at cost</i>	–	–
<i>of which: designated at fair value - level 1</i>	–	–
<i>of which: designated at fair value - level 2</i>	–	–
<i>of which: designated at fair value - level 3</i>	35	54
<b>TOTAL (LIABILITIES ASSOCIATED WITH ASSETS AVAILABLE FOR SALE AND WITH DISCONTINUED OPERATIONS)</b>	<b>540</b>	<b>56</b>

\*) This position mainly includes card complete which is classified as held for sale.

## C.20 – Other liabilities and equity

(€ million)

	31 DEC. 2018	31 DEC. 2017 <sup>1)</sup>
Accrued expenses other than those to be capitalised for the financial liabilities concerned	38	175
Negative value of management agreements (so-called servicing assets)	–	42
Other liabilities due to employees <sup>2)</sup>	387	497
Other liabilities due to other staff	–	1
Interest and amounts to be credited to customers and banks	–	14
Available amounts to be paid to others	1	2
Items in processing	145	439
Items deemed definitive but not attributable to other lines	25	40
Tax items different from those included in tax liabilities	1	5
Other entries	99	106
<b>TOTAL</b>	<b>697</b>	<b>1,321</b>

1) Adjusted in social capital

2) For employees who concluded a termination agreement as part of the "BA Reloaded" project, an amount of € 214 million is included (previous year: € 312 million). This payout shall be made by 2026.

## C – Notes to the statement of financial position (CONTINUED)

## C.21 – Provisions for risks and charges

(€ million)

	31 DEC. 2018	31 DEC. 2017 *)
Provisions for credit risk on commitments and financial guarantees given	196	–
Pensions and other post-retirement benefit obligations	3,776	3,726
Other provisions for risks and charges	348	337
Legal and tax disputes	255	218
Staff expenses	39	42
Other	54	77
<b>TOTAL</b>	<b>4,320</b>	<b>4,063</b>

\*) Adjusted in social capital

As part of the spin-off of CEE Business, UniCredit S.p.A. provided a guarantee for the bank's pension obligations until 31 December 2028.

## Development of provisions for risks and charges

(€ million)

	2017		
	PENSIONS AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
Opening balance as at 1 Jan. 2017 *)	3,963	357	4,320
<b>Increases</b>	<b>77</b>	<b>38</b>	<b>115</b>
Current service cost	14	X	14
Interest cost	60	X	60
Past service cost	1	X	1
Remeasurements *)	–	X	–
Provisions for the reporting period	X	31	31
Other increases	1	7	8
<b>Decreases</b>	<b>–306</b>	<b>–58</b>	<b>–364</b>
Settlement	–1	X	–1
Payments/uses in the reporting period	–223	–20	–243
Remeasurements	–82	X	–82
Other decreases	–	–38	–38
<b>CLOSING BALANCE AS AT 31 DEC. 2017</b>	<b>3,733</b>	<b>337</b>	<b>4,070</b>
	2018		
	PENSIONS AND POST-RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
Opening balance as at 31 Dec. 2017	3,733	337	4,070
Adjustment in social capital	–7	–	–7
Opening Balance as at 1 Jan. 2018	3,726	337	4,063
<b>Increases</b>	<b>297</b>	<b>74</b>	<b>371</b>
Current service cost	13	X	13
Interest cost	64	X	64
Past service cost	–	X	–
Remeasurements *)	220	X	220
Provisions for the reporting period	X	52	53
Other increases	1	21	22
<b>Decreases</b>	<b>–247</b>	<b>–62</b>	<b>–309</b>
Settlement	–7	X	–7
Payments/uses in the reporting period	–217	–35	–252
Remeasurements	–23	X	–23
Other decreases	–	–27	–27
<b>CLOSING BALANCE AS AT 31 DEC. 2018</b>	<b>3,776</b>	<b>348</b>	<b>4,124</b>

\*) Adjusted in social capital

Other provisions for risks and charges include restructuring provisions, for which the opening balance was €79 million, a balance from the allocation and reversal was €9 million and uses totalled €28 million. The closing balance was €60 million.

## C – Notes to the statement of financial position (CONTINUED)

With regard to the provision for social capital (i.e. the provisions for pensions, severance pay and similar obligations), an adjustment was made on 30 June 2018 as the contribution for health care provisions and non-wage labour costs to be paid by UniCredit Bank Austria AG for former employees whose pension insurance provider is UniCredit Bank Austria AG were not previously included in the provision for certain retirement models, but were considered as an ongoing expense in the income statement. This adjustment had a retroactive effect as of 31 December 2016/1 January 2017; together with an adjustment of the provision for work incapacity that was necessary due to the levy of pension trusteeship for employees involved in social insurance, this led to an increase in the provision for pensions and similar obligations (social capital) by €101 million compared to the figures published on 31 December 2017. Equity was encumbered with €80 million as a result of this adjustment in consideration of a tax effect and a reclassification of a provision (31 December 2017). The provision for social capital was further influenced by the change in the life expectancy tables announced in the second half of 2018. They reflect higher life expectancy which led to an increase in the provision by €192.5 million.

## Credit commitments and financial guarantees

(€ million)

	AMOUNTS AS AT 31 DEC. 2018			
	NOTIONAL AMOUNTS OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL
	STAGE 1	STAGE 2	STAGE 3	
<b>Loan commitments given</b>	<b>20,875</b>	<b>6,534</b>	<b>154</b>	<b>27,564</b>
Central Banks	–	–	–	–
Governments and other Public Sector Entities	1,351	950	–	2,301
Banks	245	119	–	363
Other financial companies	3,701	363	–	4,064
Non-financial companies	13,716	2,140	146	16,002
Households	1,862	2,963	8	4,833
<b>Financial guarantees given</b>	<b>1,287</b>	<b>54</b>	<b>28</b>	<b>1,369</b>
Central Banks	–	–	–	–
Governments and other Public Sector Entities	3	–	–	3
Banks	232	–	–	232
Other financial companies	69	–	3	72
Non-financial companies	975	53	23	1,052
Households	7	1	2	9
<b>Commercial guarantees given</b>	<b>6,050</b>	<b>1,408</b>	<b>212</b>	<b>7,670</b>
Central Banks	–	–	–	–
Governments and other Public Sector Entities	8	2	–	10
Banks	478	35	–	513
Other financial companies	2,067	–	–	2,067
Non-financial companies	3,365	1,362	211	4,938
Households	133	9	1	143
<b>Other commitments given</b>	<b>25</b>	<b>9</b>	<b>–</b>	<b>34</b>
Central Banks	–	–	–	–
Governments and other Public Sector Entities	3	–	–	3
Banks	–	–	–	–
Other financial companies	4	–	–	4
Non-financial companies	7	9	–	16
Households	12	–	–	12

## C – Notes to the statement of financial position (CONTINUED)

The comparability of the 2018 figures is limited as they are defined differently.

**Credit commitments and financial guarantees 2017**

(€ million)

	31 DEC. 2017
<b>Financial guarantees given to:</b>	<b>1,295</b>
Banks	187
Customers	1,108
<b>Commercial guarantees given to:</b>	<b>7,436</b>
Banks	360
Customers	7,076
<b>Other irrevocable commitments to disburse funds</b>	<b>13,125</b>
Banks	622
Usage certain	622
Usage uncertain	–
Customers	12,503
Usage certain	12,457
Usage uncertain	46
<b>Underlying obligations for credit derivatives: sales of protection</b>	<b>–</b>
<b>Assets used to guarantee others' obligations</b>	<b>–</b>
<b>Other commitments</b>	<b>595</b>
<b>TOTAL</b>	<b>22,451</b>

**C.22 – Equity**

The Company's share capital amounts to €1,681,033,521.40 (one billion six hundred and eighty-one million thirty-three thousand five hundred and twenty-one 40/100 euros). It is divided into 10,115 (ten thousand one hundred and fifteen) registered no-par value shares with voting rights and restricted transferability and 231,218,705 (two hundred and thirty-one million two hundred and eighteen thousand seven hundred and five) registered no-par value shares with voting rights, and each no-par value share participates in the share capital to the same extent.





## D – Segment reporting

<b>D.1 – Reconciliation of consolidated income statement to segment reporting</b>	<b>160</b>
<b>D.2 – Content of segment reporting</b>	<b>162</b>
<b>D.3 – Segment reporting 1–12 2018/1–12 2017</b>	<b>163</b>
<b>D.4 – Segment reporting Q1–Q4 2018/Q1–Q4 2017</b>	<b>164</b>

## D – Segment reporting (CONTINUED)

## D.1 – Reconciliation of consolidated income statement to segment reporting

(€ million)

	2018	2017
Net interest	963	980
Dividends and other income from equity investments	155	154
Dividend income and similar revenue	7	18
Profit (loss) on equity investments – of which: Profits (losses) of joint ventures and associates	148	136
Net fees and commissions	706	711
Net trading, hedging and fair value income	103	77
Gains (losses) on financial assets and liabilities held for trading	70	66
Gains (losses) on disposals / repurchases on OCI financial assets	14	
Fair value adjustments in hedge accounting	–2	–2
Gains (losses) on disposal and repurchase of available-for-sale financial assets (IAS 39)		17
Gains (losses) on disposal or repurchase of financial liabilities (IAS 39)		–6
Gains (losses) on financial liabilities designated at fair value through profit and loss	0	1
Gains (losses) on financial assets mandatorily at fair value through profit and loss	20	
Net other expenses/income	57	81
Other net operating income	82	86
less: Other operating income – of which: recovery of costs	0	–1
plus: Impairment on tangible and intangible assets - other operating leases	–39	–25
less: Other operating expenses – amortization on leasehold improvements	13	12
less: Other operating expenses – amortization on leasehold improvements - Integration/restructuring costs	1	9
<b>OPERATING INCOME</b>	<b>1,983</b>	<b>2,004</b>
Payroll costs	–632	–667
Administrative costs – staff expenses	–643	–681
less: integration/restructuring costs	11	14
Other administrative expenses	–561	–596
Administrative costs – other administrative expenses	–669	–707
less: integration/restructuring costs	–1	21
less: ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies	122	102
plus: other operating expenses – amortisation on leasehold improvements	–13	–12
Recovery of expenses = Other net operating income – of which: operating income – recovery of costs	0	1
Amortisation, depreciation and impairment losses on intangible and tangible assets	–29	–30
Impairment/write-backs on property, plant and equipment	–63	–74
less: impairment losses/write-backs on property owned for investment	11	2
less: impairment on tangible assets – other operating leases	39	25
less: integration/restructuring costs	–13	21
Impairment/write-backs on intangible assets	–3	–4
<b>OPERATING COSTS</b>	<b>–1,221</b>	<b>–1,292</b>
<b>OPERATING PROFIT</b>	<b>762</b>	<b>711</b>

## D – Segment reporting (CONTINUED)

	2018	2017
Net writedowns on loans and provisions for guarantees and commitments	66	9
Provisions for risks and charges reserves – Other commitments	–13	
Impairment losses/write-backs on impairment on loans	79	23
Impairment losses on other financial assets		–15
<b>NET OPERATING PROFIT</b>	<b>829</b>	<b>720</b>
Provisions for risk and charges	–42	3
Net provisions for risks and charges	–42	3
Systemic charges	–122	–102
<i>plus: ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies</i>	–122	–102
Integration/restructuring costs	2	–65
Net income from investments	50	14
Impairment losses on available-for-sale financial assets (IAS 39)		–2
Impairment losses on held-to-maturity investments (IAS 39)		6
<i>plus: Impairment losses/write-backs on property owned for investment</i>	–11	–2
Profit (loss) on equity investments	159	136
<i>less: Profits (losses) of associates – Profits (losses) of joint ventures and associates</i>	–148	–136
Gains and losses on tangible and intangible assets	1	–1
Gains (losses) on disposal of investments	34	12
Financial assets at amortised cost – impairment losses / write-backs on impairment on debt securities	16	
Financial assets at fair value through OCI – impairment losses / write-backs on impairment on debt securities	1	
<i>less: gains on disposals of investments – other assets leasing operation</i>	0	0
<b>PROFIT BEFORE TAX</b>	<b>716</b>	<b>571</b>
Income tax for the period	–79	–12
Total profit or loss after tax from discontinued operations	15	114
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>653</b>	<b>673</b>
Non-controlling interests	–16	–19
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>637</b>	<b>653</b>

## D – Segment reporting (CONTINUED)

### D.2 – Content of segment reporting

The segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank Austria Group.

The business segments are presented as independent units with responsibility for their own results. The definition of business segments is primarily based on organisational responsibility for customers.

In order to ensure comparability of 2018 data with 2017, adjustments at segment level were required in the prior-year periods. Firstly, the reference interest rate system was further refined in line with market conditions and secondly, adjustments were made based on IFRS 9 and the cost allocation amended based on restructurings as part of the new strategic direction of Bank Austria (Project BA Reloaded).

Segment reporting covers the following business segments:

#### **Retail banking**

The “Retail banking” division consists of the previous customer segment “Retail banking”, “Professionals” and “Business Customers” (with an annual turnover of up to €3 million). Also included in Retail Banking are subsidiaries active in credit card business.

#### **Corporate Banking**

The Corporate Banking business segment covers customers with an annual turnover of over €3 million, Real Estate, the Public Sector customer segment, leasing business including subsidiaries, FactorBank, Wohnbaubank and the Bank Austria Real Invest Group.

#### **Private Banking**

Private Banking has responsibility for private banking customers with investments exceeding €500,000. Schoellerbank AG and various other smaller subsidiaries are also included in the Private Banking business segment.

#### **Corporate & Investment Banking (CIB)**

The Corporate & Investment Banking business segment covers the customer segment of multinational companies and large international customers using capital market services and investment banking solutions. Corporate & Investment Banking also serves financial institutions including banks, asset managers, institutional customers and insurance companies. The product lines offered by CIB to these customers are Financing & Advisory (classic and structured lending business and capital market advisory services), Global Transaction Banking (including payment transactions, trade finance, cash management) and within Markets & Corporate Treasury Sales the services relating to customer-driven trading activities. The product specialists also support commercial banking activities of the bank's other business segments.

#### **Corporate Centre**

In addition to current expenses relating to steering and administrative functions for the entire bank, the corporate centre comprises all equity interests that are not assigned to a business segment. Funding costs relating to consolidated subsidiaries are also assigned to the corporate centre. Also included are inter-segment eliminations and other items.

The Immobilien Holding Group companies assigned to the corporate centre have partly been sold in the meantime; the remaining companies continue to be classified as held for sale.

## D – Segment reporting (CONTINUED)

## D.3 – Segment reporting 1–12 2018/1–12 2017

(€ million)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST) <sup>1)</sup>	RECASTING DIFFERENCES	BANK AUSTRIA GROUP <sup>2)</sup>
Net interest	1–12 2018	342	345	40	279	–43	963	0	963
	1–12 2017	360	390	33	279	–63	998	–18	980
Dividends and other income from equity investments	1–12 2018	2	25	0	0	128	155	0	155
	1–12 2017	6	26	0	8	114	154	0	154
Net fees and commissions	1–12 2018	370	130	114	88	4	706	0	706
	1–12 2017	378	129	118	89	–3	711	0	711
Net trading, hedging and fair value income/loss	1–12 2018	13	39	4	33	14	103	0	103
	1–12 2017	7	34	3	36	–4	77	0	77
Net other expenses/income	1–12 2018	9	16	2	2	28	57	0	57
	1–12 2017	28	4	0	1	47	81	0	81
<b>OPERATING INCOME</b>	<b>1–12 2018</b>	<b>735</b>	<b>555</b>	<b>161</b>	<b>402</b>	<b>131</b>	<b>1,983</b>	<b>0</b>	<b>1,983</b>
	<b>1–12 2017</b>	<b>780</b>	<b>583</b>	<b>155</b>	<b>412</b>	<b>92</b>	<b>2,022</b>	<b>–18</b>	<b>2,004</b>
<b>OPERATING COSTS</b>	<b>1–12 2018</b>	<b>–637</b>	<b>–199</b>	<b>–117</b>	<b>–169</b>	<b>–99</b>	<b>–1,221</b>	<b>0</b>	<b>–1,221</b>
	<b>1–12 2017</b>	<b>–679</b>	<b>–213</b>	<b>–121</b>	<b>–181</b>	<b>–98</b>	<b>–1,292</b>	<b>0</b>	<b>–1,292</b>
<b>OPERATING PROFIT</b>	<b>1–12 2018</b>	<b>98</b>	<b>356</b>	<b>43</b>	<b>233</b>	<b>32</b>	<b>762</b>	<b>0</b>	<b>762</b>
	<b>1–12 2017</b>	<b>101</b>	<b>370</b>	<b>33</b>	<b>231</b>	<b>–7</b>	<b>729</b>	<b>–18</b>	<b>711</b>
Net write-downs of loans and provisions for guarantees and commitments	1–12 2018	47	–40	1	42	16	66	0	66
	1–12 2017	26	–27	–1	–26	19	–9	18	9
<b>NET OPERATING PROFIT</b>	<b>1–12 2018</b>	<b>145</b>	<b>316</b>	<b>44</b>	<b>275</b>	<b>48</b>	<b>829</b>	<b>0</b>	<b>829</b>
	<b>1–12 2017</b>	<b>127</b>	<b>343</b>	<b>32</b>	<b>205</b>	<b>13</b>	<b>720</b>	<b>0</b>	<b>720</b>
Provisions for risks and charges	1–12 2018	–3	–16	3	–18	–8	–42	0	–42
	1–12 2017	–4	–7	0	–3	17	3	0	3
Systemic charges	1–12 2018	–26	–26	–5	–24	–41	–122	0	–122
	1–12 2017	–28	–26	–5	–23	–19	–102	0	–102
Integration/restructuring costs	1–12 2018	–10	0	–2	0	14	2	0	2
	1–12 2017	0	0	0	0	–65	–65	0	–65
Net income from investments	1–12 2018	0	–1	0	15	36	50	0	50
	1–12 2017	0	8	0	–5	11	14	0	14
<b>PROFIT BEFORE TAX</b>	<b>1–12 2018</b>	<b>106</b>	<b>272</b>	<b>40</b>	<b>248</b>	<b>49</b>	<b>716</b>	<b>0</b>	<b>716</b>
	<b>1–12 2017</b>	<b>95</b>	<b>317</b>	<b>28</b>	<b>174</b>	<b>–43</b>	<b>571</b>	<b>0</b>	<b>571</b>
Income tax for the period	1–12 2018	–27	–68	–10	–62	88	–79	0	–79
	1–12 2017	–14	–68	–7	–43	121	–12	0	–12
Total profit or loss after tax from discontinued operations	1–12 2018	0	0	0	0	15	15	0	15
	1–12 2017	0	2	0	0	113	114	0	114
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>1–12 2018</b>	<b>80</b>	<b>204</b>	<b>30</b>	<b>186</b>	<b>152</b>	<b>653</b>	<b>0</b>	<b>653</b>
	<b>1–12 2017</b>	<b>81</b>	<b>250</b>	<b>20</b>	<b>131</b>	<b>190</b>	<b>673</b>	<b>0</b>	<b>673</b>
Non-controlling interests	1–12 2018	–15	–1	0	0	0	–16	0	–16
	1–12 2017	–18	–1	0	0	0	–19	0	–19
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>1–12 2018</b>	<b>65</b>	<b>203</b>	<b>30</b>	<b>186</b>	<b>153</b>	<b>637</b>	<b>0</b>	<b>637</b>
	<b>1–12 2017</b>	<b>63</b>	<b>249</b>	<b>20</b>	<b>131</b>	<b>190</b>	<b>653</b>	<b>0</b>	<b>653</b>
Risk-weighted assets (RWA) (avg.)	1–12 2018	7,507	9,140	461	9,571	6,684	33,363	0	33,363
	1–12 2017	7,958	8,592	578	8,056	8,295	33,478	0	33,478
Loans to customers (end of period)	1–12 2018	17,538	26,732	653	17,695	–19	62,599	0	62,599
	1–12 2017	17,756	25,957	650	14,880	603	59,846	186	60,032
Deposits from customers (end of period)	1–12 2018	23,426	15,064	9,005	8,314	–158	55,651	0	55,651
	1–12 2017	22,517	15,118	8,958	9,365	–496	55,463	0	55,463
Cost/income ratio in %	1–12 2018	86.7	35.8	73.0	42.1	n.m.	61.6	n.m.	61.6
	1–12 2017	87.1	36.5	78.3	43.9	n.m.	63.9	n.m.	64.5

1) For the purposes of segment reporting, the 2017 comparison figures were adjusted in order to reflect the scope of consolidation and the segment structure of segment reporting for 2018.

2) The reconciliation to BA Group's total income in line with Accounting is shown in the adjustment differences column and relates to IFRS 9.

n.m. = not meaningful

n.a. = not available

## D – Segment reporting (CONTINUED)

## D.4 – Segment reporting Q1–Q4 2018/Q1–Q4 2017

(€ million)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) <sup>1)</sup>
Net interest	Q4 2018	86	86	11	69	–11	241
	Q3 2018	88	85	10	67	–6	245
	Q2 2018	83	85	10	71	–13	236
	Q1 2018	85	88	9	73	–14	241
	Q4 2017	88	93	8	77	–17	250
	Q3 2017	89	109	8	70	–19	257
	Q2 2017	92	95	8	66	–16	246
	Q1 2017	91	92	8	66	–12	244
Dividends and other income from equity investments	Q4 2018	0	5	0	0	36	41
	Q3 2018	0	9	0	0	37	47
	Q2 2018	0	5	0	0	34	39
	Q1 2018	2	7	0	0	21	29
	Q4 2017	0	9	0	0	29	38
	Q3 2017	0	4	0	0	36	40
	Q2 2017	1	6	0	8	30	45
	Q1 2017	5	6	0	0	19	30
Net fees and commissions	Q4 2018	92	36	28	23	–1	178
	Q3 2018	89	32	27	22	2	172
	Q2 2018	93	32	31	21	1	178
	Q1 2018	95	31	29	21	1	177
	Q4 2017	98	32	34	24	–1	188
	Q3 2017	92	32	26	21	2	172
	Q2 2017	92	34	28	22	–1	176
	Q1 2017	97	30	29	22	–3	175
Net trading, hedging and fair value income/loss	Q4 2018	–4	3	1	1	1	3
	Q3 2018	6	7	1	11	5	29
	Q2 2018	8	19	1	13	7	47
	Q1 2018	3	10	1	9	1	23
	Q4 2017	2	12	1	8	3	26
	Q3 2017	2	4	1	9	0	16
	Q2 2017	2	8	1	8	–1	18
	Q1 2017	2	10	1	11	–6	17
Net other expenses/income	Q4 2018	1	2	1	2	5	10
	Q3 2018	1	6	1	0	6	13
	Q2 2018	1	3	0	1	8	13
	Q1 2018	6	4	0	0	8	20
	Q4 2017	4	1	0	0	11	15
	Q3 2017	2	3	0	0	10	15
	Q2 2017	21	3	0	0	12	37
	Q1 2017	2	–2	0	0	14	14
<b>OPERATING INCOME</b>	<b>Q4 2018</b>	<b>175</b>	<b>132</b>	<b>41</b>	<b>94</b>	<b>30</b>	<b>473</b>
	<b>Q3 2018</b>	<b>184</b>	<b>139</b>	<b>39</b>	<b>99</b>	<b>45</b>	<b>507</b>
	<b>Q2 2018</b>	<b>185</b>	<b>143</b>	<b>42</b>	<b>106</b>	<b>38</b>	<b>514</b>
	<b>Q1 2018</b>	<b>190</b>	<b>140</b>	<b>39</b>	<b>103</b>	<b>17</b>	<b>489</b>
	<b>Q4 2017</b>	<b>192</b>	<b>148</b>	<b>43</b>	<b>109</b>	<b>25</b>	<b>517</b>
	<b>Q3 2017</b>	<b>184</b>	<b>152</b>	<b>35</b>	<b>100</b>	<b>29</b>	<b>500</b>
	<b>Q2 2017</b>	<b>207</b>	<b>147</b>	<b>38</b>	<b>105</b>	<b>25</b>	<b>523</b>
	<b>Q1 2017</b>	<b>197</b>	<b>136</b>	<b>39</b>	<b>98</b>	<b>12</b>	<b>482</b>
<b>OPERATING COSTS</b>	<b>Q4 2018</b>	<b>–162</b>	<b>–51</b>	<b>–28</b>	<b>–44</b>	<b>–23</b>	<b>–308</b>
	<b>Q3 2018</b>	<b>–149</b>	<b>–46</b>	<b>–28</b>	<b>–39</b>	<b>–26</b>	<b>–287</b>
	<b>Q2 2018</b>	<b>–160</b>	<b>–50</b>	<b>–30</b>	<b>–43</b>	<b>–25</b>	<b>–308</b>
	<b>Q1 2018</b>	<b>–166</b>	<b>–51</b>	<b>–31</b>	<b>–44</b>	<b>–25</b>	<b>–318</b>
	<b>Q4 2017</b>	<b>–164</b>	<b>–52</b>	<b>–30</b>	<b>–41</b>	<b>–30</b>	<b>–316</b>
	<b>Q3 2017</b>	<b>–162</b>	<b>–51</b>	<b>–29</b>	<b>–41</b>	<b>–25</b>	<b>–307</b>
	<b>Q2 2017</b>	<b>–178</b>	<b>–55</b>	<b>–31</b>	<b>–51</b>	<b>–16</b>	<b>–330</b>
	<b>Q1 2017</b>	<b>–176</b>	<b>–55</b>	<b>–32</b>	<b>–48</b>	<b>–28</b>	<b>–339</b>

1) Quarterly figures based on recast data only. IFRS 9 effects were considered.

## D – Segment reporting (CONTINUED)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) <sup>1)</sup>
OPERATING PROFIT	Q4 2018	14	81	13	50	7	165
	Q3 2018	36	93	11	61	19	220
	Q2 2018	25	93	12	63	13	206
	Q1 2018	24	89	8	59	-8	171
	Q4 2017	28	96	13	68	-5	201
	Q3 2017	22	101	6	59	4	193
	Q2 2017	29	93	8	54	10	193
	Q1 2017	21	81	7	50	-16	143
Net write-downs of loans and provisions for guarantees and commitments	Q4 2018	18	-35	0	10	11	3
	Q3 2018	4	-27	0	-1	0	-24
	Q2 2018	15	-3	2	30	4	47
	Q1 2018	11	26	-1	2	2	40
	Q4 2017	5	-43	-1	-40	-1	-79
	Q3 2017	-21	3	0	-2	0	-20
	Q2 2017	21	-5	0	17	10	43
	Q1 2017	21	17	0	-2	10	46
NET OPERATING PROFIT	Q4 2018	32	46	13	60	18	169
	Q3 2018	39	66	11	60	20	196
	Q2 2018	39	90	13	94	17	252
	Q1 2018	36	115	7	60	-6	212
	Q4 2017	33	53	12	29	-5	122
	Q3 2017	1	104	6	58	4	173
	Q2 2017	50	88	8	71	20	237
	Q1 2017	42	98	6	48	-6	188
Provisions for risks and charges	Q4 2018	0	-7	3	-8	-3	-15
	Q3 2018	-4	-9	0	-10	-4	-28
	Q2 2018	0	0	0	0	-1	-1
	Q1 2018	1	0	0	0	0	1
	Q4 2017	-2	-6	0	-3	3	-7
	Q3 2017	-1	0	0	0	0	-1
	Q2 2017	-1	-1	0	0	14	12
	Q1 2017	-1	0	0	0	0	-1
Systemic charges	Q4 2018	0	-1	0	-1	-2	-4
	Q3 2018	-1	-1	0	-1	-2	-5
	Q2 2018	-1	-2	-1	-2	-3	-8
	Q1 2018	-25	-23	-4	-20	-35	-106
	Q4 2017	-1	-1	0	-1	-2	-5
	Q3 2017	-1	-1	0	-1	20	17
	Q2 2017	-1	-1	0	-1	-2	-5
	Q1 2017	-25	-23	-4	-20	-36	-108
Integration/restructuring costs	Q4 2018	0	0	-2	0	1	0
	Q3 2018	0	0	0	0	0	0
	Q2 2018	-10	0	0	0	0	-10
	Q1 2018	0	0	0	0	13	13
	Q4 2017	0	0	0	0	-39	-39
	Q3 2017	0	0	0	0	-26	-26
	Q2 2017	0	0	0	0	0	0
	Q1 2017	0	0	0	0	0	0
Net income from investments	Q4 2018	0	0	0	0	-2	-1
	Q3 2018	0	6	0	0	5	11
	Q2 2018	0	-3	0	0	28	25
	Q1 2018	0	-3	0	14	5	16
	Q4 2017	0	1	0	-5	9	5
	Q3 2017	0	0	0	0	0	0
	Q2 2017	0	1	0	0	1	2
	Q1 2017	0	6	0	0	0	6

1) Quarterly figures based on recast data only. IFRS 9 effects were considered.



## D – Segment reporting (CONTINUED)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) <sup>1)</sup>
PROFIT BEFORE TAX	Q4 2018	32	38	14	52	13	149
	Q3 2018	34	62	11	49	19	174
	Q2 2018	28	84	13	92	41	258
	Q1 2018	11	89	3	55	-23	135
	Q4 2017	31	47	12	20	-33	76
	Q3 2017	0	103	5	57	-2	163
	Q2 2017	48	87	8	70	33	246
	Q1 2017	16	81	2	27	-41	85
Income tax for the period	Q4 2018	-9	-13	-3	-13	21	-15
	Q3 2018	-8	-14	-3	-13	17	-21
	Q2 2018	-6	-21	-4	-23	39	-16
	Q1 2018	-3	-20	-1	-14	11	-26
	Q4 2017	-4	-8	-2	-5	28	9
	Q3 2017	2	-23	-2	-14	42	4
	Q2 2017	-10	-19	-2	-18	36	-13
	Q1 2017	-1	-18	0	-7	15	-12
Total profit or loss after tax from discontinued operations	Q4 2018	0	0	0	0	1	1
	Q3 2018	0	0	0	0	0	0
	Q2 2018	0	0	0	0	14	14
	Q1 2018	0	0	0	0	0	0
	Q4 2017	0	0	0	0	-1	-1
	Q3 2017	0	0	0	0	58	58
	Q2 2017	0	2	0	0	32	33
	Q1 2017	0	0	0	0	24	24
PROFIT (LOSS) FOR THE PERIOD	Q4 2018	24	25	11	40	35	134
	Q3 2018	26	47	8	36	37	154
	Q2 2018	22	63	9	69	94	257
	Q1 2018	8	69	2	41	-13	108
	Q4 2017	27	39	10	15	-6	84
	Q3 2017	1	79	3	43	98	224
	Q2 2017	38	69	5	53	101	266
	Q1 2017	15	63	2	21	-2	98
Non-controlling interests	Q4 2018	-1	0	0	0	0	-1
	Q3 2018	-4	0	0	0	0	-4
	Q2 2018	-5	0	0	0	0	-6
	Q1 2018	-5	0	0	0	0	-6
	Q4 2017	-8	0	0	0	0	-9
	Q3 2017	-3	0	0	0	0	-4
	Q2 2017	-3	0	0	0	0	-3
	Q1 2017	-4	0	0	0	0	-4
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	Q4 2018	23	25	11	40	35	133
	Q3 2018	22	47	8	36	37	150
	Q2 2018	17	63	9	69	94	252
	Q1 2018	3	69	2	41	-13	102
	Q4 2017	19	38	10	15	-7	76
	Q3 2017	-2	79	3	43	98	221
	Q2 2017	35	69	5	53	101	263
	Q1 2017	11	63	2	21	-2	94
Risk-weighted assets (RWA) (avg.)	Q4 2018	7,889	9,628	450	9,506	6,331	33,804
	Q3 2018	7,381	9,145	456	9,521	6,630	33,133
	Q2 2018	7,393	9,002	463	9,593	6,751	33,203
	Q1 2018	7,365	8,787	475	9,664	7,023	33,312
	Q4 2017	7,463	8,734	547	8,922	7,604	33,270
	Q3 2017	7,901	8,635	579	8,065	7,933	33,113
	Q2 2017	8,153	8,448	587	7,652	8,296	33,136
	Q1 2017	8,314	8,549	600	7,584	9,347	34,395

1) Quarterly figures based on recast data only. IFRS 9 effects were considered.

## D – Segment reporting (CONTINUED)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) <sup>1)</sup>
Loans to customers (end of period)	Q4 2018	17,538	26,732	653	17,695	–19	62,599
	Q3 2018	18,078	25,746	652	16,787	71	61,334
	Q2 2018	17,870	26,028	660	15,935	299	60,792
	Q1 2018	17,608	25,771	642	15,667	465	60,154
	Q4 2017	17,756	25,957	650	14,880	603	59,846
	Q3 2017	17,811	26,084	659	14,685	893	60,132
	Q2 2017	17,887	26,563	638	13,827	1,002	59,917
	Q1 2017	18,225	26,645	642	12,838	1,266	59,617
Deposits from customers (end of period)	Q4 2018	23,426	15,064	9,005	8,314	–158	55,651
	Q3 2018	22,650	15,132	8,983	8,464	–170	55,059
	Q2 2018	23,609	15,091	9,143	8,135	–53	55,925
	Q1 2018	22,798	15,248	8,981	8,059	–84	55,001
	Q4 2017	22,517	15,118	8,958	9,365	–496	55,463
	Q3 2017	22,428	15,583	9,100	7,383	–584	53,909
	Q2 2017	22,966	15,148	8,970	7,314	–826	53,571
	Q1 2017	22,604	16,059	9,110	6,865	–1,236	53,401
Cost/income ratio in %	Q4 2018	92.3	38.6	69.3	46.4	n. m.	65.1
	Q3 2018	80.7	33.0	72.0	38.9	n. m.	56.6
	Q2 2018	86.7	35.1	71.9	40.3	n. m.	60.0
	Q1 2018	87.3	36.7	79.0	43.0	n. m.	65.0
	Q4 2017	85.2	35.1	69.2	37.4	n. m.	61.1
	Q3 2017	87.9	33.8	82.9	40.7	n. m.	61.5
	Q2 2017	85.8	37.2	79.9	48.8	n. m.	63.1
	Q1 2017	89.4	40.3	82.9	49.0	n. m.	70.4

1) Quarterly figures based on recast data only. IFRS 9 effects were considered.

n. m. = not meaningful



## E – Risk report

<b>E.1 – Management of total bank risk</b>	<b>170</b>
<b>E.2 – Credit risk</b>	<b>173</b>
<b>E.3 – Liquidity risk</b>	<b>198</b>
<b>E.4 – Market risk</b>	<b>202</b>
<b>E.5 – Financial derivatives</b>	<b>207</b>
<b>E.6 – Currency risk</b>	<b>216</b>
<b>E.7 – Counterparty risk</b>	<b>217</b>
<b>E.8 – Country risk and sovereign risk</b>	<b>219</b>
<b>E.9 – Operational risk</b>	<b>222</b>
<b>E.10 – Reputational risk</b>	<b>224</b>
<b>E.11 – Business risk</b>	<b>224</b>
<b>E.12 – Financial investment risk and real estate risk</b>	<b>224</b>
<b>E.13 – Legal risks</b>	<b>224</b>
<b>E.14 – Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschluss-gesetz) of the holders of bearer shares in UniCredit Bank Austria AG</b>	<b>228</b>
<b>E.15 – Report on key features of the internal control and risk management systems in relation to the financial reporting process</b>	<b>228</b>

## E – Risk report (CONTINUED)

### E.1 – Management of total bank risk

#### Risk management organisation

UniCredit Bank Austria AG identifies, measures, monitors and manages all risks of Bank Austria. In performing these tasks, Bank Austria works closely with the risk control and risk management units of UniCredit in line with the existing Group structure. In this context, Bank Austria supports UniCredit's ongoing projects, in particular the further harmonisation of Group-wide risk-controlling procedures and processes. Regular risk monitoring and risk management are also performed in close cooperation with a view to ensuring overall risk management across the Group. Moreover, risk management is one of UniCredit's 5 Fundamentals and is of relevance for the annual agreement on objectives and for performance evaluation, thereby contributing to further development of a Group-wide risk culture.

The Management Board and the Supervisory Board determine the risk policy and approve the principles of risk management and the establishment of limits for all relevant risks. The risk monitoring procedure follows Group standards. In performing these tasks, the Management Board is supported by specific committees, independent risk management units and units of other divisions. All centrally organised risk management activities of Bank Austria are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO), and are thus separate from the other divisions up to Management Board level. Lending decisions which exceed the limits of the relevant business units' approval authority, and the handling of problem loans, are the responsibility of the two operative credit risk departments, i.e. Credit Operations Corporate/CIB and Credit Operations Retail. The risk management activities of these departments are complemented by the Strategic Risk Management & Control department and the Market & Liquidity Risk department. In order to ensure even greater independence of the operational risk and validation areas, they were separated from strategic risk management and have reported directly to the CRO ever since. The Strategic Funding, Transactions & Pricing unit reports to the Chief Financial Officer (CFO) indirectly via the Finance department and is responsible for risk-adequate pricing of loans, capital planning, the Bank's own securitisations and funding (as part of the planning process and under contingency funding arrangements).

The Bank's internal control system (ICS) is effective at several levels: (1) in the various business areas, (2) at the Risk & Compliance level and (3) at the Internal Audit level. Internal Audit performs regular audits with regard to the adequacy of risk processes and compliance with them. The Management Board and the Supervisory Board are provided with reports on the results of these audits and recommendations. A comprehensive system of rules ranging from Group Policies to operational instructions governs processes at various levels. The most important Policies are adopted directly by the Management Board, managed in a separate system, rolled out and monitored with regard to the degree of implementation.

#### Cross-divisional control/management and reporting

Bank Austria divides the monitoring and controlling processes associated with risk management into the following categories: credit risk (default risk and migration risk), liquidity and funding risk, market risk (interest rate risk, credit spread risk, currency risk and equity risk), structural FX risk, derivatives-linked risk (counterparty risk, CVA risk), operational risk, reputational risk, business risk, pension risk, financial investment risk and real estate risk.

A key element of risk control by the Management Board is the annual definition of Bank Austria's Risk Appetite, which is approved by the Supervisory Board and takes place in coordination with UniCredit. The Risk Appetite describes the key principles of the Bank's risk orientation, in qualitative terms of a statement and in the form of a quantitative framework of key metrics. The Risk Appetite defines risk categories and the level of risk that Bank Austria is prepared to accept in pursuit of its strategic objectives and business plan and in view of its role within UniCredit Group. In this context the interests of external and internal parties (customers, shareholders and supervisory authorities in particular) are taken into account. For example, markets and investment banking operations are concentrated outside Bank Austria at Munich-based UniCredit Bank; this is reflected in Bank Austria's focus on commercial banking business and in correspondingly low trading book limits. The key Risk Appetite dimensions are business strategy, capital and liquidity adequacy. The defined bundle of key indicators comprises Pillar 1 and Pillar 2 indicators, and recovery plan indicators. The Risk Appetite is integrated in the budgeting process in the context of managing the objectives in defining and selecting the desired risk-return profile. A system of targets, thresholds and limits has been defined for the key indicators to ensure regular monitoring, timely escalation and a link to the recovery plan. In addition to the risk appetite, the Management Board and the Supervisory Board adopt a resolution, once a year, defining Bank Austria's risk strategy, which further operationalises the risk appetite and complements it with additional limits and targets.

Regular risk monitoring at top management level is performed through the overall risk report. The overall risk report is regularly presented also to the Supervisory Board. It comprises a description of the risk appetite, the risk-taking capacity (RTC), the credit risk, the liquidity risk, the market

## E – Risk report (CONTINUED)

risk and operation risk in addition to the results of the stress tests. Specialised risk committees have been established at senior management level for the management of key risks. The resolutions and results from this committee are reported directly to the Bank's management board. Cross-departmental tax matters between sales and overall bank management and an overview of the results of the credit portfolio model, the IRB models, the IFRS 9 models and reports on the economic risk capital (pillar 2) are discussed in the monthly risk committee (RICO). Liquidity risk control is performed by the Liquidity Committee (LICO), which meets every two weeks to deal with current liquidity-related topics. These include operational aspects of liquidity management including market monitoring and compliance with the Liquidity Policy. Control of market risk is ensured by the Market Risk Committee (MACO), which meets every two weeks. MACO deals with short-term business management issues relating to the presentation and discussion of the risk/earnings position of Markets & Corporate Treasury Sales and with limit adjustments, product approvals and positioning decisions in the area of market risk. Other topics discussed and decided include the replication portfolio. Credit risk is assessed by the Credit Committee. The Operational & Reputational Risk Committee (OpRRiCo) meets on a quarterly basis to deal with operational and reputational risk issues. Risk arising from derivative transactions is managed by the Derivative Committee (DECO). DECO deals with classic credit risk and counterparty risk issues and aspects of reputational risk in customer business. Information on the Credit Treasury Committee within the CFO Finance management function is given in section "E2 – Credit risk".

### Risk-taking capacity (ICAAP/ILAAP)

Beyond compliance with regulatory capital rules and liquidity requirements of Pillar 1, Bank Austria controls capital and liquidity adequacy also via the relevant Pillar 2 approaches: Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP). As part of the ILAAP, and in coordination with UniCredit Group, the Bank reviews the adequacy of the liquidity risk management process, which comprises various components to ensure sufficient liquidity – such as limiting the short-term and the medium-term and long-term liquidity position, stress testing, the funding plan and key regulatory indicators. Risk measurement is based on Group-internal and regulatory requirements. In the context of ICAAP, Bank Austria applies the UniCredit Group approach to internal capital at the consolidated level (including subsidiaries). This approach includes the following phases:

- Perimeter definition and risk identification
- Risk measurement
- Definition of risk appetite and capital allocation
- Regular monitoring and reporting

The process ensures that Bank Austria's perimeter including all relevant Group units and risk types are fully covered and that risk and available financial resources are consistently taken into account. The risk types are measured using procedures which have been developed within the Group and take concentration risk into account. The Risk-Taking Capacity (RTC) compares Available Financial Resources (AFR) with aggregate Internal Capital (IC):  $RTC = AFR/IC$ . It is calculated and reported on a quarterly basis under a going concern approach. This approach requires compliance with all regulatory requirements and the application of the relevant valuation rules and accounting standards. The observation period is one year for all risk categories. In this context, unexpected losses are calculated with a confidence level of 99.9% for all risk categories, corresponding to a long-term Group target rating of A- (single A minus). An annual risk inventory analysis ensures that all materially relevant risk categories are taken into account.

Bank Austria calculates internal capital (also referred to as "economic capital" for individual risk categories) for the following risk categories.

- Credit risk (default and migration risk) including possible exposure as a result of the counterparty risk
- Market risk including CVA for trading and banking books (interest rate risk, credit spread risk, currency risk and equity risk)
- Structural FX risk
- Pension risk
- Business risk
- Real estate risk
- Operational risk (including legal risks)
- Financial investment risk (for those equity investments which are not covered on the basis of their relevant individual risk categories, minority interests in particular)

The dominant risk category for Bank Austria is classic credit risk while the other risk categories are much less significant.

Both ICAAP and ILAAP of Bank Austria are subject to annual review by Internal Audit.

## E – Risk report (CONTINUED)

### Concentration risk

The VaR models used for internal capital take concentration risk into account, e.g. concentration risk associated with customers/customer groups and countries/sector concentrations in the credit portfolio model or risk factor concentrations in the market and counterparty risk model. At the holding company level, the allocation of limits with regard to individual and sector positions (bulk-risk and industry limits) is based on economic capital. In its lending operations, Bank Austria follows this Group strategy and the related limits for industries and large exposures. Monitoring and reporting the largest borrowers (individual customers and groups of companies) and the distribution among industries takes place through the overall risk report on a quarterly basis. At Bank Austria level, economic capital is also an important factor in the approval of large transactions. As part of the quarterly ICAAP report, the Credit Risk Economic Capital Detail Report shows credit positions with a large proportion of internal capital and presents capital allocation by various segments (divisions, asset classes, banking subsidiaries, major sub-portfolios, etc.). Granular sensitivity limits and reports complement VaR limits at the portfolio level in the area of market risk. Stress test limits are also used in connection with market risk. Counterparty limits and counterparty-risk simulations including stress considerations are applied to derivatives and repos. Sovereign limits and country limits specify the maximum amounts permitted for cross-border exposures (see section “E.8 – Country risk and sovereign risk”).

The macro risk has focused on Austria since the CEE subsidiaries were spun off. If we consider the industry distribution of loans, apart from the private customer business, commercial real estate and public sector customers account for the largest volume of loans, as in the previous year.

The proportion of foreign currency loans is described in detail in the section “E.6 – Currency risk”.

### Limit system

Regular monitoring of key indicators, with appropriate limits and early warning thresholds, and a detailed network of operational limits ensure that the Bank operates within the adopted risk parameters and that management can take timely measures in the event of unfavourable developments. The top level is the risk appetite, with about 20 key indicators being monitored at Bank Austria Group level. The most significant indicators include liquidity and funding indicators (short-term, structural and stress-based) and (sometimes also at Bank Austria AG level) capital and leverage indicators, risk/return indicators, and indicators focusing on specific risk categories. Violations of risk-appetite thresholds/limits are dealt with according to the defined escalation hierarchy (a number of levels up to Supervisory Board approval authority). The complete overview of all key figures (“RA dashboard”) is reported on a quarterly basis at RICO meetings and as part of the overall risk report to the Management Board and the Supervisory Board.

Reports of the risk committees, which hold meetings at different intervals, are characterised by significantly higher granularity. MACO, for example, which holds meetings every two weeks, discusses the development of market risk positions including compliance with the relevant sensitivity limits, and LICO discusses compliance with liquidity-related limits and liquidity position developments. Depending on the degree of detail in the relevant dimensions (e.g. maturity bands, currencies), the escalation hierarchy comprises a number of levels in these areas, too. Both MACO and LICO use daily reports, which means that the treatment of any limit excesses is escalated in a timely manner and such limit excesses will have been dealt with by the time the complete RA dashboard is presented. Other key indicators are not determined on a daily basis, with the escalation process following the respective frequency of reporting. A central planning variable on the credit risk side is the expected loss (EL) at the sub-portfolio level for existing and new business. Developments in this context are monitored in detail during the year against the defined targets and thresholds; changes in parameters contributing to such developments are analysed and discussed with the relevant business areas and at RICO meetings with regard to a potential need for action. Individual lending decisions follow the defined loan approval process, which involves the operative credit risk departments, Bank Austria’s Credit Committee and the relevant committees at the holding company, according to their respective levels of approval authority (see also section “E.2 – Credit risk”).

### Stress tests

Stress tests are a key component of risk analysis and planning at Bank Austria. The Bank performs overall bank stress tests and individual stress tests. The former cover major risk categories at a specific point in time, with detailed results being aggregated against the background of a coherent scenario and presented on an overall basis. The overall bank stress tests performed regularly include capital stress tests (Pillars 1 and 2) created in line with a regulatory and economic perspective and stress analyses under the recovery plan. The Pillar 2 stress test covers all ICAAP risk categories. Stress analyses under the recovery plan combine capital and liquidity aspects, showing developments over time and in the context of possible management reaction. The most important regular individual stress tests cover credit risk, market risk, counterparty risk and liquidity risk. Individual stress tests are presented at meetings of the respective committees (RICO, MACO, LICO), capital-related overall bank stress tests at RICO meetings and also as part of the overall risk report to the Management Board. Stress tests are performed at defined intervals (capital stress tests at least on a half-yearly basis, individual stress tests on a quarterly basis in most cases) and are also a fixed

## E – Risk report (CONTINUED)

component with regard to annual budgeting and planning the risk appetite. Stress tests may also be performed in response to specific issues, e.g. in response to suggestions made by Internal Audit or supervisory authorities. Scenarios are defined centrally and locally. The Holding Stress Test Council defines a minimum set of scenarios for Pillar 2 ICAAP stress tests on a half-yearly basis, which need to be calculated and reported locally. Local scenarios are additionally defined where required. Predefined thresholds for specific stress tests require management to consider action plans or contingency plans.

Stress testing is subject to an annual review by Internal Audit.

### E.2 – Credit risk

Credit risk is defined as the risk of incurring losses as a result of non-fulfilment by the borrower of terms and conditions agreed under the loan agreement. The credit risk is the Bank's most significant risk category, which is why the Bank has dedicated itself to this area in particular.

Bank Austria's credit risk is determined based on the classic commercial customer businesses geared towards the regional Austrian market and the equally significant private customer business. Approximately two thirds of loans and receivables with customers in the amount of €64.1 billion (before the deduction of impairments) are attributed to the Corporate and Investment Banking segments. The remaining third is attributable to loans and receivables from private customers. Within this private customer segment, reference must be made to the risk perspective of the approximate 29% share in CHF loans as a risk carrier.

General information on the following presentations: The tables shown in this chapter entitled "Bank Group" comply with the consolidation regulation of Circular 262 of the Bank of Italy and can be differentiated from the consolidation total from the other presentations. The "Bank Group" scope of consolidation corresponds to the CRR scope of consolidation.

### Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. The basis for every loan decision is a thorough analysis of the loan commitment. Following the initial loan application, the Bank's loan exposures are reviewed at least once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are applied.

Our Bank-internal credit rating check is based on three different rating procedures. In order to estimate the (12-month) loss, the parameters (probability of default – PD; loss given default – LGD; exposure at default – EAD) for the customer/business segments to be assessed on the basis of models specifically developed for these purposes are calculated. The calculations are made in line with the various asset classes pursuant to Article 147 of the CRR, Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, private and business customers) and Group-wide models (e.g. for sovereigns, banks, multinational corporates). In the reporting period, there was no significant change in the estimate procedure method or assumptions with regard to estimating the loss.

In order to estimate the expected credit loss (ECL) under IFRS 9 regulation, the aforementioned parameters are used in their appropriate adapted form (for more information, please see A.5.3.3 – Impairment of financial instruments, sub-item parameters and risk definition).

The assessment of a loan exposure is based on data from the respective company's financial statements and on qualitative business factors. For real estate customers, the customer-related rating is complemented by a transaction rating. Bank Austria uses an automated retail scoring system for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and small non-profit organisations. Retail scoring comprises an application scoring procedure based on effective and recognised mathematical and statistical methods, and a behaviour scoring procedure taking into account such factors as amounts received in the account and customers' payment practices. The retail scoring system provides information that is updated on a monthly basis. This gives the Bank a tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

The various rating and scoring models provide the basis for efficient risk management of Bank Austria and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control. Risk-adequate pricing and proactive risk management improve the portfolio's diversification and risk/return ratio on an ongoing basis.



## E – Risk report (CONTINUED)

All Bank-internal rating procedures are subject to ongoing monitoring. The IRB model is verified regularly. The relevant rating model is verified as to whether it depicts the risks to be measured correctly. All model assumptions are based on multi-year statistical averages for historical defaults and losses, with appropriate attention being given to the impact of turbulence in international financial markets. Credit risk stress tests, which are required by banking supervisory authorities and are carried out on a regular basis, are an essential instrument for assessing future risks in an unfavourable economic environment.

RICO is defined as an expert body within the meaning of Article 189 of the CRR, which deals with all material aspects related to credit risk models (their development, adjustment, control and validation of model soundness). The Strategic Risk Management & Control department, with the relevant methodology and control units and with independent validation units, acts as credit risk control unit within the meaning of Article 190 of the CRR.

### Current status of the application of the internal ratings-based approach (IRB approach) to credit risk in Bank Austria

UniCredit Bank Austria AG applies the internal ratings-based approach, using its own estimates of loss given default and of conversion factors for the major part of its loan portfolio (advanced IRB approach). Simplifying and further developing local and Group-wide models and, to a lesser extent, the introduction of additional Group-wide models is taking place on an ongoing basis or according to a multi-year plan (model road map).

Implementation of the advanced IRB approach has been established as a Group-wide programme. Therefore, UniCredit is responsible for Group-wide decisions and guidelines as well as for the development of Group-wide models. For example, Group-wide homogeneous portfolios have been defined for which uniform rating models are used across the Group, such as those for countries, banks and multinational companies.

Group standards have for the most part already been prepared and adopted by UniCredit in cooperation with the major IRB legal entities, and are used as an instrument for uniform Group-wide implementation, with a view to complying with local legal requirements – some of which differ from country to country – and safeguarding Group interests. These Group standards will continue to be gradually extended and complemented.

Group standards are integrated into business areas both in procedural and organisational terms, where local particularities and legal regulation are considered when ensuring Basel 3 compliance.

All Austrian subsidiaries of UniCredit Bank Austria AG use the standardised approach. From a current perspective, for reasons of materiality, it is not planned to switch to one of the IRB approaches.

### Classification of asset quality

In general, loans are divided into performing and non-performing loans. Performing loans are further divided into loans with impairment based on their one-year expected loss (Level 1) and loans with impairment based on their lifetime expected loss (Level 2) pursuant to IFRS 9. Non-performing loans comprise Level 3 (see also “Provisioning process”).

Non-performing loans are divided into the following categories in line with UniCredit Group regulations:

- **“Bad Loans” (defaulted loans):** credit exposures, considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained. A realisation procedure is usually applied to borrowers in this class. Impairments are estimated on an analytical basis or, in the case of exposure of less than €2 million, on the basis of statistical methods. Detailed information is given in the “Provisioning process” section.
- **“Unlikely to pay” (low repayment probability):** 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 days in arrears. The classification within the “unlikely to pay” category is not necessarily related to the explicit presence of a default (failure to repay) but rather is tied to the existence of evidence of a debtor’s risk of default. Impairments are assessed on an analytical basis or, in the case of exposure of less than €2 million, based on statistical methods. Detailed information is given in the “Provisioning process” section.
- **“Past due” (overdue loans):** On-balance sheet exposures, other than those classified among “bad loans” or “unlikely to pay”, which have amounts that are 90 days past due or 90 days over limits. Such amounts are determined by reference to the individual debtor.

Should the criterion for assignment to a non-performing category no longer apply due to the customer’s economic recovery, it shall be classified as performing after a good conduct period of at least 90 days. Credit commitments with a retail score are assigned the rating 7- after this period until a conduct score is determined. All other credit commitments are automatically fixed at unrated until a new rating.

## E – Risk report (CONTINUED)

## Breakdown of financial assets by portfolio and credit quality (carrying amount)

(€ million)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	OTHER NON-PERFORMING EXPOSURES	PERFORMING EXPOSURES	TOTAL
Financial assets at amortised cost	126	844	17	1,575	74,444	77,005
Financial assets at fair value through other comprehensive income	–	–	–	–	13,392	13,392
Financial assets designated at fair value	–	–	–	–	–	–
Other financial assets mandatorily at fair value	–	1	–	1	1,336	1,339
Financial instruments classified as held for sale	6	–	–	56	598	661
<b>TOTAL AS AT 31 DEC. 2018</b>	<b>132</b>	<b>846</b>	<b>17</b>	<b>1,631</b>	<b>89,770</b>	<b>92,397</b>

## Bank Group – Breakdown of overdue financial assets (carrying amount)

(€ million)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3		
	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	OVER 30 AND UP TO 90 DAYS	OVER 90 DAYS
Financial assets at amortised cost	523	3	0	59	56	6	17	13	216
Financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–
<b>TOTAL AS AT 31 DEC. 2018</b>	<b>523</b>	<b>3</b>	<b>0</b>	<b>59</b>	<b>56</b>	<b>6</b>	<b>17</b>	<b>13</b>	<b>216</b>

## Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€ million)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS				PERFORMING ASSETS			
	OVERALL WRITE-DOWNS	TOTAL WRITE-DOWNS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFF(*)	OVERALL WRITE-DOWNS	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL (NET EXPOSURE)
Financial assets at amortised cost	2,153	1,166	987	74	76,374	356	76,018	77,005
Financial assets at fair value through other comprehensive income	–	–	–	–	13,393	1	13,392	13,392
Financial assets designated at fair value	–	–	–	–	X	X	–	–
Other financial assets mandatorily at fair value	2	–	2	–	X	X	1,337	1,339
Financial instruments classified as held for sale	19	12	7	–	659	4	654	661
<b>TOTAL AS AT 31 DEC. 2018</b>	<b>2,173</b>	<b>1,178</b>	<b>995</b>	<b>74</b>	<b>90,425</b>	<b>361</b>	<b>91,401</b>	<b>92,397</b>

## E – Risk report (CONTINUED)

## Bank Group – Financial assets, credit commitments and guarantees:

## Changes in impairments and provisions

(€ million)

	OVERALL WRITE-DOWNS								PROVISIONS ON LOAN COMMITMENTS AND FINANCIAL GUARANTEES GIVEN		
	FINANCIAL ASSETS CLASSIFIED IN STAGE 1				FINANCIAL ASSETS CLASSIFIED IN STAGE 2						
	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COM- PREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COM- PREHENSIVE INCOME	OF WHICH: INDIVIDUAL IMPAIRMENT	OF WHICH: COLLECTIVE IMPAIRMENT	STAGE 1	STAGE 2	STAGE 3
Opening balance (gross amount) as at 1 Jan. 2018	68	1	9	59	393	2	22	373	15	16	154
Increases in acquired or originated financial assets	33	–	–	33	104	–	–	104	5	3	46
Reversals different from write-offs	–16	–	–4	–12	–47	–	–15	–32	–5	–4	–94
Net losses/ recoveries on credit impairment	–35	–1	–	–36	–135	–	–1	–134	–5	–4	68
Contractual changes without cancellation	–	–	–	–	–	–	–	–	–	–	–
Changes in estimation metodology	–	–	–	–	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–	–	–	–	–
Other changes	–2	1	–1	–1	–7	–1	–2	–6	–	1	–
Closing balance (gross amount) as at 31 Dec. 2018	48	–	5	43	308	1	4	305	10	12	174
Recoveries from financial assets subject to write-off	–	–	–	–	–	–	–	–	–	–	–
Write-offs that are not directly recognised in profit or loss	–	–	–	–	–	–	–	–	–	–	–

## E – Risk report (CONTINUED)

## Changes between impairment levels (gross carrying amount/nominal amounts)

(€ million)

PORTFOLIOS/QUALITY	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	TO STAGE 2 FROM STAGE 1	TO STAGE 1 FROM STAGE 2	TO STAGE 3 FROM STAGE 2	TO STAGE 2 FROM STAGE 3	TO STAGE 3 FROM STAGE 1	TO STAGE 1 FROM STAGE 3
Financial assets at amortised cost	2,271	3,501	104	21	366	11
Financial assets at fair value through other comprehensive income	–	42	–	–	–	–
Loan commitments and financial guarantees given	950	4,408	35	3	135	3
<b>TOTAL 31 DECEMBER 2018</b>	<b>3,221</b>	<b>7,951</b>	<b>139</b>	<b>24</b>	<b>501</b>	<b>14</b>

## Breakdown of financial assets by portfolio and credit quality (carrying amount) (IAS 39)

(€ million)

PORTFOLIOS/QUALITY	BANKING GROUP				OTHER COMPANIES		TOTAL
	BAD EXPOSURES	UNLIKELY TO PAY	NON- PERFORMING PAST-DUE	PERFORMING	NON- PERFORMING EXPOSURES	PERFORMING	
Available-for-sale financial assets	–	–	–	14,928	–	–	14,928
Held-to-maturity financial instruments	–	7	–	209	–	–	216
Loans and receivables with banks	–	–	–	19,673	–	15	19,688
Loans and receivables with customers	190	1,001	27	58,808	4	2	60,032
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–
Financial instruments classified as held for sale	–	–	–	1	–	–	1
<b>TOTAL 31 DECEMBER 2017</b>	<b>190</b>	<b>1,008</b>	<b>27</b>	<b>93,619</b>	<b>4</b>	<b>17</b>	<b>94,864</b>

## Breakdown of financial assets by portfolio and credit quality – forbore exposures (carrying value) (IAS 39)

(€ million)

PORTFOLIOS/QUALITY	BANKING GROUP				OTHER COMPANIES		TOTAL
	BAD EXPOSURES	UNLIKELY TO PAY	NON- PERFORMING PAST-DUE	PERFORMING	NON- PERFORMING EXPOSURES	PERFORMING	
Available-for-sale financial assets	–	–	–	–	–	–	–
Held-to-maturity financial instruments	–	–	–	–	–	–	–
Loans and receivables with banks	–	–	–	–	–	1	1
Loans and receivables with customers	43	333	1	248	–	–	626
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–
Financial instruments classified as held for sale	–	–	–	–	–	–	–
<b>TOTAL 31 DECEMBER 2017</b>	<b>43</b>	<b>333</b>	<b>1</b>	<b>248</b>	<b>–</b>	<b>1</b>	<b>626</b>

## E – Risk report (CONTINUED)

**Breakdown of overdue performing financial assets****by portfolio and according to overdue period (gross amounts) (IAS 39)**

(€ million)

PORTFOLIO/QUALITY	NOT PAST-DUE OR PAST-DUE LESS THAN 30 DAYS	PAST-DUE BETWEEN 30 AND 60 DAYS	PAST-DUE BETWEEN 60 AND 90 DAYS	PAST-DUE OVER 90 DAYS	TOTAL
Available-for-sale financial assets	–	–	–	–	–
Held-to-maturity financial instruments	–	–	–	–	–
Loans and receivables with banks	–	–	–	–	–
Loans and receivables with customers	475	19	9	–	503
Financial assets at fair value through profit or loss	–	–	–	–	–
Financial instruments classified as held for sale	–	–	–	–	–
<b>TOTAL 31 DECEMBER 2017</b>	<b>475</b>	<b>19</b>	<b>9</b>	<b>–</b>	<b>503</b>

**Breakdown of financial assets by portfolio and credit quality (gross and net values) (IAS 39)**

(€ million)

PORTFOLIO/QUALITY	NON-PERFORMING			PERFORMING			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIFIC WRITE- DOWNS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS <sup>1)</sup>	NET EXPOSURE	
Available-for-sale financial assets	–	–	–	14,928	–	14,928	14,928
Held-to-maturity financial instruments	8	1	7	209	–	209	216
Loans and receivables with banks	3	3	–	19,688	–	19,688	19,688
Loans and receivables with customers	2,617	1,395	1,221	59,226	416	58,810	60,032
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–
Financial instruments classified as held for sale	–	–	–	1	–	1	1
<b>TOTAL 31 DECEMBER 2017</b>	<b>2,627</b>	<b>1,399</b>	<b>1,228</b>	<b>94,052</b>	<b>416</b>	<b>93,636</b>	<b>94,864</b>

**Breakdown of financial assets by portfolio and credit quality****Financial assets held for trading and hedging derivatives (gross and net values) (IAS 39)**

(€ million)

PORTFOLIO/QUALITY	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
	GROSS CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
Financial assets held for trading	–	–	1,008
Hedging instruments	–	–	2,084
<b>TOTAL 31 DECEMBER 2017</b>	<b>–</b>	<b>–</b>	<b>3,092</b>

## E – Risk report (CONTINUED)

**Bank Group – Breakdown of financial assets, credit commitments and issued financial guarantees by external rating class (gross values)**

(€ million)

	BALANCE AT 31 DEC. 2018								
	EXTERNAL RATING CLASSES								
	1	2	3	4	5	6	NON PER- FORMING ASSETS	NO EXTERNAL RATING	TOTAL
A – Financial assets at amortised cost									
Stage 1	2,709	1,942	6,052	277	128	2	–	49,006	60,115
Stage 2	44	276	524	104	–	2	–	15,293	16,244
Stage 3	–	–	–	–	–	–	2,106	44	2,150
B – Financial assets at fair value through other comprehensive income									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 2	7,805	4,731	787	–	–	–	–	3	13,326
Stage 2	–	–	–	67	–	–	–	–	67
Stage 3	–	–	–	–	–	–	–	–	–
Total (A + B)	10,558	6,948	7,363	448	128	5	2,106	64,346	91,902
<i>of which: acquired or originated impaired financial assets</i>	–	–	–	–	–	–	2	–	2
C – Loan commitments and financial guarantees given									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 1	240	434	1,582	421	20	2	–	25,524	28,223
Stage 2	8	31	90	9	10	–	–	7,857	8,006
Stage 3	–	–	–	–	–	–	394	–	394
Total (C)	248	466	1,672	430	30	2	394	33,381	36,623
TOTAL	10,807	7,414	9,035	877	158	7	2,500	97,727	128,525

**Bank Group – On-balance sheet and off-balance sheet credit exposure by external rating class (carrying amounts) (IAS 39)**

(€ million)

	BALANCE AT 31 DEC. 2017							TOTAL
	EXTERNAL RATING CLASSES						NO EXTERNAL RATING	
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
On-balance sheet exposures	12,246	7,343	6,113	700	91	1,305	67,255	95,052
Derivative contracts	15	4	2,042	3	–	–	1,026	3,090
Financial derivative contracts	15	4	2,041	3	–	–	1,026	3,088
Credit derivative contracts	–	–	2	–	–	–	–	2
Guarantees given	17	108	433	95	18	48	8,541	9,261
Other commitments to disburse funds	159	527	1,564	105	5	106	11,258	13,725
TOTAL	12,437	7,982	10,153	903	114	1,459	88,080	121,128

The table considers the ratings of the following rating agencies: Moody's, S&P's, Fitch and DBRS.

Class 1 (AAA/AA–), 2 (A+/A–), 3 (BBB+/BBB–), 4 (BB+/BB–), 5 (B+/B–), 6 (impaired exposures are included in class 6).

93 % of rated volume was investment grade (from class 1 to 3), 73 % of volume was not rated due to the considerable share of customers in the segment comprising private individuals and SMEs.

The above presentation of external rating classes also includes investment fund volumes totalling €27 million.

## E – Risk report (CONTINUED)

**Bank Group – Breakdown of financial assets, credit commitments and issued financial guarantees by internal rating class (gross values)**

(€ million)

	BALANCE AT 31 DEC. 2018					
	INTERNAL RATING CLASSES					
	1	2	3	4	5	6
<b>A – Financial assets at amortised cost</b>						
Stage 1	5,693	2,377	17,824	20,633	7,105	3,824
Stage 2	6	1,025	2,762	3,515	4,481	2,299
Stage 3	–	–	–	–	–	–
<b>B – Financial assets at fair value through other comprehensive income</b>						
Stage 1	7,396	410	4,731	787	–	–
Stage 2	–	–	–	–	62	4
Stage 3	–	–	–	–	–	–
<b>Total (A + B)</b>	<b>13,095</b>	<b>3,812</b>	<b>25,317</b>	<b>24,935</b>	<b>11,648</b>	<b>6,127</b>
<i>of which: acquired or originated impaired financial assets</i>	–	–	–	–	–	–
<b>C – Loan commitments and financial guarantees given</b>						
Stage 1	6	1,873	11,623	10,488	2,396	1,003
Stage 2	12	1,608	2,257	2,717	696	281
Stage 3	–	–	–	–	–	–
<b>Total (C)</b>	<b>18</b>	<b>3,481</b>	<b>13,880</b>	<b>13,205</b>	<b>3,092</b>	<b>1,284</b>
<b>TOTAL</b>	<b>13,113</b>	<b>7,294</b>	<b>39,197</b>	<b>38,140</b>	<b>14,740</b>	<b>7,411</b>
	BALANCE AT 31 DEC. 2018					
	INTERNAL RATING CLASSES			NON PERFORMING ASSETS	NO INTERNAL RATING	TOTAL
	7	8	9			
<b>A – Financial assets at amortised cost</b>						
Stage 1	1,958	261	29	–	411	60,115
Stage 2	1,172	509	134	–	341	16,244
Stage 3	–	–	–	2,121	29	2,150
<b>B – Financial assets at fair value through other comprehensive income</b>						
Stage 1	–	–	–	–	3	13,326
Stage 2	–	–	–	–	–	67
Stage 3	–	–	–	–	–	–
<b>Total (A + B)</b>	<b>3,130</b>	<b>770</b>	<b>163</b>	<b>2,121</b>	<b>784</b>	<b>91,902</b>
<i>of which: acquired or originated impaired financial assets</i>	–	–	–	2	–	2
<b>C – Loan commitments and financial guarantees given</b>						
Stage 1	673	60	9	–	91	28,223
Stage 2	204	197	7	–	27	8,006
Stage 3	–	–	–	394	–	394
<b>Total (C)</b>	<b>877</b>	<b>257</b>	<b>16</b>	<b>394</b>	<b>118</b>	<b>36,622</b>
<b>TOTAL</b>	<b>4,008</b>	<b>1,027</b>	<b>179</b>	<b>2,515</b>	<b>902</b>	<b>128,525</b>

## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet and off-balance sheet exposure by internal rating class (carrying amounts) (IAS 39)

(€ million)

BALANCE AT 31 DEC. 2017						
	INTERNAL RATING CLASSES					
	1	2	3	4	5	6
On-balance sheet exposures	8,873	11,514	22,790	26,075	10,842	7,363
Derivative contracts	–	27	285	2,605	65	31
Financial derivative contracts	–	27	285	2,603	65	31
Credit derivative contracts	–	–	–	2	–	–
Guarantees given	0	236	1,479	5,378	726	284
Other commitments to disburse funds	0	644	6,248	4,601	1,060	615
<b>TOTAL</b>	<b>8,874</b>	<b>12,420</b>	<b>30,802</b>	<b>38,658</b>	<b>12,692</b>	<b>8,292</b>

BALANCE AT 31 DEC. 2017						
	INTERNAL RATING CLASSES			IMPAIRED EXPOSURES	NO INTERNAL RATING	TOTAL
	7	8	9			
On-balance sheet exposures	3,058	1,159	696	1,239	1,417	95,025
Derivative contracts	7	1	1	–	70	3,090
Financial derivative contracts	7	1	1	–	70	3,088
Credit derivative contracts	–	–	–	–	–	2
Guarantees given	102	34	13	46	963	9,261
Other commitments to disburse funds	286	51	22	90	108	13,725
<b>TOTAL</b>	<b>3,452</b>	<b>1,245</b>	<b>731</b>	<b>1,376</b>	<b>2,559</b>	<b>121,101</b>

The mapping to the internal UniCredit rating masterscale considers the PD ranges mentioned below. Class 1 to 3 correspond to investment grade classes of external ratings.

Class 10 corresponds to the non-performing loan portfolio according to the Bank of Italy (and covers the risk categories of “bad loans”, “unlikely to pay” and “past due”):

INTERNAL RATING CLASSES	PD MIN	PD MAX
1	0.00 %	0.00 %
2	0.00 %	0.02 %
3	0.02 %	0.12 %
4	0.12 %	0.58 %
5	0.58 %	1.37 %
6	1.37 %	3.22 %
7	3.22 %	7.57 %
8	7.57 %	17.80 %
9	17.80 %	99.99 %
10	Impaired	



## E – Risk report (CONTINUED)

## Information on forborne exposures

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. Forborne exposures that are not classified as impairing are assigned to Level 2 pursuant to IFRS 9.

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.

If a forbearance measure does not result in the loan becoming non-performing, a probation period of at least 2 years must be observed. If a forbearance measure results in the loan becoming non-performing, a minimum 1-year holding period in the non-performing portfolio must be observed – a probation period of 2 years will again be applicable from the date of reclassification as “performing”. Upon expiry of the probation period the exposure will cease to be classified as “forborne”.

In respect of loans with forbearance measures, required concessions and restrictive management measures are initiated under an effective monitoring and reporting process to reduce the amount of any potential loss.

When assessing and making provisions for loans with forbearance measures, the Bank must ascertain whether an impairment loss on loans or held-to-maturity investments (measured at amortised cost) has been incurred (impairment test). The amount of the impairment loss is determined as described in the “Provisioning process” section.

If the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of the borrower's financial difficulties, this is considered to be objective evidence of impairment in accordance with IFRS 9.

Apart from the impairment test, an examination must be performed to see if the modification of the contract results in a partial or full disposal of the financial instrument. In the case of financial assets, there is a disposal if a material change in contractual conditions leads to a situation in which the modified financial instrument, in substance, no longer corresponds to the instrument before the modification. In such a case the previously recognised financial instrument is to be derecognised and a new financial instrument is to be recognised, even if – in legal terms – the same contract continues to exist in an adjusted form. Derecognition in such cases also relates to any provision made in connection with the financial instrument.

## Forborne exposures – Loans and receivables with customers

(€ million)

	PERFORMING			NON-PERFORMING			TOTAL FORBORNE		
	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE
General governments	–	–	–	0	0	0	0	0	0
Financial corporations	0	0	0	24	20	4	24	20	4
Non-financial corporations	120	2	118	409	175	234	529	178	351
Households	155	5	150	140	68	72	295	73	222
<b>TOTAL 31 DEC. 2018</b>	<b>275</b>	<b>7</b>	<b>268</b>	<b>574</b>	<b>264</b>	<b>310</b>	<b>849</b>	<b>271</b>	<b>578</b>

## Forborne exposures – Loans and receivables with customers (IAS 39)

(€ million)

	PERFORMING			NON-PERFORMING			TOTAL FORBORNE		
	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE	GROSS EXPOSURES	WRITE-DOWNS	NET EXPOSURE
General governments	–	–	–	1	1	–	1	1	–
Financial corporations	6	–	6	36	28	8	42	28	14
Non-financial corporations	142	5	137	561	233	328	703	238	465
Households	108	3	106	90	48	41	198	51	147
<b>TOTAL 31 DEC. 2017</b>	<b>256</b>	<b>8</b>	<b>248</b>	<b>687</b>	<b>310</b>	<b>377</b>	<b>943</b>	<b>318</b>	<b>626</b>

## E – Risk report (CONTINUED)

### Credit risk mitigation techniques

UniCredit Bank Austria uses various credit risk mitigation techniques to reduce credit losses in case of obligor default.

With specific reference to credit risk mitigation, guidelines issued by UniCredit and Bank Austria are in force. These guidelines govern and standardise credit risk mitigation processes, in line with Group principles and best practice as well as in accordance with the relevant regulatory requirements – especially strategies and procedures for collateral management. In particular such strategies and procedures detail collateral eligibility, valuation and monitoring rules and ensure the soundness, legal enforceability and timely liquidation of valuable collateral according to the local legal system.

Local collateral management was analysed and compliance with credit risk mitigation guidelines was reviewed (specifically as part of the application of the internal rating system) in order to ensure that the instruments used for regulatory capital are adequate and properly documented.

According to the credit policies, collateral or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. Collateral and guarantees are also subject to a specific valuation and analysis with regard to their supporting function to repay the outstanding amount.

Collateral accepted in support of credit lines granted by Bank Austria primarily includes real estate, both residential and commercial, guarantees and financial collateral (including cash deposits, debt securities, equities, and units of undertakings for collective investment in transferable securities (UCITS)). Further types of collateral comprise pledged goods, receivables and insurance contracts as well as other types of funded protection. Bank Austria also makes use of bilateral netting agreements for OTC derivatives (by means of ISDA and CSA agreements), repos and securities lending.

Processes and controls focus on the requirements of legal certainty, hedging and the assessment of the suitability of the collateral or guarantee. In the case of personal guarantees, the ability to pay and the risk profile of the guarantors (or in the case of credit default swaps, of the protection providers) must be assessed.

In the case of collateral, market values are recognised reduced by corresponding haircuts in order to consider any lower revenue, utilisation costs etc. in the case of utilisation.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies and regulatory rules are met at all times.

## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet and off-balance sheet credit exposure from banks

(€ million)

	BALANCE AT 31 DEC. 2018						
				COLLATERALS			
	GROSS EXPOSURE	WRITE-DOWNS	NET EXPOSURE	PROPERTY – MORTGAGES	PROPERTY – FINANCIAL LEASES	SECURITIES	OTHER COLLATERALS
<b>Secured on-balance sheet credit exposures:</b>							
totally secured	–	–	–	–	–	–	–
of which non-performing	–	–	–	–	–	–	–
partially secured	300	–	300	–	–	–	–
of which non-performing	–	–	–	–	–	–	–
<b>Secured off-balance sheet credit exposures:</b>							
totally secured	–	–	–	–	–	–	–
of which non-performing	–	–	–	–	–	–	–
partially secured	92	–	92	–	–	–	–
of which non-performing	–	–	–	–	–	–	–

## Bank Group – Secured credit exposures to banks (IAS 39)

(€ million)

	BALANCE AT 31 DEC. 2017							
	COLLATERALS					GUARANTEES		
	NET EXPOSURES	TOTAL CREDIT RISK MITIGATION	MORTGAGES/ PLANTS	SECURITIES	OTHER ASSETS	GOVERNMENT AND CENTRAL BANKS	BANKS	OTHER ENTITIES
<b>Secured on-balance sheet credit exposures:</b>								
totally secured	–	–	–	–	–	–	–	–
of which non-performing	–	–	–	–	–	–	–	–
partially secured	403	343	–	–	4	333	6	–
of which non-performing	–	–	–	–	–	–	–	–
<b>Secured off-balance sheet credit exposures:</b>								
totally secured	–	–	–	–	–	–	–	–
of which non-performing	–	–	–	–	–	–	–	–
partially secured	1,984	1,092	–	–	1,085	6	1	–
of which non-performing	–	–	–	–	–	–	–	–

## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet and off-balance sheet credit exposure from customers

(€ million)

	BALANCE AT 31 DEC. 2018					
			COLLATERALS			
	GROSS EXPOSURE	NET EXPOSURE	PROPERTY – MORTGAGES	PROPERTY – FINANCIAL LEASES	SECURITIES	OTHER COLLATERALS
<b>Secured on-balance sheet credit exposures</b>						
Totally secured	1,808	1,791	10	612	22	439
<i>of which non-performing</i>	74	58	–	43	–	3
Partially secured	37,515	36,998	19,549	212	600	2,437
<i>of which non-performing</i>	1,034	781	338	37	5	59
<b>Secured off-balance sheet credit exposures</b>						
Totally secured	36	36	–	–	1	34
<i>of which non-performing</i>	–	–	–	–	–	–
Partially secured	6,033	6,012	1,221	–	158	1,364
<i>of which non-performing</i>	75	56	27	–	–	15

## Bank Group – Secured credit exposures to customers

(€ million)

	BALANCE AT 31 DEC. 2017										
	COLLATERALS							GUARANTEES			
	NET EXPOSURES	TOTAL CREDIT RISK MITIGATION	MORTGAGES/ PLANTS	FINANCE LEASES/ PLANTS	SECURITIES	OTHER ASSETS	CREDIT DERIVATIVES	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES
<b>Secured on-balance sheet credit exposures</b>											
Totally secured	1,559	1,559	19	837	32	671	–	–	–	–	–
<i>of which non-performing</i>	62	62	–	59	–	3	–	–	–	–	–
Partially secured	42,510	29,306	19,068	–	558	3,290	–	5,415	27	279	668
<i>of which non-performing</i>	921	907	445	–	6	63	–	259	27	12	93
<b>Secured off-balance sheet credit exposures</b>											
Totally secured	15	15	–	–	4	11	–	–	–	–	–
<i>of which non-performing</i>	–	–	–	–	–	–	–	–	–	–	–
Partially secured	2,383	598	130	–	32	237	–	50	–	29	120
<i>of which non-performing</i>	88	28	14	–	–	7	–	6	–	–	–

## Provisioning process

With the mandatory application of IFRS 9 standards and the related separation of the IAS 39 approach, the rules for the impairment of lending commitments were adjusted by Bank Austria on 1 January 2018. The transition from the incurred loss model to the expected loss model (ECL) means that not only already incurred losses are considered, but also aspects of expected loss are considered in the risk estimate when estimating losses and thereby determining the impairment requirements. The new approach means that, generally, all loans shall be impaired weighted by probability from the time at which they are first recorded. The new logic in particular changes the risk assessment of the performing portfolio.

## E – Risk report (CONTINUED)

As per 1 January 2018, Bank Austria has thus applied the following 3 methods:

- Impairment for performing assets (This risk provision replaces the IBNR impairment previously applied and the lump-sum provision for foreign currency lending commitments and lending commitments with investment funds)
- Specific write-downs for non-performing assets
- Portfolio-based specific write-downs for non-performing assets

### **Impairment for performing assets**

#### ***Level 1 and Level 2 (performing portfolio)***

The value adjustment logic adjusted to IFRS 9 provides 2 levels for the “living portfolio”. The assessment as to whether a significant increase in risk can be identified or not from the time at which the credit transaction was first recorded is essential in order to assign it to Level 1 or Level 2. The impairment is therefore assigned and calculated at transaction level.

The methods applied to estimate the loss or impairment requirements of Level 1 and Level 2, including a description of the parameters used, are described in detail under point A.5.3.3 – Impairment of financial instruments.

The application of the ECL model instead of the incurred loss model leads to a general increase in provision requirements for the performing portfolio. Within the Level logic, this increase shall be even greater for loans with longer residual terms that are assigned to Level 2 (resulting from the application of the lifetime expected loss instead of the one-year expected loss applied in Level 1).

### **Impairment for non-performing assets**

#### ***Level 3 (non-performing portfolio)***

The default portfolio, i. e. non-performing assets, is assigned to Level 3. Impairments are formed at customer level as follows, depending on the amount of the customer advances:

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

Customers with a total exposure of over €2 million – on a GCC (group of connected customers) basis – are transferred to Monitoring & Special Credit Corporate/CIB whenever there is initial concrete evidence of potential default. In these commitments, which are also described as “significant” on the basis of the loan amount, the responsible restructuring manager calculates the value adjustment requirement on an analytical basis on a case-by-case basis, for the first time in the course of taking over the case and subsequently every three months. 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 method for the calculation of a flat-rate individual value adjustment (“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 customers) level. Upon the decision of the restructuring management, customers belonging to a GCC of over 2 million can be assigned to this method, as long as the individual customer obligation does not exceed €1 million. Depending on the customer segment, the amount of the exposure and collateral, the credit rating and the duration of the default are determined and recognised. The parameters used to calculate the loss rate are re-estimated and back-tested annually.

## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet and off-balance sheet credit exposure from banks (gross and net values)

(€ million)

EXPOSURE TYPES/AMOUNTS	BALANCE AT 31 DEC. 2018				
	GROSS EXPOSURE		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
	NON-PERFORMING	PERFORMING			
<b>On-balance sheet credit exposures</b>					
a) Bad exposures	–	X	–	–	–
<i>of which: forborne exposures</i>	–	X	–	–	–
b) Unlikely to pay	–	X	–	–	–
<i>of which: forborne exposures</i>	–	X	–	–	–
c) Non-performing past due	–	X	–	–	–
<i>of which: forborne exposures</i>	–	X	–	–	–
d) Performing past due	X	6	–	6	–
<i>of which: forborne exposures</i>	X	–	–	–	–
e) Other performing exposures	X	16,180	4	16,176	1
<i>of which: forborne exposures</i>	X	–	–	–	–
<b>Total (A)</b>	–	<b>16,186</b>	<b>4</b>	<b>16,182</b>	<b>1</b>
<b>Off-balance sheet credit exposures</b>	–	–	–	–	–
a) Non-performing	–	X	–	–	–
b) Performing	X	3,266	1	3,265	–
<b>Total (B)</b>	–	<b>3,266</b>	<b>1</b>	<b>3,265</b>	–
<b>Total (A+B)</b>	–	<b>19,452</b>	<b>5</b>	<b>19,447</b>	<b>1</b>

## Bank Group – On-balance sheet and off-balance sheet credit exposure from customers (gross and net values)

(€ million)

EXPOSURE TYPES/AMOUNTS	BALANCE AT 31 DEC. 2018				
	GROSS EXPOSURE		OVERALL WRITE-DOWNS AND PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS(*)
	NON-PERFORMING	PERFORMING			
<b>On-balance sheet credit exposures</b>					
a) Bad exposures	1,011	X	879	132	64
<i>of which: forborne exposures</i>	135	X	104	31	6
b) Unlikely to pay	1,141	X	295	846	10
<i>of which: forborne exposures</i>	436	X	160	276	7
c) Non-performing past due	21	X	4	17	–
<i>of which: forborne exposures</i>	3	X	–	3	–
d) Performing past due	X	1,638	12	1,626	–
<i>of which: forborne exposures</i>	X	5	–	5	–
e) Other performing exposures	X	73,938	344	73,594	1
<i>of which: forborne exposures</i>	X	274	7	267	–
<b>Total</b>	<b>2,173</b>	<b>75,576</b>	<b>1,535</b>	<b>76,215</b>	<b>75</b>
<b>Off-balance sheet credit exposures</b>	–	–	–	–	–
a) Non-performing	396	X	174	222	–
b) Performing	X	36,093	21	36,072	–
<b>Total</b>	<b>396</b>	<b>36,093</b>	<b>195</b>	<b>36,294</b>	–
<b>Total</b>	<b>2,569</b>	<b>111,669</b>	<b>1,729</b>	<b>112,509</b>	<b>75</b>

## E – Risk report (CONTINUED)

**Bank Group – On-balance sheet credit exposure from customers:  
changes in gross non-performing exposures**

(€ million)

SOURCES / CATEGORIES	CHANGES IN 2018		
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE
<b>Opening balance (gross amount) as at 1 Jan. 2018</b>	<b>1,177</b>	<b>1,391</b>	<b>33</b>
<i>of which sold non-cancelled exposures</i>	–	–	–
<b>Increases</b>	<b>166</b>	<b>550</b>	<b>23</b>
Transfer from performing loans	113	366	19
Transfer from acquired or originated impaired financial assets	–	–	–
Transfer from other non-performing exposures	35	50	3
Contractual changes with no cancellations	–	–	–
Other increases	18	134	1
<i>of which: business combinations</i>	–	–	–
<b>Decreases</b>	<b>332</b>	<b>799</b>	<b>35</b>
Transfers to performing loans	3	182	10
Write-offs	141	72	–
Collections	141	490	8
Sale proceeds	–	–	–
Losses on disposals	–	–	–
Transfers to other non-performing exposures	41	35	12
Contractual changes with no cancellations	–	–	–
Other decreases	6	19	6
<i>of which: business combinations</i>	–	–	–
<b>Closing balance (gross amount) as at 31 Dec. 2018</b>	<b>1,011</b>	<b>1,142</b>	<b>21</b>
<i>of which sold non-cancelled exposures</i>	2	2	1

**Bank Group – On-balance sheet credit exposure from customers:  
changes in credit quality in gross forborne exposures**

(€ million)

SOURCES / CATEGORIES	CHANGES IN 2018	
	FORBORNE EXPOSURES: NON-PERFORMING	FORBORNE EXPOSURES: PERFORMING
<b>Opening balance (gross amount) as at 1 Jan. 2018</b>	<b>672</b>	<b>254</b>
<i>of which sold non-cancelled exposures</i>	–	–
<b>Increases</b>	<b>391</b>	<b>352</b>
Transfers from performing non-forborne exposures	63	158
Transfers from performing forborne exposures	60	X
Transfers from non-performing forborne exposures	X	131
Other increases	267	63
<i>of which: business combinations</i>	–	–
<b>Reductions</b>	<b>488</b>	<b>326</b>
Transfers to performing non-forborne exposures	X	50
Transfers to performing forborne exposures	131	X
Transfers to non-performing forborne exposures	X	60
Write-offs	63	–
Collections	286	187
Sale proceeds	–	–
Losses from disposal	–	–
Other reductions	9	30
<i>of which: business combinations</i>	–	–
<b>Closing balance (gross amount) as at 31 Dec. 2018</b>	<b>574</b>	<b>279</b>
<i>of which sold, non-cancelled exposures</i>	1	1

## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet non-performing credit exposure from customers: changes in total depreciations

(€ million)

SOURCES / CATEGORIES	CHANGES IN 2018					
	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE	
	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES	TOTAL	OF WHICH FORBORNE EXPOSURES
Opening balance (gross amount) as at 1 Jan. 2018	1,004	124	386	180	7	–
of which sold non-cancelled exposures	–	–	–	–	–	–
<b>Increases</b>	<b>115</b>	<b>22</b>	<b>150</b>	<b>111</b>	<b>5</b>	<b>–</b>
Write-downs of acquired or originated impaired financial assets	2	X	2	X	–	X
Other write-downs	81	14	94	35	3	–
Losses on disposal	–	–	–	–	–	–
Transfers from other categories of non-performing exposures	20	8	36	16	1	–
Contractual changes with no cancellations	–	X	–	X	–	X
Other increases	12	–	17	60	–	–
of which: business combinations	–	–	–	–	–	–
<b>Reductions</b>	<b>240</b>	<b>42</b>	<b>238</b>	<b>131</b>	<b>8</b>	<b>–</b>
Write-backs from valuation	4	–	9	1	–	–
Write-backs from collections	52	13	125	69	1	–
Gains from disposals	–	–	–	–	–	–
Write-offs	141	12	72	51	–	–
Transfers to other categories of non-performing exposures	34	16	20	8	4	–
Contractual changes with no cancellations	–	X	–	X	–	X
Other decreases	9	1	13	2	2	–
of which: business combinations	–	–	–	–	–	–
<b>Closing balance (gross amount) as at 31 Dec. 2018</b>	<b>879</b>	<b>104</b>	<b>297</b>	<b>160</b>	<b>4</b>	<b>–</b>
of which sold, non-cancelled exposures	1	–	1	–	–	–

## Bank Group – Segment-by-segment distribution of on-balance sheet and off-balance sheet exposures from customers

(€ million)

EXPOSURES/COUNTERPARTIES	GOVERNMENTS AND OTHER PUBLIC SECTOR ENTITIES		FINANCIAL COMPANIES		FINANCIAL COMPANIES (OF WHICH INSURANCE COMPANIES)		NON-FINANCIAL COMPANIES		HOUSEHOLDS	
	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS	NET EXPOSURE	OVERALL WRITE-DOWNS
<b>A. On-balance sheet credit exposures</b>										
A.1 Bad exposures	–	–	–	31	–	–	64	452	68	396
of which: foreborne exposures	–	–	–	4	–	–	10	48	21	52
A.2 Unlikely to pay	194	10	19	20	–	–	434	207	199	58
of which: foreborne exposures	–	–	4	16	–	–	220	127	52	16
A.3 Non-performing past-due	–	–	–	–	–	–	4	1	13	3
of which: foreborne exposures	–	–	–	–	–	–	3	–	–	–
A.4 Performing exposures	19,345	2	4,248	14	12	–	33,410	52	18,217	289
of which: foreborne exposures	–	–	–	–	–	–	118	2	154	5
<b>Total (A)</b>	<b>19,538</b>	<b>12</b>	<b>4,267</b>	<b>65</b>	<b>12</b>	<b>–</b>	<b>33,913</b>	<b>712</b>	<b>18,497</b>	<b>745</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	–	–	–	3	–	–	212	169	9	1
B.2 Performing exposures	2,413	–	6,214	2	17	–	22,467	10	4,977	9
<b>Total (B)</b>	<b>2,413</b>	<b>–</b>	<b>6,214</b>	<b>5</b>	<b>17</b>	<b>–</b>	<b>22,679</b>	<b>179</b>	<b>4,986</b>	<b>10</b>
<b>TOTAL (A+B) AS AT 31 Dec. 2018</b>	<b>21,951</b>	<b>12</b>	<b>10,482</b>	<b>71</b>	<b>29</b>	<b>–</b>	<b>56,592</b>	<b>891</b>	<b>23,483</b>	<b>755</b>



## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet and off-balance sheet exposures to banks: Gross and net values

(€ million)

EXPOSURE TYPES/AMOUNTS	GROSS EXPOSURE				PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURES
	NON-PERFORMING ASSETS							
	PAST-DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR				
Balance sheet exposure								
a) Bad exposures	3	—	—	—	X	3	X	—
— of which: forborne exposures	—	—	—	—	X	—	X	—
b) Unlikely to pay	—	—	—	—	X	—	X	—
— of which: forborne exposures	—	—	—	—	—	—	—	—
c) Non-performing past-due	—	—	—	—	X	—	X	—
— of which: forborne exposures	—	—	—	—	X	—	X	—
d) Performing past-due	X	X	X	X	—	X	—	—
— of which: forborne exposures	X	X	X	X	—	X	—	—
e) Other performing exposures	X	X	X	X	20,350	X	—	20,350
— of which: forborne exposures	X	X	X	X	—	X	—	—
Total	3	—	—	—	20,350	3	—	20,350
Off-balance sheet exposure	—	—	—	—	—	—	—	—
a) Non-performing	—	—	—	—	X	—	X	—
b) Performing	X	X	X	X	3,974	X	—	3,974
Total	—	—	—	—	3,974	—	—	3,974
TOTAL 31 DECEMBER 2017	3	—	—	—	24,325	3	—	24,325

## Bank Group – On-balance sheet and off-balance sheet exposures to customers: Gross and net values

(€ million)

EXPOSURE TYPES/AMOUNTS	GROSS EXPOSURE				PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURES
	NON-PERFORMING ASSETS							
	PAST-DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR				
Balance sheet exposure								
a) Bad exposures	54	11	31	1,088	X	994	X	190
– of which: forborne exposures	12	6	13	132	X	121	X	43
b) Unlikely to pay	1,273	12	30	118	X	410	X	1,023
– of which: forborne exposures	493	4	14	41	X	212	X	341
c) Non-performing past-due	16	7	5	12	X	12	X	27
– of which: forborne exposures	2	–	–	–	X	–	X	1
d) Performing past-due	X	X	X	X	503	X	4	500
– of which: forborne exposures	X	X	X	X	5	X	–	4
e) Other performing exposures	X	X	X	X	73,348	X	412	72,936
– of which: forborne exposures	X	X	X	X	252	X	8	244
Total	1,342	29	66	1,218	73,851	1,415	416	74,675
Off-balance sheet exposure	–	–	–	–	–	–	–	–
a) Non-performing	272	–	–	–	X	136	X	136
b) Performing	X	X	X	X	21,972	X	7	21,965
Total	272	–	–	–	21,972	136	7	22,101
TOTAL 31 DECEMBER 2017	1,614	29	66	1,218	95,824	1,552	423	96,776

## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet credit exposure to customers: Gross change in impaired exposures

(€ million)

SOURCE/CATEGORIES	CHANGES IN 2017			TOTAL
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	
<b>Opening balance – gross exposure</b>	<b>1,404</b>	<b>1,516</b>	<b>30</b>	<b>2,950</b>
Sold but not derecognised	–	–	–	–
<b>Increases</b>	<b>193</b>	<b>502</b>	<b>35</b>	<b>730</b>
Transfers from performing loans	78	422	30	530
Transfers from other non-performing exposures	94	42	5	141
Other increases	22	38	–	60
<b>Reductions</b>	<b>414</b>	<b>586</b>	<b>25</b>	<b>1,025</b>
Transfers to performing loans	1	105	7	113
Derecognised items	144	80	–	224
Recoveries	111	127	1	239
Sales proceeds	–	9	–	9
Losses on disposals	–	–	–	–
Transfers to other non-performing exposures	38	97	5	140
Other reductions	121	167	12	300
<b>Closing balance – gross exposure</b>	<b>1,183</b>	<b>1,432</b>	<b>39</b>	<b>2,654</b>

## Bank Group – On-balance sheet credit exposure to customers: Change in impairment

(€ million)

SOURCE/CATEGORIES	CHANGES IN 2017			TOTAL
	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	
<b>Opening gross write-downs</b>	<b>1,206</b>	<b>516</b>	<b>10</b>	<b>1,732</b>
Sold but not derecognised	–	–	–	–
<b>Increases</b>	<b>177</b>	<b>178</b>	<b>7</b>	<b>362</b>
Write-downs	86	135	5	226
Losses on disposal	–	–	–	–
Transfers from other non-performing exposures	68	11	1	80
Other increases	22	32	1	55
<b>Reductions</b>	<b>389</b>	<b>285</b>	<b>4</b>	<b>678</b>
Write-backs from assessments	47	3	1	51
Write-backs from recoveries	111	125	1	237
Gains on disposal	–	–	–	–
Write-offs	144	80	–	224
Transfers to other non-performing exposures	10	69	1	80
Other reductions	77	8	1	86
<b>Final gross write-downs</b>	<b>994</b>	<b>410</b>	<b>12</b>	<b>1,416</b>

## E – Risk report (CONTINUED)

## Bank Group – On-balance sheet and off-balance sheet credit exposure to customers by customer group

(€ million)

COUNTERPARTS/EXPOSURES	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES		
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS
<b>Cash exposure</b>									
Bad exposures	–	–	X	1	1	X	33	23	X
– of which: forborne exposures	–	–	X	–	–	X	0	0	X
Unlikely to pay	158	4	X	11	2	X	14	11	X
– of which: forborne exposures	–	–	X	0	1	X	0	7	X
Non-performing past-due exposures	1	–	X	–	–	X	0	0	X
– of which: forborne exposures	–	–	X	–	–	X	–	–	X
Performing exposures	16,323	X	0	3,657	X	0	3,926	X	11
– of which: forborne exposures	–	X	–	–	X	–	–	X	–
<b>Total</b>	<b>16,482</b>	<b>4</b>	<b>0</b>	<b>3,669</b>	<b>2</b>	<b>0</b>	<b>3,973</b>	<b>33</b>	<b>11</b>
<b>Off-balance sheet exposures</b>									
Bad exposures	–	–	X	–	–	X	–	–	X
Unlikely to pay	1	–	X	–	–	X	0	1	X
Other non-performing exposures	–	–	X	–	–	X	–	–	X
Performing exposures	391	X	0	392	X	0	1,010	X	0
<b>Total</b>	<b>392</b>	<b>–</b>	<b>0</b>	<b>392</b>	<b>–</b>	<b>0</b>	<b>1,010</b>	<b>1</b>	<b>0</b>
<b>TOTAL 31 DEC. 2017</b>	<b>16,874</b>	<b>4</b>	<b>1</b>	<b>4,061</b>	<b>2</b>	<b>0</b>	<b>4,983</b>	<b>34</b>	<b>12</b>

## E – Risk report (CONTINUED)

(€ million)

INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES			TOTAL		
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
–	–	X	153	957	X	3	14	X	190	994	–
–	–	X	42	116	X	0	5	X	43	121	–
–	–	X	836	385	X	4	8	X	1,023	410	–
–	–	X	336	203	X	4	1	X	341	212	–
–	–	X	23	6	X	3	6	X	27	12	–
–	–	X	1	0	X	0	0	X	1	0	–
38	X	0	48,618	X	401	874	X	2	73,436	–	416
–	X	–	239	X	8	9	X	0	248	–	8
<b>38</b>	<b>–</b>	<b>0</b>	<b>49,629</b>	<b>1,348</b>	<b>401</b>	<b>884</b>	<b>28</b>	<b>2</b>	<b>74,675</b>	<b>1,415</b>	<b>416</b>
–	–	X	12	13	X	0	–	X	12	13	–
–	–	X	123	122	X	–	0	X	123	123	–
–	–	X	1	1	X	0	0	X	1	1	–
9	X	–	20,144	X	7	20	X	0	21,965	–	7
<b>9</b>	<b>–</b>	<b>–</b>	<b>20,279</b>	<b>135</b>	<b>7</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>22,101</b>	<b>136</b>	<b>7</b>
<b>47</b>	<b>–</b>	<b>0</b>	<b>69,908</b>	<b>1,483</b>	<b>408</b>	<b>904</b>	<b>28</b>	<b>2</b>	<b>96,776</b>	<b>1,552</b>	<b>423</b>

## E – Risk report (CONTINUED)

### Development of non-performing loan volumes and credit risk costs<sup>\*)</sup>

With the credit growth mainly generated in corporate & investment banking, Bank Austria's loan volume increased year-on-year by €2.4 billion and reached €64.1 billion by the end of 2018 (before deduction of the risk provision of €1.5 billion). Despite these increases, the non-performing portfolio was reduced further. As a result of the decrease by €0.5 billion to €2.1 billion, in 2018 the pro rata share of non-performing loans in the entire portfolio reduced considerably from 4.2 % to 3.3 %.

At the end of 2018, impairments covered approximately 54.5 % of the default volume, whereby the coverage ratio reported in the previous year (53.6 %) improved. With a net surplus of €66.4 million, a positive credit risk result could be achieved in 2018 (2017: net expense -€9.4 million). This surplus was made possible through the release of provisions in the area of default loans and, to a greater extent (approximately €85 million), through a result from the performing loans area. The noticeable increase in the impact of the performing portfolio on the amount and volatility of risk costs is a consequence of the newly implemented IFRS 9 standard.

In terms of segments, with €48.2 million, a significant part of this net surplus with private customers including private banking was achieved in 2018. Approximately €48.8 million of this surplus originated from the performing area. The cause of this risk reduction was in particular decreases in volume (see also point E. 6 Currency risk, CHF risk) and the PD improvement in CHF loans assigned to Level 2. In 2017, the surplus achieved €24.3 million with private customers.

Corporate and investment banking provided a further significant contribution of €41.6 million (2017 expense: €26.0 million). The release/reduction of provisions for individual large customers in the non-performing area were particularly crucial here. The lesser part of the surplus (€14.4 million) was a result of various risk-minimising effects in the performing loans of this segment.

A surplus of €16.4 million is assigned to the corporate centre for 2018. The performing portfolio and decreases in volume of Level 2 loans of this segment played a significant part of this (€14.9 million). In comparison, a surplus of €19.5 million was achieved in the previous year.

The net expense in the corporate client area amounted to €39.8 million in 2018 and was driven by the default of individual larger commitments (2017: net expense €27.2 million).

### Realisation of mortgage collateral

Mortgages are the main type of collateral accepted by UniCredit Bank Austria AG for real estate finance. If the mortgage needs to be realised, Bank Austria will first try to sell the property in the market by mutual agreement with the customer and to use the proceeds for loan repayment. Where this is not possible, the property will be sold in accordance with the rules of the Austrian Enforcement Code or the Austrian Bankruptcy Code. As there are orderly market conditions in Austria, mortgaged real estate is normally not acquired by Bank Austria (debt asset swap).

### Stress tests

Credit risk stress tests are an essential component of Pillar 1 and Pillar 2 stress tests (which analyse the impact on regulatory capital and economic capital) and are therefore presented at meetings of the same risk committee (RICO).

The main dimensions of stress analysis include the following:

- increase of non-performing loans and associated losses
- increase of losses in already non-performing loans (LGD change)
- impact on expected loss on performing exposures (IFRS 9)
- impact on Pillar 1 RWAs and shortfall
- impact on economic capital

The calculations are based on dependency models developed by the Bank itself, which are used to analyse the impact of macroeconomic changes (e.g. gross domestic product, interest rate levels, unemployment, inflation, exchange rates) on the loan portfolio. The UniCredit Group model has been used from 2018 onwards. Until then, the locally developed macrofactor dependency models were used. Results are reported in detail for relevant sub-portfolios, in particular the CHF portfolio in the retail segment.

The stress scenarios used are at least the relevant ICAAP scenarios (typically, a base scenario and 3 different stress scenarios for a reference date) complemented, on an ad-hoc basis, by additional scenarios.

<sup>\*)</sup> For the purposes of segment reporting, the 2017 comparison figures were adjusted in order to reflect the scope of consolidation and the segment structure of segment reporting for 2018.

## E – Risk report (CONTINUED)

### Strategic Funding, Transactions & Pricing

The Strategic Funding, Transactions & Pricing department completes the following tasks relevant to credit risk:

First, preparing and monitoring the risk-adequate pricing of loans. To ensure uniform pricing within UniCredit Group, the risk-adjusted spread is determined on the basis of multi-year probabilities of default (depending on the term of the loan), added as a price component and monitored on an ongoing basis. Such pricing rationale follows the approach defined in the Group Risk Adjusted Pricing Discipline, which was approved as a Policy in UniCredit Bank Austria AG in July 2014.

The department is also responsible for Bank Austria as a whole for transactions to reduce credit risk and increase liquidity. The instruments available for these purposes include securitisations, CLNs and CDSs.

The Credit Treasury Committee, which holds quarterly meetings, is responsible for strategic coordination and decisions on measures and transactions.

### Securitisation transactions

#### Qualitative information

Bank Austria's main objectives in its securitisation transactions (whether traditional or synthetic) are the optimisation of the loan portfolio by freeing up regulatory and economic capital and obtaining fresh liquidity together with greater diversification of its sources of funding.

In 2015, a synthetic securitisation ("AMADEUS 2015") was implemented in UniCredit Bank Austria AG for RWA relief and risk transfer purposes. It covers an existing portfolio of loans and guarantees granted to corporate clients. In December 2016 the transaction was amended in order to allow the Bank to add loans to the pool of securitised loans.

Furthermore, UniCredit Leasing (Austria) GmbH originated a traditional securitisation for funding purposes with auto and equipment receivables ("SUCCESS 2015").

Details of the transactions are set out in the following tables.

Investments in other parties' securitisations, i.e. structured credit products/ABSs, were ring-fenced in a separate portfolio managed with a view to maximising future cash flows.

Given the asset quality of the underlyings, the best business strategy was considered to be retention of the senior Amadeus tranche in the Bank's books.

In line with the above management principles, risk monitoring and maximising profit on securitisation transactions is achieved by:

- analysing the monthly or quarterly investor reports produced by the Trustee, paying special attention to the performance of the collateral;
- monitoring similar transactions' collateral performance and issues of similar paper;
- watching the market fundamentals of the underlying credit and
- contact with the collateral manager's representatives should more information be needed.

Furthermore, each portfolio is assigned a market VaR limit by Risk Management. This is monitored bearing in mind the correlations. The Group has spread curves for each rating and product (asset-backed securities, mortgage-backed securities, etc.) and uses them to calculate risk, in the same way as other instruments in its portfolio. The method used is in line with other sources of market risk, and enables us to estimate the possible effects of diversification and to aggregate the VaR with other sections of the portfolio.

## E – Risk report (CONTINUED)

## Originator: UniCredit Bank Austria AG

NAME		AMADEUS 2015
Type of securitisation:		Synthetic
Originator:		UniCredit Bank Austria AG
Issuer:		–
Servicer:		UniCredit Bank Austria AG
Arranger:		UniCredit Bank AG
Target transaction:		Risk Transfer and RWA relief
Type of asset:		Loans and Guarantees granted to SMEs
Quality of asset:		Performing
Closing date:		21 December 2015
Nominal value of disposal portfolio:	1,964,785,123 € (of which securitised 1,866,545,867 €, corresponding to 95% of the portfolio)	
Net amount of preexisting writedown/writebacks :		–
Disposal Profit & Loss realized :		–
Guarantees issued by the Bank:		–
Guarantees issued by Third Parties:		–
Bank lines of credit:		–
Third Parties lines of credit:		–
Other credit enhancements:		–
Other relevant information:		–
Rating agencies:		–
Amount of CDS or other supersenior risk transferred:		(*)
Amount and Conditions of tranching:		–
ISIN	n. m.	n. m.
Type of security	Senior	Mezzanine
Class	A	B
Rating	not rated	not rated
Quotation	–	–
Issue date	21 December 2015	21 December 2015
Legal maturity	30 November 2028	30 November 2028
Call option	10 % Clean Up Call	10 % Clean Up Call
Expected duration	–	–
Rate	–	–
Subordinated level	–	Sub A
Reference Position	1,731,221,292 €	41,997,282 €
Reference Position at the end of accounting period	414,950,988 €	41,997,282 €
Security subscribers	UniCredit Bank Austria AG	abgesichert durch Sicherungsgeber
ISIN	n. m.	
Type of security	Junior	
Class	C	
Rating	–	
Quotation	–	
Issue date	21 December 2015	
Legal maturity	30 November 2028	
Call option	10 % Clean Up Call	
Expected duration	–	
Rate	–	
Subordinated level	Sub A and B	
Reference Position	93,327,293 €	
Reference Position at the end of accounting period	80,114,883 €	
Security subscribers	hedged by protection seller	

\*) Synthetic securitisations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach – SFA") as required by Art. 262 of Regulation (EU) no. 575/2013 (Capital Requirements Regulation – CRR), and earlier by circular 263/2006 of the Bank of Italy.

In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art. 259 (1)(b)) requires that the calculation of capital requirements for the various tranches of the securitisation shall be performed using the Supervisory formula, in accordance with Art. 262, taking care to provide the following five elements:

1. the capital requirement on the securitised assets calculated using the IRB approach (klRB);
2. the level of credit support of the concerned tranche;
3. the thickness of the tranche;
4. the number of securitised assets;
5. the average LGD.

Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitisation tranche related to its seniority, granularity, support level and risk of the basic value.

## E – Risk report (CONTINUED)

## Originator: UniCredit Leasing (Austria) GmbH

NAME	SUCCESS 2015	
Type of securitisation:	Traditional	
Originator:	UniCredit Leasing (Austria) GmbH	
Issuer:	Success 2015 B. V.	
Servicer:	UniCredit Leasing (Austria) GmbH	
Arranger:	UniCredit Bank AG	
Target transaction:	Funding	
Type of asset:	Leasing Assets (Vehicle and Equipment)	
Quality of asset:	Performing Loans	
Closing date:	9 November 2015	
Nominal value of disposal portfolio:	325,300,000 €	
Net amount of preexisting writedown/writebacks :	–	
Disposal Profit & Loss realized :	–	
Portfolio disposal price:	325,300,000 €	
Guarantees issued by the Bank:	–	
Guarantees issued by Third Parties:	–	
Bank lines of credit:	–	
Third Parties lines of credit:	–	
Other credit enhancements:	Subordinated Loan 4,618,000 €	
Other relevant information:		
Rating agencies:	Fitch & DBRS	
Amount of CDS or other supersenior risk transferred:	–	
Amount and Conditions of tranching:		
ISIN	XS1317727698	XS1317727938
Type of security	Senior	Junior
Class	A	B
Rating	AAA	–
Quotation	listed Luxembourg Stock Exchange	not listed
Issue date	9 November 2015	9 November 2015
Legal maturity	31 October 2029	31 October 2029
Call option	10 % clean up call	
Expected duration	6 Years	6 Years
Rate	3M Euribor + 0.47 %	3M Euribor + 2 %
Subordinated level	–	sub A
Reference Position	230,900,000 €	94,400,000 €
Reference Position at the end of accounting period	230,109,754 €	94,400,000 €
Security subscribers	European Investment Bank	UniCredit Leasing (Austria) GmbH



## E – Risk report (CONTINUED)

### E.3 – Liquidity risks

#### Qualitative information

Basel 3 sets a liquidity standard under stressed conditions in the short-term maturity range (Liquidity Coverage Ratio – LCR). Under this standard, net outflows of liquidity have been required to be covered by high-quality liquid assets to the extent of 100 % since 2018. The phase-in arrangements introduced in 2015 required the LCR to reach 70 % in 2016 and 80 % in 2017. In addition to the named regulatory requirements, Bank Austria AG defines its internal risk appetite as broadly more conservative; the liquidity coverage ratio therefore had to exceed at least 110 % (trigger) in 2018. In the medium-term and long-term range, compliance with the Net Stable Funding Ratio (NSFR 100 %) is expected to be mandatory from 2020, requiring full funding of the assets side. On the basis of new deposit products and the optimised structure of assets and liabilities of Bank Austria, and of the Bank's holdings of high-quality liquid assets (cash and government bonds), the ratios required by law are exceeded. The regulatory liquidity coverage ratio as at 31 December 2018 is approximately 132.6 % (2017: 165.6 %) for UniCredit Bank Austria AG. The liquidity coverage ratio based on the internal liquidity risk systems for Bank Austria was approximately 148 % as at 31 December 2018 (2017: 177 %).

The liquidity requirements have been integrated in the planning and risk monitoring process to ensure compliance with the liquidity ratios at all times. Both ratios have been defined as key indicators in the Risk Appetite.

#### General information, processes and management model

In line with Group standards, Bank Austria deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and long-term liquidity requirements. In this context the liquidity situation for the next few days and months and also for longer periods is analysed against a standard scenario and stress scenarios. Methods and procedures of liquidity analysis, analyses of the degree of liquidity of customer positions, management responsibilities and reporting lines in this area have been laid down in the Liquidity Policy, which includes a contingency plan in the event of a liquidity crisis.

Liquidity management in Bank Austria is an integral part of UniCredit Group liquidity management. In line with the Group-wide distribution of tasks, UniCredit Bank Austria AG as liquidity reference bank (LRB) ensures the consolidation of liquidity flows and the funding for Austrian subsidiaries. The flow of funds is thereby optimised and external funding is reduced to the necessary extent.

Bank Austria and its individual institutions showed a comfortable liquidity position throughout 2018. At the end of 2017, retained excess liquidity could be further optimised in the 2018 financial year due to the considerable increase in customer financing and the repayment of matured refinancing and could be reduced to a sustainable level.

## E – Risk report (CONTINUED)

### Liquidity management methods and control

In medium-term and long-term liquidity management, assets with a residual term of over 1/3/5 years must be covered by liabilities to a minimum extent of 105 % (trigger). This threshold must be observed at individual bank level. In addition, absolute limits for material currencies – which for Bank Austria is the US dollar and the other currencies summarised in a group – are defined; cross-currency refinancings are therefore only possible within the specified limits. At the end of 2018, UniCredit Bank Austria AG had the following long-term liquidity ratios: 113.5 % for the >1-year segment (2017: 116 %), 117 % in the >3-year segment (2017: 126 %) and 145 % in the >5-year segment (2017: 141 %).

For the purpose of short-term liquidity management, volume limits have been implemented in Bank Austria at Group level and at individual bank level for maturities up to nine months, which limit all Treasury transactions and the securities portfolio of the respective bank. Liquidity fluctuations resulting from customers' investment decisions have also been taken into account via a liquidity buffer. Volume limits are also established for open maturities in various currencies to keep down the risk of a need for follow-up funding in the event that foreign currency markets dry up.

These limits were essentially observed at all levels. If a limit is exceeded, this will trigger the defined escalation process and a report will be presented to the relevant risk committee.

### Liquidity stress test

UniCredit Bank Austria AG performs liquidity stress tests for Bank Austria and for individual banks on a regular basis, using a standardised Group-wide instrument and standardised Group-wide scenarios. These scenarios describe the effects of market-driven or name-driven crisis signals on liquidity inflows and outflows, with assumptions also being made about the behaviour of non-banks.

The liquidity outflows expected to occur in stress situations are compared with available liquidity reserves (essentially, securities – government bonds – and credit instruments eligible as collateral at the central bank) to examine the banks' risk-taking capacity in the maturity range of up to one year. Due to a considerable increase in customer financing and the repayment of matured refinancing, the liquidity reserve fell to €15.4 billion in 2018.

The following table shows the composition of Bank Austria's liquidity reserve:

	(€ million)	
COMPOSITION OF LIQUIDITY RESERVE <sup>1)</sup>	31 DEC. 2018	31 DEC. 2017
Cash and balances with central banks	4,760	8,039
Level 1 assets	9,960	12,513
Level 2 assets	590	67
Other assets eligible as collateral for central bank borrowings	92	603
<b>Liquidity reserve</b>	<b>15,402</b>	<b>21,222</b>

1) The liquidity reserve only includes freely available assets; the minimum reserve requirement is not included.

A simulated name and market crisis with assumptions regarding the roll-over of customer deposits and loans, an increased drawing of credit lines, obligations to make supplementary payments from the derivative business and the ratings being downgraded currently results in a "survival period". A liquidity perspective of more than nine months; the prescribed minimum of this time-to-wall period is defined as one month.

## E – Risk report (CONTINUED)

## Quantitative information

## Bank Group: Breakdown by residual contractual maturity of financial assets and liabilities 2018

(€ million)

	31 DEC. 2018									
	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	INDEFINITE MATURITY
<b>On-balance sheet assets</b>	<b>14,586</b>	<b>1,508</b>	<b>1,092</b>	<b>3,201</b>	<b>8,554</b>	<b>4,300</b>	<b>2,295</b>	<b>25,938</b>	<b>39,305</b>	<b>915</b>
Government securities	2	–	–	101	715	781	409	7,416	2,705	–
Other debt securities	51	1	–	–	533	310	19	696	1,274	14
Units in investment funds	1	–	–	–	–	–	–	–	–	74
Loans	14,533	1,506	1,092	3,100	7,306	3,209	1,868	17,826	35,326	827
<i>Banks</i>	<i>7,686</i>	<i>190</i>	<i>178</i>	<i>1,180</i>	<i>6,155</i>	<i>2,307</i>	<i>254</i>	<i>858</i>	<i>756</i>	<i>394</i>
<i>Customers</i>	<i>6,846</i>	<i>1,316</i>	<i>913</i>	<i>1,920</i>	<i>1,151</i>	<i>902</i>	<i>1,614</i>	<i>16,968</i>	<i>34,570</i>	<i>433</i>
<b>On-balance sheet liabilities</b>	<b>58,814</b>	<b>763</b>	<b>542</b>	<b>1,048</b>	<b>2,544</b>	<b>3,270</b>	<b>2,680</b>	<b>13,338</b>	<b>8,439</b>	<b>551</b>
Deposits and current accounts	58,461	702	497	1,048	2,407	1,950	1,723	7,012	4,511	403
<i>Banks</i>	<i>9,210</i>	<i>627</i>	<i>112</i>	<i>687</i>	<i>98</i>	<i>625</i>	<i>318</i>	<i>6,060</i>	<i>3,767</i>	<i>9</i>
<i>Customers</i>	<i>49,251</i>	<i>75</i>	<i>385</i>	<i>360</i>	<i>2,309</i>	<i>1,325</i>	<i>1,405</i>	<i>952</i>	<i>743</i>	<i>394</i>
Debt securities	–	62	45	–	137	1,320	957	6,049	3,928	148
Other liabilities	353	–	–	–	–	–	–	276	–	–
<b>Off-balance sheet transactions</b>	<b>3,495</b>	<b>354</b>	<b>1</b>	<b>423</b>	<b>111</b>	<b>67</b>	<b>240</b>	<b>2,194</b>	<b>5,938</b>	<b>25</b>
Financial derivatives with capital swap	–	–	–	–	–	–	–	–	–	–
Long positions	489	691	14	687	17	26	33	35	9	–
Short positions	489	691	14	687	17	26	33	35	9	–
Financial derivatives without capital swap	–	–	–	–	–	–	–	–	–	–
Long positions	50	640	263	1,184	963	732	121	1,137	3,221	–
Short positions	50	640	263	1,184	963	732	121	1,137	3,221	–
Deposits and loans to be received	–	–	–	–	–	–	–	–	–	–
Long positions	–	–	–	–	–	–	–	–	–	–
Short positions	–	–	–	–	–	–	–	–	–	–
Commitments to disburse funds	273	–	–	–	8	1	17	12	–	25
Long positions	17,089	3	18	341	422	268	872	6,652	2,748	25
Short positions	16,817	3	18	341	414	267	854	6,640	2,748	–
Financial guarantees given	97	354	–	264	22	35	74	594	706	–
Financial guarantees received	3,125	–	1	160	81	31	149	1,588	5,231	–
Credit derivatives with capital swap	–	–	–	–	–	–	–	–	–	–
Long positions	–	–	–	–	–	–	–	–	–	–
Short positions	–	–	–	–	–	–	–	–	–	–
Credit derivatives without capital swap	–	–	–	–	–	–	–	–	–	–
Long positions	–	–	–	–	–	37	–	9	60	–
Short positions	–	–	–	–	–	37	–	9	60	–

## E – Risk report (CONTINUED)

## Bank Group: Breakdown by residual contractual maturity of financial assets and liabilities 2017

(€ million)

	31 DEC. 2017								
	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>Assets</b>	<b>9,793</b>	<b>1,567</b>	<b>1,266</b>	<b>3,704</b>	<b>12,088</b>	<b>2,036</b>	<b>2,922</b>	<b>25,088</b>	<b>36,542</b>
Government securities	–	–	633	–	155	492	620	9,014	2,080
Other debt securities	–	–	–	751	4	5	96	582	1,633
Units in investment funds	1	–	–	–	–	–	–	–	–
Loans	9,792	1,567	633	2,953	11,929	1,539	2,207	15,492	32,829
<i>Banks</i>	<i>1,478</i>	<i>1,453</i>	<i>4</i>	<i>1,112</i>	<i>10,484</i>	<i>682</i>	<i>375</i>	<i>2,516</i>	<i>822</i>
<i>Customers</i>	<i>8,314</i>	<i>114</i>	<i>629</i>	<i>1,841</i>	<i>1,444</i>	<i>857</i>	<i>1,832</i>	<i>12,976</i>	<i>32,007</i>
<b>Liabilities</b>	<b>47,201</b>	<b>727</b>	<b>111</b>	<b>1,514</b>	<b>6,514</b>	<b>2,394</b>	<b>3,143</b>	<b>15,724</b>	<b>8,300</b>
Deposits and current accounts	43,084	528	111	1,018	1,669	1,954	2,049	1,668	541
<i>Banks</i>	<i>1,172</i>	<i>316</i>	<i>10</i>	<i>215</i>	<i>318</i>	<i>45</i>	<i>386</i>	<i>825</i>	<i>342</i>
<i>Customers</i>	<i>41,912</i>	<i>212</i>	<i>100</i>	<i>803</i>	<i>1,351</i>	<i>1,909</i>	<i>1,664</i>	<i>843</i>	<i>199</i>
Debt securities	2	94	–	372	489	403	982	8,313	4,227
Other liabilities	4,115	105	1	124	4,356	38	112	5,743	3,531
<b>Off-balance sheet transactions</b>	<b>1,087</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>97</b>	<b>167</b>	<b>242</b>	<b>411</b>	<b>11,729</b>
Physically settled fin. derivatives									
Long positions	1,119	2,367	133	254	71	247	176	68	–
Short positions	1,119	2,367	133	254	71	247	176	68	–
Cash settled Fin. derivatives									
Long positions	1,359	346	146	2,000	2,756	379	403	2,552	6,315
Short positions	1,359	346	146	2,000	2,756	379	403	2,552	6,315
Deposit to be received									
Long positions	–	–	–	–	–	–	–	–	–
Short positions	–	–	–	–	–	–	–	–	–
Irrevocable commitments to disburse funds									
Long positions	156	200	10	478	515	185	702	7,801	3,084
Short positions	156	200	10	478	515	185	702	7,801	3,084
Written guarantees	252	–	–	–	45	142	163	241	978
Financial guarantees received	835	–	–	10	52	25	78	170	10,752
Physically settled credit derivatives									
Long positions	–	–	–	–	–	–	–	–	–
Short positions	–	–	–	–	–	–	–	–	–
Cash settled Credit derivatives									
Long positions	–	–	–	–	–	–	264	45	60
Short positions	–	–	–	–	–	–	264	45	60

The breakdown by maturity reflects items of companies within the group of banks which are subject to regulatory supervision. This distribution is made on the basis of the period between the balance sheet date and the first following yield review date. For fixed-rate transactions the residual life is the period from the balance sheet date to final maturity. On-balance sheet items are disclosed at their carrying value. Derivatives are recorded according to the double-entry method: Derivatives with underlying securities are recorded at their measurement value and derivatives without underlyings are recorded at their nominal amounts. Options are shown with their Delta equivalent.

## E – Risk report (CONTINUED)

### Funding

Following the demerger of its subsidiaries in Central and Eastern Europe in 2016, Bank Austria focuses on various liquidity requirements stemming from Basel 3 (e.g. Liquidity Coverage Ratio), which are already taken into account in planning and liquidity management; this is reflected in initiatives taken in the Austrian market to reshape commercial funding, rebalancing its weight towards more stable longer-term funding sources. Funding provided to commercial business units in the Group takes into account relevant costs like own liquidity cost, country risk premiums and insurance cost.

In the 2018 financial year, Bank Austria further optimised the funding structure. The capital market did not play any significant role in refinancing in the past year, as in 2017.

### E.4 – Market risk

Market risk management at Bank Austria encompasses all activities in connection with our Markets and Corporate Treasury Sales operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including MACO) designated by the Management Board. At Bank Austria, market risk management includes ongoing reporting of the risk position, limit utilisation of all positions associated with market risk. Most of the positions held in Bank Austria are attributable to the banking book. Bank Austria uses uniform Group-wide risk management procedures for all market risk positions. These procedures provide aggregate data and make available the major risk parameters for the various risk takers once a day. Besides Value at Risk<sup>1</sup> (VaR), other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are the loss-warning level (applied to accumulated results for a specific period), the stressed VaR (SVaR) limit (determined for the trading book with a separate observation period), incremental risk charge (IRC<sup>2</sup>) limits, the stress test warning limit (limiting losses when a pre-defined stress event is applied) and granular market risk limits<sup>3</sup> (GML).

As mentioned above, Bank Austria uses a standard measurement procedure which is also applied in UniCredit Group. The model, approved by supervisory authorities, is used for internal risk management and for determining regulatory capital requirements for market risk. Bank Austria is embedded in the market risk governance framework of UniCredit Group and leverages on the Group-wide risk management platform UGRM. The Group-wide Front-to-Back Office platform “Murex” and UGRM form an integrated risk system.

The internal model (IMOD) is based on historical simulation with a 500-day market-data time window for scenario generation. It is applied by Market & Liquidity Risk within Bank Austria and is being further developed in cooperation with UniCredit. Further development includes reviewing the model as part of back-testing procedures, integrating new products, implementing requirements specified by the Management Board and the Market Risk Committee, and executing the Model Maintenance Report on a quarterly basis.

Since 2016, the model has supported the modelling of negative interest rates both for the internal risk management and the determination of regulatory equity requirements for the market risk. This further development does not only cover the euro, but also other currencies whose effect on Bank Austria is however to be classified as low. An important feature of the VaR model is that a historic simulation is used. Accordingly, only fluctuations of the risk factors that were observed in the past are reflected in this simulation.

1) Value-at-Risk (VaR) is calculated daily with a 99% quantile based on 500 PnL strips (i.e. PnL of the last 500 business days) and is scaled to a ten-day horizon to calculate the regulatory RWAs. /2) IRC (incremental risk charge) forms the migration and default risks for a defined period and confidence interval (one year, 99.9%). The scope of application includes CDSs and bond positions in the trading book. /3) E.g. BPV or CPV limits, which describe the sensitivity to changes in interest rates or credit spreads.

## E – Risk report (CONTINUED)

### Risk governance

A new product process (NPP) has been established for the introduction of new products in the market and liquidity risk department in which risk managers play a decisive role in approving products. The risk model covers all major risk categories: interest rate risk and equity risk (both general and specific), credit spread risk, currency risk and commodity position risk. The IMOD is subject to an annual review by Group Internal Validation (GIV) and internal audit. The structure of the risk report presented at MACO's meetings, which are held every two weeks, covers (stress) sensitivities in addition to VaR, and utilisation levels in the areas of IRC and SVaR (both for the regulatory trading books). Regular and specific stress tests complement the information provided to MACO and the Management Board.

### Stress tests

Bank Austria executes a comprehensive stress test programme for market risk. The results are reviewed and reported in the MACO at least quarterly or on an ad-hoc basis given unfavourable market developments. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Bank's results. The assumed fluctuations are dependent on currency, region, liquidity and credit rating, and are set in the Open Market Risk Forum (OMRF) with the relevant experts from other bank areas (such as research, trade and market risk UniCredit). Bank Austria takes part in the UniCredit Group-wide Open Market Risk Forum (OMRF), which is the platform for CRO units to discuss stress test results and agree on further common Group-wide scenario definitions. The ICAAP scenarios are updated at least annually and are used for stress test analyses, stress test limit monitoring and the regulatory stress report throughout UniCredit Group.

### Fair value measurement

The principles established in IFRS 13 to determine fair value have been implemented. In this context the presentation of results also reflects CVAs/ DVAs (Credit/Debit Valuation Adjustments) and FundVA (Funding Valuation Adjustment) for OTC derivatives. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The daily P/L explanation is the organisational responsibility of the Planning & Finance department and is supported by the Intranet application "ERCONIS"; results are available to Bank Austria's trading and risk management units broken down by portfolio, income statement item and currency.

### Prudent valuation

The regulatory approach to prudent valuation in the trading book is implemented primarily by Market Risk and further developed on an ongoing basis through cooperation within UniCredit Group. A Group-wide Independent Price Verification (IPV) process ensures the independence and reliability of valuation and risk measurement. The front-end system "Murex" is supplied with the "golden copy" market data of UniCredit Group for daily valuation purposes. The Group-wide "golden copy" is drawn up by competence centres which are structured by asset class and independent of trading operations. Moreover, UniCredit Bank Austria AG takes part in meetings of the asset-class committees, which address and resolve valuation and market-data issues. The regulatory principle of prudence is met by determining all relevant Additional Valuation Adjustments (AVA).

### Market risk

By year-end 2018, the total VaR for the trading book and the banking book of Bank Austria was about €23.6 million (year-end 2017: €72.1 million). The SVaR for the regulatory trading book was €1.3 million at the end of 2018 (year-end 2017: €2.2 million). The VaR for the trading book amounted to €0.4 million at the end of 2016 (year-end 2017: €0.3 million). Credit spread risk and interest rate risk account for most of the total risk in the trading and banking books of Bank Austria. Other risk categories are less significant by comparison.

## E – Risk report (CONTINUED)

As of 31 December 2018, the entire interest rate position for Bank Austria's trading book and banking book for major currencies was composed as follows:

**Basis point values (BPVs) of Bank Austria, 2018**

(in €) Granular Market Limits Warning Level

		AS AT 31 DECEMBER 2018						ANNUAL AVERAGE 2018, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE *)
Europe	EUR	3,210	133,074	43,857	-652,146	-883,046	-1,355,052	467,406	-1,670,665	884,061
	CHF	93,017	-419	-90,782	-523,436	-578,716	-1,100,336	-724,633	-1,100,336	898,799
	GBP	-287	713	-4,789	51	-0	-4,312	-642	-7,174	3,962
New EU countries	BGN	-524	1,010	-148	-443	-	-106	3,991	-1,097	1,598
	HUF	-235	-211	-73	-897	-10	-1,427	-1,056	-6,686	1,964
	PLN	-5,107	-1,508	4,389	28	-	-2,197	1,317	-13,937	2,313
	RON	600	-201	-12,683	-277	-	-12,561	3,606	-12,561	2,852
Central and Eastern	RUB	-148	-20	-6	-	-	-174	-138	-5,487	1,798
Europe incl. Turkey	TRY	-43	120	1,076	488	-	1,641	4,493	1,362	2,436
Overseas – highly developed countries	USD	-15,293	20,365	-16,404	22,865	-12,959	-1,427	124,929	-6,241	40,855
	JPY	2,590	-5,754	9,259	-20,671	-27,341	-41,916	-3,471	-42,901	25,783
Other countries	CNH	14	1,167	265	-	-	1,446	3,321	1,446	2,233
	BPV<500	-2,752	2,189	4,599	399	0	4,435	8,585	-1,671	3,531
<b>TOTAL</b>		<b>75,041</b>	<b>150,524</b>	<b>-61,440</b>	<b>-1,174,038</b>	<b>-1,502,072</b>	<b>-2,511,985</b>	<b>-327,713</b>	<b>-2,697,298</b>	<b>1,691,660</b>

\*) Monthly average

**Basis point values (BPVs) of Bank Austria, 2017**

(in €) Granular Market Limits Warning Level

		AS AT 31 DECEMBER 2017						ANNUAL AVERAGE 2017, MINIMUM/MAXIMUM		
		0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	3 TO 10 YEARS	OVER 10 YEARS	TOTAL	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE *)
Europe	EUR	-8,677	220,229	199,091	77,839	-1,083,505	-595,023	-130,255	-2,187,736	1,139,823
	CHF	100,848	3,794	-24,434	-360,821	-859,730	-1,140,342	77,000	-1,429,896	649,780
	GBP	-1,256	-3,053	3,309	-272	-0	-1,272	548	-5,429	1,260
New EU countries	BGN	385	2,081	146	1,351	-	3,963	3,963	-933	1,714
	HUF	-139	-1	-151	-623	-12	-925	-594	-1,253	965
	PLN	-968	-7,765	-332	139	-	-8,925	-7,518	-18,792	11,253
	RON	-342	4,132	-30	-	-	3,760	4,685	-1,467	1,731
Central and Eastern	RUB	699	-4,576	-1,787	-	-	-5,664	-3,913	-6,644	5,228
Europe incl. Turkey	TRY	94	1,923	342	2,551	-	4,910	6,008	-411	2,372
Overseas – highly developed countries	USD	-14,129	27,429	-24,110	16,777	3,513	9,479	26,165	-10,977	9,345
	JPY	4,289	-1,454	-1,885	-1,220	-3,191	-3,462	5,166	-7,694	4,293
Other countries	CNH	221	985	2,432	-	-	3,638	6,682	3,638	5,179
	BPV<500	-1,023	1,658	-1,629	214	2	-778	4,442	-7,993	3,731
<b>TOTAL</b>		<b>80,002</b>	<b>245,382</b>	<b>150,962</b>	<b>-264,066</b>	<b>-1,942,923</b>	<b>-1,730,642</b>	<b>-1,335,189</b>	<b>-2,146,193</b>	<b>1,738,587</b>

\*) Monthly average

By analogy to the detailed presentation of basis point positions in the interest rate area, daily reporting presents details of credit spread by sector and maturity band.

## E – Risk report (CONTINUED)

## Credit spread basis-point values (CPVs) of Bank Austria in 2018

(in €)

CPVS IN €	SECTOR	29 DEC. 2017	31 DEC. 2018	MAXIMUM	MINIMUM	AVERAGE
Main sectors	ABSs	–93,698	–70,589	–70,589	–86,408	–78,899
	Financial	–180,539	–340,017	–209,734	–345,158	–280,128
Corporates	Industrial	–25,792	–24,814	–24,526	–25,404	–24,799
	Consumer non cyclical	–7,200	–3,936	–3,900	–7,438	–5,658
	Other	–8,310	–3,853	33,409	–5,148	11,335
Government	Europe	–4,092,876	–3,165,374	–3,165,374	–4,080,232	–3,689,113
	Other	–204,648	–650,765	–495,256	–763,522	–646,320
<b>TOTAL 2018</b>		<b>–4,613,063</b>	<b>–4,259,348</b>	<b>–4,259,348</b>	<b>–4,998,530</b>	<b>–4,713,582</b>

Measured by the total basis-point value, Bank Austria's credit spread position in 2018 was on average –€4.7 million.

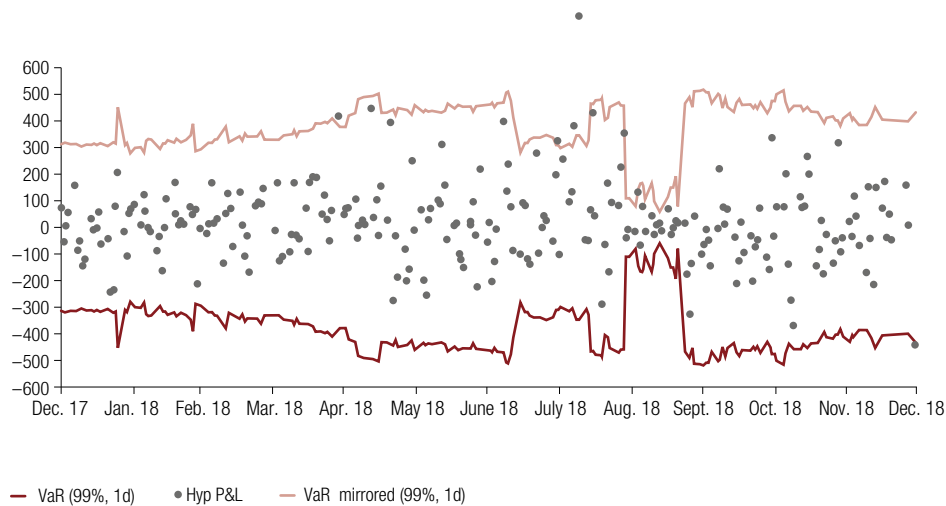
Overall, Treasury-near instruments continue to account for the largest part of the credit spread positions. The financials and corporates exposure is very low by comparison. The positions of asset-backed securities (ABSs) and mortgage-backed securities (MBSs) were further reduced in 2018, primarily through redemptions.

## Backtesting

Bank Austria performs daily backtesting of both the hypothetical and actual (i.e. economic P/L excluding fees, commissions, and net interest income) changes in the portfolio's value in accordance with Art. 366 of the CRR. As at 31 December 2018, the number of backtesting overshootings (negative change in value larger than model result) for Bank Austria in both P/L dimensions was lower than 5, thus the addend for the VaR multiplier for the number of overshootings is zero.

The chart below shows the hypothetical P/L backtesting time series for Bank Austria's regulatory trading book; the hypothetical P/L is based on hypothetical changes in the portfolio value assuming unchanged positions.

## Backtesting time series for the regulatory trading book of Bank Austria, 2018 (€ thousand)





## E – Risk report (CONTINUED)

### Capital requirements for market risk

The parameters used for calculating capital requirements are a 10-day holding period, a confidence level of 99% and a multiplier of 3.2 set in respect of the Value-at-Risk figures which is used in determining the capital requirement for market risk.

As of 31/12/2018, the following capital requirements resulted for Bank Austria in connection with Value at Risk (VaR), stressed VaR (SVaR) and incremental risk charge (IRC):

- VaR: €4.5 million (€2.6 million year-end 2017)
- SVaR: €11.5 million (€18.9 million year-end 2017)
- IRC: €0.2 million (€1 million year-end 2017)

### Management of balance sheet structure

An allocation to the Bank's business divisions according to the costs-by-cause principle is possible as a result of the reference interest rate system applied across UniCredit Group. The banks' risk committees ensure that the Bank's overall liquidity and interest rate gap structure is optimised.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight deposits, are modelled in respect of maturity and interest rate sensitivity by means of analyses of historical time series, and taken into account in the banks' overall risk position. The responsibility for modelling customer deposits was transferred to the risk division in the last financial year.

To assess the Bank's balance-sheet and profit structure, the Value-at-Risk approach is used, complemented by a scenario analysis concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

The low and partly negative interest rates in the Group's main currencies had a negative impact on interest margins as deposit rates were at or close to zero in many cases. Taking into account the current pricing of loans, our simulation calculations show a significant deterioration of net interest if interest rates move into negative territory as a result of further reductions.

Legal provisions require the measurement at Group level and for UniCredit Bank Austria AG of "interest rate risk in the banking book" in relation to the Bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with the Group's net capital resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk. The revised requirements of the supervisory authorities (EBA, Basel) in regard to interest rate risk in the banking book are generally taken into account through the Group's ERMAS project. Regulatory requirements generally provide for underlying customer business to be broadened with regard to available options (especially against the background of a negative interest rate environment) and base risks while significantly expanding scenario and stress analyses to cover present-value and interest-income dimensions.

This 2% interest-rate shock uses approximately 6.96% (2017: 7.12%) of the Bank Austria's chargeable equity at the end of 2018. This means that the figure for Bank Austria is far below the outlier level of 20%. In addition, the rest of a 2% interest rate shock is significantly more restrictively limited (15% in relation to Tier 1 capital) in the context of risk appetite.

## E – Risk report (CONTINUED)

## E.5 – Financial derivatives

Derivatives shown in the following tables are classified as financial derivatives and credit derivatives, according to the underlying financial instrument. In these categories, a distinction is made between trading book and banking book and between different counterparties. Bank Austria's business volume in derivatives focuses on interest rate contracts.

## Cash flow hedge derivatives: Nominal amounts

(€ million)

	31 DEC. 2018			
	OVER THE COUNTER			
	WITHOUT CENTRAL COUNTERPARTIES			ORGANISED MARKETS
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>Debt securities and interest rate indexes</b>	–	<b>94,806</b>	–	–
Options	–	2,339	–	–
Swap	–	92,467	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Other	–	–	–	–
<b>Equity instruments and stock indexes</b>	–	–	–	–
Options	–	–	–	–
Swap	–	–	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Other	–	–	–	–
<b>Gold and currencies</b>	–	<b>4,606</b>	–	–
Options	–	–	–	–
Swap	–	–	–	–
Forward	–	4,606	–	–
Futures	–	–	–	–
Other	–	–	–	–
<b>Commodities</b>	–	–	–	–
<b>Other</b>	–	–	–	–
<b>TOTAL</b>	–	<b>99,412</b>	–	–

## Cash flow hedge derivatives: positive and negative fair value – Breakdown by product

(€ million)

	31 DEC. 2018				
	POSITIVE AND NEGATIVE FAIR VALUE				
	OVER THE COUNTER				
	WITHOUT CENTRAL COUNTERPARTIES			ORGANISED MARKETS	CHANGES IN VALUE USED TO CALCULATE HEDGE INEFFECTIVENESS
	CENTRAL COUNTERPARTIES	WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT		
<b>Positive fair value</b>					
Options	–	22	–	–	–
Interest rate swap	–	1,538	–	–	–
Cross currency swap	–	39	–	–	–
Equity swap	–	–	–	–	–
Forward	–	20	–	–	–
Futures	–	–	–	–	–
Other	–	–	–	–	–
<b>Total</b>	–	<b>1,619</b>	–	–	–
<b>Negative fair value</b>	–	–	–	–	–
Options	–	43	–	–	–
Interest rate swap	–	1,263	–	–	–
Cross currency swap	–	49	–	–	–
Equity swap	–	–	–	–	–
Forward	–	14	–	–	–
Futures	–	–	–	–	–
Other	–	–	–	–	–
<b>TOTAL</b>	–	<b>1,368</b>	–	–	–

## E – Risk report (CONTINUED)

## OTC cash flow hedge derivatives: Nominal amounts and positive and negative fair value by counterparty

(€ million)

	31 DEC. 2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Debt securities and interest rate indexes</b>	–	–	–	–
Notional amount	–	94,404	–	402
Positive fair value	–	1,594	–	5
Negative fair value	–	1,269	–	85
<b>Equity instruments and stock indexes</b>	–	–	–	–
Notional amount	–	–	–	–
Positive fair value	–	–	–	–
Negative fair value	–	–	–	–
<b>Gold and currencies</b>	–	–	–	–
Notional amount	–	4,606	–	–
Positive fair value	–	20	–	–
Negative fair value	–	14	–	–
<b>Commodities</b>	–	–	–	–
Notional amount	–	–	–	–
Positive fair value	–	–	–	–
Negative fair value	–	–	–	–
<b>Other</b>	–	–	–	–
Notional amount	–	–	–	–
Positive fair value	–	–	–	–
Negative fair value	–	–	–	–

## OTC cash flow hedge derivatives– residual term: Nominal amounts

(€ million)

	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Financial derivative contracts on debt securities and interest rates	34,923	30,374	29,509	94,806
Financial derivative contracts on equity securities and stock indexes	–	–	–	–
Financial derivative contracts on exchange rates and gold	4,606	–	–	4,606
Financial derivative contracts on other values	–	–	–	–
Other financial derivatives	–	–	–	–
<b>TOTAL 31 DEC. 2018</b>	<b>39,529</b>	<b>30,374</b>	<b>29,509</b>	<b>99,412</b>

## Trading portfolio under supervisory law: Nominal amounts

(€ million)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	31 DEC. 2017	
	OVER THE COUNTER	CLEARING HOUSE
<b>Debt securities and interest rate indexes</b>	<b>31,248</b>	<b>13,989</b>
Options	5,256	–
Swaps	24,827	12,824
Forward	1,165	1,165
Futures	–	–
Others	–	–
<b>Equity instruments and stock indexes</b>	<b>2,047</b>	<b>–</b>
Options	2,047	–
Swaps	–	–
Forward	–	–
Futures	–	–
Others	–	–
<b>Gold and currencies</b>	<b>10,485</b>	<b>–</b>
Options	753	–
Swaps	1,390	–
Forward	8,342	–
Futures	–	–
Others	–	–
<b>Commodities</b>	<b>651</b>	<b>–</b>
<b>Other underlyings</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>44,430</b>	<b>13,989</b>

## E – Risk report (CONTINUED)

## Banking book: Nominal amounts – Hedging derivatives

(€ million)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	31 DEC. 2017	
	OVER THE COUNTER	CLEARING HOUSE
<b>Debt securities and interest rate indexes</b>	<b>72,096</b>	<b>90</b>
Options	2,484	–
Swaps	69,612	90
Forward	–	–
Futures	–	–
Others	–	–
<b>Equity instruments and stock indexes</b>	<b>–</b>	<b>–</b>
Options	–	–
Swaps	–	–
Forward	–	–
Futures	–	–
Others	–	–
<b>Gold and currencies</b>	<b>21,109</b>	<b>–</b>
Options	–	–
Swaps	11,631	–
Forward	9,478	–
Futures	–	–
Others	–	–
<b>Commodities</b>	<b>–</b>	<b>–</b>
<b>Other underlyings</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>93,205</b>	<b>90</b>

## E – Risk report (CONTINUED)

## Micro hedge and macro hedge: Breakdown per hedged underlying transaction and risk type

(€ million)

	31 DEC. 2018	
	MICRO HEDGE: CARRYING AMOUNT	MACRO HEDGE: CARRYING AMOUNT
<b>Fair value hedge</b>		
<b>Assets</b>		
Financial assets measured at fair value through other comprehensive income	–	–
Options	–	X
Swap	–	X
Forward	–	X
Futures	–	X
Other	–	X
Financial assets measured at amortised cost	38	–
Options	38	X
Swap	–	X
Forward	–	X
Futures	–	X
Other	–	X
<b>Liabilities</b>		
Financial liabilities measured at amortised costs	769	178
Options	769	X
Swap	–	X
Forward	–	X
Futures	–	X
Other	–	X
<b>Cash flow hedge</b>		
<b>Assets</b>	–	X
Options	–	X
Swap	–	X
Forward	–	X
Futures	–	X
Other	–	X
<b>Liabilities</b>	–	X
Options	–	X
Swap	–	X
Forward	–	X
Futures	–	X
Other	–	X
<b>Hedge of net investments in foreign operations</b>	–	X
<b>Portfolio – Assets</b>	X	271
<b>Portfolio – Liabilities</b>	X	–

For information on the presentation of hedging transactions see section A.5.3.3 Hedge accounting and sections B.5 and C.21.

## E – Risk report (CONTINUED)

## Financial trading derivatives: Nominal amounts

(€ million)

	31 DEC. 2018			
	OVER THE COUNTER			
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		ORGANISED MARKETS
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>Debt securities and interest rate indexes</b>	–	27,236	3,276	45
Options	–	4,101	699	–
Swap	–	23,135	2,577	–
Forward	–	–	–	–
Futures	–	–	–	45
Other	–	–	–	–
<b>Equity instruments and stock indexes</b>	–	801	772	–
Options	–	801	772	–
Swap	–	–	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Other	–	–	–	–
<b>Gold and currencies</b>	–	11,527	409	–
Options	–	1,532	13	–
Swap	–	–	–	–
Forward	–	9,995	396	–
Futures	–	–	–	–
Other	–	–	–	–
<b>Commodities</b>	–	848	67	–
<b>Other</b>	–	31	3	–
<b>TOTAL</b>	–	40,443	4,528	45

## Financial trading derivatives: positive and negative fair value – Breakdown by product

(€ million)

	31 DEC. 2018			
	OVER THE COUNTER			
	CENTRAL COUNTERPARTIES	WITHOUT CENTRAL COUNTERPARTIES		ORGANISED MARKETS
		WITH NETTING AGREEMENT	WITHOUT NETTING AGREEMENT	
<b>Positive fair value</b>				
Options	–	100	8	–
Interest rate swap	–	399	74	–
Cross currency swap	–	60	2	–
Equity swap	–	–	–	–
Forward	–	134	6	–
Futures	–	–	–	–
Other	–	–	–	–
<b>Total</b>	–	693	89	–
<b>Negative fair value</b>				
Options	–	51	29	–
Interest rate swap	–	453	24	–
Cross currency swap	–	62	6	–
Equity swap	–	–	–	–
Forward	–	137	3	–
Futures	–	–	–	–
Other	–	–	–	–
<b>TOTAL</b>	–	704	62	–

## E – Risk report (CONTINUED)

## OTC financial trading derivatives: Nominal amounts and positive and negative fair value by counterparty

(€ million)

	31 DEC. 2018			
	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts not included in netting agreement</b>				
<b>Debt securities and interest rate indexes</b>	–	2	76	3,308
Notional amount	X	2	72	3,202
Positive fair value	X	–	4	73
Negative fair value	X	–	–	33
<b>Equity instruments and stock indexes</b>	–	–	81	719
Notional amount	X	–	79	693
Positive fair value	X	–	–	2
Negative fair value	X	–	1	24
<b>Gold and currencies</b>	–	111	107	197
Notional amount	X	111	107	191
Positive fair value	X	–	–	4
Negative fair value	X	–	–	1
<b>Commodities</b>	–	–	–	74
Notional amount	X	–	–	67
Positive fair value	X	–	–	5
Negative fair value	X	–	–	2
<b>Other</b>	–	2	–	2
Notional amount	X	2	–	2
Positive fair value	X	–	–	–
Negative fair value	X	–	–	–
<b>Contracts included in netting agreement</b>				
<b>Debt securities and interest rate indexes</b>	–	–	–	–
Notional amount	–	15,856	50	11,330
Positive fair value	–	115	2	383
Negative fair value	–	498	–	40
<b>Equity instruments and stock indexes</b>	–	–	–	–
Notional amount	–	801	–	–
Positive fair value	–	30	–	–
Negative fair value	–	3	–	–
<b>Gold and currencies</b>	–	–	–	–
Notional amount	–	6,393	35	5,099
Positive fair value	–	55	–	81
Negative fair value	–	88	–	52
<b>Commodities</b>	–	–	–	–
Notional amount	–	457	–	391
Positive fair value	–	11	–	10
Negative fair value	–	15	–	9
<b>Other</b>	–	–	–	–
Notional amount	–	31	–	–
Positive fair value	–	4	–	–
Negative fair value	–	–	–	–

## OTC financial derivatives – residual term: Nominal amounts

(€ million)

	OVER 1 YEAR UP TO 5 YEARS			TOTAL
	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	
Financial derivative contracts on debt securities and interest rates	2,243	12,620	15,694	30,557
Financial derivative contracts on equity securities and stock indexes	100	1,070	404	1,574
Financial derivative contracts on exchange rates and gold	9,618	2,200	118	11,936
Financial derivative contracts on other values	852	63	–	915
Other financial derivatives	–	31	3	34
<b>TOTAL 31 DEC. 2018</b>	<b>12,813</b>	<b>15,984</b>	<b>16,219</b>	<b>45,016</b>

## E – Risk report (CONTINUED)

## Financial derivatives – Breakdown by product

(€ million)

TRANSACTION TYPES/UNDERLYINGS	31 DEC. 2017			
	POSITIVE FAIR VALUE		NEGATIVE FAIR VALUE	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
<b>Regulatory trading portfolio</b>	<b>896</b>	<b>108</b>	<b>912</b>	<b>91</b>
Options	131	–	99	–
Interest rate swaps	574	108	600	91
Cross currency swaps	48	–	58	–
Equity swaps	–	–	–	–
Forward	143	1	155	0
Futures	–	–	–	–
Others	–	–	–	–
<b>Banking book – Hedging derivatives</b>	<b>2,083</b>	<b>1</b>	<b>1,654</b>	<b>1</b>
Options	22	–	183	–
Interest rate swaps	1,911	1	1,371	1
Cross currency swaps	133	–	63	–
Equity swaps	–	–	–	–
Forward	17	–	36	–
Futures	–	–	–	–
Others	–	–	–	–
<b>Banking book – Other derivatives</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Options	–	–	–	–
Interest rate swaps	–	–	–	–
Cross currency swaps	–	–	–	–
Equity swaps	–	–	–	–
Forward	–	–	–	–
Futures	–	–	–	–
Others	–	–	–	–
<b>TOTAL</b>	<b>2,979</b>	<b>109</b>	<b>2,566</b>	<b>92</b>

## OTC financial derivatives – residual term: Nominal amounts

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
<b>Regulatory trading book</b>	<b>14,812</b>	<b>15,105</b>	<b>14,514</b>	<b>44,430</b>
Financial derivative contracts on debt securities and interest rates	5,839	12,305	13,104	31,248
Financial derivative contracts on equity securities and stock indexes	303	686	1,058	2,047
Financial derivative contracts on exchange rates and gold	8,236	1,897	352	10,485
Financial derivative contracts on other values	434	217	–	651
<b>Banking book</b>	<b>35,987</b>	<b>32,077</b>	<b>25,141</b>	<b>93,205</b>
Financial derivative contracts on debt securities and interest rates	24,337	26,178	21,581	72,096
Financial derivative contracts on equity securities and stock indexes	–	–	–	–
Financial derivative contracts on exchange rates and gold	11,650	5,899	3,560	21,109
Financial derivative contracts on other values	–	–	–	–
<b>TOTAL 31 DEC. 2017</b>	<b>50,799</b>	<b>47,181</b>	<b>39,655</b>	<b>137,635</b>



## E – Risk report (CONTINUED)

## Credit trading derivatives: Nominal amounts

(€ million)

	TRADING DERIVATIVES	
	WITH A SINGLE COUNTERPARTY	WITH MORE THAN ONE COUNTERPARTY (BASKET)
<b>Protection seller's contracts</b>	–	–
Credit default products	105	–
Credit spread products	–	–
Total rate of return swap	–	–
Other	–	–
<b>TOTAL 31 DEC. 2018</b>	<b>105</b>	<b>–</b>

## Credit trading derivatives: positive and negative fair value – Breakdown by product

(€ million)

	31 DEC. 2018
<b>Positive fair value</b>	
Credit default products	–
Credit spread products	–
Total rate of return swap	–
Other	–
<b>TOTAL</b>	<b>–</b>
<b>Negative fair value</b>	
Credit default products	4
Credit spread products	–
Total rate of return swap	–
Other	–
<b>TOTAL</b>	<b>4</b>

## OTC credit trading derivatives: Nominal amounts and positive and negative fair value by counterparty

(€ million)

	31 DEC. 2018			
	CENTRAL COUNTERPARTIES	BANKS	FINANCIAL COMPANIES	OTHER ENTITIES
<b>Contracts included in netting agreement</b>	–	–	–	–
<b>Protection buyer's contracts</b>	–	–	–	–
Notional amount	–	–	–	–
Positive fair value	–	–	–	–
Negative fair value	–	–	–	–
<b>Protection seller's contracts</b>	–	–	–	–
Notional amount	–	105	–	–
Positive fair value	–	–	–	–
Negative fair value	–	4	–	–

## E – Risk report (CONTINUED)

## OTC trading credit derivatives – residual term: Nominal amounts

(€ million)

	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
Protection buyer's contracts	–	–	–	–
Protection seller's contracts	37	9	60	105
<b>TOTAL 31 DEC. 2018</b>	<b>37</b>	<b>9</b>	<b>60</b>	<b>105</b>

## Credit derivatives: Nominal amounts

(€ million)

TRANSACTION CATEGORIES	31 DEC. 2017			
	REGULATORY TRADING BOOK		BANKING BOOK	
	WITH A SINGLE COUNTER-PARTY	WITH MORE THAN ONE COUNTER-PARTY (BASKET)	WITH A SINGLE COUNTER-PARTY	WITH MORE THAN ONE COUNTER-PARTY (BASKET)
<b>Protection buyer's contracts</b>				
Credit default products		13	–	–
Credit spread products		–	–	–
Total rate of return swaps		–	–	–
Other		–	–	–
<b>TOTAL</b>		<b>13</b>	<b>–</b>	<b>–</b>
<b>Protection seller's contracts</b>				
Credit default products		357	–	–
Credit spread products		–	–	–
Total rate of return swaps		–	–	–
Other		–	–	–
<b>TOTAL</b>		<b>357</b>	<b>–</b>	<b>–</b>

## Credit derivatives – residual life: notional amount

(€ million)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	TOTAL
<b>Regulatory trading book:</b>	<b>264</b>	<b>45</b>	<b>60</b>	<b>369</b>
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	264	45	60	369
<b>Banking book:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	–	–	–	–
<b>TOTAL 31 DEC. 2017</b>	<b>264</b>	<b>45</b>	<b>60</b>	<b>369</b>

## E – Risk report (CONTINUED)

## E.6 – Currency risk

## Assets and liabilities in foreign currency

(€ million)

	31 DEC. 2018					
	USD	GBP	YEN	CAD	CHF	OTHER
<b>Financial assets</b>	<b>3,773</b>	<b>199</b>	<b>720</b>	<b>15</b>	<b>6,364</b>	<b>1,530</b>
Debt securities	–	–	481	–	–	23
Equity securities	–	–	–	–	–	–
Loans to banks	418	27	4	4	479	1,093
Loans to customers	3,346	172	235	11	5,885	415
Other financial assets	8	–	–	–	–	–
<b>Other assets</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>	<b>3,568</b>	<b>205</b>	<b>90</b>	<b>67</b>	<b>148</b>	<b>537</b>
Deposits from banks	1,636	89	9	7	73	259
Deposits from customers	1,764	116	20	60	75	269
Debt securities in issue	168	–	61	–	–	10
Other financial liabilities	–	–	–	–	–	–
<b>Other liabilities</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>

## Assets and liabilities in foreign currency

(€ million)

	31 DEC. 2017			
	USD	JPY	CHF	OTHER
<b>Financial assets</b>	<b>2,822</b>	<b>250</b>	<b>7,249</b>	<b>1,769</b>
Debt securities	–	–	–	41
Equity securities	–	–	–	–
Loans to banks	552	11	522	896
Loans to customers	2,265	239	6,727	832
Other financial assets	5	–	–	–
<b>Other assets</b>	<b>5</b>	<b>–</b>	<b>5</b>	<b>–</b>
<b>Financial liabilities</b>	<b>3,781</b>	<b>75</b>	<b>216</b>	<b>1,427</b>
Deposits from banks	1,586	1	18	569
Deposits from customers	1,932	16	199	780
Debt securities in issue	262	57	–	78
Other financial liabilities	1	–	–	–
<b>Other liabilities</b>	<b>2</b>	<b>–</b>	<b>1</b>	<b>–</b>

## CHF risk

CHF loans were further decreased in 2018. Loans and receivables with customers reduced by a further €0.8 billion in consideration of the net volume (after impairments) and reduced from €6.7 billion to €5.9 billion. Approximately 1.5% thereof was classified as non-performing. The majority of the loans and receivables come from the retail area to which 91% of the CHF volume is allocated.

## Other currency risks

Customer loans in other currencies (exclusively CHF) amounted to €4.2 billion as at 31 December 2018 (2017: €3.4 billion), a large part of which were loans in USD (primarily to customers in the corporate & investment banking segments and corporate area).

## E – Risk report (CONTINUED)

### E.7 – Counterparty risk

Trading in derivatives at Bank Austria is primarily related to the hedging of positions entered into vis-à-vis customers.

Contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive current market values and estimated future market values indicate the potential default risk arising from the relevant activity.

For the purposes of portfolio management and risk limitation in connection with derivatives, securities lending transactions and repurchase agreements, UniCredit Bank Austria AG uses an internal counterparty risk model (IMM). The model is based on a Monte Carlo path simulation for risk management in derivatives and securities financing business with banks and customers to estimate the potential future exposure at portfolio level for each counterparty.

The counterparty risk model is used across UniCredit Group. For the purposes of regulatory capital requirements and internal risk control, the model applies an expected shortfall of 87.5 % (equals a 95 % quantile) and 3,000 scenarios with 52 grid points. Furthermore, the model is based on a margin period of risk harmonised on a Group-wide basis, and on the use of default conditional metrics.

The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, commodity futures transactions, interest rate instruments, securities lending transactions and repurchase agreements, equity-related, commodity-related or inflation-related instruments and credit derivatives. Other (exotic) products are taken into account with an add-on factor (depending on volatility and maturity).

In 2016, the counterparty risk model used across UniCredit Group was extended to cover negative interest rates (with regard to the pricing functions used and scenario generation). The expanded model has already been applied since the end of 2016 for internal risk management and since mid-2017 for capital requirements after approval from the ECB.

Line utilisation for derivatives business is available online in the central treasury system MLC ("Murex Limit Controller"). The MLC treasury system is the central limit system used by UniCredit Bank Austria AG. In addition to current line utilisation – at customer level – resulting from derivatives and securities financing transactions, the system shows utilisation levels for money-market, issuer and settlement risk.

In 2018, the CDS sector curve was refined with regard to an additional dimension in respect of the counterparty region. These CDS sector curves are applied, for example in the conditional metric or the stressed EPE determination.

UniCredit Bank Austria AG additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. In spite of with the very good average credit rating of our business partners, management takes proper account of default risk.

In addition to determining the potential future exposure for internal risk control purposes, the path simulation also enables the Bank to calculate the average exposure and the modified average exposure (exposure at default) pursuant to Basel 3, as well as the effective maturity of the exposure and the "stressed EPE" (expected positive exposure) for each counterparty. This makes it possible to include counterparty risk in a Basel 3-compliant internal model to calculate capital requirements. The regulatory exposure at default is calculated at netting-set level. A netting set is a group of transactions between the Bank and a customer which is subject to a legally enforceable bilateral netting agreement.

UniCredit Bank Austria AG has implemented the requirements in the area of counterparty credit risk resulting from the publications of the Basel Committee (Basel 3) and the Capital Requirements Regulation (CRR). The regulatory requirements include the calculation of normal counterparty exposure and of stressed counterparty exposure (comparable with the stressed VaR in market risk), the capital backing for market risk in respect of credit valuation adjustments (CVA market risk) and stricter standards for collateral management. The requirements regarding the mandatory exchange of collateral in bilateral margining agreements with financial counterparts for variation margins were implemented in line with regulations in Q1 2017. The requirements to be met with regard to stress testing and backtesting in respect of counterparty credit risk have also been implemented at UniCredit Bank Austria AG. Backtesting is performed at regular intervals – at the level of individual counterparties and at overall bank level – to review the model quality on a regular basis.

## E – Risk report (CONTINUED)

Moreover, in accordance with the European Market Infrastructure Regulation (EMIR), the central clearing obligation for OTC derivatives was implemented at UniCredit Bank Austria AG. UniCredit Bank Austria AG is a clearing member of the "London Clearing House" (LCH Clearnet) clearing institution. There are no derivative positions with LCH as at the end of 2018. Regardless, there are indications from the EU that EU27 companies will also continue to be able to clear via UK Central Counterparts, temporarily, even in the case of a hard Brexit. Furthermore, UniCredit Bank Austria AG clears repurchase agreements at the EUREX central counterparty.

The Group-wide IT systems are used for calculating counterparty risk arising from derivatives business, securities lending transactions and repurchase agreements, and for determining risk arising from other risk types. This ensures that exposures resulting from derivatives business as well as money-market risk, issuer risk and settlement risk are calculated centrally using the Group-wide IT systems (FRE – Full Revaluation Engine, AGE – Aggregation Engine). Moreover, country risk is calculated and reported separately for external and internal country risk.

Separate reporting on counterparty credit risk is in place with a view to informing UniCredit Bank Austria AG's Market Risk Committee (MACO) and Derivative Committee (DECO) of current exposure trends, stress testing, collateral management and wrong way risk while also providing additional information relevant to risk management.

Based on the calculation method of counterparty credit risk used in the Group-wide risk systems, derivative transactions, repurchase agreements and securities lending transactions resulted in the following exposures for Bank Austria at the end of the year:

### Exposure by industry sector

(€ million)

Sector	2018	2017
Industry and trade	692	558
Financial services sector	441	535
Real estate	286	265
Energy	83	68
Public sector	37	42
Central Clearing Counterparts (CCP)	37	35
<b>TOTAL</b>	<b>1,576</b>	<b>1,503</b>

### Exposure by rating class

(€ million)

Rating class	2018	2017
1	249	201
2	716	314
3	221	577
4	198	235
5	121	133
6	53	20
7	15	10
8	1	2
9	3	11
10		

## E – Risk report (CONTINUED)

## E.8 – Country risk and sovereign risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk ("transfer and convertibility risk"; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e.g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a UniCredit Group-wide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority, and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e.g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counterparty limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Impairment losses are recognised, if necessary, according to international financial reporting standards.

## Breakdown of sovereign debt securities by country and portfolio

(€ million)

COUNTRY/PORTFOLIO	31 DEC. 2018			31 DEC. 2017		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>Austria</b>	<b>5,721</b>	<b>6,273</b>	<b>6,279</b>	<b>6,938</b>	<b>7,694</b>	<b>7,703</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	35	35	35			
Fair value through other comprehensive income	5,589	6,140	6,140			
Financial assets at amortised cost	97	98	104			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				6,842	7,597	7,597
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				96	98	106
<b>Spain</b>	<b>2,357</b>	<b>2,594</b>	<b>2,594</b>	<b>2,807</b>	<b>3,065</b>	<b>3,065</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	2,349	2,587	2,587			
Financial assets at amortised cost	8	7	7			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				2,799	3,058	3,058
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				8	7	7
<b>Italy</b>	<b>845</b>	<b>936</b>	<b>936</b>	<b>775</b>	<b>912</b>	<b>912</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	845	936	936			
Financial assets at amortised cost	–	–	–			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				775	912	912
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–

## E – Risk report (CONTINUED)

COUNTRY/PORTFOLIO	31 DEC. 2018			31 DEC. 2017		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>Luxembourg</b>	<b>526</b>	<b>539</b>	<b>539</b>	<b>686</b>	<b>705</b>	<b>705</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	526	539	539			
Financial assets at amortised cost	–	–	–			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				686	705	705
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–
<b>Japan</b>	<b>477</b>	<b>481</b>	<b>481</b>	<b>–</b>	<b>–</b>	<b>–</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	477	481	481			
Financial assets at amortised cost	–	–	–			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				–	–	–
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–
<b>Poland</b>	<b>434</b>	<b>482</b>	<b>482</b>	<b>349</b>	<b>398</b>	<b>398</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	434	482	482			
Financial assets at amortised cost	–	–	–			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				349	398	398
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–
<b>France</b>	<b>130</b>	<b>131</b>	<b>131</b>	<b>425</b>	<b>431</b>	<b>431</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	130	131	131			
Financial assets at amortised cost	–	–	–			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				425	431	431
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–

## E – Risk report (CONTINUED)

COUNTRY/PORTFOLIO	31 DEC. 2018			31 DEC. 2017		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>Romania</b>	<b>165</b>	<b>180</b>	<b>180</b>	<b>115</b>	<b>129</b>	<b>129</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	165	180	180			
Financial assets at amortised cost	–	–	–			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				115	129	129
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–
<b>Belgium</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>140</b>	<b>142</b>	<b>142</b>
Held for trading (Net exposures)	–	–	–	–	–	–
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	15	16	16			
Financial assets at amortised cost	–	–	–			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				140	142	142
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–
<b>Other Countries</b>	<b>570</b>	<b>497</b>	<b>497</b>	<b>346</b>	<b>256</b>	<b>256</b>
Held for trading (Net exposures)	115	0	0	115	1	1
Mandatorily at fair value	–	–	–			
Fair value through other comprehensive income	455	497	497			
Financial assets at amortised cost	0	–0	–0			
Designated at fair value through profit or loss	–	–	–			
Available-for-sale (IAS 39)				230	256	256
Loans and receivables (IAS 39)				–	–	–
Held-to-maturity investments (IAS 39)				–	–	–
<b>TOTAL</b>	<b>11,240</b>	<b>12,129</b>	<b>12,135</b>	<b>12,581</b>	<b>13,733</b>	<b>13,742</b>



## E – Risk report (CONTINUED)

## Breakdown of sovereign debt securities by portfolio

(€ million)

	31 DEC. 2018				TOTAL
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL ASSETS AT AMORTISED COST	
Book value of sovereign portfolio	–	35	11,989	105	12,129
Total portfolio of debt securities	–	442	13,461	1,124	15,028
% Portfolio	0.00 %	7.96 %	89.06 %	9.33 %	80.71 %

## Breakdown of sovereign debt securities by portfolio (IAS 39)

(€ million)

RECAST	31 DEC. 2017					TOTAL
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	LOANS	HELD-TO-MATURITY INVESTMENTS	
Book value of sovereign portfolio	1	–	13,628	–	105	13,733
Total portfolio of debt securities	2	–	14,928	186	216	15,332
% Portfolio	50.00 %	0.00 %	91.29 %	0.00 %	48.61 %	89.57 %

Sovereign exposures are bonds issued by and loans granted to central banks, governments and other public sector entities. ABSs are not included.

## Breakdown of sovereign loans by country

(€ million)

COUNTRY	BOOK VALUE	
	31 DEC. 2018	31 DEC. 2017
Austria	6,083	5,052
Indonesia	178	219
Gabun	136	158
Angola	98	94
Ghana	95	96
Laos	112	93
Philippines	84	96
Vietnam	72	70
Sri Lanka	78	74
Honduras	57	59
Bosnia and Herzegovina	26	30
Serbia	7	7
Other	382	367
<b>TOTAL SOVEREIGN LOANS</b>	<b>7,409</b>	<b>6,415</b>

## E.9 – Operational risk

UniCredit Bank Austria AG has used the Advanced Measurement Approach (AMA) since the beginning of 2008. A revised AMA model for operational risk capital calculation, approved in July 2014 by Banca d'Italia and all local regulators of UniCredit subsidiaries using the AMA, has been used since the third quarter of 2014.

## Austrian subsidiaries

Schoellerbank and UniCredit Leasing Austria GmbH apply the AMA in the area of operational risk.

## Implementation of disclosure requirements pursuant to the Capital Requirements Regulation (CRR)

Within UniCredit Group, comprehensive disclosure (under the Pillar 3 disclosure requirements pursuant to the CRR) is carried out by the parent company UniCredit on its website, based on the consolidated financial position in its function as EU parent bank of Bank Austria. Bank Austria is a significant subsidiary pursuant to Art. 13 of the CRR and, for the 2018 financial year, discloses information regarding its capital resources

## E – Risk report (CONTINUED)

("own funds", Art. 437 of the CRR), capital requirements (Art. 438 of the CRR), capital buffers (Art. 440 of the CRR), credit risk adjustments (Art. 442 of the CRR), remuneration policy (Art. 450 of the CRR), leverage ratio (Art. 451 of the CRR) and use of credit risk mitigation techniques (Art. 453 of the CRR).

The disclosure by Bank Austria is available at its website ([www.bankaustria.at](http://www.bankaustria.at)) /Investor Relations/Disclosure according to Basel 2 and 3 (CRR).

Operational risk (OpRisk) is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risks – see also "E.13 – Legal risks"). For example, compensation paid to customers for incorrect/inadequate product-related advice, IT system failures, damage to property, processing errors or fraud are subject to accurate and consolidated risk measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital to be held for operational risk is based.

Loss data are collected, and processes are optimised, in close coordination and cooperation across departments and units including Internal Audit, Compliance, Legal Affairs, ICT & Security Management and the insurance sector. Over the years, UniCredit Bank Austria AG has taken numerous measures in the various divisions to manage and reduce operational risk. Thus, data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes have been implemented among other measures.

In line with other types of risk, UniCredit Bank Austria AG – like UniCredit Group – has built up a decentralised operational risk management framework based on representatives within divisions and at banking subsidiaries – Divisional OpRisk Managers (DORM) and OpRisk Managers (ORM) – in addition to central operational risk management. The central Op & RepRisk function was directly assigned to the CRO as a staff unit in 2018 at UniCredit Bank Austria.

While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, decentralised risk managers are responsible for taking measures to reduce, prevent, or take out insurance against risks.

Activities in 2018 focused on:

- Integrating Op&Rep risk strategy issues of 2018 and monitoring by reference to key risk indicators in the Permanent Work Group (a cross-divisional OpRisk work group which holds regular meetings).
- Implementing risk-minimising measures for the Op&Rep risk strategy topics (through DORMs and ORMs) and their report in the Permanent Work Group and the Operational & Reputational Risk Committee (OpRRiCo).
- Monitoring the OpRisk exposure based on the ELOR key figure (expected loss on budget revenues).
- Carrying out the annual OpRisk ICT assessment process for critical business processes at UniCredit Bank Austria AG. Carrying out OpRisk assessments for relevant outsourcings.
- Revising the KRI monitoring framework on an ongoing basis to measure risk more effectively and carry out the scenario analysis.
- Increasing awareness on topics of operational risks through in-person training sessions and revising and expanding the online training programme with regard to reputational risk.
- Revising OpRisk-relevant accounts and books as part of accounting reconciliation, general ledger analysis and transitory and suspense account analysis in order to ensure complete OpRisk data collection.
- Carrying out focal point analyses on various OpRisk-relevant subject areas, e.g.: Internal fraud, external fraud in the credit business and the document filing process.

A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk.

The task of dealing with operational risk issues is performed by a separate Operational & Reputational Risk Committee (OpRRiCo), whose meetings are held on a quarterly basis and are attended by the Chief Risk Officer, the Head of UC Operational & Reputational Risk Management, Compliance, Audit, Regulatory Affairs and the divisional Operational Risk Managers. The Committee is a major step towards integrating operational risk in the Bank's processes; its main tasks are to report on current operational risk issues and developments, to approve operational risk-relevant documents, to report losses and serve as a body to which unresolved issues are referred.

## E – Risk report (CONTINUED)

### E.10 – Reputational risks

UniCredit Group has identified reputational risk as the current or future risk of a decline in profits as a result of a negative perception of the Bank's image by customers, counterparties, shareholders, investors, employees or regulators.

Since 2012, the CRO team has been entrusted with managing and monitoring strategic reputational risk agendas. In 2018, the Op&RepRisk office was directly assigned to the CRO as a staff unit.

Subjects relevant to reputational risks are reported in the Operational & Reputational Risk Committee on a quarterly basis. For example:

- Business decisions in the RepRisk Committee
- Information on accepting new RepRisk policies
- Relevant reports on UniCredit Bank Austria
- RepRisk status of AMA subsidiaries.

Reputational risk activities in 2018 focused mainly on the continuation of providing support to subsidiaries in further implementing and expanding structures, reputational risk policies and training, on monitoring and reporting cases of reputational risk and trends with regard to relevant topics, and on enhancing awareness of reputational risk management through training activities within UniCredit Bank Austria AG and subsidiaries.

### E.11 – Business risk

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse impacts of such changes on profitability result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behaviour, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

### E.12 – Financial investment risk and real estate risk

In dealing with risks arising from the Bank's shareholdings and equity interests, Bank Austria takes into account potential market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in consolidated subsidiaries of Bank Austria because risks associated with such companies are determined and recorded under the various other risk types. The portfolio includes various strategic investments; real estate holding companies are taken into account in real estate risk.

Financial investment risk and real estate risk are covered by a value-at-risk approach under the ICAAP.

### E.13 – Legal risks

In general, provisions are made for those procedures where imminent losses are probable or certain, but where the amount or timing of the occurrence of such losses is uncertain. In such cases, provisions are made in the amount deemed appropriate in the light of circumstances and in accordance with the accounting principles, respecting both the principle of prudence and the principle of reasonable, reliable estimation.

## E – Risk report (CONTINUED)

### Legal risks for which provisions have been formed

In accordance with the principles described above provisions were formed for the following pending legal disputes and other proceedings in the amount of the assessed risk. In accordance with IAS 37, information does not have to be provided in case it would seriously compromise the position of the company in the legal dispute:

#### E.13.1 Madoff

##### **Background**

UniCredit Bank Austria AG ("Bank Austria") and some of its affiliates and indirect subsidiaries have been sued or investigated as a result of the Ponzi scheme operated by Bernard L. Madoff ("Madoff") through his company Bernard L. Madoff Investment Securities LLC ("BLMIS"), which was uncovered in December 2008.

##### **Civil law procedures in Austria**

Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, of which 30 are still open, with interest amounting to €8.2 million plus interest. The asserted claims in these proceedings are either that Bank Austria committed certain breaches of duty in its capacity as prospectus controller or that Bank Austria advised certain investors (directly or indirectly) to invest in these funds or a combination of these claims. The Austrian Supreme Court issued twenty-four legally-binding rulings with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, fourteen final decisions of the Austrian Supreme Court were taken in favour of Bank Austria. In two proceedings, the Supreme Court rejected Bank Austria's extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favour of the plaintiffs, final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favour of Bank Austria and three times in favour of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favour of Bank Austria; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favour of Bank Austria.

The impact of these decisions on the remaining procedures cannot be predicted with certainty; future decisions could be detrimental to Bank Austria.

Concerning the Austrian civil proceedings pending against Bank Austria in connection with Madoff's fraud, Bank Austria has established provisions to the extent that it considers appropriate for the current risks.

##### **Criminal proceedings in Austria**

Bank Austria is being prosecuted in criminal proceedings in Austria in connection with the Madoff case. The allegations relate, among other things, to the fact that Bank Austria, as the prospectus controller of the Primeo fund, violated provisions of the Austrian Investment Fund Act and certain tax issues. The preliminary proceedings for the tax issues were stopped in September 2016 as the tax authorities confirmed in a final report that all taxes have been duly paid. With regard to the remaining accusations, the investigations have currently been concluded. A decision on the termination of the preliminary proceedings has not yet been made.

##### **Proceedings in the United States**

##### **Actions by the SIPA trustee**

In December 2010, the insolvency administrator (the "SIPA Trustee") brought an action for the liquidation of BLMIS as well as other actions against dozens of defendants, including HSBC, UniCredit S.p.A., Bank Austria and certain affiliates, to a United States Federal Court (the "HSBC Proceedings").

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as "clawback claims") worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA Trustee dropped the avoidance claims against UniCredit S.p.A. and the Alternative Investments Division of Pioneer ("PAI") in the HSBC Proceedings, waiving the claims, as well as the avoidance claims against Bank Austria, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or Bank Austria and were considered by the SIPA trustee to satisfy the relevant claims. A judgment was issued by the Bankruptcy Court on 22 November 2016 which ordered the avoidance claims against BA Worldwide Fund Management Ltd ("BAWFM") to be rejected. On 9 March 2017, the SIPA Trustee commented on the rejection of the avoidance claims against BAWFM in writing. On 16 March 2017, the SIPA Trustee appealed against the dismissal of the claims. The appeal is currently pending. A hearing in this regard took place in November 2018 and a decision is expected in 2019. Even if this appeal were successful, there is no significant potential claim for damages and therefore no significant risk profile for the UniCredit Group. Certain current or former related persons named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

## E – Risk report (CONTINUED)

### **Action by SPV OSUS Ltd.**

Bank Austria and some of its affiliates – UniCredit S. p. A., BAWFM, PAI – were named as defendants, together with some 40 other defendants, in an action filed with the Supreme Court of the State of New York, County of New York on 12 December 2014 by SPV OSUS Ltd. The action pursues civil claims in connection with the Madoff Ponzi scheme, namely that the defendants generally supported or assisted the Madoff Ponzi scheme and/or knowingly participated therein. The action was filed on behalf of investors in BLMIS and seeks damages of an unspecified amount. The action brought by SPV OSUS Ltd. is in the initial stages. The statement of claim was sent to Bank Austria. On 20 April 2018, the case was transferred from a state court to a federal court.

### **Possible ramifications**

In addition to the aforementioned proceedings and investigations against UniCredit Bank Austria AG, its affiliates and some of their employees and former employees in connection with the Madoff case, additional actions may be brought in connection with this case in the future in the United States, Austria or other countries. Such possible future actions could be brought against UniCredit Bank Austria AG, its affiliates and their employees and former employees. The pending proceedings and possible future actions may have a negative impact on UniCredit Bank Austria AG. The pending proceedings and possible future actions may have a negative impact on UniCredit Bank Austria AG.

UniCredit Bank Austria AG and its affiliates intend to use all available means to defend themselves against the claims and allegations in connection with the Madoff case. Apart from the aforementioned issues, it is currently not possible to reliably estimate the time horizon and the outcomes of the various actions or to determine the level of responsibility – should responsibility be proven.

### **E.13.2 Alpine Holding GmbH**

Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, UniCredit Bank Austria AG acted as joint lead manager together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings followed. Numerous bondholders then wrote to the banks involved in the bond issues to assert claims. At least as far as UniCredit Bank Austria AG is concerned, the bondholders largely based their claims on the prospectus liability of the joint lead managers and, in fewer cases, also on flawed investment advice. Investors have filed civil proceedings, including three class actions by the Federal Chamber of Labour (with current claims amounting to some €20.26 million), in which UniCredit Bank Austria AG is named as a defendant in addition to other banks. The significant aspect is the prospectus liability. These civil proceedings are predominantly still pending at first instance. To date, no final decisions regarding prospectus liability have been issued by the Supreme Court against UniCredit Bank Austria AG. In addition to the aforementioned proceedings against UniCredit Bank Austria AG resulting from the insolvency of Alpine, there are threats of further actions in connection with Alpine which could be brought in the future. Pending or future actions may negatively affect UniCredit Bank Austria AG. UniCredit Bank Austria AG intends to use all available means to defend itself against these claims. At present, it is not possible to estimate the timing and outcome of the various proceedings or to assess the level of responsibility, if any is proven.

### ***Criminal proceedings in Austria***

The Austrian economy and Anti-Corruption Public Prosecutor's Office launched preliminary proceedings against various defendants in the Alpine insolvency case, including unknown persons responsible from issuing banks. UniCredit Bank Austria AG has joined the preliminary proceedings as a private party.

In May 2017, the Economic and Anti-Corruption Public Prosecutor's Office stopped preliminary proceedings against unknown responsible persons from the issuing banks. Applications for continuation brought forward against this action were finally rejected in January 2018.

In May 2018, the Economic and Anti-Corruption Public Prosecutor's Office also stopped preliminary proceedings against all remaining persons responsible. Various private parties requested the continuation of the preliminary proceedings. A decision on these applications for continuation has not yet been made by the responsible court.

### **E.13.3 Financial sanctions**

In previous years, violations of US sanctions and certain US dollar payment practices led to certain financial institutions reaching settlements and paying significant fines and penalties to various US authorities, including the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), the US Department of Justice ("DOJ"), the District Attorney for New York County ("NYDA"), the US Federal Reserve ("Fed") and the New York Department of Financial Services ("DFS").

In this context, UniCredit Bank Austria AG voluntarily investigated its US dollar payment practices and its historic compliance with the applicable US financial sanctions and identified certain non-transparent practices in the past.

## E – Risk report (CONTINUED)

UniCredit Bank Austria AG collaborates with the responsible US authorities and corrective measures in connection with directives and regulations have already started and are ongoing. In addition, UniCredit Bank Austria AG is keeping its supervisory authorities up to date accordingly.

The most recent violations of US sanctions and certain US dollar payment practices by other European financial institutions led to these institutes reaching settlements and paying significant fines and penalties to various US authorities. The investigations and/or proceedings against UniCredit Bank Austria AG may therefore also lead to the payment of fines and/or penalties or civil sanctions.

UniCredit Bank Austria AG is continuing its settlement discussions with the relevant US authorities to settle these matters. Discussions are ongoing. No agreements have yet been made with these authorities. It is therefore not possible to predict the conditions and time of a solution with the relevant authorities with certainty, including the question of which final costs, conditions, payments or other penalties or civil liability in connection with a final decision may arise.

The costs of the investigation, a necessary reparation and/or payments, or another legal liability which arises could lead to cash outflows and may negatively influence the financial position and net results of UniCredit Bank Austria AG in certain periods of time.

UniCredit Bank Austria AG has formed appropriate provisions for the investigation costs, recovery measures and/or payments or other legal obligations incurred in connection with the proceedings.

The time of an agreement with various US authorities cannot currently be determined. However, it is possible that settlements could be reached by the end of the first half of 2019.

### **E.13.4 Initiation of administrative penalty proceedings in connection with measures to combat money laundering**

During an on-site audit carried out in 2014, the FMA identified four weaknesses in the strategies and procedures used by UniCredit Bank Austria AG to combat money laundering and the financing of terrorism. In connection with two of these weaknesses, the FMA has initiated proceedings in which it accuses UniCredit Bank Austria AG of not having had the appropriate strategies and procedures in place until the relevant corrective measures were completed. At first instance, the FMA imposed a fine of €66,000 on UniCredit Bank Austria AG for one of the two weaknesses identified. The proceedings have been suspended as regards the second weakness. As the FMA did not consider all the arguments put forward by UniCredit Bank Austria AG, UniCredit Bank Austria AG filed an appeal against the FMA's decision.

## **B Legal risks for which no provisions have previously been formed**

In accordance with the principles described above, no provisions have been formed for the below pending legal disputes. Due to the uncertain circumstances surrounding legal disputes, we cannot rule out that the following proceedings will result in losses for the Bank:

### **Valauret S.A.**

In 2001, plaintiffs Valauret S.A. and Hughes de Lasteyrie du Saillant acquired shares in the French company Rhodia S.A. The plaintiffs allege that they suffered losses as a result of a decline in the Rhodia share price between 2002 and 2003. This was allegedly caused by fraudulent activity on the part of the members of the company's Board of Directors, which the plaintiffs claim resulted in false and misleading annual financial statements.

In 2004, the plaintiffs lodged an action for damages against the Board of Directors, the auditors and Aventis S.A. (the supposed majority shareholder of Rhodia S.A.). They subsequently extended their claim to include other parties – a total of 14 defendants – including UniCredit Bank Austria AG as the legal successor of Creditanstalt AG, against which an action was filed towards the end of 2007. The plaintiffs allege that Creditanstalt AG was involved in the alleged fraudulent activity mentioned above because it served as the bank of one of the companies involved in said activity. Valauret S.A. demands compensation in the amount of €129.8 million in addition to legal costs, and Hughes de Lasteyrie du Saillant seeks compensation in the amount of €4.39 million.

According to UniCredit Bank Austria AG, the allegation of Creditanstalt AG's involvement in fraudulent activity is wholly without foundation. The civil proceedings were suspended following the initiation of criminal proceedings in 2006, even before the action was extended to include UniCredit Bank Austria AG. In December 2008, the Commercial Court of Paris also suspended the civil proceedings against UniCredit Bank Austria AG.

## E – Risk report (CONTINUED)

### E.14 – Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in UniCredit Bank Austria AG

The company's Annual General Meeting on 3 May 2007 adopted a resolution concerning the planned squeeze-out. The legal actions for rescission and declaration of nullity brought against various resolutions adopted at the Annual General Meeting on 3 May 2007 were terminated in spring 2008. The squeeze-out was entered in the Register of Firms on 21 May 2008. After that date, former minority shareholders initiated proceedings for a review of the cash compensation offered by UniCredit. An expert has been appointed in these proceedings to review the amount of the cash compensation paid; the expert report is now available and essentially confirms the adequacy of the cash compensation paid in connection with the squeeze-out. A decision by the court of first instance in this case is not yet available.

### E.15 – Report on key features of the internal control and risk management systems in relation to the financial reporting process

The Management Board is responsible for establishing and designing internal control and risk management systems which meet the company's requirements in relation to the financial reporting process. The audit committee oversees the efficacy of the internal control and risk management system in addition to the accounting process as a whole; it may, if required, issue recommendations and suggestions to ensure the reliability of the accounting process.

The objective of the internal control system is to assist management in assuring internal controls in relation to financial reporting which are effective and are improved on an ongoing basis. The system is geared to complying with rules and regulations and creating conditions which are conducive to performing specific controls in key accounting processes.

Following the integration of the Bank Austria Group in UniCredit Group, the Italian Savings Law, Section 262 (detailed descriptions of processes, risk and control for minimising risk in preparing financial statements) in particular, must be complied with in addition to the existing internal control system.

Pursuant to the "262 Savings Law", the CEO and the CFO are liable, under civil and criminal law, for any violation of the legal provisions. They are also responsible for subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies.

Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules also in the area of accounting. The Head of Internal Audit reports directly to the Management Board and provides the Chairman of the Supervisory Board and the Audit Committee with quarterly reports.

#### Control environment

UniCredit S.p.A., the parent company of UniCredit Bank Austria AG, works to maintain effective communication and convey the corporate values defined in the Integrity Charter.

The Integrity Charter embodies the UniCredit Group's identity and is based on the following shared values: fairness, transparency, respect, reciprocity, freedom to act and trust.

The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

All accounting entries are made within the guidelines established in the Accounting Policy, and release follows defined instruction and control criteria. Appropriate processes have been implemented and are reviewed by Internal Audit on an ongoing basis.



## E – Risk report (CONTINUED)

### Risk assessment

In connection with the “262 Savings Law”, the persons having process responsibility identified risks in relation to the financial reporting process and described them in detail using the method defined by UniCredit S.p.A. These risks are monitored on an ongoing basis and checked for up-to-dateness at least on a half-yearly basis. The focus is on those risks which are typically considered to be material.

To meet the “262 Savings Law” requirements, controls pursuant to the methodology used by UniCredit S.p.A. are required to be performed at least on a half-yearly basis (for full-year and half-year reporting). Such control evidence must be kept on file for 10 years by the person having process responsibility. Any controls that do not meet the relevant criteria are identified under this method and reported to management together with a proposal for a solution.

### Controls

All controls are applied in the current business process to ensure that potential errors or deviations in financial reporting are prevented or detected and corrected. The reconciliation measures range from a management review of results for the various periods to specific reconciliation of accounts and the analysis of continuous accounting processes.

The levels of hierarchy are designed so that an activity and the control of that activity is not performed by the same person (four-eyes principle). In the course of the preparation of financial reports, the general ledger accounts are reconciled with business and front-end systems.

IT security controls are a cornerstone of the internal control system. Defined IT controls are documented under the “262 Savings Law” and audited by external auditors pursuant to “International Standards for Assurance Engagements” (ISAE) No. 3402.

### Information and communication

Management regularly updates rules and regulations for financial reporting and communicates them to all employees concerned.

Moreover, regular discussions on financial reporting and on the rules and regulations applicable in this context take place in various bodies and are repeatedly communicated to UniCredit Bank Austria AG. Employees in Financial Accounting receive regular training in new methods of international financial reporting in order to counteract risks of unintended misreporting at an early stage.

To perform monitoring and control functions with a view to proper financial accounting and reporting, extensive financial information is made available at key levels of the Bank. The Supervisory Board and Management Board shall receive relevant information and middle management shall also be provided with detailed reports.

### Monitoring

As part of the implementation of the internal control system pursuant to the “262 Savings Law”, instruments were introduced to monitor the effectiveness of controls. In connection with the compulsory, half-yearly certification process for the preparation of the management report, the relevant responsible persons are required to carry out tests to check the up-to-dateness of descriptions and the effectiveness of controls. It must be ascertained whether the controls work according to their design and whether the persons who perform controls have the competence/authority and qualifications required to perform the controls effectively.

All relevant responsible persons shall confirm, by means of certification, that their processes are adequately documented, risks have been identified and controls have been evaluated with a view to deriving measures to minimise risk.

The Management Board of UniCredit Bank Austria AG receives the certifications of UniCredit Bank Austria AG and of the subsidiaries defined by UniCredit S.p.A. within the group of consolidated companies, in the form of a consolidated management report on a half-yearly basis, and provides UniCredit S.p.A. and the public with confirmation of the reliability and effectiveness of the internal control system pursuant to the “262 Savings Law” in the context of the financial statements for the first six months and the annual financial statements.





## F – Additional disclosures

<b>F.1 – Supervisory Board and Management Board</b>	<b>232</b>
<b>F.2 – Related party disclosures</b>	<b>232</b>
F.2.1 – Information on members of the Management Board, the Supervisory Board and the Employees' Council of UniCredit Bank Austria AG	233
F.2.2 – Related party disclosures	234
F.2.3 – Other information on related party relationships	235
<b>F.3 – Share-based payments</b>	<b>235</b>
<b>F.4 – Employees</b>	<b>239</b>
<b>F.5 – Auditors' fees</b>	<b>240</b>
<b>F.6 – Geographical distribution</b>	<b>240</b>
<b>F.7 – Effects of netting agreements on the statement of financial position</b>	<b>241</b>
<b>F.8 – Assets pledged as security</b>	<b>242</b>
<b>F.9 – Transfer of financial assets</b>	<b>242</b>
<b>F.10 – Subordinated assets/liabilities</b>	<b>244</b>
<b>F.11 – Trust assets</b>	<b>244</b>
<b>F.12 – Return on assets</b>	<b>245</b>
<b>F.13 – Consolidated capital resources and regulatory capital requirements</b>	<b>245</b>
<b>F.14 – Trading book</b>	<b>247</b>
<b>F.15 – Non-financial performance indicators</b>	<b>247</b>
<b>F.16 – Events after the reporting period</b>	<b>247</b>

## F – Additional disclosures (CONTINUED)

### F.1 – Supervisory Board and Management Board

**The following persons are members of the Management Board of UniCredit Bank Austria AG:**

**Chairman/General Director:** Robert ZADRAZIL

**Deputy Chairman:** Romeo COLLINA (until 28/02/2019)

**Members:** Dieter HENGL, Gregor HOFSTÄTTER-POBST, Jürgen KULLNIGG, Mauro MASCHIO (from 01/01/19 onwards), Doris TOMANEK (until 06/06/19), Susanne WENDLER (from 01/01/19 onwards)

**The following persons were members of the Supervisory Board of UniCredit Bank Austria AG in the reporting year:**

**Chairman:** Erich HAMPEL (until 15/11/18), Gianni Franco PAPA (from 10/12/18 onwards)

**Deputy Chairman:** Ranieri De MARCHIS, MBA

**Members:** Livia ALIBERTI AMIDANI (from 11/04/2018 onwards), Mirko D BIANCHI, MBA (until 11/04/2018), Paolo CORNETTA (until 11/04/2018), Olivier Nessime KHAYAT (until 11/04/2018), Alfredo MEOCCI (until 11/04/2018), Gianni Franco PAPA (until 10/12/2018), Karl SAMSTAG (until 11/04/2018), Eveline STEINBERGER-KERN, Ernst THEIMER, Andrea VARESE, Carlo VIVALDI (from 21/01/2019 onwards), Adolf LEHNER, Christine BUCHINGER, Mario PRAMENDORFER, Barbara TITZE (until 11/04/2018), Wolfgang TRÜMLER (until 11/04/2018), Karin WISAK-GRADINGER.

As at 31 December 2018, there were the following interlocking relationships with UniCredit S.p.A.:

- Three members of the Supervisory Board of UniCredit Bank Austria AG were members of the Executive Management Committee of UniCredit.
- One member of the Management Board of UniCredit Bank Austria AG was a member of the Executive Management Committee of UniCredit.

### F.2 – Related party disclosures

**Related party disclosures as at 31 December 2018**

(€ million)

	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	73	4,565	702	–	1	1	5,342
Equity instruments	–	–	717	0	–	1	717
Other receivables	37	1,854	91	–	–	0	1,982
<b>TOTAL ASSETS</b>	<b>110</b>	<b>6,419</b>	<b>1,510</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>8,041</b>
Deposits	715	885	8,324	–	3	59	9,987
Other financial liabilities	–	616	–	–	–	–	616
Other liabilities	14	1,408	–	–	–	–	1,421
<b>TOTAL LIABILITIES</b>	<b>728</b>	<b>2,909</b>	<b>8,324</b>	<b>–</b>	<b>3</b>	<b>59</b>	<b>12,023</b>
Guarantees issued by the group	495	946	2,074	–	–	–	3,515
Guarantees received by the group	180	167	–	–	–	–	347

## F – Additional disclosures (CONTINUED)

## Related party disclosures as at 31 December 2017

(€ million)

	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	ASSOCIATES	JOINT VENTURES	KEY MANAGEMENT OF ENTITY OR ITS PARENT	OTHER RELATED PARTIES	TOTAL
Loans and advances	1,759	5,663	607	120	1	93	8,243
Equity instruments	–	–	–	–	–	0	0
Other receivables	–	49	0	–	–	–	49
<b>TOTAL ASSETS</b>	<b>1,759</b>	<b>5,712</b>	<b>607</b>	<b>120</b>	<b>1</b>	<b>93</b>	<b>8,292</b>
Deposits	424	1,191	6,534	3	10	58	8,220
Other financial liabilities	–	170	–	–	–	–	170
Other liabilities	13	6	0	–	–	–	18
<b>TOTAL LIABILITIES</b>	<b>436</b>	<b>1,366</b>	<b>6,534</b>	<b>3</b>	<b>10</b>	<b>58</b>	<b>8,408</b>
Guarantees issued by the group	92	721	3	1	–	0	817
Guarantees received by the group	301	190	–	–	–	–	492

The Bank Austria Group received the following subsidies from public sector entities:

**UniCredit Bank Austria AG, Austria**

The Municipality of Vienna serves as deficiency guarantor for the following items in the statement of financial position under a guarantee totalling €4,850 million:

## Items in the statement of financial position

(€ million)

	31 DEC. 2018	31 DEC. 2017
Deposits from banks	212	257
Deposits from customers	394	427
Debt securities in issue	982	975
<i>of which: subordinated</i>	<i>968</i>	<i>962</i>
Other liabilities	40	59
Provisions for post-retirement benefit obligations	3,222	3,078
<b>Total</b>	<b>4,850</b>	<b>4,796</b>

## F.2.1 – Information on members of the Management Board, the Supervisory Board and the Employees' Council of UniCredit Bank Austria AG

**F.2.1.1 – Emoluments of members of the Management Board and the Supervisory Board**

The emoluments paid by UniCredit Bank Austria AG to Management Board members in the 2018 financial year (excluding payments into pension funds) totalled €1,974,706.16 (comparable emoluments in the previous year totalled €2,131 thousand), of which €1,570,306.44 was fixed fees (2017: €1,573 thousand) and €404,399.72 of which was variable fees (2017: €558 thousand). Moreover, a provision was made for variable remuneration for 2018 (subject to malus) in the amount of €1,552,000.00, which may be paid only in subsequent years pursuant to the same legal provisions governing compensation.

Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of Bank Austria. These emoluments granted to members of the Management Board for their activities at UniCredit Bank Austria AG and associates in the 2018 financial year amounted to €1,669,863.46 (2017: €1,616 thousand) and were partly (2018: €1,107,636.79; 2017: €1,335 thousand) allocated to UniCredit Bank Austria AG. These Management Board members also received emoluments for activities which are not connected with the Bank Austria Group but are in the interest of UniCredit Group.

## F – Additional disclosures (CONTINUED)

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled € 7,455,825.03. (Of this total, € 4,145,690.39 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002, and their surviving dependants; € 1,676,887.67 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants.) The comparative figure for 2015 was € 7,484 thousand. Emoluments paid to this group of persons for activities in subsidiaries amounted to € 17,133.64 (2017: € 17 thousand).

Emoluments of members of the Supervisory Board in the 2018 financial year amounted to € 252,230.56 (2017: € 318 thousand) for UniCredit Bank Austria AG and amounted to € 1,470.00 for both credit associations (2017: € 1 thousand)

### F.2.1.2 – Loans to members of the Management Board and of the Supervisory Board

Loans to members of the Management Board were recorded at € 1,273,034.55 (2017: € 305 thousand) and used credit lines which amounted to € 34,226.41 (2017: € 25 thousand) During the financial year, € 50,553.60 (2017: € 34 thousand) was repaid.

Loans to members of the Supervisory Board amounted to € 296,964.55 (2017: € 681 thousand) and used credit lines were recorded at € 58,397.70 (2017: € 62 thousand). During the financial year, € 38,541.39 (2017: € 63 thousand) was repaid.

Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to thirty years. The rate of interest payable on these loans is the rate charged to employees of UniCredit Bank Austria AG.

## F.2.2 – Related party disclosures

In order to ensure full compliance with the legal and regulatory provisions for related party disclosures currently in effect, UniCredit has introduced procedures to determine transactions with related parties. These procedures ensure that the relevant information is provided in order to ensure compliance with the obligations of the members of UniCredit's Board of Directors as a stock-market listed company and parent company of the Group.

Transactions carried out within the Group and/or generally with Austrian and foreign related parties are executed as a rule on an arm's length basis, on the same terms and conditions as those applied to transactions entered into with independent third parties. The same principle applies to services rendered.

Pursuant to IAS 24, Bank Austria's related parties include:

- companies belonging to UniCredit Group and companies controlled by UniCredit but not consolidated;
- associates and joint ventures;
- UniCredit's "key management personnel";
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

### Information on the share capital and exercise of special rights

As at 31 December 2018, the subscribed capital of UniCredit Bank Austria AG amounted to € 1,681,033,521.40, all of which was represented by registered ordinary shares.

As at 31 December 2018, UniCredit S.p.A. held a direct interest of 99.996% in UniCredit Bank Austria AG.

The registered shares with restricted transferability which are held by "Privatstiftung zur Verwaltung von Anteilsrechten (AVZ Stiftung)", a private foundation under Austrian law, and by "Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG Region Wien (Betriebsratsfonds)", the Employees' Council Fund of the Employees' Council of Employees of UniCredit Bank Austria AG in the Vienna region, have a long tradition and carry special rights based on historical developments: for specific resolutions to be adopted at a general meeting of shareholders, the holders of registered shares with restricted transferability have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of the Articles of Association.

### Restated Bank of the Regions Agreement (ReBoRA)

The "Restated Bank of the Regions Agreement" is a syndicate agreement concluded between UniCredit, "AVZ Stiftung" and "Betriebsratsfonds". In the ReBoRA, "AVZ Stiftung" and "Betriebsratsfonds" have given an undertaking to UniCredit to the effect that if they want to sell UniCredit Bank Austria AG shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the UniCredit Bank Austria AG shares to a third party. In this case UniCredit has a right of preemption.

Under this agreement concluded in 2006, "AVZ Stiftung" had the right, until 31 March 2016, to nominate two members of the Supervisory Board of UniCredit Bank Austria AG. Thereafter it can nominate one member of the Supervisory Board for the duration of the guarantee issued by "AVZ Stiftung" and the Municipality of Vienna.

## F – Additional disclosures (CONTINUED)

### Transfer of CEE business

In connection with the transfer of CEE business, UniCredit S.p.A. has given certain undertakings in favour of UniCredit Bank Austria AG with regard to the future business activities and capital structure of UniCredit Bank Austria AG; the majority of the obligations on the part of UniCredit S.p.A. will end at the end of June 2024.

There are no compensation agreements between UniCredit Bank Austria AG and members of its Management Board and Supervisory Board or its employees in the case of a public takeover offer.

### Cooperation agreement

In the course of the integration of HVB (now UniCredit Bank AG) into the UniCredit group of companies, HVB has been assigned the role of centre of competence for markets and investment banking for the entire corporate group. Among other things, UniCredit Bank AG acts as counterparty for derivative transactions conducted by UniCredit companies in this role. For the most part, this involves hedging derivatives that are externalised on the market via UniCredit Bank AG. UniCredit Bank Austria AG and UniCredit Bank AG signed a corresponding cooperation agreement for 10 years in 2010.

### F.2.3 – Other information on related party relationships

Under Section 92 (9) of the Austrian Banking Act, "Privatstiftung zur Verwaltung von Anteilsrechten" ("AVZ Stiftung", a private foundation under Austrian law) serves as deficiency guarantor for all liabilities of UniCredit Bank Austria AG in the event of the company's insolvency. The board of trustees of the private foundation has nine members. These included two members of the Supervisory Board of UniCredit Bank Austria AG.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation ("AVZ Stiftung") in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of UniCredit Bank Austria AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

As part of the spin-off of CEE Business, UniCredit S.p.A. provided a guarantee for the banks pension obligations until 31 December 2028.

## F.3 – Share-based payments

### F.3.1 – Description of share-based remuneration

#### F 3.1.1. The Group's medium and long-term incentive programme for selected employees include:

- **Share options** that are awarded to selected top and senior managers as well as important talent within the Group which are represented through subscription rights for UniCredit shares.
- **Group Executive Incentive System** which offers qualified Group management personnel variable remuneration which is paid within five years. The beneficiary shall receive payment in cash or UniCredit shares. The payment is related to achieving performance conditions (where market conditions are not considered) which are established in the rules of the programme.
- **Group Executive Incentive System (Bonus Pool)** which offers qualified Group management personnel and appropriate employees a bonus structure that consists of advance payments (following the time of the performance assessment) and pending payment in cash and shares that are to be paid over a period of between one and six years. This payment structure ensures the focus on the interests of shareholders and is subject to malus conditions of the Group (which apply if specific profitability, capital and liquidity objectives at Group and country/business area level are not achieved) and individual repayment conditions (as long as they are legally enforceable) pursuant to their definition in the rules of the programme (not market-dependent awarding conditions).
- **Employee Share Ownership Plan (ESOP – Let's share)** which offers qualified employees of the Group the opportunity to buy UniCredit ordinary shares with the advantage of ensuring free ordinary shares ("free shares") or rights based on the quantity of the shares purchased by each participants ("investment shares") during the "registration periods". Ensuring free ordinary shares is subject to the rules of the programme.
- **Long Term Incentive 2017–2019** which offers qualified management personnel and important persons in the Group an incentive based 100 % of UniCredit ordinary shares, subject to a postponement of three years and malus and repayment conditions, as long as they are legally enforceable, pursuant to the rules of the programme. The structure of the programme is based on a three-year performance period in accordance with UniCredit's new strategy plan and provides for the awarding of premiums based on the preconditions with regard to profitability, liquidity, capital and risk position in addition to various performance conditions with focus on Group targets in accordance with Transform 2019.

## F – Additional disclosures (CONTINUED)

Furthermore, it is noted that, in accordance with Banca d'Italia circular 285 (update of 22 November 2017), share-based remuneration paid with equity that is represented by postponed payments in UniCredit ordinary shares that are not subject to any awarding conditions shall be used for relevant employees to pay for severance payments.

### F 3.1.2. – Valuation model

#### Share options

The Hull-White assessment model is used to measure the economic value of share options.

This model is based on a trinomial tree rate distribution using the Boyle algorithm and estimates with regard to the likelihood of premature exercising based on a deterministic model in connection with:

- achieving a market share value equal to an exercising price multiple (M)
- the likelihood of a premature departure of the beneficiaries (E) after the end of the vesting period.

Recording the economic effects and equity effects is based on the vesting period.

In 2018, no new share options programmes were guaranteed.

#### Management Board share options

	YEAR IN WHICH STOCK OPTIONS WERE GRANTED <sup>1)</sup>	NUMBER OF OPTIONS GRANTED	NUMBER OF SHARES THAT MAY BE PURCHASED	EXERCISE PRICE OR BASIS OR FORMULA	SHARE PRICE	MATURITY	PERIOD DURING WHICH STOCK OPTIONS MAY BE EXERCISED	TRANSFER-ABILITY	BLOCKING PERIOD	ESTIMATED VALUE AS AT 31 DEC. 2018 IN EUR <sup>2)</sup>
Management Board	2005	113,000	4,041	4.817	134.69	25 Nov. 09	9 Years	1)	Nein	119,192.40
Management Board	2006	111,000	3,970	5.951	166.40	28 June 10	9 Years	1)	Nein	140,859.00
Management Board	2008	0	0	4.185	117.02	25 June 12	6 Years	1)	Nein	0.00
<b>Total Management Board</b>	<b>2005–2008</b>	<b>224,000</b>	<b>8,011</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>260,051.40</b>

1) Stock Options are restricted to the beneficiary's name and cannot be sold, assigned, pledged or transferred in any way. In the event of the beneficiary's death, claims under Stock Options may be transferred in full or in part to the beneficiary's heirs.

2) The estimated value of the Long Term Incentive Plans (LTIP) was determined on the basis of fair value as at 31 December 2018:

In 2018, no new share options were issued to members of the Executive Board; no share options were exercised by the members of the Management Board.

## F – Additional disclosures (CONTINUED)

## Share options of management and other employees

	YEAR IN WHICH STOCK OPTIONS WERE GRANTED <sup>1)</sup>	NUMBER OF OPTIONS GRANTED	NUMBER OF SHARES OF SHARES THAT MAY BE PURCHASED	EXERCISE PRICE OR BASIS OR FORMULA	SHARE PRICE	MATURITY	PERIOD DURING WHICH STOCK OPTIONS MAY BE EXERCISED	TRANSFER-ABILITY	BLOCKING PERIOD	ESTIMATED VALUE AS AT 31 DEC. 2018 IN EUR <sup>2)</sup>
Executives	2008	0	0	4.185	117.02	25 June 12	6 Years	1)	Nein	0.00
<b>Total Executives</b>	<b>2008</b>	<b>0</b>	<b>0</b>	–	–	–	–	–	–	<b>0.00</b>
Other employees		0	0	4.185	117.02	25 June 12	6 Years	1)	Nein	0.00
<b>Total other employees</b>	<b>2008</b>	<b>0</b>	<b>0</b>	–	–	–	–	–	–	<b>0.00</b>
<b>Total Stock Options</b>	<b>2005–2008</b>	<b>224,000</b>	<b>8,011</b>	–	–	–	–	–	–	<b>260,051.40</b>

1) Stock Options are restricted to the beneficiary's name and cannot be sold, assigned, pledged or transferred in any way. In the event of the beneficiary's death, claims under Stock Options may be transferred in full or in part to the beneficiary's heirs.

2) The estimated value of the Long Term Incentive Plans (LTIP) was determined on the basis of fair value as at 31 December 2018:

In 2018 no share options were issued to management or other employees; no share options were exercised.



## F – Additional disclosures (CONTINUED)

### Group Executive Incentive System

The amount is determined based on quantitative and qualitative goals set by the programme. In particular, the overall assessment is expressed as a percentage by the relevant superior of the employee which ranges from a minimum of 0% to a maximum of 150% (non-market-dependant awarding conditions). This percentage, adjusted by the application of a risk/opportunity factor – Group Gate – multiplied by the bonus target, determines the actual amount paid to the beneficiary. Economic effects and net equity effects are demarcated based on the instruments' vesting period.

### Group Executive Incentive System (Bonus Pool)

The economic value of performance-based share remuneration is measured in consideration of the market price of the shares on the awarding date less the cash value of future dividends during the vesting period. Economic effects and net equity effects are demarcated over the term of the instruments' vesting period.

### Group Executive Incentive System "Bonus Pool 2017" – shares

The programme is split into blocks of which every three or four instalments of share-based remuneration can cover a period established in the rules of the programme.

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2017			
	INSTALLMENT (2019)	INSTALLMENT (2020)	INSTALLMENT (2021)	INSTALLMENT (2022)
Date of bonus opportunity economic value granting	9 Feb. 2017	9 Feb. 2017	9 Feb. 2017	9 Feb. 2017
Date of board resolution (to determine number of shares)	5 Mar. 2018	5 Mar. 2018	5 Mar. 2018	5 Mar. 2018
Vesting period start-date	1 Jan. 2017	1 Jan. 2017	1 Jan. 2017	1 Jan. 2017
Vesting period end-date	31 Dec. 2017	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021
UniCredit share market price (€)	17.451	17.451	17.451	17.451
Economic value of vesting conditions (€)	–0.651	–1.314	–1.973	–2.626
<b>Performance shares' fair value per unit at the grant date (€) *)</b>	<b>16.800</b>	<b>16.137</b>	<b>15.478</b>	<b>14.825</b>

\*) The same fair value per unit is used for the quantification of costs connected to share-based payments for the settlement of the golden parachute.

### Group Executive Incentive System 2018 (Bonus Pool)

The new Group Incentive System 2018 is based on a bonus pool approach geared towards the regulation requirements and market practices, as defined below:

- Sustainability through a direct connection with the company's results and focus on relevant risk categories, the use of specific indicators connected with the risk appetite framework
- Connection between bonuses and the company structure which defined the pool at country/business area level with further verification at Group level
- Awarding of bonuses to management personnel and other relevant employees that have been identified based on the rules of the European Banking Authority (EBA) pursuant to local ordinances
- Requirement of establishing the payment structure pursuant to regulations under supervisory law in Directive 2013/36/EU (CRD IV) and payment within a period of six years in the form of a mix of shares and cash

All effects on the profit and loss account and net equity in connection with the programme are recorded during the vesting period.

## F – Additional disclosures (CONTINUED)

### F 3.2. – Further information

#### *Effects on the profit and loss account*

All share-based remuneration guaranteed after 7 November 2002 and whose vesting period ended after 1 January 2005 fall within the scope of application of IFRS 2.

#### **Presentation of share-based remuneration in the consolidated financial statements**

(€ thousand)

	2018	2017
<b>Costs/revenues</b>	<b>–2,844</b>	<b>–2,023</b>
connected to equity-settled plans	–2,844	–2,023
connected to cash-settled plans	–	–
<b>Debts for cash-settled plans</b>	<b>–</b>	<b>–</b>

## F.4 – Employees

In 2018 and 2017, the Bank Austria Group employed the following average numbers of staff (full-time equivalents):

### **Employees**

	2018 2)	2017 2)
Salaried staff	5,411	5,874
Other employees	1	–
<b>TOTAL 1)</b>	<b>5,412</b>	<b>5,874</b>
<i>of which: in Austria</i>	<i>5,329</i>	<i>5,775</i>
<i>of which: abroad</i>	<i>83</i>	<i>99</i>

1) Average full-time equivalents of staff employed in the Bank Austria Group, excluding employees on unpaid sabbatical or maternity/paternity leave.

2) Values exclusive of the FTE of Immobilien Holding companies intended for sale.

## F – Additional disclosures (CONTINUED)

### F.5 – Auditors' fees

(pursuant to Section 238 (1) 18 and Section 251 (1) of the Austrian Business Code)

The following table shows the fees charged by the auditors of the consolidated financial statements for the 2018 financial year in the following categories:

#### Auditors' fees

(€ thousand)

	2018	2017
<b>Fees for the audit of the financial statements and the consolidated financial statements</b>	<b>5,052</b>	<b>5,339</b>
Deloitte Network	4,201	4,165
Austrian Savings Bank Auditing Association	851	1,174
<b>Other services involving the issuance of a report</b>	<b>1,718</b>	<b>2,227</b>
Deloitte Network	1,690	2,209
Austrian Savings Bank Auditing Association	28	18
<b>Tax consulting services</b>	<b>154</b>	<b>204</b>
Deloitte Network	154	204
Austrian Savings Bank Auditing Association	–	–
<b>Other services</b>	<b>991</b>	<b>1,147</b>
Deloitte Network	68	35
Austrian Savings Bank Auditing Association	923	1,112
<b>TOTAL</b>	<b>7,915</b>	<b>8,917</b>

### F.6 – Geographical distribution

#### Disclosures pursuant to Section 64 (18) of the Austrian Banking Act (“country-by-country reporting”)

Section 64 (18) of the Austrian Banking Act requires disclosure of specific information on a country-by-country basis.

Information on the country in which each of our subsidiaries in the Group has its registered office is given in section A.8.

In addition, the following information is required to be given on a consolidated basis, broken down by country:

COUNTRY	NET INTEREST INCOME (€ million)	OPERATING INCOME (€ million)	TOTAL PROFIT OR LOSS BEFORE TAX FROM CON- TINUING OPERATIONS (€ million)	TAX EXPENSE (INCOME) RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS (€ million)	EMPLOYEES (FTE)
Austria	961	1,769	677	–77	5,296
Hungary	3	2	4	–1	18
Slovakia	1	3	1	0	35
Poland	0	4	19	0	24
Czech Republic	0	0	2	0	0
Other countries	–2	0	14	0	1
<b>TOTAL</b>	<b>963</b>	<b>1,778</b>	<b>716</b>	<b>–79</b>	<b>5,374</b>

## F – Additional disclosures (CONTINUED)

## F.7 – Effects of netting agreements on the statement of financial position

Assets and liabilities offset for accounting purposes or that are subject to global netting agreements or similar agreements

(€ million)

31 DEC. 2018						
	GROSS AMOUNTS OF FINANCIAL ASSETS	FINANCIAL LIABILITIES OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT NETTED IN THE STATEMENT OF FINANCIAL POSITION		NET AMOUNTS
				FINANCIAL INSTRUMENTS	CASH COLLATERAL RECEIVED	
<b>Assets</b>						
1) Derivatives	2,312	–	2,312	1,615	274	423
2) Repos	204	–	204	–	–	204
3) Securities lending	–	–	–	–	–	–
4) Others	–	–	–	–	–	–
<b>TOTAL 31 DEC. 2018</b>	<b>2,516</b>	<b>–</b>	<b>2,516</b>	<b>1,615</b>	<b>274</b>	<b>627</b>
<b>Liabilities</b>						
1) Derivatives	2,076	–	2,076	1,615	308	153
2) Repos	312	–	312	–	–	312
3) Securities lending	–	–	–	–	–	–
4) Others	12,151	–	12,151	–	–	12,151
<b>TOTAL 31 DEC. 2018</b>	<b>14,538</b>	<b>–</b>	<b>14,538</b>	<b>1,615</b>	<b>308</b>	<b>12,615</b>
31 DEC. 2017						
	GROSS AMOUNTS OF FINANCIAL ASSETS	FINANCIAL LIABILITIES OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT NETTED IN THE STATEMENT OF FINANCIAL POSITION		NET AMOUNTS
				FINANCIAL INSTRUMENTS	CASH COLLATERAL RECEIVED	
<b>Assets</b>						
1) Derivatives	2,989	–	2,989	–2,564	–361	65
2) Repos	1,037	–	1,037	–	–	1,037
3) Securities lending	–	–	–	–	–	–
4) Others	–	–	–	–	–	–
<b>TOTAL 31 DEC. 2017</b>	<b>4,026</b>	<b>–</b>	<b>4,026</b>	<b>–2,564</b>	<b>–361</b>	<b>1,102</b>
<b>Liabilities</b>						
1) Derivatives	2,573	–	2,573	–2,573	–	–
2) Repos	951	–	951	–951	–	–
3) Securities lending	–	–	–	–	–	–
4) Others	–	–	–	–	–	–
<b>TOTAL 31 DEC. 2017</b>	<b>3,525</b>	<b>–</b>	<b>3,525</b>	<b>–3,524</b>	<b>–</b>	<b>–</b>

The above table shows the potential netting of derivatives (recognised financial assets and liabilities) which are subject to an enforceable ISDA Master Netting Agreement and Cash Settlement Agreement, which cannot be offset in the statement of financial position and for which the entity currently has the right, legally enforceable, to offset the recognised amounts in case of insolvency or termination.

## F – Additional disclosures (CONTINUED)

## F.8 – Assets pledged as security

## Assets used to guarantee own liabilities and commitments

(€ million)

	31 DEC. 2018	31 DEC. 2017
Financial assets at fair value through profit or loss	–	–
Financial assets at fair value through other comprehensive income	5,779	–
Financial instruments held for trading	–	–
Financial instruments designated at fair value	–	–
Financial instruments available for sale	–	5,719
Financial instruments held to maturity	–	184
Loans and receivables with banks	–	754
Loans and receivables with customers	–	24,034
Financial assets at amortised cost	27,144	–
Property, plant and equipment	–	–
<b>TOTAL</b>	<b>32,923</b>	<b>30,691</b>

Assets include loans and receivables as well as securities which are collateral for the bank's own liabilities and are not derecognised. The bank's own liabilities for which such collateral was provided primarily include cover pools of public-sector covered bonds and mortgage bonds, and for funded UniCredit Bank Austria bonds, funding transactions with the European Central Bank and other collateral arrangements. The contractual terms for these transactions are in line with normal market conditions.

## F.9 – Transfer of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets, primarily debt and equity securities and loans and advances to customers. The transferred financial assets continue either to be recognised in their entirety, or are derecognised in their entirety.

The Group transfers financial assets primarily through the following transactions:

- Sale and repurchase of securities
- Securitisation activities in which loans and advances to customers or investment securities are transferred to special-purpose entities or to investors in the notes issued by special-purpose entities. Every special-purpose entity is assessed in order to evaluate whether the majority of the risks and rewards of the transaction are attributed to the bank and consolidation is required in accordance with IFRS 10.

## F – Additional disclosures (CONTINUED)

**Transferred, but not derecognised financial assets (fair value)  
and corresponding financial liabilities**

(€ million)

31 DEC. 2018											
TYPE/PORTFOLIOS	FINANCIAL ASSETS HELD FOR TRAD- ING		NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS		FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		FINANCIAL ASSETS AT AMORTISED COST		TOTAL
	A	B	A	B	A	B	A	B	A	B	
<b>Balance-sheet assets</b>	–	–	–	–	–	–	593	–	276	–	869
Debt securities							593				593
Loans									276		276
<b>Derivatives</b>											–
<b>Associated financial liabilities</b>	–	–	–	–	–	–	312	–	232	–	544
Deposits from customers									232		232
Deposits from banks											–
Debt securities in issue							312				312
<b>TOTAL 31 DEC. 2018</b>	–	–	–	–	–	–	281	–	44	–	325
31 DEC. 2017											
TYPE/PORTFOLIOS	FINANCIAL ASSETS HELD FOR TRAD- ING		AVAILABLE-FOR- SALE FINANCIAL ASSETS		HELD-TO-MATURITY INVESTMENTS		LOANS AND RECEIVABLES WITH BANKS		LOANS AND RECEIVABLES WITH CUSTOMERS		TOTAL
	A	B	A	B	A	B	A	B	A	B	
<b>Balance-sheet assets</b>	–	–	1,496	–	–	–	–	–	303	–	1,799
Debt securities	–	–	1,496	–	–	–	–	–	–	–	1,496
Loans	–	–	–	–	–	–	–	–	303	–	303
<b>Derivatives</b>	–	–	–	–	–	–	–	–	–	–	–
<b>Associated financial liabilities</b>	–	–	951	–	–	–	–	–	231	–	1,182
Deposits from customers	–	–	832	–	–	–	–	–	–	–	832
Deposits from banks	–	–	120	–	–	–	–	–	–	–	120
Debt securities in issue	–	–	–	–	–	–	–	–	231	–	231
<b>TOTAL 31 DEC. 2017</b>	–	–	544	–	–	–	–	–	72	–	617

A= Financial assets sold and fully recognised

B= Financial assets sold and partially recognised

The carrying amounts are equal to the fair values.

## F – Additional disclosures (CONTINUED)

## F.10 – Subordinated assets/liabilities

(€ million)

	31 DEC. 2018	31 DEC. 2017
Financial assets held for trading	–	–
Financial assets designed at fair value	–	–
Available for sale financial assets		39
Financial assets mandatorily at fair value	29	
Held to maturity investments		–
Financial assets at fair value through other comprehensive income	5	
Loans and receivables with banks		338
Loans and receivables with customers		22
Financial assets at amortised cost with banks	313	
Financial assets at amortised cost with customers	24	
Non current assets and disposal groups classified as held for sale	–	–
<b>Subordinated assets</b>	<b>371</b>	<b>400</b>
Deposits from banks – subordinated	–	–
Deposits from customers – subordinated	87	89
Debt securities in issue	1,081	1,079
Liabilities included in disposal groups classified as held for sale	–	–
<b>Subordinated liabilities</b>	<b>1,168</b>	<b>1,167</b>

The total amount of expenses for subordinated liabilities in 2018 was €15 million (previous year: €27 million).

## F.11 – Trust assets

(€ million)

	31 DEC. 2018	31 DEC. 2017
Loans and receivables with banks	–	–
Loans and receivables with customers	195	278
Equity securities and other variable-yield securities	–	–
Debt securities	–	–
Other assets	–	–
<b>TRUST ASSETS</b>	<b>195</b>	<b>278</b>
Deposits from banks	72	87
Deposits from customers	123	191
Debt securities in issue	–	–
Other liabilities	–	–
<b>TRUST LIABILITIES</b>	<b>195</b>	<b>278</b>

## F – Additional disclosures (CONTINUED)

### F.12 – Return on assets

#### Disclosure pursuant to Section 64 (1) 19 of the Austrian Banking Act

	2018	2017 <sup>*)</sup>
Net profit in € million	653	673
Total assets in € million	99,029	102,138
Return on assets	0.66 %	0.66 %

\*) Adjustment in social capital.

### F.13 – Consolidated capital resources and regulatory capital requirements

#### Capital management

Bank Austria, as part of UniCredit Group, places a high priority on capital management and capital allocation. The Bank's capital management strategy is characterised by a strong commitment to maintaining a sound capital base; the strategy is based on a risk-oriented and earnings-oriented allocation of capital to achieve the highest possible shareholder value.

At present, Bank Austria's internal capital is set at a level that will cover adverse events with a probability of 99.90 % (confidence interval).

At the same time regulatory capital ratio targets (Common Equity Tier 1 and capital adequacy ratio) are set so as to be consistent with regulatory expectations and the Risk Appetite Framework defined by the bank.

Capital management activities form a major part of the Group's planning and budgeting process as well as within ICAAP processes. Bank Austria regularly monitors capital evolution and regulatory trends at national and Group level.

Capital management activities comprise:

- planning and budgeting processes:
  - proposals as to risk propensity, development and capitalisation objectives
  - analysis of RWA development and changes in the regulatory framework
  - proposals for the financial plan and an appropriate dividend policy (MDA)
- monitoring processes
  - analysis and monitoring of limits for Pillar 1 and Pillar 2
  - analysis and monitoring of the capital ratios of the Bank Austria Group

Capital is managed dynamically which means that Bank Austria prepares the financial plan, monitors capital ratios for regulatory purposes on an ongoing basis and anticipates the appropriate steps required to achieve the goals set.



## F – Additional disclosures (CONTINUED)

### Capital requirements

The capital requirements pursuant to the Capital Requirements Regulation comprise requirements resulting from credit risk, all types of risk in the trading book, commodities risk and foreign-exchange risk outside the trading book, operational risk and the CVA risk.

### Regulatory developments – Basel 3/CRD IV, CRR

The final Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV) for the implementation of Basel 3 in the European Union were published in the EU Official Journal on 27 June 2013. The new legal framework replaces Capital Requirements Directives 2006/48/EC and 2006/49/EC and came into force in Austria on 1 January 2014.

After the framework is fully implemented (2019), Basel 3 will demand stricter requirements for regulatory capital with a minimum of Common Equity Tier 1 Capital of 4.5 % of RWA, Total Tier 1 Capital of 6 % and Total Capital of 8 %.

In addition, all banks will be required to hold a capital conservation buffer consisting of Common Equity Tier 1 Capital of 2.5 % on top of the new minimum requirements. This will lead to an effective capital requirement of 7 % Common Equity Tier 1 Capital, 8.5 % Tier 1 Capital and 10.5 % Total Capital.

Member States can set an additional buffer requirement to dampen excess lending growth (counter-cyclical buffer up to 2.5 %). The Austrian Capital Buffer Regulation (Kapitalpuffer-Verordnung – KP-V) set the counter-cyclical capital buffer for major loan exposures in Austria at 0 % from 1 January 2016. In addition, the authorities can set systemic risk buffers (SRB) and capital surcharges for systemically important banks. Under the KP-V, the SRB is currently set at 2 % from 2019. A transitional rule provides for a step-by-step increase (2016: 0.25 %, 2017: 0.5 %, 2018: 1 % and 2019: 2 %). If an authority imposes the systemic risk buffer and the systemic bank surcharge is applicable, the higher of the two will apply.

### Development of equity at Bank Austria Group

In 2018, the total capital ratio decreased from 22.2 % to 21.4 % compared to the previous year. Regulatory equity more or less remains unchanged in comparison to the previous year. The decrease in capital ratios is a result of the increase in the total risk exposure amount. Nevertheless, Bank Austria has a sound capital base to meet the capital requirements pursuant to Art. 92 of the CRR in conjunction with Art. 129 et seqq. of CRD IV (capital requirements, Pillar I). No Tier 2 capital was issued in 2018.

#### Consolidated capital resources

(€ million)

	31 DEC. 2018	1 JAN. 2018 ADJUSTED FOR SOCIAL CAPITAL & IFRS 9	31 DEC. 2017 ADJUSTED FOR SOCIAL CAPITAL
Paid-in capital instruments	1,681	1,681	1,681
Reserves (incl. profit) and minority interests	6,426	6,250	6,250
Adjustments to Common Equity Tier 1	-1,731	-1,539	-1,512
Transitional adjustments to Common Equity Tier 1 <sup>*)</sup>	0	111	98
<b>Common Equity Tier 1 (CET1)</b>	<b>6,376</b>	<b>6,504</b>	<b>6,517</b>
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	0	0	0
Adjustments to Additional Tier 1	-5	46	46
Transitional adjustments to Additional Tier 1 <sup>*)</sup>	58	-46	-46
<b>Additional Tier 1 (AT1)</b>	<b>53</b>	<b>0</b>	<b>0</b>
<b>Tier 1 capital (T1=CET1+AT1)</b>	<b>6,428</b>	<b>6,504</b>	<b>6,517</b>
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries	798	867	867
Adjustments to Tier 2 capital	76	69	69
Transitional adjustments to Tier 2 capital <sup>*)</sup>	35	-81	-81
<b>Tier 2 capital (T2)</b>	<b>909</b>	<b>855</b>	<b>855</b>
<b>Total regulatory capital (TC=T1+T2)</b>	<b>7,338</b>	<b>7,359</b>	<b>7,372</b>

<sup>\*)</sup> according to the Austrian CRR Supplementary Regulation (CRR-Begleitverordnung) of 11 Dec. 2013

## F – Additional disclosures (CONTINUED)

## Total risk exposure amount

(€ million)

	31 DEC. 2018	1 JAN. 2018 ADJUSTED FOR SOCIAL CAPITAL & IFRS 9	31 DEC. 2017 ADJUSTED FOR SOCIAL CAPITAL
a) Credit risk pursuant to standardised approach	7,685	8,751	8,779
b) Credit risk pursuant to internal ratings-based (IRB) approach	23,212	20,925	20,895
c) Other (contribution to default fund of a central counterparty [CCP])	6	3	3
Credit risk	30,903	29,679	29,677
Position. foreign exchange and commodity risk	218	302	302
Operational risk	3,209	3,196	3,196
Risk positions for credit value adjustments (CVA)	36	28	28
<b>TOTAL RWAs</b>	<b>34,365</b>	<b>33,205</b>	<b>33,203</b>

\*) RWA as at 31 Dec. 2018 including RWA Add-on of € 500 million re/ IRB approach.

## Key performance indicators

	31 DEC. 2018	1 JAN. 2018 ADJUSTED FOR SOCIAL CAPITAL & IFRS 9	31 DEC. 2017 ADJUSTED FOR SOCIAL CAPITAL
Common Equity Tier 1 ratio <sup>*)</sup>	18.6%	19.6%	19.6%
Tier 1 ratio <sup>*)</sup>	18.7%	19.6%	19.6%
Total capital ratio <sup>*)</sup>	21.4%	22.2%	22.2%

\*) based on all risks

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 31/12/2018 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

## F.14 – Trading book

Information pursuant to Section 64 (1) 15 of the Austrian Banking Act

(€ million)

	2018	2017
Securities (carrying amount)	0	3
Money market instruments	–	–
Derivatives (notional amount)	41,579	54,623

## F.15 – Non-financial performance indicators

As a member of the UniCredit Group, Bank Austria does not prepare its own non-financial statements in accordance with §243b UGB, as it is included in the non-financial statement of UniCredit S.p.A. in accordance with §243b (7) UGB. It is available on the UniCredit website (<https://www.unicreditgroup.eu/en.html>).

## F.16 – Events after the reporting period

There are no major events after the reporting period.



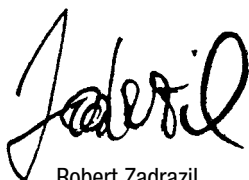
# Concluding Remarks of the Management Board

## of UniCredit Bank Austria AG

The Management Board of UniCredit Bank Austria AG has prepared the consolidated financial statements for the financial year beginning on 1 January 2018 and ending on 31 December 2018 in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The management report of the Group was prepared in accordance with the Austrian Business Code and is consistent with the consolidated financial statements.

The consolidated financial statements and the management report of the Group contain all required disclosures; in particular, events of special significance which occurred after the end of the financial year, and other major circumstances that are significant for the future development of the Group have been appropriately explained.

Vienna, 21 February 2018



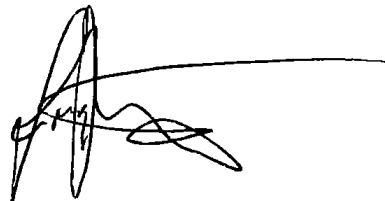
Robert Zadrazil  
CEO  
Chief Executive Officer



Romeo Collina  
Deputy-CEO



Dieter Hengl  
Corporate & Investment  
Banking Division



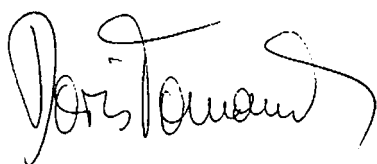
Gregor Hofstätter-Pobst  
CFO Finance



Jürgen Kullnigg  
CRO Risk Management



Mauro Maschio  
Privatkundenbank



Doris Tomanek  
Human Capital



Susanne Wendler  
Unternehmerbank

# Report of the Auditors

## Auditors' report

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of UniCredit Bank Austria AG, Vienna (the Company), and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the consolidated financial position as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB and the Austrian Banking Act.

#### Basis for Opinion

We conducted our audit in accordance with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of UniCredit Bank Austria AG in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Determination of Expected Credit Losses (see the Notes to the Consolidated Financial Statements, E.2 and A 5.3.3)

#### Description and issue

Loss allowances represent management's best estimate of the expected credit losses from the loan portfolios at the reporting date.

At 31 December 2018, gross loans and advances (to customers and credit institutions) before impairments amounted to EUR 78,527 mn, for which loan loss provisions of EUR 1,522 mn were recorded.

For the purpose of calculating expected credit losses, UniCredit Bank Austria AG has implemented processes to identify loss events and significant increases in credit risk. Based on these, various methods to determine the expected credit losses are applied. In principle, all of these methods are discounted cash flow methods considering multiple scenarios. Where necessary, the considered parameters are estimated based on regulatory requirements and adapted for IFRS 9 purposes:

- Expected credit losses on loans in default that are deemed to be material on a customer level are determined individually. The probabilities of the scenarios, the expected cash flows and the expected recoveries from collateral (if available) are estimated based on all available information and with the assistance of internal specialists.
- Expected credit losses on loans in default that have comparable risk profiles and that are not deemed to be material on an individual level are collectively determined. The expected cash flows from redemptions and collateral are estimated using statistical methods.
- Expected credit losses on loans that have not defaulted are calculated by using model-based estimates of default probabilities and loss rates. If, at the reporting date, the credit risk has not increased significantly, the loss allowance is measured at an amount equal to 12-month expected credit losses. If credit risk has increased significantly, the loss allowance is measured at an amount equal to the lifetime expected credit losses.
- The models used for foreign currency loans that have not defaulted as well as for bullet loans with repayment vehicles in the retail segment are adapted to account for the special risk characteristics of these portfolios. In particular, UniCredit Bank Austria AG assesses significant increases in credit risk on a collective level for these portfolios.

The calculation of loss allowances in all described forms is based on significant management judgement and includes

Please note that this translation is for convenience purposes only. Only the German original is legally valid and binding.

# Report of the Auditors (CONTINUED)

uncertainties. These exist especially in the identification of loss events or significant increases in credit risk as well as in the estimation of expected cash flows and the determination of parameters depicting the latter. Hence, we considered the measurement of expected credit losses to be a key audit matter.

## ***Our response***

To assess the adequacy of loss allowances, we evaluated the calculation methodology for expected credit losses applied by UniCredit Bank Austria AG and its compliance with the requirements of IFRS 9.

We reviewed the key processes and models in credit risk management, as well as a sample of loans. We identified and tested key controls in the credit process, especially in the monitoring and in the early warning process. We examined the internal control system for the correct application of rating models and collateral valuation.

We examined the adequacy of individual loan loss provisions based on a sample of test cases. Apart from the adherence to internal guidelines referring to rating, collateral assignment and – valuation, we examined whether major loss events were identified. For this, we tested loans and advances that had not been identified by management as defaulted to form our own assessment as to whether events with material impact on the repayment capability of the borrower had occurred. For non-performing loans we critically assessed the estimated cash flows that are expected from redemptions and collateral, and retraced the present value calculation.

We examined the adequacy of collective provisions considering lifetime parameters, forward looking information and the identification of significant increases in credit risk, as well as the underlying rating models. We assessed the internal control system for regulatory models and relevant risk parameters based on their performance, backtesting results and stability. Based on this, we retraced the transition from regulatory parameters to IFRS 9 compliant risk parameters based on impact analyses. Furthermore, we critically examined the analyses performed by UniCredit Bank Austria AG regarding the detection of significant increases in credit risk.

## **Representation and Valuation of legal risks (see Notes to the Consolidated Financial Statements, E.13)**

### ***Description and issue***

UniCredit Bank Austria AG is exposed to various legal risks, which can have material impacts on the bank's financial statements,

such as litigation costs or compensation claims. Moreover, such costs can also arise as a consequence of supervisory and regulatory audits or investigations due to administrative prosecutions. On the one hand, there is an inherent risk that these risks are not recognized and accounted for in the financial statement in a timely manner, while on the other hand the valuation of these risks are an estimation by management which allows for a considerable amount of discretion.

UniCredit Bank Austria AG recognizes provisions for those proceedings for which it is possible to make sufficiently reliable predictions of the outcome or of the potential losses. For these cases provisions are recognized and valued at an amount that is deemed appropriate by UniCredit Bank Austria AG, based on the given circumstances and in accordance with accounting principles. Issues with a potentially material impact, for which no provisions for compensation claims or penalties were recorded at the reporting date, besides the legal costs provisions, are described in the Notes.

As legal risks can have a material impact on the consolidated financial statements and as their valuation relies on management judgments which are of a considerable discretionary nature, we considered them to be a key audit matter.

## ***Our response***

We assessed the processes related to the identification of legal risks and the recognition of provisions and evaluated the effectiveness of identified key controls.

We discussed the underlying assumptions and estimations for the largest provisions with management and responsible employees and have critically assessed them. Moreover, we critically questioned cases for which no provisions were accounted for.

We requested external confirmation from lawyers for major open legal cases and, based on these, we critically assessed the Board's assessment.

We have examined the reports and correspondence with Supervisory Authorities, Internal Audit reports and the reports of the Complaints Office in order to detect indications of other possible legal risks.

We critically assessed the Notes to the Consolidated Financial Statements, as to whether the risks and the assumptions and estimations of UniCredit Bank Austria AG are disclosed in a sufficiently clear and objective way, and if they contain information about all essential legal risks that were identified.

## Report of the Auditors (CONTINUED)

### **Recognition and Valuation of deferred tax assets (see Notes to the Consolidated Financial Statements, C.10)**

#### **Description and issue**

In the consolidated financial statements, deferred tax assets in a net amount of EUR 323 mn are capitalized after netting with deferred tax liabilities. The group has unused tax loss carryforwards of EUR 2,093 mn for which no deferred tax asset was recognized.

The assessment of the recoverability and impairment of deferred tax assets is discretionary and is based on a forecast of taxable income at Group level. This depends to a large extent on the assessment of the economic environment, taking into account current macroeconomic uncertainties and their weighting. In addition, it is relevant which circumstances are regarded as sufficiently convincing evidence within the meaning of IAS 12.35 for the capitalization of deferred tax assets. These assumptions, estimates and interpretations are subject to considerable uncertainty. We have therefore considered deferred tax assets to be a key audit matter.

#### **Our response**

We have reviewed the key data for the calculation of deferred taxes (amount of unused tax loss carryforwards, temporary differences) with the assistance of internal tax specialists.

We have critically assessed the assumptions and estimates made for profit development on the basis of the available planning data and compared the assumptions with performance and planning accuracy in the past. The values in the plans were discussed with management and the responsible employees.

We have verified the mathematical accuracy of the calculation model and the plausibility of the reconciliation of the IFRS plan results to the planned tax results.

### **Other Information**

Management is responsible for the other information. Other information comprises all information in the annual report but does not include the consolidated financial statements, the management report and our auditor's report thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. Regarding the management report we refer to the section "Report on the Audit of the consolidated Management Report".

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### **Responsibilities of Management and the Audit Committee for the consolidated Financial Statements**

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB and the Austrian Banking Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which management has conducted or will conduct the affairs of the Group.

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# Report of the Auditors (CONTINUED)

As part of an audit in accordance with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

## We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

## Opinion

In our opinion, the consolidated management report is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate, and it is consistent with the consolidated financial statements.

## Statement

In the light of the knowledge and understanding of the Group and its environment obtained in the course of our audit of the consolidated financial statements, we have not identified material misstatements in the consolidated management report.

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## Report of the Auditors (CONTINUED)

### Additional information in accordance with article 10 of the EU regulation

According to sections 23 and 24 of the Austrian Savings Banks Act (SpG), the Savings Bank Auditing Association (Sparkassen-Prüfungsverband) acts as statutory auditor of UniCredit Bank Austria AG.

Under section 23 para 3 SpG in conjunction with sections 60 and 61 of the Austrian Banking Act (BWG, Bankwesengesetz), the audit requirement also includes the consolidated financial statements.

By resolution of Bank Austria's annual general shareholders' meeting on 19 April 2017, pursuant to section 1 para 1 of the Auditing Rules for Savings Banks, Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, was appointed as additional auditor of the unconsolidated and consolidated financial statements of Bank Austria for the fiscal year ending on 31 December 2018. In accordance with the above, the chairman of the Supervisory Board of Bank Austria engaged Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, by letter dated 28 April 2017 as additional auditor.

Deloitte Audit Wirtschaftsprüfung GmbH has consecutively been the additional auditor since the group financial statements as of 31 December 2013.

We confirm that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

### Engagement Partner

The engagement partner responsible for the audit is Herwig Hierzer on behalf of Austrian Savings Bank Auditing Association and Peter Bitzyk on behalf of Deloitte Audit Wirtschaftsprüfungs GmbH.

Consolidated financial statements for 2018  
UniCredit Bank Austria AG, Vienna

Vienna, 21 February 2019

Austrian Savings Bank Auditing Association  
Auditing Board

**Herwig Hierzer**  
Certified Accountant

**Reinhard Gregorich**  
Auditor

Deloitte Audit Wirtschaftsprüfungs GmbH

**Peter Bitzyk**  
Certified Accountant

**Wolfgang Wurm**  
Certified Accountant

The report (in the German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in part or in whole to the auditors' report, without the express written consent of the auditors.

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# Report of the Supervisory Board for 2018

During the reporting period the Supervisory Board performed its duties and obligations, as defined by law and in the Articles of Association and Rules of Procedure, without any restrictions, and it advised the Management Board at regular intervals and supervised the Management Board's activities. In 2018, the Supervisory Board held six meetings and passed seven resolutions by written circular vote. To ensure optimum performance of its duties, the Supervisory Board created four committees from among its members. The Supervisory Board was involved in all decisions of fundamental importance and passed resolutions on matters within its competence after in-depth analyses. During the intervals between meetings, the members of the Supervisory Board were available to the Management Board for advice. The Chairmen of the Supervisory Board, in particular, maintained regular contact with the Chairman of the Management Board as well as with the Management Board to exchange views on current issues and major developments of the bank. In line with the Supervisory Examination Plan, members of the Joint Supervisory Team of the ECB attended one meeting of the Supervisory Board.

## Focus of the Supervisory Board's activity

In the 2018 financial year, the Management Board regularly provided information to the Supervisory Board, in writing and orally and in a timely and comprehensive manner, on business policy, financial developments, results, changes in regulatory requirements, and on risk management, liquidity management and capital management. Through these activities the Supervisory Board continuously performed its supervisory and advisory functions after in-depth analysis and consideration of all relevant facts.

During the expired financial year, the Supervisory Board was informed about issued letters of comfort, the large exposures according to Section 28b of the Austrian Banking Act (BWG), the enlargement of the Austrian corporate tax group, the adjustment of the debt benefit obligation and, on a quarterly basis, about Internal Audit. The digital strategy, market analyses and the Transform 2019 project were additional topics of reports. The legal updates covered the developments of the Madoff and Mozart cases as well as the two proceedings on the ASVG transfer and also related to the bank's membership in the deposit guarantee facility (Einlagensicherung Austria GmbH [ESA]) as of 01/01/2019. Further reports to the Supervisory Board dealt with the result of the ECB inspections, especially concerning "Business Model and Profitability", "Deep Dive on Governance" and "IT Risk – Access Rights". The Supervisory Board also engaged in an in-depth discussion of the new Wealth Management Strategy as well as of issues concerning B&C Foundation.

The budget for 2019, including the 2019 risk appetite, was discussed comprehensively by the Supervisory Board, which then took the relevant resolutions. Moreover, the Supervisory Board decided on the funding plafond for 2019, the letters of comfort to be issued, and on the granting of powers to act on behalf of the company.

On account of the expiry of the Supervisory Board's mandate, the Supervisory Board dealt with its re-election as well as the Committee elections. The Supervisory Board also decided on an adjustment of the remuneration paid to its members as well as changes in the internal rules of procedure of the Supervisory Board, the Credit/Risk Committee, the Audit Committee, the Strategic and Nomination Committee, the Remuneration Committee and the Management Board. It also proposed an amendment to the Articles of Association to the Ordinary General Meeting. Moreover, the Supervisory Board extended the mandate of one Management Board member and appointed two new Management Board members, and it also agreed on a new allocation of responsibilities and rules governing representation within the Management Board, to take effect on 1 January 2019. Due to the resignation of the long-serving Chairman of the Supervisory Board, this body elected a new Chairman from its midst and proposed the election of a new Supervisory Board member to the Extraordinary General Meeting.

In connection with participations, one should mention as events during the reporting period the capital increases for BKS Bank AG Q1/2018 and for Bank für Tirol und Vorarlberg AG Q4/2018 as well as the sale of Lassallestraße 1+5, and the merger of MY Drei Handels GmbH with BA Betriebsobjekte GmbH.

One focus of the Supervisory Board's activities related to all measures concerning the separate financial statements and consolidated financial statements for 2017, together with the audit reports and the proposal for appropriation of profit, as well as with regard to the election of the auditors for the separate financial statements and the consolidated financial statements for the 2019 financial year. The Annex to the Audit Report pursuant to Sections 63 (5) and (7) of the Austrian Banking Act (BWG) was brought to the attention of the Supervisory Board. Further activities within the remit of the Supervisory Board were to receive information on the utilization of the advance approval of loans pursuant to Section 28 of the Austrian Banking Act (BWG) and to grant advance approval for 2019.

The Supervisory Board was also informed on an ongoing basis, in oral and written form, of the most important issues discussed, as well as results obtained at Committee meetings. It was also informed of the completion of the "Austria CAMPUS" project and the successful relocation of more than 5,000 staff members.

## Committee activities

The **Credit/Risk Committee** held four meetings and passed twenty-four resolutions by written circular vote. Members of the Joint Supervisory Team of the ECB attended one meeting.

All loans approved under the Management Board's approval authority were brought to the Credit/Risk Committee's notice, and the Committee passed resolutions on loan applications requiring its approval. Topics

# Report of the Supervisory Board for 2018 (CONTINUED)

of discussion were the emerging risks concerning the loan portfolio; here, the Turkish exposure, in particular, was dealt with in detail. In addition, there were reports about market and liquidity risk, operating risk, reputational risk as well as ICAAP. The Committee also dealt with the various issues concerning a review of the IRB models, the FX portfolio, data digitalization and the automation process.

Decisions were taken with regard to risk strategy, including the risk appetite 2018. Moreover, the Committee received timely reports on individual risk exposures as well as up-to-date information on regulatory capital, funding and liquidity management. The Committee was informed of loans granted to political organizations. The work of this Committee was rounded off by dealing with the Recovery Plan 2018 and the large exposures pursuant to Section 28b of the Austrian Banking Act (BWG).

The **Audit Committee** held four meetings, which were also regularly attended by representatives of the auditors and once by the Joint Supervisory Team of the ECB. One decision was passed by circular vote in writing. The Committee closely discussed the separate financial statements and the consolidated financial statements 2017 as well as the audit reports, and provided the Supervisory Board with information on these topics. The Committee discussed in great depth the adjustment of the debt benefit obligation, and it forwarded a recommendation on this issue to the Supervisory Board. The auditors informed the Committee about audit planning and the focus areas of the full-year audit of the 2018 accounts.

Compliance informed the Committee about focal areas of activities at regular intervals. Moreover, the Committee received the annual reports by the Securities Compliance Officer and the Anti-Money Laundering Officer as well as the Compliance Plan for 2018. Internal Audit presented its annual report for 2017 and comprehensive quarterly reports to the Committee. In addition, the Internal Audit Policy was decided and the Audit Plan 2018 was discussed. The activities of the Committee also covered the Governance Monitoring Report, an analysis of Complaint Management in 2017, and an assessment of the ICS Management 2017. The Committee also monitored the financial reporting process, giving due regard to the 262 Savings Law; it dealt with nearshoring issues and the risk management report. The Committee decided on a Deloitte training event on Basel 4. The detailed report on Regulatory Affairs activities comprises regulatory issues, including findings of the regulatory bodies. Detailed information was also given on their inspections as well as the subsequent action plans, which focused on avoiding money-laundering, as well as the business model and profitability, IT risk – access rights, and a Deep Dive on Governance.

Further activities of the Committee were a recommendation to the Supervisory Board on the election of the auditors for the separate financial statements and the consolidated financial statements for the 2019 financial year, taking action on the Management Letter by the

auditors, approving amendments to the Engagement Letter 2018, and the Engagement Letter 2019.

The **Strategic and Nomination Committee** held two meetings and passed three decisions by written circular vote, which related to the extension of the mandate of a Management Board member, the election of a new full Supervisory Board and the replacement of a resigned Supervisory Board member. In addition to the Fit & Proper re-evaluation of the Management Board and the Supervisory Board, the Committee also dealt with the gender balance of the bank and reviewed the course followed by the Management Board concerning senior-management appointments. The Committee also discussed the new Wealth Management Strategy and proposed the appointment of two new Management Board members to the Supervisory Board, after having completed the candidates' Fit & Proper evaluation.

The **Remuneration Committee** held one meeting, which was attended by representatives of the Joint Supervisory Team, and it passed two decisions by written circular vote. In addition to obtaining general information on the implementation of the regulatory framework, the Committee also dealt with the roll-out of the Group Policies 2017 and took decisions concerning the Bonus Pool 2017, including the entry conditions to the Group Incentive System 2017, incentive pay-outs from earlier annual plans as well as the bonus payments for 2017, and it also defined the groups of employees concerned. Moreover, decisions were taken on the Group Incentive System 2018 and the Group Compensation Policy 2018.

## Supervisory Board and Management Board changes

The terms of office of the elected Supervisory Board members ended at the closure of the General Meeting in which discharge for the 2017 financial year was pronounced. The Ordinary General Meeting on 11 April 2018 therefore had to pass a resolution on the election of a new Supervisory Board. The number of elected members was reduced from eleven to seven, and Dr. Erich Hampel, Dr. Gianni Franco Papa, BA, Ranieri De Marchis, MBA, Dr. Ernst Theimer and Andrea Varese as well as Dr. Eveline Steinberger-Kern were re-elected. Dr. Livia Aliberti Amidani was elected as a new member, with immediate effect, and the mandates of Dipl. Ing. ETH Mirko D. Bianchi, MBA, Paolo Cornetta, Dr. Olivier Nessime Khayat, Dr. Alfredo Meocci and Karl Samstag ended on the same day. Due to this reduction in size, the Central Employees' Council decided to withdraw Barbara Titze, MAS, and Dr. Wolfgang Trumler as Supervisory Board members, as per 11 April 2018.

After the election of the new Supervisory Board by the Ordinary General Meeting, the Supervisory Board decided on the composition of its Committees, and it elected Dr. Eveline Steinberger-Kern as Chairperson of the Credit/Risk Committee and Andrea Varese as

# Report of the Supervisory Board for 2018 (CONTINUED)

her deputy. The employees' representatives decided to delegate Mario Pramendorfer, MBA, to this Committee who replaces Mag. Adolf Lehner. Dr. Gianni Franco Papa, BA, and Andrea Varese left the Audit Committee, and Ranieri De Marchis, MBA, was elected as a new member. Dr. Livia Aliberti Amidani was elected as Chairperson of the Strategic and Nomination Committee. Ranieri De Marchis, MBA, left this Committee. Moreover, Dr. Livia Aliberti Amidani was elected as Chairperson and Dr. Erich Hampel as Deputy Chairperson of the Remuneration Committee. Dr. Gianni Franco Papa, BA, resigned from the Committee, and Ranieri De Marchis, MBA, was appointed as Remuneration Committee member. The Central Employees' Council delegated Mag. (FH) Christine Buchinger instead of Mag. Karin Wisak-Gradinger to this body.

As per 15 November 2018, Dr. Erich Hampel, Supervisory Board Chairman, resigned from his position. At its meeting on 10 December 2018, the Supervisory Board unanimously elected Dr. Gianni Franco Papa, BA, as its new chairman. Dr. Carlo Vivaldi was proposed as candidate to an Extraordinary General Meeting in January 2019 in order to fill the vacancy on the Supervisory Board.

In the Supervisory Board meeting on 2 March 2018 the mandate of Dr. Jürgen Kullnigg as Management Board member was extended with unchanged responsibilities, to end on 31 October 2021. In its meeting on 26 September 2018 the Supervisory Board elected two new Management Board members, namely Dr. Mauro Maschio with responsibility for "Privatkundenbank" and Mag. Susanne Wendler with responsibility for "Unternehmerbank", both with effect as per 1 January 2019 and their terms ending on 31 December 2021. The mandate of Romeo Collina as Management Board member ends on 28 February 2019, and that of Mag. Doris Tomanek on 6 May 2019.

The Supervisory Board acknowledges the commitment and the constructive cooperation of the resigned Supervisory Board members, especially of its Chairman of many years.

The detailed list of Supervisory Board members and Supervisory Board Committee members as well as of the Management Board during the 2018 financial year can be found in the section "Supervisory Board and Management Board of UniCredit Bank Austria AG" of the annual report.

## Audit of the separate financial statements and consolidated financial statements

The accounting records, the 2018 separate financial statements and the management report were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit

Wirtschaftsprüfungs GmbH. As the audit did not give rise to any objections and the legal requirements were fully complied with, the auditors' report was expressed without qualification.

The Supervisory Board endorsed the findings of the audit, agreed with the separate financial statements, the management report and the proposal for the appropriation of profits presented by the Management Board, and approved the 2018 separate financial statements of UniCredit Bank Austria AG, which were thereby adopted pursuant to Section 96 (4) of the Austrian Joint Stock Companies Act.

The 2018 consolidated financial statements were audited by the Auditing Board of the Austrian Savings Bank Auditing Association and by Deloitte Audit Wirtschaftsprüfungs GmbH for consistency with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union, and the management report of the Group was audited for consistency with the Austrian legal provisions. The audit did not give rise to any objections and the legal requirements were fully complied with. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of the results of the Group's operations and its cash flows for the financial year beginning on 1 January 2018 and ending on 31 December 2018, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The auditors certified that the management report of the Group was consistent with the consolidated financial statements, and that the legal requirements for exemption from the obligation to prepare also separate consolidated financial statements pursuant to Austrian law were met, and they expressed their unqualified opinion.

The Supervisory Board has endorsed the findings of the audit.

## A word of thanks

The Supervisory Board thanks the Management Board, all employees and the employees' representatives for their valuable performance, which made 2018 another successful year for the company.

Vienna, 4 March 2018

The Supervisory Board

**Gianni Franco Papa**

Chairman of the Supervisory Board



# Statement by Management

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the applicable financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that in the management report of the Group the business trends including business results and the

position of the Group have been presented in such a way as to provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group describes the material risks and uncertainties to which the Group is exposed.

Vienna, 21 February 2019

The Management Board



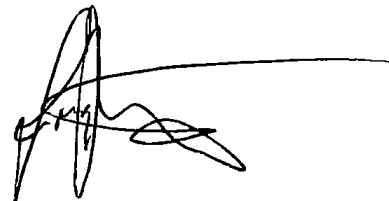
Robert Zadrazil  
CEO  
Chief Executive Officer



Romeo Collina  
Deputy-CEO



Dieter Hengl  
Corporate & Investment  
Banking Division



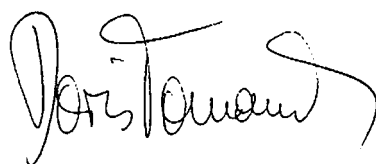
Gregor Hofstätter-Pobst  
CFO Finance



Jürgen Kullnigg  
CRO Risk Management



Mauro Maschio  
Privatkundenbank



Doris Tomanek  
Human Capital



Susanne Wendler  
Unternehmerbank





# Supervisory Board and Management Board

## of UniCredit Bank Austria AG

### Information regarding the Management Board

#### Chairperson

**Robert Zadrzizil, born 1970**

Chief Executive Officer (CEO)

Member from 1 October 2011 and Chairman from 01 March 2016,  
end of the current term of office: 30 September 2020

#### Deputy Chairperson

**Romeo Collina, born 1953**

Chief Operating Officer (COO)

Member from 01 March 2016 and Deputy Chairman from  
01 October 2016, end of the current term of office: 28 February 2019

#### Members

**Dieter Hengl, born 1964**

Corporate & Investment Banking

From 1 August 2011, end of the current term of office: 31 July 2020

**Gregor Hofstätter-Pobst, born 1972**

CFO Finance

From 01 October 2016, end of the current term of office:  
30 September 2019

**Jürgen Kullnigg, born 1961**

CRO Risk Management

From 1 November 2012, end of the current term of office:  
31 October 2021

**Mauro Maschio, born 1969**

Privatkundenbank

From 1 January 2019, end of the current term of office:  
31 December 2021

**Doris Tomanek, born 1956**

Human Capital

From 7 May 2010, end of the current term of office: 6 May 2019

**Susanne Wendler, born 1967**

Unternehmerbank

From 1 January 2019, end of the current term of office:  
31 December 2021

### Information regarding the Supervisory Board

The term of office of elected members will end with the Annual General Meeting in 2023. The employees' representatives are delegated to the Supervisory Board without a time limit.

#### Chairperson

Erich Hampel, born 1951

Former Chairperson of the Management Board  
of UniCredit Bank Austria AG

(Member from 01 October 2009 until 15 November 2018,  
Chairperson from 02 November 2011 until 15 November 2018)

**Gianni Franco Papa, born 1956**

General Manager

UniCredit S.p.A.

(Member since 15 January 2016, Chairperson since 10 December 2018)

#### Deputy Chairperson

**Ranieri De Marchis, born 1961**

Co-Chief Operating Officer

UniCredit S.p.A.

(Member and Deputy Chairperson from 07 November 2016)

#### Members

**Livia Aliberti Amidani, born 1961**

(since 11 April 2018)

Mirko D. Bianchi, born 1962

Chief Financial Officer

UniCredit S.p.A.

(from 08 November 2016 until 11 April 2018)

Paolo Cornetta, born 1961

Head of Group Human Capital

UniCredit S.p.A.

(from 19 April 2017 until 11 April 2018)

Olivier Nessime Khayat, born 1963

Co-Head of Corporate and Investment Banking Division

UniCredit S.p.A.

(from 16 May 2013 until 11 April 2018)

## Supervisory Board and Management Board (CONTINUED)

Alfredo Meocci, born 1953  
(from 14 February 2013 until 11 April 2018)

Karl Samstag, born 1944  
Deputy Chairperson of the Management Board  
Privatstiftung zur Verwaltung von Anteilsrechten  
(from 04 May 2006 until 11 April 2018)

**Eveline Steinberger-Kern, born 1972**  
Managing Director  
The Blue Minds Company GmbH  
(since 04 May 2015)

**Ernst Theimer, born 1947**  
Chairperson of the Management Board  
Privatstiftung zur Verwaltung von Anteilsrechten  
(since 07 July 2010)

**Andrea Varese, born 1964**  
Group Chief Lending Officer  
UniCredit S.p.A.  
(since 27 November 2017)

**Carlo Vivaldi, born 1965**  
Head of Central and Eastern Europe Division  
UniCredit S.p.A.  
(since 21 January 2019)

### Delegated by the Employees' Council

**Christine Buchinger, born 1968**  
Member of the Central Employees' Council  
(since 23 January 2017)

**Adolf Lehner, born 1961**  
Chairperson of the Central Employees' Council  
(since 04 December 2000)

**Mario Pramendorfer, born 1973**  
Member of the Central Employees' Council  
(since 23 September 2016)

Barbara Titze, born 1967  
Member of the Central Employees' Council  
(from 20 May 2016 until 11 April 2018)

Wolfgang Trumler, born 1967  
Member of the Central Employees' Council  
(from 02 February 2015 until 11 April 2018)

**Karin Wisak-Gradingner, born 1964**  
Member of the Central Employees' Council  
(since 01 December 2017)

### Representatives of the Supervisory Authorities

**Commissioner**  
**Hans-Georg Kramer**  
Federal Ministry of Finance

**Deputy Commissioner**  
**Ulrike Huemer**  
Chief Executive Office of the City of Vienna

**State Cover Fund Commissioner**  
**Alfred Katterl**

**Deputy State Cover Fund Commissioner**  
**Christian Wenth**

**Trustee pursuant to the Austrian Mortgage Bank Act**  
**Bernhard Perner**  
(until 01 September 2018)  
**Peter Part**  
(since 01 September 2018)

**Deputy Trustee pursuant to the Austrian Mortgage Bank Act**  
**Gabriela Offner**

# Supervisory Board and Management Board (CONTINUED)

The Supervisory Board formed the following permanent committees:

## **Credit-/Risk Committee:**

### **Chairperson:**

Eveline Steinberger-Kern

(Member since 08 May 2015, Chairperson since 16 April 2018)

### **Deputy Chairperson:**

Andrea Varese

(Member since 27 November 2017, Chairperson from 27 November 2017 until 16 April 2018, Deputy Chairperson since 16 April 2018)

### **Members:**

Mirko D. Bianchi (from 08 November 2016 until 11 April 2018)

Erich Hampel (Member from 08 May 2015 until 15 November 2018,

Deputy Chairperson from 8 May 2015 until 16 April 2018)

Olivier Nessime Khayat (from 08 May 2015 until 11 April 2018)

### **Delegated by the Employees' Council:**

Adolf Lehner (from 02 May 2006 until 16 April 2018)

Mario Pramendorfer (since 16 April 2018)

Wolfgang Trumler (from 02 February 2015 until 11 April 2018)

Karin Wisak-Gradinger (since 01 December 2017)

## **Audit Committee:**

### **Chairperson:**

Ernst Theimer (Member and Chairperson from 08 May 2015)

### **Deputy Chairperson:**

Erich Hampel (Member and Deputy Chairperson from 2 November 2011 until 15 November 2018)

### **Members:**

Mirko D. Bianchi (from 08 May 2017 until 11 April 2018)

Ranieri De Marchis (since 16 April 2018)

Gianni Franco Papa (from 15 January 2016 until 16 April 2018)

Andrea Varese (from 27 November 2017 until 16 April 2018)

### **Delegated by the Employees' Council:**

Christine Buchinger (since 27 April 2017)

Adolf Lehner (since 02 May 2006)

Wolfgang Trumler (from 23 September 2016 until 11 April 2018)

## **Remuneration Committee:**

### **Chairperson:**

Livia Aliberti Amidani

(Member and Chairperson since 16 April 2018)

### **Deputy Chairperson:**

Paolo Cornetta (from 08 May 2017 until 11 April 2018)

Erich Hampel

(Member from 01 October 2009 until 15 November 2018,

Chairperson from 03 June 2013 until 16 April 2018,

Deputy Chairperson from 16 April 2018 until 15 November 2018)

### **Members:**

Ranieri De Marchis (since 16 April 2018)

Gianni Franco Papa (from 15 January 2016 until 16 April 2018)

### **Delegated by the Employees' Council:**

Christine Buchinger (since 16 April 2018)

Adolf Lehner (since 06 November 2011)

Karin Wisak-Gradinger (from 01 December 2017 until 16 April 2018)

## **Strategic & Nomination Committee:**

### **Chairperson:**

Livia Aliberti Amidani (Member and Chairperson since 16 April 2018)

Ranieri De Marchis

(Member and Chairperson from 07 November 2016 until 16 April 2018)

### **Deputy Chairperson:**

Erich Hampel (Member from 04 November 2009 until 15 November 2018,

Deputy Chairperson from 21 January 2011 until 15 November 2018)

### **Members:**

Paolo Cornetta (from 08 May 2017 until 11 April 2018)

Gianni Franco Papa (since 15 January 2016)

### **Delegated by the Employees' Council:**

Adolf Lehner (since 02 May 2006)

Karin Wisak-Gradinger (since 01 December 2017)

## Supervisory Board and Management Board (CONTINUED)

Vienna, 21 February 2019

The Management Board



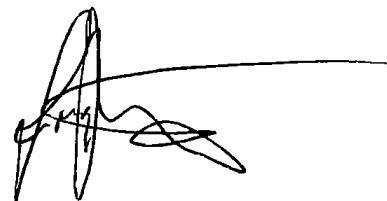
Robert Zadrazil  
CEO  
Chief Executive Officer



Romeo Collina  
Deputy-CEO



Dieter Hengl  
Corporate & Investment  
Banking Division



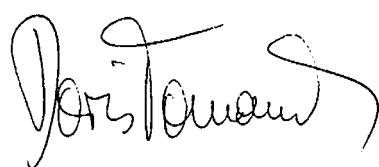
Gregor Hofstätter-Pobst  
CFO Finance



Jürgen Kullnigg  
CRO Risk Management



Mauro Maschio  
Privatkundenbank



Doris Tomanek  
Human Capital



Susanne Wendler  
Unternehmerbank

# Adopt lean but steering center.



We have created a lean but steering center to drive Group-wide performance and ensure accountability. Through leaner support functions and transparent cost allocation, we focus on efficiency and simplification.

# Additional Information

<b>Office Network</b>	<b>268</b>
<b>Austria</b>	<b>268</b>
<hr/>	
<b>Glossary of alternative performance measures</b>	<b>270</b>
<hr/>	
<b>Investor Relations</b>	<b>271</b>

# Office Network

## Austria

### Head Office

1020 Vienna, Rothschildplatz 1  
Tel.: +43 (0) 5 05 05-0  
Fax: +43 (0) 5 05 05-56155  
Internet: [www.bankaustria.at/en](http://www.bankaustria.at/en)  
E-Mail: [info@unicreditgroup.at](mailto:info@unicreditgroup.at)

### Branches

Amstetten\*, Baden, Bludenz, Bregenz\*, Bruck/Mur, Deutsch Wagram, Dornbirn, Eisenstadt\*, Feldkirch, Gänserndorf\*, Gmünd\*, Graz\* (5), Groß-Enzersdorf, Hall / Tirol, Hallein, Hollabrunn, Horn, Imst, Innsbruck\* (2), Judenburg\*, Kitzbühel, Klagenfurt\* (2), Klosterneuburg, Knittelfeld, Krems\*, Leibnitz\*, Leoben\*, Lienz\*, Linz\* (2), Mattersburg, Mödling\* (2), Neunkirchen, Neusiedl / See, Oberpullendorf, Oberwart\*, Perchtoldsdorf, Purkersdorf\*, Salzburg\* (3), Schladming\*, Schwaz, Schwechat, Spittal / Drau, St. Pölten\*, Stegersbach, Steyr\* (2), Stockerau\*, Traun, Tulln, Villach\* (3), Vöcklabruck, Weiz\*, Wels\*, Vienna\* (54), Wiener Neustadt\*, Wolfsberg, Wörgl, Zell / See\*.

\*) With offices serving corporate customers.

### Retail Banking Regional Offices

#### Vienna City

1020 Vienna, Rothschildplatz 1  
Tel.: 05 05 05-62300

#### Vienna East

1020 Vienna, Rothschildplatz 1  
Tel.: 05 05 05-62300

#### Vienna West

1020 Vienna, Rothschildplatz 1  
Tel.: 05 05 05-47212

#### Vienna North

1020 Vienna, Rothschildplatz 1  
Tel.: 05 05 05-47212

#### Alternative Sales Channels

1020 Vienna, Rothschildplatz 1  
Tel.: 05 05 05-38700

#### Austria East

2340 Mödling, Enzersdorfer Straße 4  
Tel.: 05 05 05-47212

#### Austria South

8010 Graz, Herrengasse 15  
Tel.: 05 05 05-64100

#### Austria North

4020 Linz, Hauptplatz 27  
Tel.: 05 05 05-65100

#### Austria West

6020 Innsbruck, Maria-Theresien-Straße 36  
Tel.: 05 05 05-65100

### Corporate Banking Regional Offices

#### Vienna City 1

1020 Vienna, Jakov-Lind-Straße 13  
Tel.: 05 05 05-56022

#### Vienna City 2

1020 Vienna, Jakov-Lind-Straße 13  
Tel.: 05 05 05-62220

#### Lower Austria, Burgenland

3100 St. Pölten, Rathausplatz 3  
Tel.: 05 05 05-50933  
2340 Mödling, Enzersdorfer Straße 4  
Tel.: 05 05 05-50933

#### Upper Austria

4020 Linz, Hauptplatz 27  
Tel.: 05 05 05-67501

#### Tyrol

6020 Innsbruck, Maria-Theresien-Straße 36  
Tel.: 05 05 05-95172

#### Styria

8010 Graz, Herrengasse 15  
Tel.: 05 05 05-93105

#### Salzburg

5020 Salzburg, Rainerstraße 2  
Tel.: 05 05 05-96145

#### Vorarlberg

6900 Bregenz, Kornmarktplatz 2  
Tel.: 05 05 05-68532

#### Carinthia

9020 Klagenfurt, Karfreitstraße 13  
Tel.: 05 05 05-64402

## Office Network (CONTINUED)

### Bank Austria Private Banking Offices

#### Private Banking Vienna

1010 Vienna, Fichtegasse 9  
Tel.: 05 05 05-46000

#### Private Banking Vienna Campus

1020 Vienna, Jakov-Lind-Straße 13  
Tel.: 05 05 05-46135

#### Private Banking Vienna Hietzing

1130 Vienna, Altgasse 20  
Tel.: 05 05 05-53727

#### Private Banking Vienna Döbling

1190 Vienna, Himmelstraße 9  
Tel.: 05 05 05-46213

#### Private Banking Lower Austria West

3100 St. Pölten, Rathausplatz 3  
Tel.: 05 05 05-36888

#### Private Banking Krems

3500 Krems, Obere Landstraße 19  
Tel.: 05 05 05-37046

#### Private Banking Stockerau

2000 Stockerau, Sparkassaplatz 1  
Tel.: 05 05 05-36858

#### Private Banking Lower Austria South/Burgenland

2700 Wiener Neustadt, Kollonitschgasse 1  
Tel.: 05 05 05-55874

#### Private Banking Mödling

2340 Mödling, Enzersdorferstraße 4  
Tel.: 05 05 05-62225

#### Private Banking Upper Austria

4020 Linz, Hauptplatz 27  
Tel.: 05 05 05-67242

#### Private Banking Salzburg

5020 Salzburg, Rainerstraße 2  
Tel.: 05 05 05-96362

#### Private Banking Tyrol

6020 Innsbruck, Maria-Theresien-Straße 36  
Tel.: 05 05 05-95524

#### Private Banking Vorarlberg

6900 Bregenz, Kornmarktplatz 2  
Tel.: 05 05 05-98304

#### Private Banking Styria

8010 Graz, Herrengasse 15  
Tel.: 05 05 05-63100

#### Private Banking Carinthia

9020 Klagenfurt, Karfreitstraße 13  
Tel.: 05 05 05-94338

### Selected subsidiaries and equity interests of UniCredit Bank Austria AG in Austria

#### Schoellerbank Aktiengesellschaft

1010 Vienna, Renngasse 3  
Tel.: (+ 43 1) 534 71-0  
[www.schoellerbank.at](http://www.schoellerbank.at)

#### Bank Austria Finanzservice GmbH

1020 Vienna, Rothschildplatz 4  
Tel.: + 43 (0) 5 05 05-53000  
[www.baf.at](http://www.baf.at)

#### Bank Austria Real Invest Immobilien-Management GmbH

1020 Vienna, Rothschildplatz 4  
Tel.: (+ 43 1) 331 71-0  
[www.realinvest.at](http://www.realinvest.at)

#### Immobilien Rating GmbH

1020 Vienna, Rothschildplatz 4  
Tel.: + 43 (0) 5 06 01-51880  
[www.irg.at](http://www.irg.at)

#### Bank Austria Wohnbaubank AG

1020 Vienna, Lassallestraße 3  
Tel.: + 43 (0) 5 05 05-40304

#### card complete Service Bank AG

1020 Vienna, Lassallestraße 3  
Tel.: (+ 43 1) 711 11-0  
[www.cardcomplete.com](http://www.cardcomplete.com)

#### DC Bank AG (Diners Club)

1020 Vienna, Lassallestraße 3  
Tel.: (+ 43 1) 501 35-0  
[www.dcbank.at](http://www.dcbank.at)

#### UniCredit Leasing (Austria) GmbH

1020 Vienna, Rothschildplatz 4  
Tel.: + 43 (0) 5 05 88-0  
[www.unicreditleasing.at](http://www.unicreditleasing.at)

#### FactorBank Aktiengesellschaft

1020 Vienna, Rothschildplatz 4  
Tel.: (+ 43 1) 506 78-0  
[www.factorbank.com](http://www.factorbank.com)

#### Österreichische Hotel- und Tourismus-bank Gesellschaft m.b.H.

1010 Vienna, Parking 12a  
Tel.: (+ 43 1) 515 30- 0  
[www.oeht.at](http://www.oeht.at)

#### UniCredit Services GmbH

(wholly-owned subsidiary of UniCredit Services S.C.p.A., Milano)  
1020 Vienna, Rothschildplatz 4  
Tel.: (+ 43 1) 717 30-0



# Additional disclosures

## Glossary of alternative performance measures

*The following list contains definitions of key financial indicators (alternative performance measures, APMs) used in addition to the applicable financial reporting framework.*

**Cost/income ratio:** operating costs divided by operating income.

**Cost of risk:** net write-downs of loans and provisions for guarantees and commitments measured against loans and receivables with customers (average for the period), usually expressed in basis points (1 bp = 1/100% = 0.01%). If the cost of risk is calculated for a period of less than a full year, net write-downs of loans and provisions for guarantees and commitments are annualised.

**Coverage ratio:** specific write-downs of loans measured as a percentage of non-performing exposures at the reference date.

**Credit Value Adjustments (CVA):** adjustment to the valuation of a portfolio of transactions reflecting the counterparties' credit risk, which is the risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flow exchanges.

**Direct funding:** sum total of deposits from customers, debt securities in issue and financial liabilities at fair value.

**Direct funding ratio:** direct funding measured against loans and receivables with customers as reflected in the statement of financial position.

**Effective tax rate:** income tax in the consolidated income statement measured against profit before tax.

**FTE (full-time equivalent):** number of full-time employees, with part-time employees being counted on the basis of effective working hours.

**Funding Value Adjustments** cover the funding cost/benefit stemming from hedging the market risk of OTC derivatives.

**Loans/direct funding ratio:** loans and receivables with customers measured against direct funding.

**Net operating profit:** operating profit less net write-downs of loans and provisions for guarantees and commitments.

**Non-performing exposures** include (1) "bad loans", i.e. credit exposures, formally considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained; (2) "unlikely to pay", i.e. 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 the credit obligation (principal and/or interest); (3) "past due": on-balance sheet 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.

**NPE ratio:** non-performing exposures as a percentage of loans to customers before deduction of loan loss provisions (NPE ratio in gross terms) and after deduction of loan loss provisions (loans to customers as reflected in the IFRS statement of financial position; NPE ratio in net terms) at the reference date.

**Period averages:** quarterly averages based on figures at reference dates are calculated as the mean value of the figure at the end of the preceding quarter and the figure at the end of the reporting period. The calculation of averages for longer reporting periods (first six months, first nine months or full year) is based on the averages for the quarters included in the reporting period.

**ROAC (return on allocated capital):** net profit measured against allocated capital (12.5% of risk-weighted assets). If the return on allocated capital is calculated for a period of less than a full year, net profit is annualised.

**Systemic charges:** bank levies and other systemic charges, including contributions to bank resolution funds and deposit guarantee schemes established on the basis of European or local regulations.

**Total financial assets (TFA):** sum of total financial assets held by customers, i.e. sum of deposits from customers, assets under management (fund and asset management products) and assets under custody (direct capital market investments/safe-custody business).

# Investor Relations

## UniCredit Bank Austria AG/Corporate Relations

Rothschildplatz 1, 1020 Vienna, Austria	
Tel.: +43 (0) 5 05 05-57232	Fax: +43 (0) 5 05 05-8957232
e-mail: investor.relations@unicreditgroup.at	Internet: <a href="http://ir-en.bankaustria.at">http://ir-en.bankaustria.at</a>
Günther Stromenger, tel.: +43 (0) 5 05 05-57232	
Andreas Petzl, Tel.: +43 (0) 5 05 05-54999	

## Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's <sup>1)</sup>	Baa1	Ba1	P-2
Standard & Poor's <sup>2)</sup>	BBB+	BBB-	A-2

Public-sector covered bonds and mortgage bonds of Bank Austria are rated Aaa by Moody's.

1) Grandfathered senior debt is rated A2, grandfathered subordinated debt is rated Baa2.

2) Grandfathered senior debt is rated BBB+, grandfathered subordinated debt is rated BBB-.

## Information and disclosure pursuant to Sections 24 and 25 of the Austrian Media Act (Mediengesetz):

### Publisher and media owner:

UniCredit Bank Austria AG  
Rothschildplatz 1, 1020 Vienna, Austria  
Tel.: +43 (0) 5 05 05-0  
Internet: [www.bankaustria.at](http://www.bankaustria.at)  
e-mail: [info@unicreditgroup.at](mailto:info@unicreditgroup.at)  
BIC: BKAUATWW  
Austrian bank routing code: 12000  
Register of Firms: FN 150714p  
Data Processing Register number: 0030066  
VAT number: ATU 51507409

### Editor:

Accounting, Reporting, Tax & Corporate Relations

**Cover and introduction creative definition:** UniCredit S.p.A.

**Sorter pages creative definition:** M&C Saatchi

**Design, graphic development and production:** UniCredit S.p.A.

**Graphics:** [www.horvath.co.at](http://www.horvath.co.at)

### Business objective:

Credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

### Persons (Management Board) authorised to represent the media owner:

Robert Zadrzil (Chairman of the Management Board), Romeo Collina (Deputy Chairman of the Management Board, left as at 28 February 2019), Dieter Hengl, Gregor Hofstätter-Pobst, Jürgen Kullnigg, Mauro Maschio, Doris Tomanek, Susanne Wendler.

### Supervisory Board of the media owner:

Gianni Franco Papa (Chairman of the Supervisory Board), Ranieri de Marchis (Deputy Chairman of the Supervisory Board), Livia Aliberti Amidani, Christine Buchinger, Adolf Lehner, Marina Natale, Mario Pramendorfer, Eveline Steinberger-Kern, Ernst Theimer, Andrea Umberto Varese, Carlo Vivaldi, Karin Wisak-Gradinger.

## Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:

UniCredit S.p.A. holds 99.996% of the shares in the media owner (information on the shareholder structure of UniCredit S.p.A. is available at <https://www.unicreditgroup.eu/en/governance/shareholder-structure.html>).

"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004% in the media owner.

## Notes

This report contains forward-looking statements relating to the future performance of Bank Austria. These statements reflect estimates which we have made on the basis of all information available to us at present. Should the assumptions underlying forward-looking statements prove incorrect, or should risks – such as those mentioned in this report – materialise to an extent not anticipated, actual results may vary from those expected at present. Market share data are based on the most recent information available at the editorial close of this report.

"Bank Austria" as used in this report refers to the group of consolidated companies. "UniCredit Bank Austria AG" as used in this report refers to the parent company.

In adding up rounded figures and calculating the percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded off.

## Disclaimer

This edition of our Annual Report is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal respects.

Banking that matters.

 **Bank Austria**

Member of  **UniCredit**

[unicreditgroup.eu](http://unicreditgroup.eu)  
[www.bankaustria.at](http://www.bankaustria.at)