

# One Bank One UniCredit

2017

Half-Yearly Financial Report

Welcome to  
 **Bank Austria**  
Member of  UniCredit

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# Management Report

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## Economic environment – market developments

### Monetary policy of ECB slowly beginning to return to normal

The European Central Bank's relaxed monetary policy continued to have a strong influence on banking business in Austria. In the first half of 2017, the ECB's key interest rates, which had been lowered in March 2016, remained unchanged. The interest rate on the main refinancing operations and the rates on the marginal lending facility and the deposit facility continue to be 0.00%, 0.25% and -0.40%, respectively. While economic recovery has become more pronounced and risks to the growth outlook have diminished, the ECB takes the view that downside risks still predominate somewhat and uncertainties exist with regard to external trade. Most importantly, in the first half of 2017 the ECB did not see sufficient progress on the way to lasting and self-sustaining convergence of the inflation rate to the medium-term inflation target of about 2%, to change its interest rate policy.

By implementing the reduction, announced in December 2016, of new volume under its asset purchase programme from €80 billion to €60 billion per month as from April 2017, the ECB nevertheless took a first step towards a return to normal monetary policy in Europe. Moreover, in March 2017, the ECB concluded the series of targeted longer-term refinancing operations, each with a four-year maturity, which started in the middle of 2016. In this environment, money market interest rates remained stable at a low level in the first half of 2017. The 3-month Euribor was at a constant minus 0.33%. Long-term interest rates were characterised by significantly stronger volatility, mainly reflecting political events such as the presidential election in France. The increase in yields on US Treasuries after the surprising outcome of the US presidential election in November 2016 partly reversed in the second quarter of 2017 as inflationary expectations receded. Influenced by these developments, yields in Europe rose in the early part of the year; since then they have shown a sideways movement. Yields on German ten-year government bonds were 0.47% at the end of June 2017, compared with 0.64% on Austrian ten-year government bonds.

Stock markets continued to develop favourably, reflecting the positive economic trends. The MSCI world index advanced by over 9% in the first half of 2017. Germany's DAX stock index rose by over 6% and Austria's ATX index by 18%, making it one of the best performers.

### Global and European economic environment

Economic conditions for the banking sector showed clear signs of improvement in the first half of 2017. The world economy continued to recover and even gathered momentum. Global trade expanded in the past months, registering the strongest growth

rates since 2011. Investment activity increased. Stronger economic performance and more dynamic world trade, in combination with restrictions on oil production by the OPEC countries – though implemented in a manner that will hardly prove efficient in the medium term –, led to a recovery of commodity prices. The combination of these factors relieved deflationary pressure in a number of industrial countries and benefited several commodity-exporting emerging markets. This was one of the reasons why the emerging markets were key contributors to accelerating global growth in the first half of 2017, a development led by China, which improved the performance of its industrial sector by taking measures to support demand and by closing operations in areas affected by excessive supply. Fresh impetus provided by reviving global trade also benefited the industrial countries. The US economy grew more strongly again after a weaker start to the year, with growth supported by strong private consumption and a slight increase in investment; in the first half of 2017, GDP rose by between 2% and 2.25%. Global tailwinds had a particularly strong effect on the European economy. Growth markets in Europe are experiencing an upswing supported by fiscal stimulus and a relaxed monetary policy with low interest rate levels. While the United Kingdom is faced with initial signs of a downturn ahead of Brexit, other countries in the European Union benefit from global recovery.

● The upswing in the **European economy** accelerated perceptibly and became more broadly based. Growth of about 2% in the first half of 2017 was the highest rate achieved in a decade, mainly thanks to the favourable global environment. The increase in world trade gave impetus especially to exports and had positive effects on all sectors of the economy. Relaxed monetary policy together with low interest rates strongly supported these developments. Investment activity benefited and private consumption kept up its momentum as unemployment declined. However, higher inflation and continued weak wage growth dampened the trend in real disposable incomes.

### Economic situation and market developments in Austria

● The economic upswing in **Austria** was gaining momentum and became more sustainable in the first half of 2017. Strong impetus came from the recovery of global foreign trade. Consequently, the acceleration of economic growth in the first six months of 2017 to over 2% year-on-year was mainly driven by exports. The favourable economic trends in the euro area, with an upswing in the core countries and in peripheral markets, provided increasing support. Most of the countries in Central and Eastern Europe which maintain close economic relations with Austria benefited from these developments. Moreover, a number of growth markets outside Europe were also gathering momentum. In view of strong export demand, Austrian companies upgraded their investment plans as capacity

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utilisation in Austrian industry returned to the multi-year average level for the first time since the 2008/2009 financial crisis, reflecting the fast pace of production. In the first six months of 2017, construction investment accelerated, continuing the expansion which had started in the latter half of 2016 after a five-year period of weakness. Investment in equipment, motor vehicles in particular, also recorded sound growth, supported by financing conditions which remained favourable.

The continued upward trend in domestic demand in the first half of 2017 was mainly driven by private consumption. This unabated strength came as a surprise because growth was expected to slow one year after the implementation of the income tax reform as its positive effects on demand were tapering off. However, the diminishing effect of the 2016 tax reform on private consumption was offset by a significant improvement in the labour market situation, which triggered positive income effects.

With the favourable economic trend experienced in the first six months of 2017, employment growth in Austria accelerated significantly, to an average 1.7% year-on-year. Some 60,000 new jobs were created. In addition, the number of overtime hours worked in existing employment relationships increased. As the labour supply did not rise to the same extent as in the previous year, the unemployment rate declined for the first time since 2011. Falling to a seasonally adjusted 8.6%, the unemployment rate in mid-2017 nevertheless still matched the year-end 2014 level. This means that the unemployment rate is a full 2 percentage points higher than in 2011, the year before it started to rise as a consequence of the government debt crisis in Europe and the opening of the Austrian labour market to new member states of the European Union.

Economic developments in the first half of 2017 were characterised by significantly higher inflation compared with the previous year: from a low annual average rate of 0.9% for 2016, inflation

rose to an average 2.0% year-on-year. The upward trend, triggered by higher oil prices, came to a halt in the first quarter of 2017. However, upward pressure on prices continued as a result of second-round effects of the oil price increase – e.g. via transport costs for food, an increase in tobacco tax and strong demand for various services. In the middle of 2017, core inflation (excluding energy and food) was just over 2%.

● Credit demand in Austria started to rise in the year to date, supported by the faster pace of economic recovery. Especially demand for corporate loans showed the first significant increase in a long time although credit demand is still limited by companies' very strong liquidity position and the growing importance of alternative financing methods in light of surplus liquidity in the corporate sector. In line with the structure of the Austrian economy, companies met a large proportion of their funding requirements outside Austria in the form of intra-group financing arrangements as well as through commercial credit.

In the area of personal loans, strong growth of housing construction loans continued in the first few months of 2017. As lending rates were at historically low levels, the trend towards fixed-rate arrangements in new business intensified. The economic upswing, which has favourable effects on the labour market, is not yet reflected in consumer lending business to any significant extent. Overall lending volume continued to decline year-on-year, though at a slightly lower rate.

The volume of deposits in Austria rose strongly again, despite the low level of interest rates. But additions to deposits held by companies and private households were growing at slightly lower rates. Short-term deposits remained the dominant category in view of the prevailing interest rate environment. Demand for mutual funds also continued to be strong in the year to date while life insurance policies tended to be less attractive.

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## Bank Austria at a glance

### Income statement figures

(€ million)	H1 2017	H1 2016 <sup>1)</sup>	+/-
Net interest	481	536	-10.2%
Dividend income and other income from equity investments	76	60	25.2%
Net fees and commissions	352	328	7.2%
Net trading, hedging and fair value income	36	18	99.6%
Operating income	995	1,038	-4.1%
Operating costs	-669	-756	-11.5%
Operating profit	326	282	15.8%
Net write-downs of loans and provisions for guarantees and commitments	98	40	>100%
Net operating profit	425	322	31.9%
Profit before tax	331	5	>100%
Total profit or loss after tax from discontinued operations	58	17	>100%
Net profit attributable to the owners of the parent company	357	-44	n. m.

### Volume figures

(€ million)	30 JUNE 2017	31 DEC. 2016	+/-
Total assets	102,972	105,785	-2.7%
Loans and receivables with customers	60,158	60,926	-1.3%
Direct funding	69,425	74,032	-6.2%
Equity	8,190	7,892	3.8%
Risk-weighted assets (overall) <sup>2)</sup>	32,929	35,446	-7.1%

### Key performance indicators

	H1 2017	2016 <sup>3)</sup>
Cost/income ratio	67.2%	72.8%
Cost of risk (provisioning charge/avg. lending volume)	-32 bp	-13 bp
Loan / direct funding ratio	86.7%	82.3%
Leverage ratio <sup>4)</sup>	5.7%	5.6%
Common Equity Tier 1 capital ratio <sup>5)</sup>	19.5%	18.0%
Tier 1 capital ratio <sup>5)</sup>	19.5%	18.0%
Total capital ratio <sup>5)</sup>	22.6%	20.8%

### Staff

	30 JUNE 2017	31 DEC. 2016	+/-
Bank Austria (full-time equivalent)	5,873	6,162	-288

### Offices

	30 JUNE 2017	31 DEC. 2016	+/-
Bank Austria	146	162	-16
of which: Retail Banking – UniCredit Bank Austria AG	130	141	-11

n. m. = not meaningful / 1) Comparative figures for 2016 recast to reflect the current structure and methodology. / 2) Regulatory risk-weighted assets. / 3) P&L- and balance sheet-related ratios for H1 2016, capital ratios as of 31 December 2016. / 4) Leverage ratio under Basel 3 based on the current status of transitional arrangements. / 5) Capital ratios based on all risks under Basel 3 (transitional) and IFRS.

# Management Report (CONTINUED)

## Business developments in the first half of 2017

### Major events

As part of UniCredit Group's strategic plan "Transform 2019", intensive work on implementing the strategic reorientation under "Bank Austria Reloaded" continued in the first half of 2017. Regardless of the transfer of the CEE banking subsidiaries to UniCredit S.p.A. in the fourth quarter of 2016, Bank Austria remains the largest bank in Austria by total assets on a stand-alone basis. As a member of UniCredit Group, Bank Austria will continue to give its customers access to the full expertise of a major international bank. This means that the customary high **quality of services and advice and the UniCredit banking network in Central and Eastern Europe** will be available to our customers also in the future.

At the same time, and with close attention to the strategic reorientation, Bank Austria's complexity was significantly reduced. The bank is optimising and improving its products and services and its processes for customers on a sustainable basis. Activities in this context concentrate on a customer-focused service approach with longer opening hours and advisory services which can also be provided via SmartBanking without being limited by opening hours. Further **digitalisation** and the **streamlining of the product range** support this refocusing process.

In addition to external processes, Bank Austria's efforts also focus on **optimising internal processes**. This helps the bank to

further pursue the **reduction of staffing levels**. Staff numbers are reduced according to the principles of voluntary decisions and a socially acceptable approach, through an exit offer programme successfully implemented in 2016 and through normal staff turnover. In addition, the bank is pursuing a number of further cost and revenue initiatives.

Preparations for the relocation of all Head Office employees to the new Campus in 2018 are a key component of these activities. The new headquarters for Bank Austria and about twenty other UniCredit Group companies in Austria is being built as part of the "Austria Campus", at the site of Vienna's former Northern Railway Station, the city's major development area. The integration of all employees, who have so far worked in buildings spread across several districts of Vienna, in a single central location and the fact that the Campus meets the highest standards will significantly enhance efficiency.

Bank Austria's concentration on its core function as a leading financial services provider also involves the reduction of property holdings which are not required for the bank's business operations. In line with this strategy, further significant parts of the real estate portfolio mainly held by Immobilien Holding were sold in the first half of 2017.

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

(€ million)

	RECAST <sup>2)</sup>		CHANGE		RECONCILIATION		BANK AUSTRIA GROUP	
	H1 2017	H1 2016	+/- €	+/- %	H1 2017	H1 2016	H1 2017	H1 2016
Net interest	481	536	-55	-10.2%	0	-52	481	484
Dividend income and other income from equity investments	76	60	+15	+25.2%	0	0	76	60
Net fees and commissions	352	328	+24	+7.2%	0	9	352	337
Net trading, hedging and fair value income	36	18	+18	+99.6%	0	1	36	19
Net other expenses/income	51	95	-45	-46.7%	0	-1	51	95
Operating income	995	1,038	-43	-4.1%	0	-43	995	995
Payroll costs	-349	-379	+30	-7.9%	0	2	-349	-376
Other administrative expenses	-306	-353	+46	-13.1%	0	-1	-306	-353
Recovery of expenses	0	0	+0	n.m.	0	0	0	0
Amortisation, depreciation and impairment losses on intangible and tangible assets	-14	-25	+11	-42.5%	0	0	-14	-25
Operating costs	-669	-756	+87	-11.5%	0	2	-669	-754
Operating profit	326	282	+45	+15.8%	0	-41	326	241
Net write-downs of loans and provisions for guarantees and commitments	98	40	+58	>100%	0	0	98	40
<b>Net operating profit</b>	<b>425</b>	<b>322</b>	<b>+103</b>	<b>+31.9%</b>	<b>0</b>	<b>-41</b>	<b>425</b>	<b>281</b>
Provisions for risks and charges	12	-1	+13	n.m.	0	0	12	-1
Systemic charges	-113	-118	+5	-4.4%	0	0	-113	-118
Integration/restructuring costs	0	-204	+204	-100.0%	0	0	0	-204
Net income/loss from investments	8	6	+2	+26.6%	0	0	8	6
<b>Profit or loss before tax</b>	<b>331</b>	<b>5</b>	<b>+327</b>	<b>&gt;100%</b>	<b>0</b>	<b>-41</b>	<b>331</b>	<b>-36</b>
Income tax for the period	-25	-25	+0	-0.6%	0	0	-25	-25
Total profit or loss after tax from discontinued operations	58	17	+41	>100%	0	730	58	747
Non-controlling interests	-7	-41	+34	-82.5%	0	-18	-7	-59
<b>Net profit or loss<sup>3)</sup></b>	<b>357</b>	<b>-44</b>	<b>+401</b>	<b>n.m.</b>	<b>0</b>	<b>670</b>	<b>357</b>	<b>626</b>

n.m. = not meaningful. / 1) Bank Austria'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 2017. / 3) Attributable to the owners of the parent company.



# Management Report (CONTINUED)

## Details of the income statement for the first half of 2017

*The following commentary on the development of Bank Austria's operating activities and performance is based on the income statement structure used for segment reporting. Comparative figures for 2016 have been recast to reflect the current structure and methodology. Following the demerger of the CEE Division in 2016 (demerger and subsequent transfer to UniCredit S.p.A. effected as at 1 October 2016) the CEE Division is no longer included in the figures for the previous year (see the column RECAST H1 2016 on page 7). This means that the following commentary relates exclusively to the results of the Austrian group of companies.*

*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 which 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" also reflects the results from Immobilien Holding companies which are still held by Bank Austria but are classified as held for sale.*

● **Operating income** in the first half of 2017 was €995 million, slightly lower than for the same period of the previous year (€1,038 million). The previous year's figure included a large one-off effect in the form of income of €68 million from the sale of VISA shares to VISA Inc. in the context of that company's share buyback programme. Taking this one-off effect into account, operating income showed a favourable trend: the decline in net interest is largely explained by the fact that CEE funding which remained in Bank Austria reached maturity as planned, and was also due to the current interest rate environment; growth was achieved in dividend income and other income from equity investments, in net fees and commissions and in net trading, hedging and fair value income.

● Within the total figure, **net interest** remained the largest component, accounting for close to 50% of operating income. At €481 million, net interest was lower than in the same period of the previous year. As described above, the decline resulted largely from the fact that CEE funding which remained in Bank Austria reached maturity, and was also due to an environment which continued to be characterised by extremely low, and partly even negative, interest rates and low credit demand.

● In the first half of 2017, **net fees and commissions** were €352 million, up by €24 million or 7.2% on the same period of the previous year. About two-fifths of net fees and commissions were generated by asset management business, which showed

an excellent trend overall, with income from assets under management in particular developing very favourably – in line with business objectives. Close to one-half of net fees and commissions came from payment transactions, a business area which remained a major generator of fees and commissions, with income matching the figure for the same period of the previous year. Fees and commissions generated by finance-related services also increased compared with the first half of 2016.

● **Net trading, hedging and fair value income** reached €36 million, doubling compared with the same period of the previous year (up by €18 million).

● **Net other expenses/income** includes a number of items which are not directly related to banking business. The figure for the first half of 2017 was €51 million, significantly lower than the comparative figure of €95 million for the same period of the previous year. The decrease is mainly due to a one-off effect included in the previous year: income of €68 million generated by the subsidiary card complete from the sale of VISA shares (of which €34 million was attributable to minority shareholders in that company and is included as a deduction in the item "Non-controlling interests").

Costs remained a focal point of the ongoing restructuring activities. **Operating costs** were €669 million, down by a significant €87 million or 11.5% (H1 2016: €756 million), with reductions achieved in all key cost types. **Payroll costs** declined by €30 million or 7.9% on the same period of the previous year, mainly due to the reduction of staffing levels (full-time equivalents – FTEs) initiated under the current strategy. As a result of staff reductions – carried out in a socially responsible manner, through attractive options offered to employees – total FTEs declined by 374 compared with June 2016, with all of the bank's divisions contributing to the reductions. Other administrative expenses were also reduced significantly, by €46 million or 13.1%. This was achieved mainly through consistent strict cost management, which is a special focus of the bank's activities to implement "Transform 2019", UniCredit Group's current strategic plan. The decrease also reflects an exceptional charge for legal costs in the previous year and one-off income from the release of a provision for legal costs in the second quarter of 2017. **Amortisation and depreciation** declined by 42.5%, also reflecting the implementation of the planned cost-saving measures including branch closures and other reductions of property, plant and equipment.

All these factors led to a significant improvement in the cost/income ratio to 67.2% compared with 72.8% for the same period of the previous year; the ratio continues to serve as a key indicator of the success of restructuring efforts.

# Management Report (CONTINUED)

As in the previous year, **net write-downs of loans and provisions for guarantees and commitments** again showed a very satisfactory trend across all business segments. A favourable environment and the bank's professional credit risk management enabled Bank Austria to release loan loss provisions made in previous years; the net release of loan loss provisions reached €98 million compared with a net release of €40 million in the same period of the previous year.

The cost of risk, expressed in basis points (bp), is calculated by dividing net write-downs of loans and provisions for guarantees and commitments by average lending volume (see the entry in the glossary of alternative performance indicators at the end of this report). In view of the net release of loan loss provisions, the cost of risk for the first half of 2017 was negative, at –32bp, for Bank Austria as a whole (H1 2016: –13bp). The cost of risk in the various business segments was –49bp for Retail Banking, –13bp for Corporate Banking and –24bp for the CIB Division.

● Operating income and operating costs developed favourably, and the contribution from net write-downs of loans and provisions for guarantees and commitments improved significantly. On this basis, net operating profit (operating profit less net write-downs of loans and provisions for guarantees and commitments) rose significantly in the first half of 2017, by €103 million or 31.9% to €425 million. From a divisional perspective, the Austrian customer business segments made the following contributions to net operating profit: Retail Banking +€113 million, Corporate Banking +€206 million, Private Banking +€23 million and CIB +€128 million.

**Provisions for risks and charges** reflect a net release of provisions amounting to €12 million in the first half of 2017 (H1 2016: a net charge of €1 million); this is mainly due to the release of a provision made for a legal case in the distant past.

**Systemic charges** totalled €113 million, a slight decrease (H1 2016: €118 million). Within the total amount, the bank levy accounted for €56 million (of which a pro-rata special payment accounted for €46 million) and contributions to the deposit guarantee scheme and the resolution fund totalled €57 million. The decrease resulted from new rules applicable to the Austrian bank

levy: the larger portion of the charge for the bank levy is accounted for by a one-off special payment, which will be made in four instalments in the years from 2017 to 2020.

**Integration/restructuring costs** were zero for the current business year to date. The net charge for the first half of the previous year was €204 million, reflecting the increase in the provision for the planned transfer of the defined-benefit pension obligation for active employees to the state pension system, pursuant to the amendment to the Austrian General Social Insurance Act which was passed by the Austrian parliament in the first quarter of 2016.

The item **Net income/loss from investments** shows net income of €8 million (H1 2016: €6 million).

After deduction of the balance of non-operating items from the net operating profit of €425 million for the first half of 2017, **profit before tax** was €331 million. The substantial improvement of €327 million compared with the same period of the previous year was mainly due to the increase in operating performance described above and to the additional charge for integration costs in the first six months of the previous year.

**Income tax** amounted to €25 million, matching the figure for the same period of the previous year.

**Total profit or loss after tax from discontinued operations** includes the contribution of €58 million (H1 2016: €17 million) from the Immobilien Holding companies and the results from the sale of real estate companies and properties held by these companies. These companies included BAI Bauträger Austria Immobilien GmbH, which was sold together with its equity interests in other companies to an Austrian group of investors.

**Non-controlling interests** amounted to –€7 million (H1 2016: –€41 million; the larger amount was mainly due to minority interests in the VISA-related gain on a sale by card complete).

Overall, **net profit (attributable to the owners of the parent company)** for the first half of 2017, i.e. in the first full financial year after the transfer of the CEE business operations, was €357 million after a net loss of €44 million for the first six months of 2016.

# Management Report (CONTINUED)

## Financial position and capital resources

The statement of financial position at 31 December 2016 and the statement of financial position at 30 June 2017 show the Bank Austria Group remaining at those dates without CEE units, which were transferred to UniCredit Group as at 1 October 2016 ("CEE carve-out"). The statement of financial position at 30 June 2016 still included the CEE Division, presented in accordance with IFRS 5 in the items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale".

As at 30 June 2017, the Bank Austria Group's **total assets** were about **€103 billion**. The substantial reduction of about 47% in total assets **compared with 30 June 2016** is largely explained by the transfer of CEE business to the parent company of the Group. On the **assets side**, as at 30 June 2016, the item "Non-current assets and disposal groups classified as held for sale" still included the CEE Division with about €96 billion. On the **liabilities side**, the CEE Division was still reflected in mid-2016, with about €77 billion in the item "Liabilities included in disposal groups classified as held for sale".

A **comparison with** the figures as at **31 December 2016** shows a significantly smaller volume reduction of €2.8 billion or 3%. On

the assets side, this reduction was driven by a significant decline in loans and receivables with banks (–€1.3 billion) and in loans and receivables with customers (–€0.8 billion). The decline in these two items resulted largely from the fact that CEE funding reached maturity as planned. The reduction in the item "Loans and receivables with customers" is due to the reduction of funding for CEE leasing companies. The CIB business segment achieved significant volume growth. Retail Banking recorded a favourable trend especially in new business in euro-denominated mortgage loans. In a parallel development, the gross volume of non-performing exposures (NPEs) was down by 8.9%, from €2.9 billion at year-end 2016 to €2.6 billion, translating into an improvement in asset quality. This is reflected in a lower gross NPE ratio of 4.3%, down from 4.6%.

On the liabilities side, direct funding – i.e. funds entrusted to Bank Austria by non-banks – declined significantly compared with year-end 2016, by €4.6 billion, in line with the bank's liquidity strategy. Broken down by business segment, the reduction was most pronounced in the CIB Division and in Corporate Banking. The increase in deposits from banks reflects the use of low-cost funding facilities of the European Central Bank.

### Major items in the statement of financial position

(€ million)

	30 JUNE 2017	31 DEC. 2016	30 JUNE 2016 <sup>3)</sup>	CHANGE HY 2017 VERSUS HY 2016		CHANGE HY 2017 VERSUS YEAR-END 2016	
				+/- € MILLION	+/- %	+/- € MILLION	+/- %
<b>ASSETS</b>							
Financial market investments <sup>1)</sup>	16,102	16,040	16,188	–86	–0.5%	+62	+0.4%
Financial assets held for trading and hedging derivatives	3,210	3,774	4,368	–1,158	–26.5%	–565	–15.0%
Loans and receivables with banks	19,464	20,762	12,822	+6,643	+51.8%	–1,298	–6.2%
Loans and receivables with customers	60,158	60,926	59,458	+700	+1.2%	–769	–1.3%
Investments in associates and joint ventures	1,870	1,777	1,792	+78	+4.4%	+93	+5.2%
Intangible assets	10	11	12	–2	–19.7%	–2	–14.2%
Non-current assets and disposal groups classified as held for sale	639	900	96,828	–96,190	–99.3%	–262	–29.1%
Other asset items	1,519	1,594	2,339	–819	–35.0%	–75	–4.7%
<b>Total assets</b>	<b>102,972</b>	<b>105,785</b>	<b>193,807</b>	<b>–90,835</b>	<b>–46.9%</b>	<b>–2,814</b>	<b>–2.7%</b>
<b>LIABILITIES AND EQUITY</b>							
Financial liabilities held for trading and hedging derivatives	2,803	3,260	3,941	–1,138	–28.9%	–457	–14.0%
Deposits from banks	16,443	13,939	15,340	–1,104	+7.2%	+2,504	+18.0%
Deposits from customers	53,571	56,239	56,081	–2,510	–4.5%	–2,668	–4.7%
Debt securities in issue	15,509	17,394	18,265	–2,756	–15.1%	–1,885	–10.8%
... Direct funding <sup>2)</sup>	69,425	74,032	74,775	–5,350	–7.2%	–4,607	–6.2%
Liabilities included in disposal groups classified as held for sale	142	123	76,948	–76,806	–99.8%	+19	+15.6%
Provisions for risks and charges	3,986	4,212	4,678	–692	–14.8%	–226	–5.4%
Equity	8,190	7,892	16,110	–7,920	–49.2%	+298	+3.8%
Other liability items	2,327	2,726	2,442	–115	–4.7%	–399	–14.6%
<b>Total liabilities and equity</b>	<b>102,972</b>	<b>105,785</b>	<b>193,807</b>	<b>–90,835</b>	<b>–46.9%</b>	<b>–2,813</b>	<b>–2.7%</b>

1) Financial assets at fair value through profit or loss + available-for-sale financial assets + held-to-maturity investments. / 2) Deposits from customers + debt securities in issue + financial liabilities at fair value. / 3) CEE included in accordance with IFRS 5 in the items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" as at 30 June 2016.

# Management Report (CONTINUED)

Generally, the Bank Austria Group's statement of financial position at 30 June 2017 reflects the target structure which is to be achieved through the bank's reorientation: an **Austrian universal bank** focused on classic commercial banking business with customers.

Loans and receivables with customers were again by far the largest asset item, totalling €60.2 billion. The Corporate Banking and Corporate & Investment Banking business segments accounted for about two-thirds of total lending volume, underlining Bank Austria's leading position as a major lender to the Austrian business sector. Bank Austria also plays an important role in lending to private individuals in Austria.

**Deposits from customers** totalled €53.6 billion, with the Retail Banking and Private Banking business segments accounting for about 60% of total deposits. This gives Bank Austria a strong funding base. Direct funding, i. e. funds entrusted to Bank Austria by non-banks, remained at a high level, totalling €69.4 billion as at 30 June 2017. This means that loans to non-banks are covered by deposits from non-banks and debt securities in issue to the extent of about 115%.

**Provisions for risks and charges** totalled about €4 billion as at 30 June 2017. Within the total, provisions for pensions and other post-retirement benefit obligations amounted to €3.7 billion. In the first half of 2017 it was necessary to adjust the discount rate from 1.6% to 1.85%, which had a favourable effect on **equity**.

**Equity** amounted to **€8.2 billion** as at 30 June 2017, up by about €0.3 billion on the year-end 2016 figure. The increase reflects net profit of €0.4 billion, an effect which was partly reduced by a decline in changes, recognised in equity, in the valuation of securities (cash flow hedges and available-for-sale financial assets).

## Permanent establishments

There are no permanent establishments.

## 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. For example, new deductions from Common Equity Tier 1 capital or capital components which are no longer eligible for inclusion under Basel 3 are not yet to be fully taken into account pursuant to CRR / CRD IV in the fourth year of the transition period but to the extent required for 2017 under the above Regulations.*

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

● **Capital resources** of the Bank Austria Group remained stable compared with year-end 2016, with **total regulatory capital of €7.4 billion**. Of the slight increase of €59 million in total regulatory capital, **Common Equity Tier 1 capital (CET1)** accounted for +€24 million, bringing the total to €6.4 billion, and Tier 2 capital accounted for +€36 million, with the total figure increasing to €1 billion. CET1 increased on account of the higher discount rate as at 30 June 2017 applied in determining pensions and other post-retirement benefit obligations in accordance with IAS 19. Effects reducing CET1 included the application of transitional arrangements and the increase in deductions for significant investments in financial sector entities on account of higher carrying amounts.

Within **Tier 2 capital**, amortisation and foreign-currency effects from eligible subordinated instruments were offset by the higher phase-in rate, applicable from 1 January 2017 under the CRR transitional arrangements.

# Management Report (CONTINUED)

● The **total risk exposure amount** (RWAs) was **€32.9 billion**, down by €2.5 billion compared with year-end 2016; credit risk, down by €2.5 billion, accounted for almost all of the decrease. The reporting period saw only slight changes in the risk exposure amounts for **market risk and operational risk**.

▶ The decline in **credit risk** was accounted for by financing volume of CEE and leasing units as well as other units of UniCredit Group to the extent of –€1.3 billion. Moreover, model changes in internal credit risk models had a positive effect of –€0.5 billion on RWAs. The remaining effect was due to business-related changes and optimisation in the portfolio of equity investments.

▶ Market risk and operational risk: Market risk RWAs were more or less unchanged at **€0.1 billion**.

The risk exposure amount for **operational risk** was stable at **€3.9 billion**.

● The decline in the total risk exposure amount compared with constant capital resources led to an improvement in the **Common Equity Tier 1 capital ratio** from 18.0% (year-end 2016) to **19.5%** as at 30 June 2017.

The **total capital ratio** improved from 20.8% to **22.6%**.

**Capital ratios** based on all risks

	30 JUNE 2017	31 DEC. 2016
Common Equity Tier 1 capital ratio <sup>*)</sup>	19.5%	18.0%
Tier 1 capital ratio <sup>*)</sup>	19.5%	18.0%
Total capital ratio <sup>*)</sup>	22.6%	20.8%

<sup>\*)</sup> based on all risks.

● As at 30 June 2017, the **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 5.7% (31 December 2016: 5.6%).

# Management Report (CONTINUED)

## Outlook

### Economic scenario

The global economy gathered momentum in the first half of 2017, benefiting from the favourable conditions prevailing in the early part of the year. Growth of trade and industrial output increased. Strong domestic demand in Asia and Europe made significant contributions to the upswing. While some political risks – especially with regard to stronger nationalist tendencies in Europe – have dissipated, economic developments are still affected by political uncertainties. Major risks to the current upswing for Europe include the possibility of a protectionist US economic policy; negotiations on the United Kingdom's exit from the European Union; and parliamentary elections in Italy. There is also a question mark over the sustainability of the economic upturn in emerging markets, especially in view of initial steps taken by the US Federal Reserve to return to normal monetary policy. Higher US interest rates could lead to outflows of funds from emerging markets, which would significantly weaken exchange rates and translate into higher financing costs; this would have a particularly strong impact on countries faced with economic imbalances and substantial funding requirements.

Regardless of existing risks, the outlook for the global economy in mid-2017 remains favourable. UniCredit's Global Leading Indicator, which is based on economic data from many countries and various sectors, is now past its 3-year peak but is still signalling strong economic tailwinds. As trade continues to grow at a higher rate and investment activity is also increasing, and thanks to more favourable overall conditions benefiting several large commodity-producing countries in the form of a slight recovery of prices, global economic growth should rise to about 3.5% in 2017.

● After a weak first quarter, US economic growth will accelerate in the remaining part of 2017. Given the moderate start to the year, we now expect GDP to increase by only 2.2% in 2017 as a whole. Impetus to growth will continue to come from private consumption, which will be supported by a stabilising labour market and asset growth driven by good stock market performance and rising real estate prices. Moreover, investment activity will revive with increased spending in the energy sector as a result of higher oil prices. The fiscal stimulus announced by the Trump government could be delayed at least until after the mid-term elections in the coming year. We have therefore lowered our growth forecast for the US economy from 2.8% to 2.3% for 2018. Inflationary expectations have receded in the meantime. But the strong decline in the unemployment rate, which will fall to a level below 4% in the coming months, will put upward pressure on wages,

keeping inflation at a rate above 2%. We believe that in this environment, the US Federal Reserve will continue to take steps to return to normal monetary policy. The decision to raise the key interest rate in June will probably be followed by a further interest rate increase in the second half of the year. We expect such a step for September 2017 and assume that the Fed will start to reduce the size of its balance sheet in December.

● Economic recovery in the euro area will continue and become more broadly based in the second half of 2017. In view of the strong economic momentum around the beginning of the year, and on the assumption that the surprisingly positive sentiment among consumers and companies will be reflected in sound growth rates, we have raised our euro area growth forecast for 2017 from 1.8% to 2.1%. This would be the highest growth rate in a decade.

The more favourable outlook is mainly based on the revival of global trade driven by emerging markets. This will give strong impetus to the European economy also in the second half of the year, which will spread to all sectors of the economy and boost investment activity, also thanks to a relaxed monetary policy with low interest rates. A significant contribution to growth will also come from the construction industry, which is sending particularly positive signals. Consumer confidence and the current increase in employment, beyond the pre-crisis level of 2008 by now, will boost private consumption. However, given the moderate income trend, higher year-on-year inflation will dampen consumption growth, all the more so as the decline in the savings ratio will not continue at the current fast pace.

Core inflation in the euro area will remain stable, at around 1%, in the coming months. If the current output gap is closed more quickly, however, this could increase upward pressure on prices. Based on the assumption of hardly rising oil prices, we expect inflation in the euro area to average 1.6% in 2017.

With the asset purchase programme of €60 billion a month in place until December 2017, attention in the context of the ECB's monetary policy is already focused on 2018. Moderate inflation and existing political uncertainties in connection with parliamentary elections in Italy are strong arguments in favour of a very gradual reduction of the asset purchase programme in the coming year, even though technical conditions would suggest an earlier exit from the programme. We believe that the ECB will opt for a cautious exit scenario, for the time being not specifying the time when the asset purchase programme will end.



# Management Report (CONTINUED)

Under this scenario, the ECB could announce in September 2017 the reduction of monthly purchases to €40 billion for the first half of 2018 while envisaging a further reduction to €20 billion per month in the second half of 2018. If the quantitative easing measures are gradually reversed and the ECB's Governing Council remains committed to keeping interest rates "at their present levels for an extended period of time, and well past the horizon of the net asset purchases", the key interest rates may be expected to be raised only in the first few months of 2019.

● The Austrian economy is in very good shape in mid-2017, which provides a sound base for continuing the dynamic growth seen in the first half of the year. Economic sentiment in Austria has brightened over the past few months, influenced by the global upward trend and the favourable international environment and by the stabilisation of domestic economic activity, which had positive effects on the labour market. For the first time in several years, the second half of 2017 started with optimism prevailing across all sectors of the Austrian economy. The UniCredit Bank Austria Business Indicator has reached the highest level since spring 2011. Austrian consumers in particular became more confident towards the end of the first six months of 2017. As the labour market situation has eased, consumers now see their own financial position in a more favourable light and make plans for additional spending. Service providers and the construction industry are also in a very good mood as they benefit from well-filled order books which promise additional employment. Sentiment in Austrian industry is at a 6-year high and fairly stable, reflected in the increase in the UniCredit Bank Austria Purchasing Managers' Index to a level of 60.7 in June, the second highest figure since the index was introduced in autumn 1998.

The outlook for the Austrian economy has improved on the back of more favourable sentiment and international tailwinds. We have raised our growth forecast for 2017 from 1.6% at the beginning of the year to currently 2.3%. Stronger support from global trends and the continued strength of domestic demand will be the main driving forces in the second half of the year. Exports rose strongly in the past few months and will benefit from high levels of economic activity in the euro area, where the core economies and peripheral markets are buoyant. Growth is also increasing in many countries in Central and Eastern Europe which maintain close business relations with Austria, and economic recovery in growth markets outside Europe is stabilising. As the Austrian economy is highly export-oriented, there is a strong link between export growth and investment growth. Investment activity is

expected to increase significantly in the coming months as exports are gathering momentum. Domestic demand will remain at a high level mainly due to strong private consumption. The clear improvement in the labour market suggests that the unemployment rate will decline to an average 8.7% (national method) in 2017, or 5.6% based on the Eurostat definition. This will offset the fading positive effects on demand which resulted from the previous year's tax reform. Regardless of the overall positive income effects of these developments, we believe that 2017 will see only an insignificant increase in the savings ratio in Austria compared with the previous year. Although the Austrian economy continues to recover, inflation in the second half of 2017 will be lower than in the first six months, falling to levels well below 2% at times, as inflationary pressure caused by the oil price increase ceases to have an impact. We expect inflation in Austria to reach an annual average of 1.8% in 2017 after a low 0.9% in 2016.

● The slightly improved economic outlook should provide further impetus to the still moderate growth of corporate loans in Austria in the second half of 2017. It should be noted, however, that companies continue to benefit from a strong liquidity position. Moreover, they can use alternative financing methods in capital markets. We still expect that small and medium-sized businesses (SMEs) will show stronger demand for finance and that demand for consumer loans will also rise because consumers are now optimistic. Housing finance will probably remain buoyant as interest rates remain low, demand for housing is strong and real estate prices will continue to rise at least slightly. The trend for customers to lock in interest rates to benefit from the historically low interest rate levels is expected to continue.

Private households' investment behaviour continues to be determined by low interest rates. In the remaining months of 2017, investments are again expected to focus on short-term deposits, which will account for a large proportion of new investment as deposits for longer periods and bonds do not offer attractive yields. We expect to see additional demand for investment funds while classic life assurance will probably prove less attractive.

## Medium and long-term objectives

The years from 2017 to 2019 will be marked by the implementation of the Group strategy "Transform 2019" presented by UniCredit in December 2016. We have taken specific measures with a view to transforming the bank and building on competitive advantages. On this basis we will continue to use business opportunities in

# Management Report (CONTINUED)

order to operate profitably on a sustainable basis while modernising the bank and becoming even more attractive to our customers. For Bank Austria, this means:

- Further enhancing the business model to provide focused customer services and keep costs low over the long term, with digitalisation and related IT investment being important factors in this context.
- Making more intensive use of potential resulting from the broad customer base and the Group's market leadership position in many business areas and a number of regional markets by unlocking Group synergies and taking advantage of cross-selling opportunities.
- Reducing the cost base through a significantly leaner Corporate Center.

After the transfer of business operations in Central and Eastern Europe to UniCredit in the fourth quarter of 2016, Bank Austria is now focusing on Austrian customer business while continuing to offer all capabilities of a major European bank with an international outlook. This means that our customers benefit from top local expertise and from Bank Austria's membership of a pan-European commercial bank with fully plugged-in Corporate & Investment Banking operations and a unique network in Western, Central and Eastern Europe.

As a bank for corporate customers we are the key financial partner for Austrian companies and – as a member of a leading European banking group – we are strengthening our number one position in Austrian corporate banking by making available to customers our extensive know-how and our international network. We are the first point of contact for private banking customers, offering them a recognised and outstanding range of products and services – directly at Bank Austria or through our subsidiary Schoellerbank. The new service model implemented for retail customers takes account of changes in customers' needs. It includes fewer but significantly larger branches with longer opening hours and improved advisory services for our customers. Our real estate experts and our investment experts provide advice

personally at our branches and also via video calls at smaller offices. SmartBanking enables customers to make location-independent use of our experts' advisory services.

We are adjusting our services and our organisational structure and internal processes to changes in our customers' needs. In addition to a number of revenue and cost initiatives, various customer service-related initiatives have been launched for this purpose – including, most recently, the successful introduction of the Photo Payment service in the Bank Austria mobile app.

On the revenue side, Bank Austria will further expand its leading market position in three business areas: Corporate Banking, Corporate & Investment Banking, and Private Banking. In addition to efforts to win new corporate customers, Bank Austria is intensifying services for customers to leverage more effectively on existing customer business potential available to the bank as Austrian market leader. We see additional growth opportunities in Private Banking and in the Affluent customer segment, where we recently introduced the new UNIVERS investment solutions and personalised asset management services. Schoellerbank will further pursue its growth strategy and within Bank Austria we have identified strong potential for new business with existing customers through closer cooperation between the various business divisions. Retail banking activities continue to focus on giving branches and the digital marketplace – comprising the Online-Shop and the online branch – equal weight as channels for product sales and advisory services.

On the cost side, Bank Austria is implementing measures to reduce staff numbers and make the Corporate Center leaner. Moreover, the bank aims to reduce complexity by concentrating on key services as well as designing and digitalising processes with a view to enhancing efficiency. This process is supported by preparations for the relocation of all Head Office units to the new Bank Austria Campus, which will take place in 2018. Combining these units in a single location and switching to SmartWorking will further enhance efficiency and reduce costs in the Corporate Center.



# Segment report

Development of business segments

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# Segment report (CONTINUED)

## Retail Banking

(€ million)	H1 2017	H1 2016 <sup>1)</sup>	CHANGE	
Operating income	422	472	-50	-10.5%
Operating costs	-354	-384	+30	-7.8%
Operating profit	69	89	-20	-22.6%
Net write-downs of loans	44	-6	+50	n.m.
Net operating profit	113	83	+30	+36.4%
<b>Profit before tax</b>	<b>85</b>	<b>47</b>	<b>+38</b>	<b>+79.1%</b>
Loans to customers (avg.)	18,116	18,035	+81	+0.5%
Deposits from customers (avg.)	22,677	22,185	+492	+2.2%
Risk-weighted assets (avg.) <sup>2)</sup>	8,233	8,513	-280	-3.3%
ROAC in % <sup>3)</sup>	12.4	1.3	+11	>100%

n.m. = not meaningful / 1) For segment reporting purposes, the comparative figures for 2016 were recast to reflect the structure and methodology of the 2017 reporting period (see the segment reporting section in the notes to the consolidated financial statements on page 54 of this report. / 2) Average risk-weighted assets (all risks) under Basel 3. / 3) Calculated on the basis of 12.5% allocated capital.

### ● Operating profit

In the first half of 2017, operating performance in the Retail Banking business segment improved significantly, despite the persistently difficult market environment. The decline in operating profit was due to one-off effects. While operating income declined by €50 million (-10.5%), this is largely explained by the previous year's effect of income from the sale of VISA shares (+€68 million). As a result of strict cost management, and with the continued reorientation of the branch network and the consistent implementation of measures to enhance efficiency in the sales network, operating costs declined significantly, to €354 million (-7.8% compared with H1 2016).

### ● Net write-downs of loans and provisions for guarantees and commitments

Based on excellent risk management and large recoveries on loans previously written off, Retail Banking benefited from a net release of loan loss provisions of €44 million, an increase of €50 million over the previous year.

### ● Profit before tax

After the inclusion of net income from the release of loan loss provisions and after deduction of the balance of non-operating items of -€28 million (mainly systemic charges), Retail Banking made a contribution of €85 million (+€38 million compared with

H1 2016) to overall profit before tax for the first half of 2017. This means that Retail Banking's performance is fully in line with the restructuring plan.

### ● Customer loans and customer deposits (averages)

Lending volume totalled €18.1 billion, a slight increase of 0.5% over the previous year. Customer deposits rose by 2.2% to €22.7 billion, despite the unattractive market environment in terms of interest rates.

Retail Banking launched a number of growth initiatives in the first half of 2017. Since 1 January 2016, small businesses and independent professionals with an annual turnover of up to €3 million have been served in the retail banking network.

Work on modernising the entire branch network continued in the first half of 2017. Our customers benefit from extended opening hours at many branches (from 9 a.m. to 6 p.m. or from 8.30 a.m. to 5.30 p.m.). Moreover, we provide video-based advisory services via the online branch (from 8 a.m. to 8 p.m.) to private customers, small businesses and independent professionals wherever they are. In the first half of 2017 we extended our range of high-quality advisory services for affluent customers and independent professionals with the introduction of "Vermögensmanagement Premium" (available for investments starting from €50,000) and "UNIVERS", an innovative and transparent investment advisory service model (available for investments starting from €70,000). In the areas of investments and real estate financing, our customers can draw on the expertise of our investment and real estate specialists, who support relationship managers by providing advisory services on site at branches or via video call.

Digital media are increasingly being used, and gradually expanded, to meet customers' day-to-day banking needs. Bank Austria again underlined its innovation leadership position in mobile online services by launching the photo payment function and thereby adding a new service to the existing range comprising the Bank Austria App, the Mobile Wallet and the Online-WunschKredit, a loan which can be arranged online around the clock. The new function enables customers to take a photo of paper invoices, payment slips etc. and make payments using their smartphones. With its sharp focus on expanding digital sales channels, the bank concentrates on its core business and on simplifying processes.

# Segment report (CONTINUED)

## Corporate Banking (including factoring and leasing units)

(€ million)	H1 2017	H1 2016 <sup>1)</sup>	CHANGE	
Operating income	298	289	+9	+3.0%
Operating costs	-110	-140	+30	-21.6%
Operating profit	188	149	+39	+26.1%
Net write-downs of loans	18	3	+15	>100%
Net operating profit	206	152	+54	+35.5%
<b>Profit before tax</b>	<b>188</b>	<b>128</b>	<b>+60</b>	<b>+47.1%</b>
Loans to customers (avg.)	26,668	26,559	+109	+0.4%
Deposits from customers (avg.)	15,982	16,796	-813	-4.8%
Risk-weighted assets (avg.) <sup>2)</sup>	8,499	8,999	-501	-5.6%
ROAC in % <sup>3)</sup>	26.8	17.6	+9	+52.2%

n. m. = not meaningful / 1) For segment reporting purposes, the comparative figures for 2016 were recast to reflect the structure and methodology of the 2017 reporting period (see the segment reporting section in the notes to the consolidated financial statements on page 54 of this report. / 2) Average risk-weighted assets (all risks) under Basel 3. / 3) Calculated on the basis of 12.5% allocated capital.

### ● Operating profit

Although the interest rate environment remained challenging, operating income in the first half of 2017 was €298 million, a slight increase of 3.0% (+€9 million) over the same period of the previous year. In combination with a significant reduction of €30 million or 21.6% in operating costs to €110 million, attributable to strict cost management and further cost-reducing measures, and also due to a one-off effect in the previous year, operating profit rose from €149 million for the first half of 2016 to €188 million for the first six months of 2017 (+€39 million/+26.1%).

### ● Net write-downs of loans and provisions for guarantees and commitments

The high quality of the loan portfolio led to a net release of €18 million from loan loss provisions (H1 2016: a net release of €3 million).

### ● Profit before tax

Non-operating items were a net charge of €18 million, lower than for the same period of the previous year (a net charge of €24 million). These items include systemic charges of €24 million and net income of €7 million from investments. After deduction of non-operating expenses, profit before tax was €188 million, up by €60 million or 47.1% on the same period of the previous year, reflecting a very good operating performance.

### ● Customer loans and customer deposits (averages)

Lending volume rose by 0.4% to €26.7 billion (H1 2016: €26.6 billion); customer deposits decreased significantly – as a result of the required reduction of surplus liquidity in line with strategy – by €0.8 billion or 4.8%, from €16.8 billion in the previous year to €16.0 billion in the first half of 2017.

Business with corporate customers in the first half of 2017 reflected the stronger economic momentum in Austria: as the propensity to invest increased, Bank Austria's new investment finance business with medium-sized and large Austrian companies grew significantly compared with the previous year. Monetary policy continued to keep interest rate levels at or near zero, with a negative impact on other areas of corporate banking business: short-term loans to secure liquidity declined somewhat, as did deposits from our corporate customers. Commercial real estate financing transactions focused on business with large experienced companies active in this sector.

The successful expansion of cross-border business in CEE countries and in the Far East continued in the first half of 2017, in line with the "One Bank, One UniCredit" concept. For example, Bank Austria is the only Austrian bank – as a member of UniCredit Group – to have a presence in China. Our customers appreciate this fact and we have recorded a stable high level of demand for international payments and finance.

# Segment report (CONTINUED)

## Private Banking

(€ million)	H1 2017	H1 2016 <sup>1)</sup>	CHANGE	
Operating income	86	80	+6	+8.0%
Operating costs	-62	-62	-0	+0.4%
Operating profit	23	17	+6	+35.5%
Net write-downs of loans	0	0	-0	+67.6%
Net operating profit	23	17	+6	+35.2%
<b>Profit before tax</b>	<b>19</b>	<b>13</b>	<b>+5</b>	<b>+40.5%</b>
Loans to customers (avg.)	641	640	+1	+0.2%
Deposits from customers (avg.)	9,002	8,884	+117	+1.3%
Risk-weighted assets (avg.) <sup>2)</sup>	594	613	-20	-3.2%
ROAC in % <sup>3)</sup>	36.9	24.5	+12	+50.5%

n. m. = not meaningful / 1) For segment reporting purposes, the comparative figures for 2016 were recast to reflect the structure and methodology of the 2017 reporting period (see the segment reporting section in the notes to the consolidated financial statements on page 54 of this report. / 2) Average risk-weighted assets (all risks) under Basel 3. / 3) Calculated on the basis of 12.5% allocated capital.

### ● Operating profit

Private Banking had a very successful first six months of 2017. In an environment of very low interest rates, operating income rose from €80 million to €86 million (+8.0%), with significant increases in net interest and in net fees and commissions. Operating costs were €62 million in the first half of 2017, almost unchanged compared with the same period of the previous year (+0.4%). On this basis, operating profit improved strongly, reaching €23 million (+€6 million, +35.5% on H1 2016).

### ● Profit before tax

Profit before tax for the first half of 2017 was €19 million, up by €5 million (+40.5%) on the same period of the previous year. Provisions for risks and charges were not significant.

### ● Customer loans and customer deposits (averages)

Total financial assets increased by 1.9% to €24.4 billion in the first half of 2017. Growth was mainly driven by assets under management, which rose by €0.4 billion (+4.7%), reflecting the implementation of strategy for this business segment.

The Private Banking business segment comprises the two well-known brands Bank Austria Private Banking – the private banking arm of a major bank – and Schoellerbank – a traditional private banking institution. With a customer share of 23%, these opera-

tions make the Private Banking business segment the undisputed market leader in services provided to high net worth individuals in Austria. Bank Austria Private Banking uses a personalised 360-degree service approach which is based on specific customer needs and encompasses the entire range of banking services.

In the prevailing environment of very low interest rates and market volatility caused by geopolitical tensions, investors have confidence in the investment models managed by Bank Austria Private Banking's experts. Private Banking therefore focused on further growth of its successful asset management activities ("VermögensManagement 5Invest") in the first half of 2017.

"SmartSelection – Global Ausgeglichenere Strategie", a fund with a balanced investment strategy, was launched for our customers during the reporting period. Management of this product has already been awarded 5 stars by Morningstar. UNIVERS Exklusiv, a flexible investment advisory service model with a flat-rate expenses agreement, also developed very favourably. Customers currently use this service for a total investment volume of €1.2 billion.

Schoellerbank, which was founded in 1833, is one of Austria's leading private banking institutions and is regarded as an investment specialist which meets exacting standards. "It is better to invest than to speculate" is the motto of Schoellerbank's investment philosophy. The bank's investment experts always follow this motto when looking for profitable investment opportunities for their customers, who have entrusted over €11 billion to the bank. Schoellerbank's asset management activities, which were established 25 years ago, generated highly positive results in the challenging market environment of the past few years. This is in large part attributable to Schoellerbank's own investment management company, whose investment funds are regularly recognised for their good performance. Looking back on a long tradition, Schoellerbank uses a highly successful client service approach. This is reflected in the high level of customer satisfaction, the outstanding recognition Schoellerbank gains in various tests of private banking services, and the awards regularly given to it as Austria's best private banking institution. Schoellerbank is a wholly-owned subsidiary of UniCredit Bank Austria AG and maintains 10 offices, making it the only private banking institution in Austria with a country-wide presence.

## Segment report (CONTINUED)

## Corporate &amp; Investment Banking (CIB)

(€ million)	H1 2017	H1 2016 <sup>1)</sup>	CHANGE	
Operating income	210	199	+12	+5.8%
Operating costs	-99	-108	+9	-8.7%
Operating profit	111	91	+21	+23.1%
Net write-downs of loans	16	33	-17	-50.9%
Net operating profit	128	124	+4	+3.2%
<b>Profit before tax</b>	<b>107</b>	<b>101</b>	<b>+6</b>	<b>+5.9%</b>
Loans to customers (avg.)	13,450	13,715	-266	-1.9%
Deposits from customers (avg.)	7,780	9,025	-1,245	-13.8%
Risk-weighted assets (avg.) <sup>2)</sup>	7,944	8,363	-420	-5.0%
ROAC in % <sup>3)</sup>	16.0	14.3	+2	+11.6%

n. m. = not meaningful / 1) For segment reporting purposes, the comparative figures for 2016 were recast to reflect the structure and methodology of the 2017 reporting period (see the segment reporting section in the notes to the consolidated financial statements on page 54 of this report. / 2) Average risk-weighted assets (all risks) under Basel 3. / 3) Calculated on the basis of 12.5% allocated capital.

### ● Operating profit

Operating profit generated by the CIB business segment in the first half of 2017 was €111 million, up by about one-quarter. Operating income increased by €12 million or 5.8% to €210 million. Within the total figure, net fees and commissions rose to €44 million, more than offsetting the slight decline in net interest (-4%) caused by the difficult market and interest rate environment. Thanks to strict cost management and further efficiency enhancement, and also due to a one-off effect in the previous year, operating costs were down by 8.7% to €99 million.

### ● Net write-downs of loans and provisions for guarantees and commitments

Developments in the first half of 2017 again enabled CIB to benefit from a net release of loan loss provisions, resulting in net income of €16 million (H1 2016: a net release of €33 million) on account of excellent asset quality.

### ● Profit before tax

With a profit before tax of €107 million, CIB achieved an increase of €6 million or 5.9% over the same period of the previous year.

### ● Customer loans and customer deposits (averages)

Lending volume declined slightly, by 1.9% to €13.5 billion. Deposits from customers fell to €7.8 billion in the first half of 2017 (H1 2016: €9.0 billion).

Business developments in the first half of 2017 underline our strength as a member of UniCredit, a simple pan-European commercial bank with fully plugged-in Corporate & Investment Banking operations and a unique network in Western, Central and Eastern Europe, which we make available to our extensive customer base.

The CIB business segment further expanded its leading market position in business with multinational companies. In addition to providing intensive services to Austrian multinational companies, CIB continued to cultivate extended core markets such as Scandinavia and South Africa in the first half of 2017. Business developed favourably although the market environment remained challenging and highly competitive. The successful conclusion of structured financing transactions resulted in significant growth. Based on our leading market position in Cash Management (#1 Cash Management House in Austria 2016 – Euromoney), Trade Finance (#1 Bank for Trade Finance in Austria 2017 – Global Finance) and Supply Chain Finance (#1 Supply Chain Finance Provider in CEE 2016 – Global Finance), CIB won mandates from highly renowned Austrian and multinational customers. We are steadily expanding the bank's position in our markets with our leading position in capital market transactions and syndicated loans (#3 EMEA bonds and loans in EUR in 2016, since 2012 always among the top 3 bookrunners), thereby ensuring that our customers benefit from diversified liquidity. Business with institutional customers and with large real estate customers and funds also continued to develop satisfactorily.

Although the economic environment was challenging, interest rates remained low and yields on government bonds of most of the euro member countries were negative, Treasury activities generated a structurally significant contribution to CIB's overall performance. Faced with volatility in currency markets, companies continued to show strong demand for currency hedging.

# Consolidated Financial Statements

in accordance with International Financial Reporting Standards (IFRSs)

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# Consolidated Income Statement

of the Bank Austria Group for the first half of 2017

## Income statement

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
Interest income and similar revenues	777	901
Interest expense and similar charges	-296	-416
<b>Net interest margin</b>	<b>481</b>	<b>484</b>
Fee and commission income	452	435
Fee and commission expense	-100	-98
<b>Net fees and commissions</b>	<b>352</b>	<b>337</b>
Dividend income and similar revenue	9	5
Gains and losses on financial assets and liabilities held for trading	38	7
Fair value adjustments in hedge accounting	-2	1
Gains and losses on disposal of:	-1	10
a) loans	-	-
b) available-for-sale financial assets	4	1
c) held-to-maturity investments	-	-
d) financial liabilities	-5	8
Gains and losses on financial assets/liabilities at fair value through profit or loss	1	2
<b>OPERATING INCOME</b>	<b>878</b>	<b>845</b>
Impairment losses on:	104	30
a) loans	89	22
b) available-for-sale financial assets	-	-10
c) held-to-maturity investments	6	-
d) other financial assets	10	18
<b>Net income from financial activities</b>	<b>982</b>	<b>876</b>
Administrative costs:	-762	-1,046
a) staff expense	-349	-580
b) other administrative expense	-413	-465
Net provisions for risks and charges	12	-1
Impairment/write-backs on property, plant and equipment	-25	-36
Impairment/write-backs on intangible assets	-3	-3
Other net operating income	58	101
<b>OPERATING COSTS</b>	<b>-720</b>	<b>-984</b>
Profit (loss) on equity investments	67	55
Gains and losses on tangible and intangible assets measured at fair value	-1	-
Gains and losses on disposal of investments	4	18
<b>TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>331</b>	<b>-36</b>
Tax expense (income) related to profit or loss from continuing operations	-25	-25
<b>Total profit or loss after tax from continuing operations</b>	<b>306</b>	<b>-61</b>
Total profit or loss after tax from discontinued operations	58	747
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>364</b>	<b>685</b>
Attributable to:		
Non-controlling interests from continuing operations	7	46
from discontinued operations	-	14
<b>Non-controlling interests</b>	<b>7</b>	<b>59</b>
Owners of the parent company from continuing operations	299	-107
from discontinued operations	58	733
<b>Owners of the parent company</b>	<b>357</b>	<b>626</b>
Earnings per share (in €, basic and diluted) from continuing operations	1.29	-0.46
from discontinued operations	0.25	3.17

# Consolidated Statement of Comprehensive Income

## of the Bank Austria Group for the first half of 2017

### Statement of comprehensive income

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
Total profit or loss after tax from continuing operations	306	-61
Total profit or loss after tax from discontinued operations	58	747
<b>PROFIT OR (-) LOSS FOR THE PERIOD</b>	<b>364</b>	<b>685</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-35</b>	<b>50</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>86</b>	<b>-234</b>
Actuarial gains or (-) losses on defined benefit pension plans	115	-312
Share of other recognised income and expense of entities accounted for using the equity method	0	0
Income tax relating to items that will not be reclassified	-29	78
<b>Items that may be reclassified to profit or loss</b>	<b>-121</b>	<b>285</b>
Foreign currency translation *)	-1	278
Cash flow hedges (effective portion)	-14	-37
Available-for-sale financial assets	-156	186
Non-current assets and disposal groups held for sale	0	-95
Share of other recognised income and expense of entities accounted for using the equity method	10	-27
Income tax relating to items that may be reclassified to profit or (-) loss	40	-20
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>329</b>	<b>736</b>
<b>Comprehensive income after tax from continuing operations</b>	<b>271</b>	<b>-193</b>
<b>Comprehensive income after tax from discontinued operations</b>	<b>58</b>	<b>929</b>
Thereof attributable to		
Non-controlling interests from continuing operations	8	41
from discontinued operations	0	44
<b>Non-controlling interests</b>	<b>8</b>	<b>85</b>
Owners of the parent from continuing operations	263	-234
from discontinued operations	58	885
<b>Attributable to owners of the parent</b>	<b>321</b>	<b>651</b>

\*) Of the total amount, discontinued operations account for €0 million (previous year: €272 million).

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

(€)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
Earnings per share from comprehensive income after tax from continuing operations	1.14	-1.01
Earnings per share from comprehensive income after tax from discontinued operations	0.25	3.83



# Statement of Financial Position

## of the Bank Austria Group at 30 June 2017

### Assets

(€ million)

	30 JUNE 2017	31 DEC. 2016
Cash and cash balances	134	165
Financial assets held for trading	945	1,113
Financial assets at fair value through profit or loss	7	14
Available-for-sale financial assets	15,875	15,791
Held-to-maturity investments	221	236
Loans and receivables with banks	19,464	20,762
Loans and receivables with customers	60,158	60,926
Hedging derivatives	2,265	2,661
Changes in fair value of portfolio hedged items (+/-)	27	-36
Investments in associates and joint ventures	1,870	1,777
Property, plant and equipment	677	695
<i>of which held for investment</i>	282	303
Intangible assets	10	11
Tax assets	307	320
a) current tax assets	59	55
b) deferred tax assets	248	265
Non-current assets and disposal groups classified as held for sale	639	900
Other assets	375	450
<b>TOTAL ASSETS</b>	<b>102,972</b>	<b>105,785</b>

### Liabilities and equity

(€ million)

	30 JUNE 2017	31 DEC. 2016
Deposits from banks	16,443	13,939
Deposits from customers	53,571	56,239
Debt securities in issue	15,509	17,394
Financial liabilities held for trading	928	1,107
Financial liabilities at fair value through profit or loss	345	399
Hedging derivatives	1,876	2,153
Changes in fair value of portfolio hedged items (+/-)	-208	-196
Tax liabilities	40	54
a) current tax liabilities	32	33
b) deferred tax liabilities	7	21
Liabilities included in disposal groups classified as held for sale	142	123
Other liabilities	2,150	2,469
Provisions for risks and charges	3,986	4,212
a) post-retirement benefit obligations	3,664	3,855
b) other provisions	322	357
Equity	8,190	7,892
<i>of which non-controlling interests (+/-)</i>	47	88
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>102,972</b>	<b>105,785</b>

# Statement of Changes in Equity

of the Bank Austria Group for the first half of 2017

(€ million)

	CHANGES DURING THE PERIOD							SHAREHOLDERS' EQUITY GROUP AS AT 30 JUNE 2016
	BALANCE AS AT 1 JAN. 2016	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS			COMPREHENSIVE INCOME	
				CHANGES IN SCOPE OF CONSOLIDATION	OTHER	TOTAL		
Issued capital:								
a) ordinary shares	1,681							1,681
b) other shares	0							0
Share premium	6,067				1	1		6,068
Reserves:								
a) other reserve	11,098	1,325		34		34		12,456
b) foreign currency reserve	-4,797			-36		-36	253	-4,580
Cash flow hedge reserve	305						-28	278
Available-for-sale reserve	814						96	910
Cash flow hedge and AFS reserve associates and joint ventures	21						-61	-40
Pension and similar liabilities IAS 19	-1,359						-235	-1,594
Net profit or loss for the period	1,325	-1,325	626					626
<b>Shareholders' Equity Group</b>	<b>15,155</b>	<b>0</b>	<b>626</b>	<b>-2</b>	<b>1</b>	<b>-1</b>	<b>25</b>	<b>15,805</b>
Shareholders' Equity minorities	238	-13	59	-4	0	-4	25	305
Total Shareholders' Equity	15,394	-13	685	-6	1	-6	50	16,110
	CHANGES DURING THE PERIOD							
	SHAREHOLDERS' EQUITY TRANSACTIONS							
	BALANCE AS AT 1 JAN. 2017	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	CHANGES IN RESERVES	CHANGES IN SCOPE OF CONSOLIDATION	OTHER	TOTAL	COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY GROUP AS AT 30 JUNE 2017
Issued capital:								
a) ordinary shares	1,681							1,681
b) other shares	0							0
Share premium	4,133				1	1		4,135
Reserves:								
a) other reserve	2,059	641		18		18		2,718
b) foreign currency reserve	1						-1	0
Cash flow hedge reserve	192						-11	181
Available-for-sale reserve	638						-118	520
Cash flow hedge and AFS reserve associates and joint ventures	36						8	43
Pension and similar liabilities IAS 19	-1,577						86	-1,491
Net profit or loss for the period	641	-641	357					357
<b>Shareholders' Equity Group</b>	<b>7,803</b>	<b>0</b>	<b>357</b>	<b>18</b>	<b>1</b>	<b>19</b>	<b>-36</b>	<b>8,143</b>
Shareholders' Equity minorities	88	-50	7	0	0	0	1	47
Total Shareholders' Equity	7,892	-50	364	18	1	19	-35	8,190

# Statement of Cash Flows

## of the Bank Austria Group for the first half of 2017

(€ million)

	1 JAN.– 30 JUNE 2017	1 JAN.– 30 JUNE 2016 <sup>1)</sup>
<b>NET PROFIT OR LOSS</b>	<b>364</b>	<b>685</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	-61	370
Increase in staff-related provisions and other provisions	25	633
Increase/decrease in other non-cash items	-136	-327
Interest income/interest expenses from investing activities	-36	-8
Gains/losses on disposal of intangible assets, property, plant and equipment, and investments	-2	-139
<b>SUB-TOTAL</b>	<b>154</b>	<b>1,214</b>
Increase/decrease in operating assets and liabilities after adjustment for non-cash components		
Financial assets held for trading	150	-474
Loans and receivables with banks and customers	2,356	3,047
Other asset items	419	127
Financial liabilities held for trading	-179	73
Deposits from banks and customers	-147	558
Debt securities in issue	-1,282	-2,411
Other liabilities items	-744	77
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>727</b>	<b>2,211</b>
Proceeds from disposal of		
investments	1,434	4,841
property, plant and equipment, intangible assets and investment property	31	64
Payments for purchases of		
investments	-1,636	-6,624
property, plant and equipment, intangible assets and investment property	-36	-202
Proceeds from sales (less cash disposed of) of subsidiaries	131	15
Payments for acquisition (less cash acquired) of subsidiaries	0	0
Other changes	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-76</b>	<b>-1,906</b>
Proceeds from capital increase	0	0
Dividends paid	0	0
Proceeds from issues of subordinated liabilities	0	0
Payments for repayment of subordinated liabilities	-682	-29
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-682</b>	<b>-29</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD</b>	<b>165</b>	<b>2,197</b>
Cash flows from operating activities	727	2,211
Cash flows from investing activities	-76	-1,906
Cash flows from financing activities	-682	-29
Effects of changes in scope of consolidation	0	0
Effects of exchange rate changes	0	12
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD <sup>2)</sup></b>	<b>134</b>	<b>2,485</b>
<b>Payments for taxes, interest and dividends</b>		
Income taxes paid from operating activities	-15	-75
Interest received from operating activities	574	2,452
from investing activities	93	279
Interest paid from operating activities	-95	-868
from investing activities	-266	-380
Dividends received from investing activities	39	47

1) Due to a technical error, amounts were incorrectly allocated between the categories "Cash flows from operating activities" and "Cash flows from investing activities" in the consolidated financial statements as at 30 June 2016. The comparative figures for 2016 were therefore corrected in accordance with IAS 8.42. This led to a shift of €444 million from "Cash flows from investing activities" to "Cash flows from operating activities".

2) Cash and cash equivalents include cash in the amount of €89 million (2016: €111 million) and the balance with central banks in the amount of €45 million (2016: €54 million).

# Notes to the Consolidated Financial Statements

## Basis for the preparation of the financial statements

The consolidated interim financial statements for the first six months of 2017 (January 2017 to June 2017), which include the financial statements of UniCredit Bank Austria AG and its subsidiaries, the Group's interests in associates and jointly controlled entities (collectively "Bank Austria"), are presented in euros, the presentation currency of the Group.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU) and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting".

The consolidated interim financial statements of the Bank Austria Group for the first six months of 2017 are unaudited and not reviewed. They include a statement of financial position, an income statement and a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, segment reporting and selected explanatory notes. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at 31 December 2016.

The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, they should be read in conjunction with the audited consolidated financial statements of the Bank Austria Group for 2016, for which the same accounting policies were applied.

The preparation of financial statements under IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. These assumptions and estimates affect the reported income and expenses during the reporting period, and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Actual results could differ from management's estimates and the results reported should not be regarded as necessarily indicative of the results that may be expected for the entire year.

## Accounting policies

Compared with the consolidated financial statements of the Bank Austria Group as at 31 December 2016, there were no major changes in accounting policies as a result of the application of new or amended financial reporting standards.

## Application of amended and new IFRSs and IASs

### Amendments to IAS 12 Income Taxes

On 19 January 2016 the IASB issued amendments to IAS 12 Income Taxes in connection with the recognition of deferred tax assets for unrealised losses. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2017. Endorsement of the amendments by the EU is expected for the fourth quarter of 2017. The amendments are clarifications and are of relevance only in countries where tax law distinguishes between capital gains and ordinary gains; they relate only to deferred tax assets resulting from securities holdings which are measured at fair value. For this reason these amendments have no effect on the relevant deferred tax assets of the Bank Austria Group.

### Amendments to IAS 7 Statement of Cash Flows

On 29 January 2016 the IASB issued amendments to IAS 7 Statement of Cash Flows with the objective of improving information on changes in liabilities arising from financing activities. The amendments are required to be applied for annual periods beginning on or after 1 January 2017. Endorsement of the Standard by the EU is expected for the fourth quarter of 2017. The Standard will result in minor adjustments to the presentation of the Bank Austria Group's statement of cash flows in respect of liabilities arising from financing activities.

### 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. Endorsement of the Standard by the EU is expected for the fourth quarter of 2017. The effect on the Bank Austria Group will probably be limited to occasional cases in the application of IFRS 5.

## Notes (CONTINUED)

### **New Standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers**

In 2016 the European Commission endorsed the following accounting principles that will be applicable for reporting periods beginning on or after 1 January 2018:

- IFRS 9 Financial Instruments – Regulation (EU) 2016/2067
- IFRS 15 Revenue from Contracts with Customers – Regulation (EU) 2016/1905

With particular reference to the accounting standards which will be effective in future periods, we highlight that IFRS 9:

- will introduce significant changes, compared to IAS 39, to classification and measurement of loans and debt instruments based on the “business model” and on the characteristics of the cash flows of the financial instrument (SPPI – Solely Payments of Principal and Interest criteria);
- requires the classification of equity instruments at fair value either through profit or loss or through “other comprehensive income”. In this second case, unlike previous requirements for available-for-sale assets set by IAS 39, IFRS 9 has eliminated the requirement to recognise impairment losses and requires that, in case of disposal of the instruments, the gain or loss from disposal shall be recycled to other equity reserves and not to profit and loss accounts;
- will introduce a new accounting model for impairment, based on the expected losses approach substituting the current approach based on incurred losses and will introduce the concept of lifetime expected losses, which may require an anticipation and increase of structural provisioning with particular reference to credit losses;
- works on the hedge accounting model rewriting the rules for the designation of a hedge accounting relationship and for the verification of its effectiveness in order to achieve a stronger alignment between the hedge accounting treatment and the underlying risk management logic. It should be noted that the principle allows the entity to make use of the possibility to continue to apply IAS 39 hedge accounting rules until the IASB has completed the project on the definition of macrohedging rules; and
- changes the accounting treatment of “own credit”, in other words changes in the fair value of issued debt liabilities that are designated at fair value not attributable to changes of the own credit risk. The new accounting standard requires that these changes shall be recognised in a specific equity reserve, rather than in the income statement, as required under IAS 39, therefore removing a volatility source from the economic results.

In order to ensure prompt compliance with the requirements set by the accounting principles, the Bank Austria Group is implementing a project with the aim of creating common risk and accounting methodologies harmonised across Group legal entities.

Mirroring the main changes required by IFRS 9, the Group-wide project has been organised through work-streams specifically dedicated to analysing “Classification and Measurement”, aimed at reviewing the classification of financial instruments according to new IFRS 9 criteria, and “Impairment”, aimed at developing and implementing models and methodologies for impairment calculation. These work-streams are further integrated by a specific work-stream dedicated to adapting the models and methodologies developed to the peculiarities of Corporate & Investment Banking.

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

With reference to the “Classification and Measurement” work-stream, the Bank Austria Group has finalised the identification of the different business models adopted by the different lines of business while the analysis of the existing loan and security portfolio is currently ongoing to assess whether their contractual cash flow characteristics allow them to be measured at amortised cost.

This analysis is performed either on a contract-by-contract basis or on a cluster basis depending on the peculiarities of the deals being analysed, and leverages on a specific internally developed tool (“SPPI Tool”), aimed at analysing the contractual features of the deals compared with IFRS 9 requirements as well as external data providers.

With reference to the equity instruments, the possibility to apply the option granted by the Standard to measure them at fair value through other comprehensive income is currently under assessment.

With reference to the “Impairment” work-stream, the Bank Austria Group has mostly finalised the development of models and methodologies for the calculation of loan loss provisions under the new expected loss model and the identification of whether a significant increase in “credit risk” has occurred in order to transfer the credit exposure from Stage 1 to Stage 2 (“Transfer Logic”).

## Notes (CONTINUED)

These models and methodologies start from the parameters already calculated for regulatory purposes (Probability of Default, Loss Given Default, and Exposure at Default) and adjust them in order to eliminate the conservatism required by regulatory rules and to introduce forward-looking information through a multi-scenario analysis based on macroeconomic analysis.

With reference to the "Transfer Logic" the Bank Austria Group assesses whether there has been a significant increase in credit risk on the basis of the actual Probability of Default of the credit exposure compared with the Probability of Default foreseen at the time of initial recognition on the basis of internal rating.

Finally, with reference to hedge accounting, the Bank Austria Group elected to continue to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting until the IASB will have completed its project on the accounting for macro-hedging.

In order to implement the methodological framework and the tools explained above in its daily operations, the Bank Austria Group has defined the final IT architecture, whose development is in line with the set project timeline and is currently improving its current organisational processes and procedures in order to integrate them with the changes required by the standard.

Finalisation of these activities is currently ongoing and will be finalised in time for the IFRS 9 first-time application.

As a result the Bank Austria Group plans to use the transitional relief allowed by the Standard and will not publish comparative figures in its 2018 IFRS 9 financial reports.

The Bank Austria Group's IFRS 9 project has been part of the European Central Bank Thematic Review.

The aim of such Thematic Review is to measure the degree of readiness of the bank in view of the approaching adoption of IFRS 9 and the impacts on the methodologies used for determining impairment.

The outcome of such review will be disclosed in the coming month of September.

Finally the methodological approaches adopted by the Bank Austria Group within the IFRS 9 project have been subject to quality assurance by the external auditors. In this regard, we highlight that from the analysis performed no criticalities have arisen that may cast doubt on the substantial correctness of the above-mentioned methodological approaches.

At the date of first-time application, the main impacts of IFRS 9 on the Bank Austria Group are expected to come from the application of the new model for impairment based on an expected losses approach, that will result in an increase of write-downs on not impaired assets (especially loans and receivables with customers), as well as the application of the new transfer logic between the different "Stages" provided for by the new Standard.

In particular, it is expected that a greater volatility in the financial results between different reporting periods will be generated, due to the dynamic changes between different "Stages" of the financial assets recognised in the financial statements (especially between "Stage 1", which will include the new positions originated as well as all performing loans, and "Stage 2", which will include positions in financial instruments that have suffered a significant credit risk deterioration since initial recognition). Adjustments to the carrying value of financial instruments due to IFRS 9 transition will be accounted for through equity as of 1 January 2018.

On the contrary, with reference to the measurement criteria to be adopted, no significant reclassification of loans and debt instruments at fair value through profit or loss due to the characteristics of the cash flows (SPPI criterion) is expected.

On 10 November 2016, the EBA issued a report that summarises the main results of the impact analysis realised on a sample of 50 European banks (including UniCredit) with reference to 31 December 2015. With reference to the qualitative component of the questionnaire, the authority has pointed out that the sample of relevant banks has indicated an operational complexity, in particular concerning the aspects linked to data quality, and technology for the introduction of the new principle. The report also pointed out that the change in the impairment model would result, in the sample of banks surveyed, in an average growth of provision IAS 39 (approximately 18%) as well as an impact on Common Equity Tier 1 and total capital equal to 59 and 45 basis points, respectively.

## Notes (CONTINUED)

On 26 November 2016, the EBA launched a second impact assessment exercise on the same sample of banks in order to gather more detailed and updated insights regarding the implementation of the new Standard. UniCredit performed this exercise using as reference date 30 September 2016. The outcome of the analysis substantially confirms the impacts estimated for the first impact assessment.

Further to the coming into effect of IFRS 9, a review of the regulatory treatment for the calculation of the capital absorption of expected credit losses is foreseen.

In that regard, the proposals under discussion would allow financial institutions to adopt a transitional regime where the additional loan loss provisions could be included in CET1 with a phase-in mechanism over 5 years starting from 2018. Nevertheless, the final terms of that mechanism are not yet known.

IFRS 15, effective starting from 1 January 2018, has been endorsed by the European Union with Regulation (EU) 2016/1905 of 22 September 2016 (published on 29 October 2016), modifies the current set of international accounting principles and interpretations on revenue recognition and, in particular, IAS 18.

## Effects from the change in material calculation parameters

### Post-employment benefits

The interest rate used in the calculation of the defined benefit obligation for our pension and severance pay plan was raised to 1.86% as of 30 June 2017 (31 December 2016: 1.60% p. a.) in order to reflect changes in interest rate levels. All other valuation parameters remained unchanged. The resulting measurement effect of the DBO in the amount of €86 million (net of tax) was recognised in other comprehensive income in equity in accordance with IAS 19.

Under a commitment to provide defined benefits, UniCredit Bank Austria AG continues to recognise 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 active employees and 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.

In the past, UniCredit Bank Austria AG assumed the obligations of the mandatory social insurance scheme for a number of its employees, especially with regard to pension obligations. In December 2015, UniCredit Bank Austria AG and the Employees' Council made an agreement to the effect that for almost all of the employees who have rights to future benefits (essentially the active employees covered by the bank's own pension scheme) the bank's own pension system is terminated and the rights to future pension benefits are consequently transferred to the state scheme under the Austrian General Social Insurance Act. The employees concerned receive compensation, in the form of one-off lump-sum payments, for any disadvantages resulting from this transfer. In addition, UniCredit Bank Austria has to make a payment, defined by law, to the state scheme under the Austrian General Social Insurance Act for the transfer of the rights to future pension benefits. The amount of this payment was determined in the best possible manner based on the legal situation applicable as at 31 December 2015 and a provision was recognised for it.

The agreement with the Employees' Council was signed with legal effect in December 2015 and terminates the bank's own pension system for the employees concerned upon expiry of 29 February 2016. The employees concerned were automatically, by operation of law, taken over by the state scheme under the Austrian General Social Insurance Act. While the entitlements were not transferred, and the payments were not made, until the first quarter of 2016, the effect of this plan curtailment and the related reduction of the present value of the pension obligation had to be recognised in the financial statements in accordance with IAS 19 already in 2015.

The Austrian legislator subsequently passed an amendment to the Austrian General Social Insurance Act, which was published in the Austrian Federal Law Gazette No. 18 / 2016 on 13 April 2016 and became effective retroactively so that the above-mentioned transfers are covered by the amendment. In some areas, the effectiveness of the new legal provisions depended on whether the Austrian Federal Minister of Labour, Social Affairs and Consumer Protection states by way of regulation that the European Commission does not see the amount to be transferred as state aid under the new Section 311a of the Austrian General Social Insurance Act. The relevant regulation was published on 20 September 2016 and confirmed that there was no state aid. In effect, this ASVG amendment puts the transfer to the ASVG scheme of rights to future pension benefits on a separate legal basis while also increasing (as compared with the legal situation before the amendment was passed) the calculation methods and thus the amount to be transferred to the Austrian state pension system. The relevant official notices on the individual amounts to be transferred were issued by the Austrian Pension Insurance Institution (Pensionsversicherungsanstalt – PVA) and the provision was adjusted accordingly. On the basis of the official notices issued by PVA, UniCredit Bank Austria AG paid the full amount to PVA. On 17 February 2017, UniCredit Bank Austria AG lodged a complaint with the Austrian Federal Administrative Court (Bundesverwaltungsgericht) against the official notices. PVA subsequently retransferred the amount to UniCredit Bank Austria AG; the amount is currently reported as a liability to PVA. In July 2017, the Austrian Federal Administrative Court referred the complaint to the Austrian Constitutional Court for a legal review.

## Notes (CONTINUED)

## Information on fair value

This section presents a disclosure of reclassified financial instruments according to IAS 39 and information on fair value as required by IFRS 13.

The methods of determining the fair values of different categories of financial instruments in the consolidated financial statements were disclosed in detail as at 31 December 2016 and are still applicable.

The following tables show a breakdown of financial assets and liabilities designated at fair value as well as changes in Level 3 financial assets and liabilities.

## Accounting portfolios – Breakdown by fair value levels

(€ million)

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	30 JUNE 2017			31 DEC. 2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading	1	911	34	1	1,075	37
Financial assets at fair value through profit or loss	–	–	7	–	–	14
Available-for-sale financial assets	14,465	1,270	92	14,342	1,260	131
Hedging derivative assets	–	2,264	–	–	2,661	–
Property, plant and equipment (measured at fair value)	–	–	14	–	–	23
<b>TOTAL</b>	<b>14,466</b>	<b>4,445</b>	<b>147</b>	<b>14,343</b>	<b>4,996</b>	<b>205</b>
Financial liabilities held for trading	–	918	9	–	1,088	18
Financial liabilities at fair value through profit or loss	–	343	2	–	397	2
Hedging derivative liabilities	–	1,876	–	–	2,153	–
<b>TOTAL</b>	<b>–</b>	<b>3,137</b>	<b>11</b>	<b>–</b>	<b>3,638</b>	<b>20</b>



Notes (CONTINUED)

Annual changes in financial assets at fair value level 3

(€ million)

1 JAN. – 30 JUNE 2016						
FINANCIAL ASSETS						
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	
<b>Opening balances</b>	<b>69</b>	<b>16</b>	<b>1,030</b>	<b>6</b>	<b>69</b>	
<b>Increases</b>	<b>274</b>	<b>1</b>	<b>266</b>	<b>–</b>	<b>–</b>	
Purchases	262	–	244	–	–	
Profits recognised in:						
Income statement	9	1	1	–	–	
<i>of which unrealised gains<sup>1)</sup></i>	5	1	–	–	–	
Equity <sup>2)</sup>	X	X	14	–	–	
Transfers from other levels	1	–	–	–	–	
Other increases	3	–	7	–	–	
<b>Decreases</b>	<b>–299</b>	<b>–2</b>	<b>–1,196</b>	<b>–6</b>	<b>–45</b>	
Sales	–267	–	–253	–3	–10	
Redemptions	–5	–1	–2	–	–	
Losses recognised in:						
Income statement	–6	–	–10	–	–	
<i>of which unrealised losses<sup>3)</sup></i>	–1	–	–	–	–	
Equity <sup>4)</sup>	X	X	–33	–	–	
Transfers to other levels	–	–	–251	–	–	
Other decreases	–21	–	–647	–3	–35	
<b>Closing balances</b>	<b>44</b>	<b>16</b>	<b>100</b>	<b>–</b>	<b>24</b>	
1 JAN. – 30 JUNE 2017						
FINANCIAL ASSETS						
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	
<b>Opening balances</b>	<b>37</b>	<b>14</b>	<b>131</b>	<b>–</b>	<b>23</b>	
<b>Increases</b>	<b>3</b>	<b>–</b>	<b>19</b>	<b>–</b>	<b>1</b>	
Purchases	3	–	–	–	–	
Profits recognised in:						
Income statement	–	–	–	–	–	
<i>of which unrealised gains<sup>1)</sup></i>	–	–	–	–	–	
Equity <sup>2)</sup>	X	X	8	–	–	
Transfers from other levels	–	–	6	–	–	
Other increases	–	–	5	–	–	
<b>Decreases</b>	<b>–7</b>	<b>–7</b>	<b>–58</b>	<b>–</b>	<b>–10</b>	
Sales	–3	–	–	–	–9	
Redemptions	–	–6	–1	–	–	
Losses recognised in:						
Income statement	–3	–	–	–	–1	
<i>of which unrealised losses<sup>3)</sup></i>	–	–	–	–	–7	
Equity <sup>4)</sup>	X	X	–3	–	–	
Transfers to other levels	–	–	–51	–	–	
Other decreases	–	–1	–3	–	–	
<b>Closing balances</b>	<b>34</b>	<b>7</b>	<b>92</b>	<b>–</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 of available-for-sale financial assets".

Notes (CONTINUED)

Annual changes in financial liabilities at fair value level 3

(€ million)

	1 JAN.–30 JUNE 2016		
	FINANCIAL LIABILITIES		
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES
<b>Opening balances</b>	<b>30</b>	<b>3</b>	<b>21</b>
<b>Increases</b>	<b>29</b>	<b>23</b>	<b>–</b>
Issuance	18	–	–
Losses recognised in:			
Income statement	9	–	–
<i>of which unrealised losses <sup>1)</sup></i>	2	–	–
Equity	X	X	–
Transfers from other levels	–	–	–
Other increases	3	23	–
<b>Decreases</b>	<b>–34</b>	<b>–23</b>	<b>–21</b>
Redemptions	–23	–	–21
Purchases	–	–	–
Profits recognised in:			
Income statement	–6	–	–
<i>of which unrealised gains <sup>2)</sup></i>	–	–	–
Equity	X	X	–
Transfers to other levels	–	–	–
Other decreases	–5	–23	–
<b>Closing balances</b>	<b>24</b>	<b>2</b>	<b>–</b>
	1 JAN.–30 JUNE 2017		
	FINANCIAL LIABILITIES		
	HELD FOR TRADING	AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES
<b>Opening balances</b>	<b>18</b>	<b>2</b>	<b>–</b>
<b>Increases</b>	<b>3</b>	<b>–</b>	<b>–</b>
Issuance	2	–	–
Losses recognised in:			
Income statement	1	–	–
<i>of which unrealised losses <sup>1)</sup></i>	–	–	–
Equity	X	X	–
Transfers from other levels	–	–	–
Other increases	–	–	–
<b>Decreases</b>	<b>–12</b>	<b>–</b>	<b>–</b>
Redemptions	–9	–	–
Purchases	–	–	–
Profits recognised in:			
Income statement	–3	–	–
<i>of which unrealised gains <sup>2)</sup></i>	–	–	–
Equity	X	X	–
Transfers to other levels	–	–	–
Other decreases	–	–	–
<b>Closing balances</b>	<b>9</b>	<b>2</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.

## Notes (CONTINUED)

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

(€ million)

	1 JAN. – 30 JUNE 2017		1 JAN. – 30 JUNE 2016	
	LEVEL 1	LEVEL 2	LEVEL 1	LEVEL 2
<b>Financial assets</b>				
Financial assets held for trading				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
Financial assets at fair value through profit or loss				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
Available-for-sale financial assets				
Transfer from Level 1	x	–	x	–30
Transfer from Level 2	–24	x	–	x
Hedging derivatives assets				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
Financial liabilities at fair value through profit or loss				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x
Hedging derivatives liabilities				
Transfer from Level 1	x	–	x	–
Transfer from Level 2	–	x	–	x

## Notes (CONTINUED)

### Accounting portfolios measured at fair value: sensitivity analysis for Fair Value Level 3

The sensitivity analysis for Level 3 positions measured at fair value on a recurring basis 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 equity prices are proxied.  
The reasonable alternative estimate for the model input is disclosed in the column "Range".

The sensitivity analysis for the Bank Austria Group shows that equities, equity funds and stock options are the major Level 3 positions, which are predominantly included in the banking book.

### Sensitivity analysis for Level 3 positions measured at fair value

(€ million)

PRODUCT CATEGORIES		FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	UNOBSERVABLE PARAMETERS	RANGE	
Derivatives	Financial	Equity	32.1	7.23	Underlying	15%
		Foreign Exchange	0.0	0.00	Interest rate	100 bps
		Interest rate	0.0	–	Swap rate (bp)	100 bps
	Credit derivatives	1.8	1.88	Credit spread	10 bps	
	Debt Securities and Loans	Corporate/ Government/Other	49.4	1.66	Price	10 bps to 300 bps
Equity Securities	Unlisted Equity & Holdings	67.1		Price	15%	
Units in Investment Funds	Real Estate & Other Funds	29.8		Price	15%	

(€ million)

PRODUCT CATEGORIES		FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES	
Derivatives	Financial	Equity	+/- 12.2
		Foreign Exchange	+/- 0.0
		Interest Rate	+/- 0.0
	Credit	+/- 6.1	
	Debt Securities and Loans	Corporate/ Government/Other	+/- 1.8
Equity Securities	Unlisted Equity & Holdings	+/- 8.3	
Units in Investment Funds	Real Estate & Other Funds	+/- 2.9	

## Notes (CONTINUED)

**Transfer between portfolios**

In accordance with the amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets, published in October 2008, and in response to the rare circumstances presented by the financial market crisis, we had reclassified asset-backed securities (ABSs/specific securitised assets) from financial assets held for trading into loans and receivables with customers with effect from 1 July 2008 at the fair values determined at that date.

In accordance with IAS 39.50E, bonds included in the available-for-sale category had been reclassified into loans and receivables with banks with effect from 1 August 2011. There is the intention to hold these reclassified bonds until maturity.

The following table shows the effects of this reclassification by item in the statement of financial position and by income statement item as at 30 June 2017:

**Reclassified financial assets: carrying amount, fair value and effects on comprehensive income**

(€ million)

TYPES OF INSTRUMENTS	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	CARRYING AMOUNT AS AT 30 JUNE 2017	FAIR VALUE AS AT 30 JUNE 2017	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES)		INCOME/EXPENSES RECOGNISED DURING THE PERIOD (BEFORE TAXES)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
<b>Debt securities</b>								
	HFT	AFS	–	–	–	–	–	–
	HFT	HTM	–	–	–	–	–	–
	HFT	Loans to banks	–	–	–	–	–	–
	HFT	Loans to customers	208	210	7	4	7	4
	AFS	Loans to banks	–	–	–	–	–	–
<b>TOTAL</b>			<b>208</b>	<b>210</b>	<b>7</b>	<b>4</b>	<b>7</b>	<b>4</b>

## Notes (CONTINUED)

### Consolidated companies and changes in consolidated companies of the Bank Austria Group in the first half of 2017

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
<b>Opening balance</b>	<b>283</b>	<b>26</b>	<b>309</b>
<b>Additions</b>	<b>4</b>	<b>0</b>	<b>4</b>
Newly established companies	3	0	3
Other changes	1	0	1
<b>Disposals</b>	<b>-23</b>	<b>-5</b>	<b>-28</b>
Companies sold or liquidated	-22	-5	-27
Mergers	-1	0	-1
<b>CLOSING BALANCE</b>	<b>264</b>	<b>21</b>	<b>285</b>

The number of companies of the Bank Austria Group declined from 309 to 285 companies in the first half of 2017.

In the 2017 financial year, the companies UniCredit Leasing Alpha Assetvermietung GmbH, B A I Projektentwicklung GmbH and LEASFINANZ Alpha Assetvermietung GmbH were established. The company Candour five GmbH & Co KG was acquired in 2016 and included in the scope of consolidation for the first time in 2017 for reasons of materiality.

Sales of real estate companies reduced the scope of consolidation. The following companies have been sold in 2017 to date:

CONSOLIDATED COMPANIES
Ekazent Realitätengesellschaft m. b. H.
EKAZENT Gebäudevermietung GmbH
Kur- und Sporthotel Gesellschaft m. b. H.
B 03 Immobilien GmbH & Co KG
B A I Projektentwicklung GmbH
BAI Wohnungseigentumsgesellschaft m. b. H.
BAREAL IMMOBILIENREUHAND GMBH
DÖBLERHOF IMMOBILIEN GMBH & CO KG
DONAUMARINA PROJEKTENTWICKLUNG GMBH
DR. W. W. DONATH IMMOBILIENVERWALTUNG GMBH
EUROGATE BETEILIGUNGSVERWALTUNG GMBH
EUROGATE PROJEKTENTWICKLUNG GMBH
EUROGATE PROJEKTENTWICKLUNG GMBH & CO AREA BETA KG
HB FÜNF EPSILON PROJEKTENTWICKLUNG DREI GMBH & CO KG
HB FÜNF EPSILON PROJEKTENTWICKLUNG EINS GMBH & CO KG
HB FÜNF EPSILON PROJEKTENTWICKLUNG ZWEI GMBH & CO KG
IMU IMMOBILIENENTWICKLUNG MUTHGASSE GMBH & CO KG
INV TOTALUNTERNEHMER GMBH
U2 ASPERN BAUPLATZ 1 BETEILIGUNGS-GMBH
U2 ASPERN BAUPLATZ 1 GMBH & CO KG
HVB-LEASING MAESTOSO KFT.
GBS GRUNDSTÜCKSVERWALTUNGSGESELLSCHAFT M. B. H.
RVT BAUTRÄGER GESELLSCHAFT M. B. H.
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD
ZS EINKAUFSZENTREN ERRICHTUNGS- UND VERM.-AKTIENGESELLSCHAFT
GLAMAS BETEILIGUNGSVERWALTUNGS GMBH & CO "BETA" KG
HSG ZANDER GMBH
LISCIV MUTHGASSE GMBH & CO KG
WWE WOHN- UND WIRTSCHAFTSPARK ENTWICKLUNGSGESELLSCHAFT M. B. H.

## Notes to the income statement

### Interest income/Interest expense

#### Interest income and similar revenues

(€ million)

	1 JAN.–30 JUNE 2017			1 JAN.–	1 JAN.–
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	30 JUNE 2016
Financial assets held for trading	–	–	–	–	4
Financial assets at fair value through profit or loss	–	–	–	–	–
Available-for-sale financial assets	102	–	–	102	105
Held-to-maturity investments	2	–	–	2	3
Loans and receivables with banks	1	19	–	20	22
Loans and receivables with customers	3	521	–	524	538
Hedging derivatives	X	X	128	128	225
Other assets	X	X	1	1	4
<b>TOTAL</b>	<b>108</b>	<b>540</b>	<b>129</b>	<b>777</b>	<b>901</b>

#### Interest expense and similar charges

(€ million)

	1 JAN.–30 JUNE 2017			1 JAN.–	1 JAN.–
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL	30 JUNE 2016
Deposits from central banks	–6	X	–	–6	–2
Deposits from banks	–57	X	–	–57	–96
Deposits from customers	–55	X	–	–55	–92
Debt securities in issue	X	–176	–	–176	–222
Financial liabilities held for trading	–	–	–1	–1	–2
Financial liabilities at fair value through profit or loss	–	–1	–	–1	–2
Other liabilities	X	X	–	–	–
Hedging derivatives	X	X	–	–	–
<b>TOTAL</b>	<b>–118</b>	<b>–177</b>	<b>–2</b>	<b>–296</b>	<b>–416</b>

### Fee and commission income/Fee and commission expense

#### Fee and commission income

(€ million)

	1 JAN.–	1 JAN.–
	30 JUNE 2017	30 JUNE 2016
<b>Guarantees given</b>	<b>21</b>	<b>21</b>
<b>Credit derivatives</b>	<b>1</b>	<b>1</b>
<b>Management, brokerage and consultancy services:</b>	<b>186</b>	<b>175</b>
securities trading	–	–
currency trading	2	2
portfolio management	111	98
custody and administration of securities	28	26
custodian bank	17	17
placement of securities	2	2
reception and transmission of orders	11	10
advisory services	1	–
distribution of third party services	14	20
<b>Collection and payment services</b>	<b>135</b>	<b>123</b>
<b>Securitisation servicing</b>	<b>–</b>	<b>–</b>
<b>Factoring</b>	<b>2</b>	<b>2</b>
<b>Tax collection services</b>	<b>–</b>	<b>–</b>
<b>Management of multilateral trading facilities</b>	<b>–</b>	<b>–</b>
<b>Management of current accounts</b>	<b>68</b>	<b>69</b>
<b>Other services</b>	<b>39</b>	<b>44</b>
<b>TOTAL</b>	<b>452</b>	<b>435</b>

## Notes to the income statement (CONTINUED)

### Fee and commission expense

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
<b>Guarantees received</b>	<b>-10</b>	<b>-15</b>
<b>Credit derivatives</b>	<b>-</b>	<b>-</b>
<b>Management, brokerage and consultancy services:</b>	<b>-34</b>	<b>-31</b>
trading in financial instruments	-1	-1
currency trading	-	-
portfolio management	-6	-6
custody and administration of securities	-15	-16
placement of financial instruments	-	-
off-site distribution of financial instruments, products and services	-11	-7
<b>Collection and payment services</b>	<b>-55</b>	<b>-50</b>
<b>Other services</b>	<b>-1</b>	<b>-2</b>
<b>TOTAL</b>	<b>-100</b>	<b>-98</b>

### Dividend income and similar revenue

(€ million)

	1 JAN. – 30 JUNE 2017			1 JAN. – 30 JUNE 2016		
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	TOTAL	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	TOTAL
Financial assets held for trading	-	-	-	-	-	-
Available-for-sale financial assets	1	8	9	5	-	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Other	-	X	-	-	X	-
<b>TOTAL</b>	<b>1</b>	<b>8</b>	<b>9</b>	<b>5</b>	<b>-</b>	<b>5</b>

### Gains and losses on financial assets and liabilities held for trading

(€ million)

	1 JAN. – 30 JUNE 2017					1 JAN. – 30 JUNE 2016
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
<b>Financial assets held for trading</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>1</b>
Debt securities	-	1	-	-	1	1
Equity instruments	-	-	-	-	-	-
Units in investment funds	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Other	2	-	-	-	2	-
<b>Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Debt securities	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Other financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>20</b>	<b>10</b>
<b>Derivatives</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-4</b>
Financial derivatives	15	-	-	-	15	-4
on debt securities and interest rates	15	-	-	-	15	-7
on equity securities and share indices	-	-	-	-	-	-2
on currency and gold	X	X	X	X	-	5
other	-	-	-	-	-	-
Credit derivatives	-	-	-	-	-	-
<b>TOTAL</b>	<b>17</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>7</b>



## Notes to the income statement (CONTINUED)

## Fair value adjustments in hedge accounting

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
<b>Gains on:</b>		
Fair value hedging instruments	244	782
Hedged asset items (in fair value hedge relationship)	75	67
Hedged liability items (in fair value hedge relationship)	–	–
Cash-flow hedging derivatives	–	–
<b>Total gains on hedging activities</b>	<b>319</b>	<b>849</b>
<b>Losses on:</b>		
Fair value hedging instruments	–323	–741
Hedged asset items (in fair value hedge relationship)	–	–
Hedged liability items (in fair value hedge relationship)	2	–107
Cash-flow hedging derivatives	–	–
<b>Total losses on hedging activities</b>	<b>–321</b>	<b>–848</b>
<b>NET HEDGING RESULT</b>	<b>–2</b>	<b>1</b>

## Gains and losses on disposals/repurchases

(€ million)

	1 JAN. –30 JUNE 2017			1 JAN. –30 JUNE 2016		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
<b>Financial assets</b>						
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	–	–	–	–	–	–
Available-for-sale financial assets	7	–3	4	11	–10	1
<i>Debt securities</i>	7	–3	4	10	–10	1
<i>Equity instruments</i>	–	–	–	–	–	–
<i>Units in investment funds</i>	–	–	–	–	–	–
<i>Loans</i>	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
<b>TOTAL ASSETS</b>	<b>7</b>	<b>–3</b>	<b>4</b>	<b>11</b>	<b>–10</b>	<b>2</b>
<b>Financial liabilities</b>						
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Debt securities in issue	–	–5	–5	8	–	8
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–5</b>	<b>–5</b>	<b>8</b>	<b>–</b>	<b>8</b>
<b>TOTAL</b>	<b>7</b>	<b>–8</b>	<b>–1</b>	<b>19</b>	<b>–10</b>	<b>10</b>

## Notes to the income statement (CONTINUED)

## Net change in financial assets and liabilities at fair value through profit or loss

(€ million)

	1 JAN.–30 JUNE 2017				1 JAN.–30 JUNE 2016	
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
<b>Financial assets</b>	–	–	–	–	–	<b>1</b>
Debt securities	–	–	–	–	–	–
Equity instruments	–	–	–	–	–	–
Units in investment funds	–	–	–	–	–	1
Loans	–	–	–	–	–	–
<b>Financial liabilities</b>	–	–	<b>–7</b>	<b>–1</b>	<b>–7</b>	<b>7</b>
Debt securities	–	–	–7	–1	–7	7
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
<b>Credit and financial derivatives</b>	<b>11</b>	–	<b>–3</b>	–	<b>8</b>	<b>–6</b>
<b>TOTAL</b>	<b>11</b>	–	<b>–10</b>	<b>–1</b>	<b>1</b>	<b>2</b>

## Impairment losses

(€ million)

	1 JAN.–30 JUNE 2017						1 JAN.–30 JUNE 2016	
	WRITE-DOWNS			WRITE-BACKS			TOTAL	TOTAL
	SPECIFIC		PORTFOLIO	SPECIFIC	PORTFOLIO			
WRITE-OFFS	OTHER	TOTAL						
<b>Impairment losses on loans and receivables</b>	<b>–8</b>	<b>–81</b>	<b>–5</b>	<b>141</b>	<b>42</b>	<b>89</b>	<b>22</b>	
Loans and receivables with banks	–	–	–	–	–	–	–	
Loans and receivables with customers	–8	–81	–5	141	42	89	22	
<b>Impairment losses on available-for-sale financial assets</b>	–	–	<b>X</b>	–	<b>X</b>	–	<b>–10</b>	
Debt securities	–	–	X	–	X	–	–	
Equity instruments	–	–	X	–	X	–	–10	
Units in investment funds	–	–	X	–	X	–	–	
<b>Impairment losses on held-to-maturity investments</b>	–	–	–	<b>6</b>	–	<b>6</b>	–	
Debt securities	–	–	–	6	–	6	–	
<b>Impairment losses on other financial transactions</b>	–	<b>–19</b>	–	<b>22</b>	<b>6</b>	<b>9</b>	<b>18</b>	
Guarantees given	–	–7	–	12	1	6	18	
Credit derivatives	–	–	–	–	–	–	–	
Commitments to disburse funds	–	–12	–	10	5	3	–	
Other transactions	–	–	–	–	–	–	–	
<b>TOTAL</b>	<b>–8</b>	<b>–100</b>	<b>–5</b>	<b>169</b>	<b>48</b>	<b>104</b>	<b>30</b>	

## Notes to the income statement (CONTINUED)

## Payroll

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
<b>Employees</b>	<b>-344</b>	<b>-577</b>
Wages and salaries	-276	-289
Social charges	-75	-78
Provision for retirement payments and similar provisions	-37	-634
<i>Defined contribution</i>	-	-
<i>Defined benefit</i>	-37	-634
Payments to external pension funds	-8	-7
<i>Defined contribution</i>	-8	-7
<i>Defined benefit</i>	-	-1
Costs related to share-based payments	-1	-
Other employee benefits	-8	368
Recovery of compensation <sup>*)</sup>	62	63
<b>Others</b>	<b>-5</b>	<b>-4</b>
<b>TOTAL</b>	<b>-349</b>	<b>-580</b>

<sup>\*)</sup> This includes recovery of staff costs relating to Bank Austria employees who are not active within the Group.

## Other administrative expenses

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
<b>Indirect taxes and duties</b>	<b>-57</b>	<b>-65</b>
<b>Ex-ante contributions to resolution funds and deposit guarantee schemes<sup>*)</sup></b>	<b>-56</b>	<b>-54</b>
Contributions based on harmonised EU regulations	-56	-54
Contributions based on existing local regulations	-	-
<b>Miscellaneous costs and expenses</b>	<b>-300</b>	<b>-346</b>
Advertising, marketing and communication	-18	-22
Expenses related to credit risk	-1	-2
Expenses related to personnel	-5	-5
Information and communication technology expenses	-122	-118
Consulting and professional services	-8	-43
Real estate expenses	-51	-53
Other functioning costs	-95	-102
<b>TOTAL</b>	<b>-413</b>	<b>-465</b>

<sup>\*)</sup> Ex-ante contributions to resolution funds and deposit guarantee schemes include contributions based on harmonised EU regulations and contributions based on existing local regulations for those countries where the relevant EU Directives have not yet been transposed into national legislation.

## Net provisions for risks and charges

(€ million)

	1 JAN. – 30 JUNE 2017			1 JAN. – 30 JUNE 2016
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Legal disputes	-2	14	12	-
Staff costs	-	-	-	-
Other	-1	1	-	-1
<b>TOTAL</b>	<b>-3</b>	<b>15</b>	<b>12</b>	<b>-1</b>

## Notes to the income statement (CONTINUED)

### Impairment on property, plant and equipment

(€ million)

	1 JAN.–30 JUNE 2017				1 JAN.–
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	30 JUNE 2016
<b>Property, plant and equipment</b>					<b>NET PROFIT</b>
<b>Owned</b>	<b>-24</b>	<b>-1</b>	<b>-</b>	<b>-25</b>	<b>-36</b>
used in the business	-21	-	-	-21	-27
held for investment	-4	-1	-	-4	-9
<b>Finance lease</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
used in the business	-	-	-	-	-
held for investment	-	-	-	-	-
<b>TOTAL</b>	<b>-24</b>	<b>-1</b>	<b>-</b>	<b>-25</b>	<b>-36</b>

### Impairment on intangible assets

(€ million)

	1 JAN.–30 JUNE 2017				1 JAN.–
	AMORTISATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	30 JUNE 2016
<b>Intangible assets</b>					<b>NET PROFIT</b>
<b>Owned</b>	<b>-3</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>-3</b>
generated internally by the company	-	-	-	-	-
other	-3	-	-	-3	-3
<b>Finance leases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>-3</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>-3</b>

### Other net operating income

#### Other operating expenses

(€ million)

	1 JAN.–	1 JAN.–
	30 JUNE 2017	30 JUNE 2016
Costs for operating leases	-	-
Non-deductible tax and other fiscal charges	-	-1
Write-downs on improvements of goods owned by third parties	-6	-6
Costs related to the specific service of financial leasing	-1	-1
Other	-20	-24
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>-27</b>	<b>-32</b>

#### Other operating income

(€ million)

	1 JAN.–	1 JAN.–
	30 JUNE 2017	30 JUNE 2016
Recovery of costs	-	-
<b>Other income</b>	<b>85</b>	<b>133</b>
Revenue from administrative services	23	19
Revenues from rentals of real estate investments (net of direct operating costs)	3	7
Revenues from operating leases	15	15
Recovery of miscellaneous costs paid in previous years	4	-
Revenues from finance lease activities	-	-
Others	40	92
<b>TOTAL OTHER OPERATING INCOME</b>	<b>85</b>	<b>133</b>
<b>OTHER NET OPERATING INCOME</b>	<b>58</b>	<b>101</b>

## Notes to the income statement (CONTINUED)

## Profit (Loss) of associates

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
<b>Joint ventures</b>		
<b>Associates</b>		
<b>Income</b>	<b>67</b>	<b>55</b>
Profits of associates	67	55
Gains on disposal	–	–
Write-backs	–	–
Other gains	–	–
<b>Expense</b>	<b>–</b>	<b>–</b>
Losses of associates	–	–
Impairment losses	–	–
Losses on disposal	–	–
Other expenses	–	–
<b>Net profit</b>	<b>67</b>	<b>55</b>
<b>TOTAL</b>	<b>67</b>	<b>55</b>

## Gains and losses on disposal of investments

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
<b>Property</b>		
Gains on disposal	1	13
Losses on disposal	–	–
<b>Other assets</b>		
Gains on disposal	3	5
Losses on disposal	–	–
<b>TOTAL</b>	<b>4</b>	<b>18</b>

## Total profit or loss after tax from discontinued operations

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
Income	43	8,049
Expense	–24	–7,180
Gains and losses from valuations of the group of assets and associated liabilities	–	–
revaluations	–	–
impairment loss	–	–
Realised gains (losses)	54	1
Realised gains	55	3
Realised losses	–1	–2
Income tax	–15	–123
<b>TOTAL PROFIT OR LOSS AFTER TAX FROM DISCONTINUED OPERATIONS *)</b>	<b>58</b>	<b>747</b>

\*) The figure for the previous year includes the results of the CEE subsidiaries (demerger as at 1 October 2016).

## Earnings per share

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 (231.2 million shares).

## Notes to the statement of financial position

### Financial assets held for trading

(€ million)

	30 JUNE 2017				31 DEC. 2016			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
<b>Financial assets (non-derivatives)</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>2</b>
Debt securities	1	1	–	2	1	1	–	2
<i>Structured securities</i>	–	–	–	–	–	–	–	–
<i>Other debt securities</i>	1	1	–	2	1	1	–	2
Equity instruments	–	–	–	–	–	–	–	–
<b>Derivative instruments</b>	<b>–</b>	<b>910</b>	<b>33</b>	<b>943</b>	<b>–</b>	<b>1,074</b>	<b>37</b>	<b>1,111</b>
Financial derivatives	–	910	31	941	–	1,074	37	1,111
Credit derivatives	–	–	2	2	–	–	–	–
<b>TOTAL</b>	<b>1</b>	<b>911</b>	<b>33</b>	<b>945</b>	<b>1</b>	<b>1,075</b>	<b>37</b>	<b>1,113</b>

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

(€ million)

	30 JUNE 2017				31 DEC. 2016			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	–	–	–	–	–	–	–	–
Equity instruments	–	–	–	–	–	–	–	–
Units in investment funds	–	–	7	7	–	–	14	14
Loans	–	–	–	–	–	–	–	–
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>14</b>
<b>COST</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>14</b>

This item shows assets in respect of which Bank Austria used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these assets are complex structures with embedded derivatives.

### Available-for-sale financial assets

(€ million)

	30 JUNE 2017				31 DEC. 2016			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	14,466	1,240	49	15,755	14,342	1,233	98	15,673
<i>Structured securities</i>	–	–	13	13	–	–	14	14
<i>Other debt securities</i>	14,466	1,240	36	15,742	14,342	1,233	84	15,659
Equity instruments	–	30	67	97	–	27	58	85
<i>measured at fair value</i>	–	30	42	72	–	27	33	60
<i>carried at cost</i>	–	–	25	25	–	–	25	25
Units in investment funds	–	–	23	23	–	–	33	33
<b>TOTAL</b>	<b>14,466</b>	<b>1,270</b>	<b>139</b>	<b>15,875</b>	<b>14,342</b>	<b>1,260</b>	<b>189</b>	<b>15,791</b>

### Held-to-maturity investments

(€ million)

	30 JUNE 2017					31 DEC. 2016				
	BOOK VALUE	FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	BOOK VALUE	FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Debt securities	221	223	–	210	13	236	245	7	224	14
Loans	–	–	–	–	–	–	–	–	–	–
<b>TOTAL</b>	<b>221</b>	<b>223</b>	<b>–</b>	<b>210</b>	<b>13</b>	<b>236</b>	<b>245</b>	<b>7</b>	<b>224</b>	<b>14</b>

## Notes to the statement of financial position (CONTINUED)

### Loans and receivables with banks

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Loans to central banks</b>	<b>4,438</b>	<b>3,055</b>
Time deposits	–	–
Compulsory reserves	4,436	3,026
Reverse repos	–	–
Other	2	29
<b>Loans to banks</b>	<b>15,026</b>	<b>17,707</b>
Current accounts and demand deposits	1,525	1,187
Time deposits	6,319	4,568
Other loans	5,682	9,472
Debt securities	1,500	2,480
<b>TOTAL (CARRYING AMOUNT)</b>	<b>19,464</b>	<b>20,762</b>
Loan loss provisions deducted from loans and receivables	4	4

### Loans and receivables with customers

(€ million)

	30 JUNE 2017			31 DEC. 2016		
	NOT IMPAIRED	IMPAIRED	TOTAL	NOT IMPAIRED	IMPAIRED	TOTAL
<b>Loans</b>	<b>58,743</b>	<b>1,174</b>	<b>59,917</b>	<b>59,478</b>	<b>1,151</b>	<b>60,629</b>
Current accounts	6,786	360	7,146	6,465	298	6,763
Reverse repos	–	–	–	–	–	–
Mortgages	11,863	39	11,902	11,678	44	11,722
Credit cards and personal loans, including wage assignment loans	983	7	990	1,037	10	1,047
Finance leases	2,682	103	2,785	2,799	119	2,918
Factoring	1,367	12	1,379	1,537	6	1,543
Other loans	35,062	653	35,715	35,962	673	36,635
<b>Debt securities</b>	<b>227</b>	<b>14</b>	<b>241</b>	<b>278</b>	<b>19</b>	<b>297</b>
<b>TOTAL (CARRYING AMOUNT)</b>	<b>58,970</b>	<b>1,188</b>	<b>60,158</b>	<b>59,756</b>	<b>1,170</b>	<b>60,926</b>
Loan loss provisions deducted from loans and receivables	390	1,456	1,846	428	1,732	2,160

### Hedging derivatives (assets)

(€ million)

	30 JUNE 2017				31 DEC. 2016			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
<b>Financial derivatives</b>	<b>–</b>	<b>2,265</b>	<b>–</b>	<b>2,265</b>	<b>–</b>	<b>2,661</b>	<b>–</b>	<b>2,661</b>
Fair value hedge	–	2,074	–	2,074	–	2,577	–	2,577
Cash flow hedge	–	191	–	191	–	84	–	84
<b>Credit derivatives</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>–</b>	<b>2,265</b>	<b>–</b>	<b>2,265</b>	<b>–</b>	<b>2,661</b>	<b>–</b>	<b>2,661</b>

## Notes to the statement of financial position (CONTINUED)

## Property, plant and equipment

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Assets for operational use</b>	<b>395</b>	<b>392</b>
<b>Owned</b>	<b>395</b>	<b>392</b>
Land	37	38
Buildings	125	130
Office furniture and fittings	72	66
Electronic systems	15	18
Others	145	140
<b>Leased</b>	<b>–</b>	<b>–</b>
Land	–	–
Buildings	–	–
Office furniture and fittings	–	–
Electronic systems	–	–
Others	–	–
<b>Held-for-investment assets</b>	<b>282</b>	<b>303</b>
<b>Owned</b>	<b>282</b>	<b>303</b>
Land	143	148
Buildings	139	155
<b>TOTAL</b>	<b>677</b>	<b>695</b>

## Intangible assets

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Other intangible assets</b>	<b>10</b>	<b>11</b>
Assets carried at cost	10	11
<i>Intangible assets generated internally</i>	–	–
<i>Other assets</i>	10	11
Assets valued at fair value	–	–
<b>TOTAL</b>	<b>10</b>	<b>11</b>



## Notes to the statement of financial position (CONTINUED)

## Non-current assets and disposal groups classified as held for sale

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Individual assets</b>		
Financial assets	–	–
Equity investments	–	–
Tangible assets	193	193
Intangible assets	–	–
Non current – Other	1	1
<b>Total</b>	<b>195</b>	<b>194</b>
<b>Asset groups classified as held for sale</b>		
Financial assets held for trading	–	–
Financial assets designated at fair value	–	–
Available-for-sale financial assets	–	–
Held-to-maturity investments	–	–
Loans and receivables with banks	–	–
Loans and receivables with customers	–	–
Equity investments	23	–
Tangible assets	–	–
Intangible assets	–	–
Other assets	421	706
<b>Total</b>	<b>444</b>	<b>706</b>
<b>ASSETS</b>	<b>639</b>	<b>900</b>

This item includes non-current assets and disposal groups whose sale is highly probable. They are recognised at the lower of their carrying amount and fair value less costs to sell and are presented separately in the consolidated financial statements.

**Individual assets**

The item essentially includes the companies Lassallestraße Bau-, Planungs-, Erricht.- u. Verw. ges. m. b. H. (€117 million) and RAMSES Immobilien Gesellschaft m. b. H. & Co OG (€39 million) as well as individual assets of UNIVERSALE International Realitäten GmbH (€16 million) and of DBC Sp. z. o. o. (€18 million).

**Asset groups classified as held for sale**

The total amount of asset groups classified as held for sale relates to Immobilien Holding GmbH group (assets of €444 million which have not been sold and liabilities of €141 million).

## Deposits from banks

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Deposits from central banks</b>	<b>4,058</b>	<b>1,340</b>
<b>Deposits from banks</b>	<b>12,385</b>	<b>12,599</b>
Current accounts and demand deposits	1,712	1,012
Time deposits	2,785	3,967
Loans	7,385	7,246
<i>Repos</i>	410	–
<i>Other</i>	6,975	7,246
Other liabilities	503	374
<b>TOTAL</b>	<b>16,443</b>	<b>13,939</b>

## Notes to the statement of financial position (CONTINUED)

### Deposits from customers

(€ million)

	30 JUNE 2017	31 DEC. 2016
Current accounts and demand deposits	40,327	40,244
Time deposits	7,877	9,907
Loans	5,320	6,031
<i>Repos</i>	411	425
<i>Other</i>	4,909	5,606
Liabilities in respect of commitments to repurchase treasury shares	–	–
Other liabilities	47	57
<b>TOTAL</b>	<b>53,571</b>	<b>56,239</b>

### Debt securities in issue

(€ million)

	30 JUNE 2017					31 DEC. 2016				
	CARRYING AMOUNT	TOTAL FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	CARRYING AMOUNT	TOTAL FAIR VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
<b>Securities</b>										
Bonds	15,362	15,799	6,990	8,809	–	17,242	18,170	7,888	10,282	–
<i>Structured</i>	707	707	–	707	–	693	673	–	673	–
<i>Other</i>	14,655	15,092	6,990	8,102	–	16,549	17,497	7,888	9,609	–
Other securities	147	146	–	146	–	152	160	–	146	14
<i>Structured</i>	–	–	–	–	–	–	–	–	–	–
<i>Other</i>	147	146	–	146	–	152	160	–	146	14
<b>TOTAL</b>	<b>15,509</b>	<b>15,946</b>	<b>6,990</b>	<b>8,956</b>	<b>–</b>	<b>17,394</b>	<b>18,329</b>	<b>7,888</b>	<b>10,427</b>	<b>14</b>

### Financial liabilities held for trading

(€ million)

	30 JUNE 2017				31 DEC. 2016			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
<b>Financial liabilities</b>	–	3	–	3	–	–	–	–
Deposits from banks	–	–	–	–	–	–	–	–
Deposits from customers	–	3	–	3	–	–	–	–
<b>Derivative instruments</b>	–	916	9	925	–	1,088	19	1,107
Financial derivatives	–	916	7	923	–	1,088	11	1,099
Credit derivatives	–	–	2	2	–	–	8	8
<b>TOTAL</b>	<b>–</b>	<b>919</b>	<b>9</b>	<b>928</b>	<b>–</b>	<b>1,088</b>	<b>19</b>	<b>1,107</b>

### Financial liabilities at fair value through profit or loss

(€ million)

	30 JUNE 2017				31 DEC. 2016			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	–	343	2	345	–	397	2	399
<i>Structured</i>	–	343	–	343	–	397	–	397
<i>Other</i>	–	–	2	2	–	–	2	2
<b>TOTAL</b>	<b>–</b>	<b>343</b>	<b>2</b>	<b>345</b>	<b>–</b>	<b>397</b>	<b>2</b>	<b>399</b>

Of the changes in fair values in the first half of 2017, an expense of €7 million (2016: income of €1 million) related to changes in UniCredit Bank Austria AG's own credit risk. In the valuation as at 30 June 2017, the portion relating to changes in the bank's own credit risk was a cumulative expense of €1 million (31 December 2016: cumulative income of €6 million). The repayable amount of liabilities as at 30 June 2017 was €307 million (31 December 2016: €371 million).

## Notes to the statement of financial position (CONTINUED)

## Hedging derivatives (liabilities)

(€ million)

	30 JUNE 2017				31 DEC. 2016			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
<b>Financial derivatives</b>	–	1,876	–	1,876	–	2,153	–	2,153
Fair value hedge	–	1,810	–	1,810	–	2,051	–	2,051
Cash flow hedge	–	66	–	66	–	102	–	102
<b>Credit derivatives</b>	–	–	–	–	–	–	–	–
<b>TOTAL</b>	–	1,876	–	1,876	–	2,153	–	2,153

## Liabilities included in disposal groups classified as held for sale

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Liabilities associated with assets classified as held for sale</b>		
Deposits	–	–
Securities	–	–
Other liabilities	1	1
<b>Total</b>	<b>1</b>	<b>1</b>
<i>of which at cost</i>		1
<i>of which Fair Value Level 1</i>		–
<i>of which Fair Value Level 2</i>		–
<i>of which Fair Value Level 3</i>		–
<b>Liabilities included in disposal groups classified as held for sale</b>		
Deposits from banks	–	–
Deposits from customers	–	–
Debt securities in issue	–	–
Financial liabilities held for trading	–	–
Financial liabilities designated at fair value	–	–
Reserve	–	–
Other liabilities	141	122
<b>Total</b>	<b>141</b>	<b>122</b>
<i>of which at cost</i>		–
<i>of which Fair Value Level 1</i>		–
<i>of which Fair Value Level 2</i>		–
<i>of which Fair Value Level 3</i>	141	122
<b>LIABILITIES</b>	<b>142</b>	<b>123</b>

## Provisions for risks and charges

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Pensions and other post-retirement benefit obligations</b>	<b>3,664</b>	<b>3,855</b>
<b>Other provisions for risks and charges</b>	<b>322</b>	<b>357</b>
Legal disputes	216	246
Staff expenses	35	35
Other	71	76
<b>TOTAL</b>	<b>3,986</b>	<b>4,212</b>

Other provisions for risks and charges include restructuring provisions with an opening balance of €49 million and use of €1 million. The balance as at 30 June 2017 was €48 million.

## Segment reporting

The table on the following two pages presents the income statement in the format used for controlling purposes and permits a reconciliation to the interim results and key indicators used for segment reporting.

### Reconciliation of reclassified accounts to mandatory reporting schedule

(€ million)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
Net interest	481	484
Dividends and other income from equity investments	76	60
<i>Dividend income and similar revenue</i>	9	5
<i>Profit (loss) of associates – of which: income (loss) from equity investments valued at net equity</i>	67	55
Net fees and commissions	352	337
Net trading, hedging and fair value income	36	19
<i>Gains (losses) on financial assets and liabilities held for trading</i>	38	7
<i>Fair value adjustments in hedge accounting</i>	-2	1
<i>Gains (losses) on disposal and repurchase of available-for-sale financial assets</i>	4	1
<i>Gains (losses) on disposal or repurchase of financial liabilities</i>	-6	8
<i>Gains (losses) on financial assets and liabilities designated at fair value through profit or loss</i>	1	2
Net other expenses/income	51	95
<i>Gains (losses) on disposals/repurchases on loans and receivables – not impaired</i>	0	0
<i>Other net operating income</i>	58	101
<i>plus: impairment on tangible assets – other operating leases</i>	-13	-12
<i>less: other operating expenses – amortisation on leasehold improvements</i>	6	6
<b>OPERATING INCOME</b>	<b>995</b>	<b>995</b>
Payroll costs	-349	-376
<i>Administrative costs – staff expenses</i>	-349	-580
<i>less: integration/restructuring costs</i>	0	204
Other administrative expenses	-306	-353
<i>Administrative costs – other administrative expenses</i>	-413	-465
<i>less: ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies</i>	113	118
<i>plus: other operating expenses – amortisation on leasehold improvements</i>	-6	-6
Recovery of expenses = Other net operating income – of which: Other operating income – recovery of costs	0	0
Amortisation, depreciation and impairment losses on intangible and tangible assets	-14	-25
<i>Impairment/write-backs on property, plant and equipment</i>	-25	-36
<i>less: impairment losses/write-backs on property owned for investment</i>	1	1
<i>less: impairment on tangible assets – other operating leases</i>	13	12
<i>Impairment/write-backs on intangible assets</i>	-3	-3
<b>OPERATING COSTS</b>	<b>-669</b>	<b>-754</b>
<b>OPERATING PROFIT</b>	<b>326</b>	<b>241</b>

## Segment reporting (CONTINUED)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
Net write-downs of loans and provisions for guarantees and commitments	98	40
<i>Impairment losses on loans</i>	89	22
<i>Impairment losses on other financial assets</i>	10	18
<b>NET OPERATING PROFIT</b>	<b>425</b>	<b>281</b>
Provisions for risks and charges	12	-1
<i>Net provisions for risks and charges</i>	12	-1
Systemic charges	-113	-118
<i>plus: ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies</i>	-113	-118
Integration/restructuring costs	0	-204
Net income from investments	8	6
<i>Impairment losses on available-for-sale financial assets</i>	0	-10
<i>Impairment losses on held-to-maturity investments</i>	6	0
<i>plus: impairment losses/write-backs on property owned for investment</i>	-1	-1
<i>Profit (loss) of associates</i>	67	55
<i>less: profit (loss) of associates – income (loss) from equity investments valued at net equity</i>	-67	-55
<i>Gains and losses on tangible and intangible assets</i>	-1	0
<i>Gains (losses) on disposal of investments</i>	4	18
<b>PROFIT OR LOSS BEFORE TAX</b>	<b>331</b>	<b>-36</b>
Income tax for the period	-25	-25
Total profit or loss after tax from discontinued operations	58	747
<i>Profit or loss after tax from discontinued operations</i>	58	747
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>364</b>	<b>685</b>
Non-controlling interests	-7	-59
<b>NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>357</b>	<b>626</b>

## Segment reporting (CONTINUED)

### Description 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.

The CEE Division was classified as held for sale in 2016. The demerger and subsequent transfer to UniCredit S.p.A. was effected as at 1 October 2016. For segment reporting purposes, the CEE Division is therefore no longer presented as a separate Division retrospectively from 2016. Bank Austria's overall results as reflected in the accounting figures still included the CEE Division (and the demerger-related effects) up to September 2016, i.e. the CEE Division is also included in the comparative figures for the first half of 2016. The CEE results are shown in the column IFRS 5 RECLASSIFICATION/ RECAST DIFFERENCES and provide the reconciliation from the AUSTRIA GROUP (RECAST) results to Bank Austria's overall results.

To ensure comparability of the data for 2017 with 2016, adjustments were required at segment level in the previous year's periods. The system of reference interest rates was further refined and cost allocation was changed to reflect restructuring in the Corporate Center as a result of the CEE demerger and Bank Austria's strategic reorientation (Bank Austria Reloaded project).

Segment reporting covers the following business segments:

#### **Retail Banking**

The Retail Banking business segment includes the customer segments "private customers", "independent 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 Center**

In addition to current expenses relating to steering and administrative functions for the entire bank, the Corporate Center comprises all equity interests that are not assigned to a business segment. Funding costs relating to consolidated subsidiaries are also assigned to the Corporate Center. Also included are inter-segment eliminations and other items.

The Immobilien Holding Group companies assigned to the Corporate Center have partly been sold in the meantime; the remaining companies continue to be classified as held for sale.

## Segment reporting (CONTINUED)

## Segment reporting 1–6 2017/1–6 2016

(€ million)

		CORPORATES (INCL. RETAIL FACTORING AND LEASING)		PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	AUSTRIA GROUP (RECAST) <sup>1)</sup>	IFRS 5 RECLAS- SIFICATION/ RECAST DIF- FERENCES	BANK AUSTRIA GROUP <sup>2)</sup>
Net interest	1–6 2017	201	202	26	140	-87	481	0	481
	1–6 2016	208	210	25	145	-52	536	-52	484
Dividends and other income from equity investments	1–6 2017	6	12	0	8	50	76	0	76
	1–6 2016	3	12	0	0	44	60	0	60
Net fees and commissions	1–6 2017	189	64	58	44	-3	352	0	352
	1–6 2016	185	59	53	36	-5	328	9	337
Net trading, hedging and fair value income/loss	1–6 2017	4	18	2	19	-7	36	0	36
	1–6 2016	4	-1	2	17	-4	18	1	19
Net other expenses/income	1–6 2017	23	1	0	1	26	51	0	51
	1–6 2016	72	8	-1	1	15	95	-1	95
<b>OPERATING INCOME</b>	<b>1–6 2017</b>	<b>422</b>	<b>298</b>	<b>86</b>	<b>210</b>	<b>-21</b>	<b>995</b>	<b>0</b>	<b>995</b>
	<b>1–6 2016</b>	<b>472</b>	<b>289</b>	<b>80</b>	<b>199</b>	<b>-2</b>	<b>1,038</b>	<b>-43</b>	<b>995</b>
<b>OPERATING COSTS</b>	<b>1–6 2017</b>	<b>-354</b>	<b>-110</b>	<b>-62</b>	<b>-99</b>	<b>-44</b>	<b>-669</b>	<b>0</b>	<b>-669</b>
	<b>1–6 2016</b>	<b>-384</b>	<b>-140</b>	<b>-62</b>	<b>-108</b>	<b>-62</b>	<b>-756</b>	<b>2</b>	<b>-754</b>
<b>OPERATING PROFIT</b>	<b>1–6 2017</b>	<b>69</b>	<b>188</b>	<b>23</b>	<b>111</b>	<b>-65</b>	<b>326</b>	<b>0</b>	<b>326</b>
	<b>1–6 2016</b>	<b>89</b>	<b>149</b>	<b>17</b>	<b>91</b>	<b>-64</b>	<b>282</b>	<b>-41</b>	<b>241</b>
Net write-downs of loans and provisions for guarantees and commitments	1–6 2017	44	18	0	16	20	98	0	98
	1–6 2016	-6	3	0	33	10	40	0	40
<b>NET OPERATING PROFIT</b>	<b>1–6 2017</b>	<b>113</b>	<b>206</b>	<b>23</b>	<b>128</b>	<b>-45</b>	<b>425</b>	<b>0</b>	<b>425</b>
	<b>1–6 2016</b>	<b>83</b>	<b>152</b>	<b>17</b>	<b>124</b>	<b>-53</b>	<b>322</b>	<b>-41</b>	<b>281</b>
Provisions for risks and charges	1–6 2017	-1	-1	0	0	14	12	0	12
	1–6 2016	0	-1	0	0	0	-1	0	-1
Systemic charges	1–6 2017	-26	-24	-4	-21	-37	-113	0	-113
	1–6 2016	-28	-26	-4	-23	-38	-118	0	-118
Integration/restructuring costs	1–6 2017	0	0	0	0	0	0	0	0
	1–6 2016	0	0	0	0	-204	-204	0	-204
Net income/loss from investments	1–6 2017	0	7	0	0	1	8	0	8
	1–6 2016	-7	3	0	0	11	6	0	6
<b>PROFIT OR LOSS BEFORE TAX</b>	<b>1–6 2017</b>	<b>85</b>	<b>188</b>	<b>19</b>	<b>107</b>	<b>-67</b>	<b>331</b>	<b>0</b>	<b>331</b>
	<b>1–6 2016</b>	<b>47</b>	<b>128</b>	<b>13</b>	<b>101</b>	<b>-285</b>	<b>5</b>	<b>-41</b>	<b>-36</b>
Income tax for the period	1–6 2017	-16	-42	-5	-27	65	-25	0	-25
	1–6 2016	-1	-28	-4	-25	32	-25	0	-25
Total profit or loss after tax from discontinued operations	1–6 2017	0	2	0	0	56	58	0	58
	1–6 2016	0	0	0	0	17	17	730	747
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>1–6 2017</b>	<b>68</b>	<b>147</b>	<b>14</b>	<b>80</b>	<b>55</b>	<b>364</b>	<b>0</b>	<b>364</b>
	<b>1–6 2016</b>	<b>47</b>	<b>100</b>	<b>9</b>	<b>76</b>	<b>-236</b>	<b>-4</b>	<b>689</b>	<b>685</b>
Non-controlling interests	1–6 2017	-7	0	0	0	0	-7	0	-7
	1–6 2016	-40	0	0	0	0	-41	-18	-59
<b>NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>1–6 2017</b>	<b>61</b>	<b>147</b>	<b>14</b>	<b>80</b>	<b>55</b>	<b>357</b>	<b>0</b>	<b>357</b>
	<b>1–6 2016</b>	<b>6</b>	<b>100</b>	<b>9</b>	<b>76</b>	<b>-236</b>	<b>-44</b>	<b>670</b>	<b>626</b>
Risk-weighted assets (RWA) (avg.)	1–6 2017	8,233	8,499	594	7,944	8,496	33,765	0	33,765
	1–6 2016	8,513	8,999	613	8,363	13,668	40,157	n.a.	n.a.
Loans to customers (end of period)	1–6 2017	17,887	26,563	638	14,067	1,002	60,158	0	60,158
	1–6 2016	18,007	26,442	648	13,940	2,800	61,837	-2,379	59,458
Deposits from customers (end of period)	1–6 2017	22,966	15,148	8,970	7,529	-1,041	53,571	0	53,571
	1–6 2016	22,338	16,366	9,162	9,399	-1,214	56,051	30	56,081
Cost/income ratio in %	1–6 2017	83.8	36.9	72.7	47.0	n.m.	67.2	n.m.	67.2
	1–6 2016	81.2	48.4	78.3	54.5	n.m.	72.8	n.m.	75.8

1) For segment reporting purposes, the comparative figures for 2016 have been recast to reflect the consolidation perimeter and the segment structure used in segment reporting for 2017. / 2) The reconciliation to accounting figures is shown in the column "Recast differences" and is due to CEE, which in the first half of 2016 was still included in the Bank Austria Group's financial results (profit or loss after tax from discontinued operations and with IC effects in different P&L lines). / n.m. = not meaningful / n.a. = not available

## Segment reporting (CONTINUED)

## Segment reporting Q1 – Q2 2017/Q1 – Q4 2016

(€ million)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) <sup>1)</sup>
Net interest	Q2 2017	101	103	13	70	-45	242
	Q1 2017	100	99	13	69	-42	240
	Q4 2016	100	103	14	66	-53	231
	Q3 2016	100	103	15	76	-21	273
	Q2 2016	102	108	12	71	-28	264
	Q1 2016	106	103	13	74	-23	272
Dividends and other income from equity investments	Q2 2017	1	6	0	8	30	45
	Q1 2017	5	6	0	0	19	30
	Q4 2016	0	7	0	0	22	29
	Q3 2016	0	7	0	0	29	36
	Q2 2016	0	5	0	0	30	35
	Q1 2016	3	7	0	0	14	25
Net fees and commissions	Q2 2017	92	34	28	22	-1	176
	Q1 2017	97	30	29	22	-3	175
	Q4 2016	93	31	34	24	-1	182
	Q3 2016	93	30	26	20	-3	166
	Q2 2016	92	29	26	18	-2	164
	Q1 2016	93	30	27	17	-3	164
Net trading, hedging and fair value income/loss	Q2 2017	2	8	1	8	-1	18
	Q1 2017	2	10	1	11	-6	17
	Q4 2016	3	16	1	20	2	41
	Q3 2016	1	7	1	8	12	29
	Q2 2016	3	2	1	11	-6	11
	Q1 2016	1	-3	1	6	2	7
Net other expenses/income	Q2 2017	21	3	0	0	12	37
	Q1 2017	2	-2	0	0	14	14
	Q4 2016	30	3	0	1	6	39
	Q3 2016	2	3	0	0	13	18
	Q2 2016	70	4	-1	1	5	80
	Q1 2016	2	4	0	0	10	16
<b>OPERATING INCOME</b>	<b>Q2 2017</b>	<b>217</b>	<b>155</b>	<b>43</b>	<b>109</b>	<b>-4</b>	<b>519</b>
	<b>Q1 2017</b>	<b>206</b>	<b>143</b>	<b>43</b>	<b>102</b>	<b>-17</b>	<b>477</b>
	<b>Q4 2016</b>	<b>226</b>	<b>159</b>	<b>49</b>	<b>112</b>	<b>-25</b>	<b>521</b>
	<b>Q3 2016</b>	<b>196</b>	<b>151</b>	<b>41</b>	<b>103</b>	<b>31</b>	<b>522</b>
	<b>Q2 2016</b>	<b>267</b>	<b>148</b>	<b>38</b>	<b>101</b>	<b>-1</b>	<b>554</b>
	<b>Q1 2016</b>	<b>206</b>	<b>141</b>	<b>41</b>	<b>98</b>	<b>-1</b>	<b>484</b>
<b>OPERATING COSTS</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>
	<b>Q4 2016</b>	<b>-186</b>	<b>-61</b>	<b>-30</b>	<b>-51</b>	<b>-69</b>	<b>-397</b>
	<b>Q3 2016</b>	<b>-181</b>	<b>-63</b>	<b>-30</b>	<b>-47</b>	<b>-30</b>	<b>-351</b>
	<b>Q2 2016</b>	<b>-189</b>	<b>-63</b>	<b>-31</b>	<b>-48</b>	<b>-31</b>	<b>-362</b>
	<b>Q1 2016</b>	<b>-194</b>	<b>-77</b>	<b>-31</b>	<b>-60</b>	<b>-31</b>	<b>-394</b>
<b>OPERATING PROFIT</b>	<b>Q2 2017</b>	<b>39</b>	<b>100</b>	<b>12</b>	<b>58</b>	<b>-19</b>	<b>189</b>
	<b>Q1 2017</b>	<b>30</b>	<b>88</b>	<b>11</b>	<b>54</b>	<b>-46</b>	<b>138</b>
	<b>Q4 2016</b>	<b>40</b>	<b>98</b>	<b>19</b>	<b>60</b>	<b>-94</b>	<b>123</b>
	<b>Q3 2016</b>	<b>15</b>	<b>88</b>	<b>11</b>	<b>57</b>	<b>1</b>	<b>171</b>
	<b>Q2 2016</b>	<b>77</b>	<b>86</b>	<b>8</b>	<b>53</b>	<b>-32</b>	<b>192</b>
	<b>Q1 2016</b>	<b>11</b>	<b>63</b>	<b>10</b>	<b>38</b>	<b>-32</b>	<b>90</b>
Net write-downs of loans and provisions for guarantees and commitments	Q2 2017	22	-2	0	18	10	48
	Q1 2017	22	20	0	-2	10	50
	Q4 2016	-51	-5	0	5	-3	-54
	Q3 2016	5	16	0	-1	-1	20
	Q2 2016	-1	4	0	33	7	44
	Q1 2016	-5	-1	0	0	3	-4
<b>NET OPERATING PROFIT</b>	<b>Q2 2017</b>	<b>60</b>	<b>98</b>	<b>12</b>	<b>76</b>	<b>-9</b>	<b>237</b>
	<b>Q1 2017</b>	<b>52</b>	<b>108</b>	<b>11</b>	<b>52</b>	<b>-35</b>	<b>188</b>
	<b>Q4 2016</b>	<b>-11</b>	<b>93</b>	<b>19</b>	<b>66</b>	<b>-97</b>	<b>69</b>
	<b>Q3 2016</b>	<b>20</b>	<b>104</b>	<b>12</b>	<b>56</b>	<b>0</b>	<b>191</b>
	<b>Q2 2016</b>	<b>77</b>	<b>90</b>	<b>7</b>	<b>86</b>	<b>-25</b>	<b>236</b>
	<b>Q1 2016</b>	<b>6</b>	<b>62</b>	<b>10</b>	<b>38</b>	<b>-29</b>	<b>86</b>



## Segment reporting (CONTINUED)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) <sup>1)</sup>
Provisions for risks and charges	Q2 2017	-1	-1	0	0	14	12
	Q1 2017	-1	0	0	0	0	-1
	Q4 2016	-2	-76	-3	-75	-34	-190
	Q3 2016	-6	-4	0	0	0	-10
	Q2 2016	0	-1	0	0	0	-1
	Q1 2016	0	0	0	0	0	-1
Systemic charges	Q2 2017	-1	-1	0	-1	-2	-5
	Q1 2017	-25	-23	-4	-20	-36	-108
	Q4 2016	-5	-7	-1	-6	-13	-32
	Q3 2016	-5	-7	-1	-7	-12	-32
	Q2 2016	-5	-8	-1	-7	-12	-33
	Q1 2016	-22	-18	-3	-16	-26	-86
Integration/restructuring costs	Q2 2017	0	0	0	0	0	0
	Q1 2017	0	0	0	0	0	0
	Q4 2016	0	0	0	0	-201	-201
	Q3 2016	0	-4	0	0	0	-4
	Q2 2016	0	0	0	0	0	0
	Q1 2016	0	0	0	0	-204	-204
Net income/loss from investments	Q2 2017	0	1	0	0	1	2
	Q1 2017	0	6	0	0	0	6
	Q4 2016	0	-17	0	-1	-60	-77
	Q3 2016	0	0	0	0	3	2
	Q2 2016	-10	1	0	0	10	1
	Q1 2016	3	2	0	0	1	5
<b>PROFIT OR LOSS BEFORE TAX</b>	<b>Q2 2017</b>	<b>59</b>	<b>97</b>	<b>12</b>	<b>75</b>	<b>4</b>	<b>246</b>
	<b>Q1 2017</b>	<b>26</b>	<b>91</b>	<b>7</b>	<b>32</b>	<b>-71</b>	<b>85</b>
	<b>Q4 2016</b>	<b>-18</b>	<b>-7</b>	<b>14</b>	<b>-16</b>	<b>-405</b>	<b>-432</b>
	<b>Q3 2016</b>	<b>9</b>	<b>88</b>	<b>11</b>	<b>49</b>	<b>-9</b>	<b>148</b>
	<b>Q2 2016</b>	<b>61</b>	<b>82</b>	<b>7</b>	<b>79</b>	<b>-26</b>	<b>203</b>
	<b>Q1 2016</b>	<b>-14</b>	<b>46</b>	<b>7</b>	<b>21</b>	<b>-259</b>	<b>-198</b>
Income tax for the period	Q2 2017	-13	-22	-4	-19	43	-13
	Q1 2017	-4	-21	-2	-8	22	-12
	Q4 2016	0	2	-4	5	-23	-21
	Q3 2016	0	-21	-3	-12	24	-12
	Q2 2016	0	-19	-2	-20	28	-13
	Q1 2016	0	-9	-2	-5	4	-12
Total profit or loss after tax from discontinued operations	Q2 2017	0	2	0	0	32	33
	Q1 2017	0	0	0	0	24	24
	Q4 2016	0	0	0	0	20	20
	Q3 2016	0	0	0	0	1	1
	Q2 2016	0	0	0	0	10	10
	Q1 2016	0	0	0	0	7	7
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>Q2 2017</b>	<b>46</b>	<b>77</b>	<b>9</b>	<b>56</b>	<b>79</b>	<b>266</b>
	<b>Q1 2017</b>	<b>23</b>	<b>70</b>	<b>5</b>	<b>24</b>	<b>-24</b>	<b>98</b>
	<b>Q4 2016</b>	<b>-18</b>	<b>-5</b>	<b>10</b>	<b>-11</b>	<b>-409</b>	<b>-433</b>
	<b>Q3 2016</b>	<b>8</b>	<b>67</b>	<b>8</b>	<b>37</b>	<b>16</b>	<b>137</b>
	<b>Q2 2016</b>	<b>61</b>	<b>63</b>	<b>4</b>	<b>60</b>	<b>12</b>	<b>201</b>
	<b>Q1 2016</b>	<b>-14</b>	<b>37</b>	<b>5</b>	<b>16</b>	<b>-248</b>	<b>-204</b>
Non-controlling interests	Q2 2017	-3	0	0	0	0	-3
	Q1 2017	-4	0	0	0	0	-4
	Q4 2016	-17	0	0	0	0	-17
	Q3 2016	-4	0	0	0	0	-4
	Q2 2016	-36	0	0	0	0	-37
	Q1 2016	-4	0	0	0	0	-4
<b>NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>Q2 2017</b>	<b>42</b>	<b>76</b>	<b>9</b>	<b>56</b>	<b>79</b>	<b>263</b>
	<b>Q1 2017</b>	<b>19</b>	<b>70</b>	<b>5</b>	<b>24</b>	<b>-24</b>	<b>94</b>
	<b>Q4 2016</b>	<b>-35</b>	<b>-5</b>	<b>10</b>	<b>-11</b>	<b>-409</b>	<b>-450</b>
	<b>Q3 2016</b>	<b>4</b>	<b>67</b>	<b>8</b>	<b>37</b>	<b>16</b>	<b>133</b>
	<b>Q2 2016</b>	<b>24</b>	<b>63</b>	<b>4</b>	<b>60</b>	<b>12</b>	<b>164</b>
	<b>Q1 2016</b>	<b>-18</b>	<b>37</b>	<b>5</b>	<b>16</b>	<b>-248</b>	<b>-208</b>

## Segment reporting (CONTINUED)

		RETAIL	CORPORATES (INCL. FACTORING AND LEASING)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) <sup>1)</sup>
Risk-weighted assets (RWA) (avg.)	Q2 2017	8,153	8,448	587	7,976	7,972	33,136
	Q1 2017	8,314	8,549	600	7,911	9,020	34,395
	Q4 2016	8,523	8,608	585	7,889	10,754	36,360
	Q3 2016	8,524	8,538	588	8,063	12,427	38,140
	Q2 2016	8,476	8,882	602	8,353	13,294	39,607
	Q1 2016	8,551	9,117	625	8,373	14,042	40,708
Loans to customers (end of period)	Q2 2017	17,887	26,563	638	14,067	1,002	60,158
	Q1 2017	18,225	26,645	642	13,109	1,266	59,888
	Q4 2016	18,128	26,818	640	13,514	1,827	60,926
	Q3 2016	18,148	26,213	665	13,106	2,693	60,825
	Q2 2016	18,007	26,442	648	13,940	2,800	61,837
	Q1 2016	18,017	26,548	640	13,675	2,921	61,802
Deposits from customers (end of period)	Q2 2017	22,966	15,148	8,970	7,529	-1,041	53,571
	Q1 2017	22,604	16,059	9,110	7,080	-1,451	53,401
	Q4 2016	22,535	16,664	8,817	9,432	-1,209	56,239
	Q3 2016	22,316	16,606	9,248	8,881	-1,246	55,805
	Q2 2016	22,338	16,366	9,162	9,399	-1,214	56,051
	Q1 2016	22,005	17,425	8,953	8,677	-1,554	55,506
Cost/income ratio in %	Q2 2017	82.2	35.5	71.4	47.0	n.m.	63.6
	Q1 2017	85.4	38.3	74.1	47.1	n.m.	71.1
	Q4 2016	82.2	38.3	61.5	45.8	n.m.	76.3
	Q3 2016	92.3	41.7	72.6	45.4	n.m.	67.2
	Q2 2016	71.1	42.2	80.4	47.5	n.m.	65.4
	Q1 2016	94.5	55.0	76.3	61.7	n.m.	81.4

1) Quarterly figures based on recast data. CEE demerger effect considered.  
n.m. = not meaningful

## Risk report

### Credit risk

#### Development of non-performing exposures and net write-downs of loans and provisions for guarantees and commitments

The demerger of CEE business as part of the reorganisation of UniCredit Group as at 1 October 2016 led to a general improvement in the credit risk profile at Bank Austria.

As at 30 June 2017, the (remaining) portfolio totalled €62.0 billion (30 June 2016: €61.2 billion). With non-performing exposures (NPEs) amounting to €2.6 billion (30 June 2016: €2.9 billion), the NPE ratio was 4.3%, down from 4.7% in mid-2016.

In the same period, write-downs on non-performing exposures declined from €1.9 billion to €1.5 billion. The sound coverage ratio of non-performing exposures (55.1%) was affected by the migration, in the second half of 2016, of a major exposure (with collateral provided by Oesterreichische Kontrollbank) to the non-performing portfolio.

Overall economic conditions remained favourable, enabling the bank to benefit from a net release of loan loss provisions of €98 million in the first half of 2017, a further improvement on the H1 2016 figure (a net release of €40 million). Retail Banking accounted for a large portion of this result, with net income of €44 million, which was partly due to the release of portfolio-based provisions for currency risk and coverage shortfall risk relating to loans with a bullet maturity and repayment vehicles (H1 2016: a net charge of €6 million).

Net releases of loan loss provisions were also recorded in the other segments: Corporate Banking (+€18 million; H1 2016: +€3 million), Corporate and Investment Banking (+€16 million; H1 2016: +€33 million) and the Corporate Center.

### CHF lending volume

Bank Austria's CHF lending volume declined from €10.3 billion (excluding CEE) as at 30 June 2016 to €8.7 billion as at 30 June 2017. The Retail Banking business segment accounted for about €7 billion of the total figure.

Loan loss provisions for the performing portfolio of Austrian real estate loans in respect of currency risk and coverage shortfall risk of repayment vehicles rose from €233.9 million as at 30 June 2016 to €253.8 million as at 30 June 2017. While this provision generally shows a declining trend, the increase was mainly due to parameter adjustments in the second half of 2016.

### 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.

# Risk report (CONTINUED)

## Breakdown of sovereign debt securities by country and portfolio

(€ million)

COUNTRY/PORTFOLIO	30 JUNE 2017			31 DEC. 2016		
	NOMINAL VALUE	BOOK VALUE	FAIR VALUE	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
<b>Austria</b>	<b>7,315</b>	<b>8,190</b>	<b>8,200</b>	<b>7,672</b>	<b>8,715</b>	<b>8,727</b>
HFT financial assets/liabilities (net exposures)	–	–	–	0	0	0
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	7,219	8,094	8,094	7,570	8,612	8,612
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	96	96	106	102	103	116
<b>Spain</b>	<b>2,832</b>	<b>3,094</b>	<b>3,094</b>	<b>2,208</b>	<b>2,373</b>	<b>2,373</b>
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	2,824	3,087	3,087	2,200	2,367	2,367
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	8	7	7	8	6	6
<b>Luxembourg</b>	<b>753</b>	<b>777</b>	<b>777</b>	<b>783</b>	<b>814</b>	<b>814</b>
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	753	777	777	783	814	814
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
<b>Italy</b>	<b>750</b>	<b>888</b>	<b>888</b>	<b>750</b>	<b>903</b>	<b>903</b>
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	750	888	888	750	903	903
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
<b>France</b>	<b>620</b>	<b>630</b>	<b>630</b>	<b>720</b>	<b>746</b>	<b>746</b>
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	620	630	630	720	746	746
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
<b>Belgium</b>	<b>295</b>	<b>313</b>	<b>313</b>	<b>295</b>	<b>317</b>	<b>317</b>
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	295	313	313	295	317	317
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
<b>Poland</b>	<b>259</b>	<b>288</b>	<b>288</b>	<b>184</b>	<b>200</b>	<b>200</b>
HFT financial assets/liabilities (net exposures)	–	–	–	–	–	–
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	259	288	288	184	200	200
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
<b>Other countries</b>	<b>436</b>	<b>349</b>	<b>349</b>	<b>436</b>	<b>346</b>	<b>346</b>
HFT financial assets/liabilities (net exposures)	115	0	0	115	0	0
Financial assets at FV through P&L	–	–	–	–	–	–
Available for sale	320	349	349	320	346	346
Loans and receivables	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
<b>TOTAL</b>	<b>13,259</b>	<b>14,529</b>	<b>14,539</b>	<b>13,047</b>	<b>14,415</b>	<b>14,427</b>

## Risk report (CONTINUED)

### Breakdown of sovereign debt securities by portfolio

(€ million)

	30 JUNE 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	0	–	14,426	–	103	14,529
Total portfolio of debt securities	1	–	15,754	240	221	16,216
% Portfolio	0.00%	0.00%	91.57%	0.00%	46.50%	89.60%
	31 DEC. 2016					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	–	14,305	–	110	14,415
Total portfolio of debt securities	2	–	15,672	297	236	16,207
% Portfolio	50.00%	0.00%	91.28%	0.00%	46.51%	88.95%

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	30 JUNE 2017	31 DEC. 2016
	BOOK VALUE	BOOK VALUE
Austria	4,771	4,997
Indonesia	237	262
Gabon	170	180
Ghana	98	102
Philippines	88	90
Laos	84	74
Angola	84	57
Sri Lanka	78	82
Vietnam	72	65
Honduras	59	59
Bosnia and Herzegovina	33	35
Serbia	6	6
Other	367	376
<b>TOTAL ON-BALANCE SHEET EXPOSURE</b>	<b>6,146</b>	<b>6,384</b>

The above table shows the ten largest sovereign borrowers, measured by book value in descending order.

Sovereign loans are loans granted to central and local governments and other public sector entities.

## Risk report (CONTINUED)

### Legal risks

Provisions are generally made for legal proceedings where impending losses are likely or certain but the amount and timing of the losses are uncertain. In such cases, provisions are made in an amount that is deemed appropriate in light of the particular circumstances and in accordance with the applicable accounting principles, with due regard to the principle of prudence and the principle of appropriate and reliable estimate.

#### **Legal risks for which provisions have been made**

In line with the above policy, provisions have been made in the amount of the estimated risk for the following pending legal proceedings and the following other proceedings. In accordance with IAS 37 information which would seriously prejudice the relevant company's position in the dispute may be omitted:

#### **Madoff**

##### ***Background***

UniCredit Bank Austria AG ("Bank Austria") and certain of its affiliates and indirect subsidiaries have been sued or investigated in the wake of a Ponzi scheme perpetrated by Bernard L. Madoff ("Madoff") through his company Bernard L. Madoff Investment Securities LLC ("BLMIS"), which was exposed in December 2008.

##### ***Austrian civil proceedings***

Investors in the Primeo and Herald Madoff feeder funds have brought numerous civil proceedings, of which 41 with a claimed amount totaling €14.9 million plus interest remain. The claims in these proceedings are either that Bank Austria breached certain duties regarding its function as prospectus controller, or that Bank Austria improperly advised certain investors (directly or indirectly) to invest in those funds, or a combination of these claims. The Austrian Supreme Court has issued 22 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo feeder funds, 13 final Austrian Supreme Court decisions have been in favour of Bank Austria. In two cases the Supreme Court did not accept Bank Austria's extraordinary appeal, thus rendering binding the decisions of the Court of Appeal in favour of the claimants. With respect to the Herald feeder funds, the Austrian Supreme Court has ruled five times with respect to prospectus liability, twice in favour of Bank Austria and three times in favour of the claimant. In a prospectus liability case with Primeo and Herald investments the Austrian Supreme Court ruled in favour of Bank Austria; in one further prospectus liability case with Primeo and Herald investments the Supreme Court did not accept the claimant's extraordinary appeal, thus rendering binding the decision of the Court of Appeal in favour of Bank Austria.

While we cannot predict with certainty the impact of these decisions on the remaining cases, future rulings may be adverse to Bank Austria.

In respect of the Austrian civil proceedings pending as against Bank Austria related to Madoff's fraud, Bank Austria has made provisions for an amount considered appropriate to the current risk.

##### ***Austrian criminal proceedings***

Bank Austria has been named as a defendant in criminal proceedings in Austria which concern the Madoff case. These complaints allege, amongst other things, that Bank Austria breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund and certain tax issues. The criminal proceedings are still at the pre-trial stage. The pre-trial proceedings on the tax issues were dismissed in September 2016, since the tax authorities confirmed in a final report that all taxes had been correctly paid.

## Risk report (CONTINUED)

### **Proceedings in the United States**

#### ***Claims by the SIPA Trustee***

In December of 2010, the bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS filed, as one of a number of cases, a case in a United States Federal Court against several dozen defendants, including HSBC, UniCredit S. p. A., Bank Austria and certain of its affiliates (the "HSBC" case).

In the HSBC case, the SIPA Trustee sought to recover several billion dollars for common law claims and avoidance claims (also known as "claw back" claims). The common law claims were dismissed in 2011 and no further appeals from that decision are pending. In 2015, the SIPA Trustee voluntarily dismissed with prejudice the avoidance claims made in the HSBC case against UniCredit S.p.A and the Alternative Investments Division of Pioneer ("PAI") and without prejudice against Bank Austria, all following certain settlements, not involving UniCredit S.p.A., PAI and Bank Austria, which the SIPA Trustee regarded as having satisfied such claims. On 22 November 2016 the bankruptcy court issued a decision that required the dismissal of clawback claims against BA Worldwide Fund Management Ltd ("BAWFM"). On March 9, 2017, the SIPA Trustee stipulated to the dismissal of the clawback claims against BAWFM. On March 16, 2017, the SIPA Trustee filed a notice of appeal from the dismissal of the claims. The appeal remains pending. However, if that appeal were successful, the potential claim for damages is non-material and, therefore, there are no specific risk profiles for UniCredit Group. Certain current or formerly affiliated persons named as defendants in the HSBC case may have rights to indemnification from UniCredit S. p. A. and its affiliated entities.

#### ***Claim by SPV OSUS Ltd.***

Bank Austria and certain of its affiliates – UniCredit S.p.A., BAWFM, PAI – have been named as defendants, together with approximately 40 other defendants, in a lawsuit filed in the Supreme Court of the State of New York, County of New York, on December 12, 2014, by SPV OSUS Ltd. The complaint asserts common law based claims in connection with the Madoff Ponzi scheme, principally that defendants aided and abetted and/or knowingly participated in Madoff's scheme. The case is brought on behalf of investors in BLMIS and claims damages in an unspecified amount. The action filed by SPV OSUS Ltd. is in the initial stages. Bank Austria has been served with the action, but no substantive proceedings have yet commenced.

#### ***Certain potential consequences***

In addition to the foregoing proceedings and investigations stemming from the Madoff case against UniCredit Bank Austria AG, its affiliates and some of their respective employees and former employees, additional Madoff-related proceedings may be filed in the future in the United States, Austria or elsewhere. Such potential future proceedings could be filed against UniCredit Bank Austria AG, its affiliates, their respective employees and former employees. The pending or possible future actions may have negative consequences for UniCredit Bank Austria AG.

UniCredit Bank Austria AG and its affiliates intend to defend themselves vigorously against the Madoff-related claims and charges. Save as described above, for the time being it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of responsibility, if any responsibility exists.

## Risk report (CONTINUED)

### **Alpine Holding GmbH**

Alpine Holding GmbH (a limited liability company) issued a bond in every year from 2010 to 2012. In the years 2010 and 2011, UniCredit Bank Austria AG acted as Joint Lead Manager, each year together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings began. Numerous bondholders then started to send letters to the banks involved in the issuance of the bonds, specifying their demands. At least as far as UniCredit Bank Austria AG is concerned, bondholders based their claims mainly on prospectus liability of the Joint Lead Managers and only in a minority of cases also on bad investment advice by the banks which sold the bonds to their customers. At this time, civil proceedings including three class actions filed by the Federal Chamber of Labour (with the claimed amount totalling about €20.5 million) have been initiated by investors in which UniCredit Bank Austria AG, among other banks, has been named as defendant. The key aspect is prospectus liability. These civil proceedings are mainly pending in the first instance. No final decisions have been issued so far against UniCredit Bank Austria AG. In addition to the foregoing proceedings against UniCredit Bank Austria AG stemming from the Alpine insolvency, additional Alpine-related actions have been threatened and may be filed in the future. The pending or future actions may have negative consequences for UniCredit Bank Austria AG. UniCredit Bank Austria AG intends to defend itself vigorously against these claims. At this stage, it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of responsibility, if any responsibility exists.

### **Austrian criminal proceedings**

Several involved persons have been named as defendants in criminal proceedings in Austria which concern the Alpine bankruptcy case. UniCredit Bank Austria AG has joined these proceedings as private party. Unknown responsible persons of the issuing banks involved are formally also investigated by the public prosecutor's office. In May 2017, the Public Prosecutors Office against Corruption decided to close the proceedings against unknown responsible persons of the issuing banks. Private parties appealed against this decision. The criminal proceedings are at the pre-trial stage.

### **Financial sanctions matters**

Recently, violations of US sanctions and certain US dollar payment practices have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various US authorities, including the US Treasury Department's Office of Foreign Assets Control ("OFAC"), the US Department of Justice ("DOJ"), the District Attorney for New York County ("DANY"), the US Federal Reserve ("Fed") and the New York Department of Financial Services ("DFS"), depending on the individual circumstances of each case.

UniCredit Bank Austria AG has initiated a voluntary investigation of its historic compliance with applicable U.S. financial sanctions and has identified certain historic non-transparent practices. It is possible that investigations into past compliance practices may be extended to one or more of our subsidiaries and/or affiliates. The scope, duration and outcome of any such review or investigation will depend on facts and circumstances specific to each individual case. UniCredit Bank Austria AG is updating its regulators as appropriate and remediation activities are ongoing. Although we cannot at this time determine the form, extent or the timing of any resolution with any relevant authorities, the investigation costs, remediation required and/or payment or other legal liability incurred could lead to liquidity outflows and could potentially negatively affect the net assets and net results of UniCredit Bank Austria AG and one or more of its subsidiaries in any particular period.

### **Negative interest rates**

In 2015, UniCredit Bank Austria AG started to provide for an interest rate floor in new loan agreements without also stipulating a cap. In September 2016 the Austrian Association for Consumer Information (Verein für Konsumenteninformation – VKI) filed a class action against this practice with regard to all kinds of variable indicators (CHF Libor and EURIBOR). In January 2017, the court of first instance ruled in favour of the plaintiff, taking the view that, in case an interest rate floor is provided for, also a cap has to be set, without, however, giving any further explanation as to how such cap should be determined. UniCredit Bank Austria AG filed an appeal against this decision with the Regional Appeal Court of Vienna, which was not successful because the ruling of the first instance was upheld. The court of second instance did not elaborate on the criteria for the determination of the cap either. The appeal which was then filed by UniCredit Bank Austria AG with the Austrian Supreme Court was dismissed on 17 July 2017, without a detailed discussion of the arguments brought forward by UniCredit Bank Austria AG, because in the meantime the Austrian Supreme Court had stated in two judgements against other banks that an interest rate floor in the amount of the margin without a concurrent cap would constitute a violation of Section 6 (1) 5 of the Austrian Consumer Protection Act (Konsumentenschutzgesetz – KSchG); again, the question of how such a cap should be calculated was not addressed by the Austrian Supreme Court.



## Risk report (CONTINUED)

### **Legal risks for which provisions have not yet been made**

In line with the above policy, no provision has been made for the following pending legal proceedings. Due to the uncertain nature of litigation, however, we cannot exclude that the following may result in losses to the bank:

#### **Valauret S.A.**

In 2001, the plaintiffs, Valauret S.A. and Hughes de Lasteyrie du Saillant, bought shares in the French company Rhodia S.A. The plaintiffs argue that they suffered losses as a result of the drop in Rhodia share prices between 2002 and 2003, allegedly caused by previous fraudulent actions by members of the company's board of directors, which made the financial statements untruthful and misleading.

In 2004, the plaintiffs filed a petition claiming damages against the board of directors, the external auditors, and Aventis S.A. (the alleged majority shareholder of Rhodia S.A.). Subsequently, they extended their claim to other parties, amounting to a total of 14 defendants, including UniCredit Bank Austria AG, against which a petition was filed at the end of 2007, as successor entity of Creditanstalt AG. The plaintiffs argue that the latter was involved in the aforementioned alleged fraudulent activities, as it was the credit institution of one of the companies involved in said activities. Valauret S.A. is seeking damages of €129.8 million in addition to legal costs and Hughes de Lasteyrie du Saillant is seeking damages of €4.39 million.

In UniCredit Bank Austria AG's opinion, the claim that Creditanstalt AG was involved in fraudulent activities is without grounds. In 2006, prior to UniCredit Bank Austria AG being included as a defendant, the civil proceedings were suspended following the opening of criminal proceedings. In December 2008, the Commercial Court of Paris suspended the civil proceedings against UniCredit Bank Austria AG as well.

#### **Initiation of administrative penalty proceedings referring to Anti Money Laundering**

During an on-site visit in 2014, the FMA identified four weaknesses regarding UniCredit Bank Austria AG's strategies and procedures for combating money laundering and financing of terrorism. Regarding two of those weaknesses, the FMA initiated proceedings accusing UniCredit Bank Austria AG of not having in place adequate strategies and procedures until the respective remedial actions were closed. If the FMA concludes that UniCredit Bank Austria AG has violated applicable regulations, UniCredit Bank Austria AG would have to pay a fine in accordance with Section 99d of the Austrian Banking Act (Bankwesengesetz – BWG). It cannot currently be predicted whether UniCredit Bank Austria AG will be sanctioned by the FMA in this case and, if a sanction is indeed imposed, how high the fine will be. Also, UniCredit Bank Austria AG could take legal action if such a fine is imposed.

## Additional disclosures

### Guarantees given and commitments

(€ million)

	30 JUNE 2017	31 DEC. 2016
<b>Financial guarantees given to:</b>	<b>1,209</b>	<b>1,327</b>
Banks	79	186
Customers	1,130	1,141
<b>Commercial guarantees given to:</b>	<b>7,431</b>	<b>7,972</b>
Banks	2,409	2,672
Customers	5,022	5,300
<b>Other irrevocable commitments to disburse funds</b>	<b>12,476</b>	<b>12,875</b>
Banks	629	850
<i>Usage certain</i>	629	850
<i>Usage uncertain</i>	–	–
Customers	11,847	12,025
<i>Usage certain</i>	11,783	11,922
<i>Usage uncertain</i>	64	103
<b>Underlying obligations for credit derivatives: sales of protection</b>	<b>–</b>	<b>–</b>
<b>Assets used to guarantee others' obligations</b>	<b>–</b>	<b>–</b>
<b>Other commitments</b>	<b>509</b>	<b>17</b>
<b>TOTAL</b>	<b>21,626</b>	<b>22,191</b>

### Employees

#### Description of payment agreements based on own equity instruments

##### Outstanding instruments

Group Medium & Long Term Incentive Plans for selected employees include equity-settled share-based payments in the following categories:

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group;
- **Group Executive Incentive System** that offers to eligible Group Executives a variable remuneration for which payment will be made within five years. The beneficiary will receive the payment in cash and/or in UniCredit shares; the payment is related to the achievement of performance conditions (other than market conditions) stated in the Plan Rules;
- **Group Executive Incentive System (Bonus Pool)** that offers to eligible Group Executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period ranging from 1 to 6 years. This payment structure will guarantee the alignment to shareholder interests and will be subject to malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and Country/Division level) and clawback conditions (as legally enforceable) as defined in Plan Rules (both non-market vesting conditions);
- **Employee Share Ownership Plan (ESOP – Let's Share)** that offers to eligible Group employees the possibility to buy UniCredit ordinary shares with the following advantage: granting of free ordinary shares ("Free Shares") or rights to receive them measured on the basis of the shares purchased by each Participant ("Investment Shares") during the "Enrolment Period". The granting of free ordinary shares is subordinated to vesting conditions stated in the Plan Rules;
- **2017–2019 Long Term Incentive** that offers to eligible Executives and Key Players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and clawback conditions, as legally enforceable, as defined in Plan Rules. The Plan is structured on a 3-year performance period, aligned to the new UniCredit Strategic Plan and provides for the allocation of one award based on gateway conditions on profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019.

It is also noted that, according to Banca d'Italia Circular 285 (VII update dated November 19, 2014), the equity-settled share-based payments, represented by deferred payments in UniCredit ordinary shares not subject to vesting conditions, are used for the settlement of the so-called "golden parachute" (e.g. severance) for the relevant employees.

## Additional disclosures (CONTINUED)

**Measurement model****Stock Options**

The Hull and White Evaluation Model has been adopted to measure the economic value of Stock Options.

This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

- reaching a Market Share Value equal to an exercise price multiple (M);
- probability of beneficiaries' early exit (E) after the end of the vesting period.

Economic and equity effects will be recognised on the basis of the instruments' vesting period.

No new Stock Option Plans were granted during 2017.

**Group Executive Incentive System**

The amount of the incentive is determined on the basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation of the employee's relevant manager is expressed as a percentage, from a minimum of 0% to a maximum of 150% (non-market vesting conditions).

This percentage, adjusted by the application of a risk/opportunity factor – Group Gate – at first payment multiplied by the Bonus Opportunity, determines the effective amount that will be paid to the beneficiary.

Economic and net equity effects will be accrued on a basis of the instruments' vesting period.

**Group Executive Incentive System (Bonus Pool)**

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

Economic and net equity effects will be accrued on a basis of the instruments' vesting period.

**Group Executive Incentive System "Bonus Pool 2016" – Shares**

The plan is divided into clusters, each of which can have three or four instalments of share-based payments spread over a period defined according to Plan rules.

	SHARES GRANTED			
	GROUP EXECUTIVE INCENTIVE SYSTEM – BONUS POOL 2016			
	INSTALMENT 2019	INSTALMENT 2020	INSTALMENT 2021	INSTALMENT 2022
Date of Bonus Opportunity Economic Value granting	9 February 2016	9 February 2016	9 February 2016	9 February 2016
Date of Board resolution (to determine number of shares)	13 March 2017	13 March 2017	13 March 2017	13 March 2017
Vesting Period start-date	1 January 2016	1 January 2016	1 January 2016	1 January 2016
Vesting Period end-date	31 December 2016	31 December 2018	31 December 2019	31 December 2020
UniCredit Share market price [€]	13.057	13.057	13.057	13.057
Economic value of vesting conditions [€]	-0.231	-0.562	-0.993	-1.421
<b>Performance Shares' fair value per unit at the Grant Date [€]</b>	<b>12.826</b>	<b>12.495</b>	<b>12.064</b>	<b>11.636</b>

**Group Executive Incentive System 2017 (Bonus Pool)**

The New Group Incentive System 2017 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, utilising specific indicators linked to risk appetite;
- link between bonuses and organisation structure, defining the pool at country/division level with further review at Group level;
- bonuses allocated to Executives and other relevant employees, on a basis of European Banking Authority (EBA) rules and local regulations;
- payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

All profit-or-loss and net equity effects related to the plan will be booked during the vesting period.

## Additional disclosures (CONTINUED)

### Employee Share Ownership Plan (Let's Share for 2017)

The following tables show the measurements and parameters used in relation to Free Shares (or rights to receive them) connected to the "Employee Share Ownership Plan" approved in 2016.

#### Measurement of Free Shares ESOP 2017

	FREE SHARES
Date of Free Shares delivery to Group employees	31 July 2017
Vesting Period start-date	31 July 2017
Vesting Period end-date	31 July 2018
<b>Discount Shares' fair value per unit (€)</b>	<b>To be defined</b>

All profit-or-loss and net equity effects related to free shares will be booked during the vesting period (except adjustments, according to Plan Rules, that will be booked during the next closing after the vesting period).

The Let's Share for 2017 Plan provides for the use of shares to be purchased on the market. To that end, Participants give a mandate to a broker to purchase the shares to be transferred into an account opened in their name.

### Group Long Term Incentive Plan 2017–2019

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to four instalments of share-based payments spread over a period defined according to Plan rules.

	SHARES GRANTED GROUP LONG TERM INCENTIVE PLAN 2017–2019			
	INSTALMENT 2020	INSTALMENT 2021	INSTALMENT 2022	INSTALMENT 2023
Date of Bonus Opportunity Economic Value granting	9 January 2017	9 January 2017	9 January 2017	9 January 2017
Date of Board resolution (to determine number of shares)	9 January 2017	9 January 2017	9 January 2017	9 January 2017
Vesting Period start-date	1 January 2017	1 January 2017	1 January 2017	1 January 2017
Vesting Period end-date	31 December 2019	31 December 2020	31 December 2021	31 December 2022
UniCredit Share market price [€]	13.816	13.816	13.816	13.816
Economic value of vesting conditions [€]	–0.563	–0.995	–1.425	–1.853
<b>Performance Shares' fair value per unit at the Grant Date [€]</b>	<b>13.253</b>	<b>12.821</b>	<b>12.391</b>	<b>11.963</b>

### Effects on profit or loss

All share-based payments granted after 7 November 2002 whose vesting period ends after 1 January 2005 are included within the scope of IFRS 2.

#### Financial statement presentation related to share-based payments

(€ thousand)

	1 JAN. – 30 JUNE 2017	1 JAN. – 30 JUNE 2016
<b>Costs/revenues</b>	<b>–1,076</b>	<b>–2,072</b>
connected to equity-settled plans	–1,076	–2,072
connected to cash-settled plans	–	–
<b>Debts for cash-settled plans</b>	<b>–</b>	<b>–</b>

## Additional disclosures (CONTINUED)

**Full-time equivalents**

	H1 2017	2016
Salaried staff	6,016	28,052
Other employees	1	0
<b>TOTAL 1)</b>	<b>6,017</b>	<b>28,052</b>
<i>of which: in Austria</i>	<i>5,916</i>	<i>6,773</i>
<i>of which: abroad</i>	<i>101</i>	<i>21,279</i>

1) Average full-time equivalents of staff employed in the Bank Austria Group, excluding employees on unpaid sabbatical or maternity/paternity leave and excluding employees of Immobilien Holding companies. The decline in the number of employees is explained by the CEE demerger in 2016.

**Events after the reporting period**

UniCredit Bank Austria AG has sold its 100% equity interest in the company which owns the Vienna DC Tower 1 building to DEKA Immobilien GmbH. After the contract had been signed, the closing of the transaction took place on 6 July 2017. The contracting parties have agreed not to disclose details of the transaction and the purchase price.

## Additional disclosures (CONTINUED)

### Consolidated capital resources and risk-weighted assets

#### Consolidated capital resources

(€ million)

	30 JUNE 2017	31 DEC. 2016
Paid-in capital instruments (excl. own Common Equity Tier 1 instruments)	1,681	1,681
Reserves and minority interests	6,135	6,139
Adjustments to Common Equity Tier 1	-1,475	-1,578
Transitional adjustments to Common Equity Tier 1 <sup>*)</sup>	80	157
<b>Common Equity Tier 1 (CET1)</b>	<b>6,422</b>	<b>6,398</b>
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	0	119
Adjustments to Additional Tier 1	40	0
Transitional adjustments to Additional Tier 1 <sup>*)</sup>	-40	-119
<b>Additional Tier 1 (AT1)</b>	<b>0</b>	<b>0</b>
<b>Tier 1 capital (T1=CET1+AT1)</b>	<b>6,422</b>	<b>6,398</b>
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries	1,045	1,106
Adjustments to Tier 2 capital	50	46
Transitional adjustments to Tier 2 capital <sup>*)</sup>	-74	-167
<b>Tier 2 capital (T2)</b>	<b>1,021</b>	<b>986</b>
<b>Total regulatory capital (TC=T1+T2)</b>	<b>7,443</b>	<b>7,383</b>

<sup>\*)</sup> according to the Austrian CRR Supplementary Regulation (CRR-Begleitverordnung) of 11 Dec. 2013

#### Risk-weighted assets

(€ million)

	30 JUNE 2017	31 DEC. 2016
a) Credit risk pursuant to standardised approach	9,028	10,862
b) Credit risk pursuant to internal ratings-based (IRB) approach	19,888	20,557
c) Other (contribution to default fund of a central counterparty [CCP])	2	2
Credit risk	28,919	31,421
Settlement risk	0	0
Position, foreign exchange and commodity risk	111	147
Operational risk	3,865	3,852
Additional risk exposure amount due to fixed overheads	0	0
Risk positions for credit value adjustments (CVA)	34	27
<b>TOTAL RWAS</b>	<b>32,929</b>	<b>35,446</b>

#### Capital ratios

	30 JUNE 2017	31 DEC. 2016
Common Equity Tier 1 ratio <sup>*)</sup>	19.5%	18.0%
Tier 1 ratio <sup>*)</sup>	19.5%	18.0%
Total capital ratio <sup>*)</sup>	22.6%	20.8%

<sup>\*)</sup> based on all risks

The calculation of consolidated regulatory capital and consolidated regulatory capital requirements as at 30 June 2017 is based, in conformity with the CRR, on International Financial Reporting Standards (IFRS).

# Statement by Management

## on the Interim Report

We confirm to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the interim report of the group for the first six months gives a true and fair view of important events that occurred during the first six months of the financial year and their impact on the interim consolidated financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year.

### The Management Board

Robert Zadrazil	<b>CEO Commercial &amp; Private Banking Support Services (Chairman)</b>
Romeo Collina	<b>COO Chief Operating Officer (Deputy Chairman)</b>
Dieter Hengl	<b>Corporate &amp; Investment Banking Division</b>
Gregor Hofstätter-Pobst	<b>CFO Finance</b>
Jürgen Kullnigg	<b>CRO Risk Management</b>
Doris Tomanek	<b>Human Capital</b>

Vienna, 25 July 2017



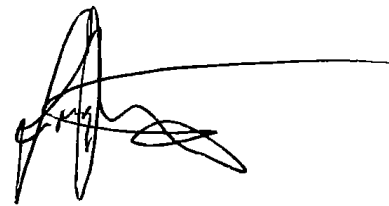
Robert Zadrazil



Romeo Collina



Dieter Hengl



Gregor Hofstätter-Pobst



Jürgen Kullnigg



Doris Tomanek

# Additional Information

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# Additional Information

## 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.*

**Adjustment for exchange rate movements:** presentation of a trend (reporting period versus comparative period) on the basis of constant exchange rates rather than current exchange rates. The exchange rates used in this context are those which prevailed at the end of the year preceding the beginning of the comparative period.

**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.

**Financial market investments:** sum total of financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments as reflected in the statement of financial position.

**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.

**Risk/earnings ratio:** net write-downs of loans and provisions for guarantees and commitments measured against net interest and dividends and other income from equity investments.

**ROAC (return on adjusted capital):** net profit measured against allocated capital (12.5% of risk-weighted assets). If the return on adjusted 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 total 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

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Erich Kodon, tel.: (+43) (0)5 05 05-54999	
Ana-Maria Olteanu, tel.: (+43) (0)5 05 05-59522	

## Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's <sup>1)</sup>	Baa1	Ba1	P-2
Standard & Poor's <sup>2)</sup>	BBB	BB+	A-2
Fitch Ratings	BBB+	–	F2

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 BB+.

## Information and disclosure pursuant to Sections 24 and 25 of the Austrian Media Act (Mediengesetz):

### Publisher and media owner:

UniCredit Bank Austria AG  
A-1010 Vienna, Schottengasse 6–8  
Tel: + 43 (0)5 05 05-0  
Internet: www.bankaustria.at  
e-mail: info@unicreditgroup.at  
BIC: BKAUATWW  
Austrian bank routing code: 12000  
Register of Firms: FN 150714p  
Data Processing Register number: 0030066  
VAT registration number: ATU 51507409

### Editor:

Planning & Controlling

**Creative concept/Cover:** UniCredit S. p. A.

**Layout concept and design:** UniCredit S. p. A.

**Graphics:** 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), Dieter Hengl, Gregor Hofstätter-Pobst, Jürgen Kullnigg, Doris Tomanek.

### Supervisory Board of the media owner:

Erich Hampel (Chairman of the Supervisory Board), Ranieri De Marchis (Deputy Chairman of the Supervisory Board), Mirko D. Bianchi, Christine Buchinger, Paolo Cornetta, Massimiliano Fossati, Olivier Nessime Khayat, Adolf Lehner, Alfredo Meocci, Gianni Franco Papa, Mario Pramendorfer, Karl Samstag, Eveline Steinberger-Kern, Ernst Theimer, Barbara Titze, Wolfgang Trumler, Barbara Wiedernig.

## 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. Following the demerger of CEE business as at 1 October 2016, the CEE subsidiaries are no longer included in Bank Austria's scope of consolidation. This means that Bank Austria's results for the first half of 2016 include the CEE results for the first six months. The results of Bank Austria for the full year 2016 include the CEE results for the first nine months. "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 Interim 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.