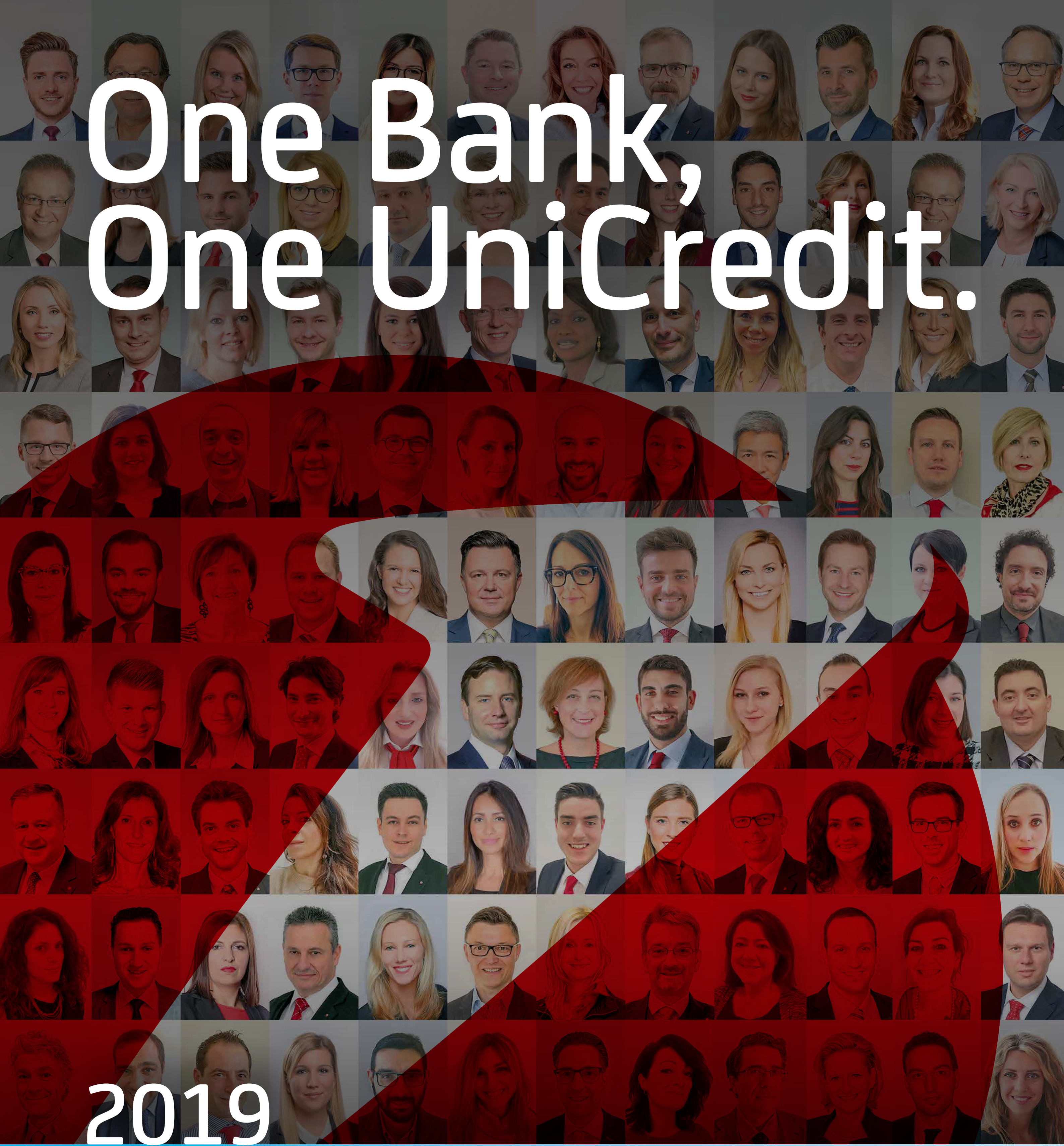

# One Bank, One UniCredit.

2019

## Half-Yearly Financial Report

Banking that matters.

Bank Austria
Member of UniCredit

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# Management Report

## Bank Austria at a glance

### Income statement figures

(€ million)

| | 1H19 | 1H18 | +/- |
|---|---|---|---|
| Net interest | 476 | 475 | 0.2% |
| Dividends and other income from equity investments | 76 | 67 | 12.3% |
| Net fees and commissions | 336 | 353 | -4.9% |
| Net trading, hedging and fair value income/loss | 24 | 71 | -66.4% |
| Operating income | 937 | 999 | -6.2% |
| Operating costs | (570) | (623) | -8.5% |
| Operating profit | 367 | 377 | -2.6% |
| Net write-downs of loans and provisions for guarantees and | 13 | 87 | -85.4% |
| Net operating profit | 380 | 464 | -18.1% |
| Profit (loss) before tax | 355 | 393 | -9.7% |
| Total profit or loss after tax from discontinued operations | 3 | 14 | -79.1% |
| Net Profit attrib. to the owners of the parent company | 326 | 353 | -7.7% |
| Cost/income ratio | 60.8% | 62.3% | -1.5 PP |
| Cost of risk | -4 bp | -29 bp | +25 bp |

### Volume figures

(€ million)

| | 30 JUNE 2019 | 31 DEC. 2018 | +/- |
|---|---|---|---|
| Total assets | 100,974 | 99,029 | +2.0% |
| Loans and receivables with customers | 62,912 | 62,599 | +0.5% |
| Direct funding | 67,948 | 68,299 | -0.5% |
| Loan / direct funding ratio | 92.6% | 91.7% | +0.9 PP |
| Equity | 8,300 | 8,361 | -0.7% |
| Risk-weighted assets (overall) | 33,785 | 34,365 | -1.7% |

### Capital ratios

| | 30 JUNE 2019 | 31 DEC. 2018 | +/- |
|---|---|---|---|
| Common Equity Tier 1 capital ratio | 18.3% | 18.6% | -0.3 PP |
| Tier 1 capital ratio | 18.3% | 18.7% | -0.4 PP |
| Total capital ratio | 20.8% | 21.4% | -0.6 PP |
| Leverage ratio | 5.7% | 6.0% | -0.3 PP |

### Staff

| (Full-time equivalent) | 30 JUNE 2019 | 31 DEC. 2018 | +/- |
|---|---|---|---|
| Austria in Total | 5,329 | 5,374 | (45) |

### Offices

| | 30 JUNE 2019 | 31 DEC. 2018 | +/- |
|---|---|---|---|
| BA AG - Privatkundenbank branches | 122 | 123 | (1) |

Notes:
- Comparative figures for 2018 recast to reflect the current structure and methodology
- RWA are total regulatory risk-weighted assets
- Capital ratios based on all risks and pursuant to Basel 3 according to the current state of the transitional provisions
- n. m = not meaningful; PP = percentage point(s); bp = basis point(s)

# Management Report

## Economic environment – market developments

### Global economy on a more modest growth course

The downturn in the global economy during 2018 continued in the first half of 2019. Rising economic uncertainty triggered by increasing protectionism had an effect on economic sentiment and caused a noticeable slump in global trade. The economic consequences were not only noticeable in the growth markets, where China in particular had to endure a trade dispute with the US, but also in the developed countries. Since then, the US economy passed its peak and began its descent towards a possible recession next year. The effects of the trade disputes and the end of the fiscal stimuli came up against a cyclically-caused slowdown in economic growth after the longest economic upswing in history. Economic momentum also slowed down in the eurozone. After a good start to the year, due to the uncertainties in the run-up to the European Parliament elections in May and due to increasing protectionist trends and the imminent Brexit, growth in the first half of 2019 was restricted to just under 1%. The eurozone still achieved GDP growth of 1.9% in 2018. Under these conditions, European industry in particular has come under pressure while the service sector has proved to be very resilient. However, the longer industry suffers from global uncertainty, the greater the risk is that the weaknesses will also spill over into other areas of the economy. In this environment, inflationary pressure has not increased. In mid-2019, inflation in the eurozone even reduced to 1.2% compared to the previous year.

### Economic situation and market developments in Austria

After the strong increase in GDP of 2.7% in 2018, economic growth in Austria in the first half of the year fell to below 1.5% year on year. The noticeable decline in global trade affected the export-based industry particularly strongly. After a good start to the year with persistently strong growth rates, Austrian industry slid into a recession, which slowed down economic momentum as a whole. Domestic demand stabilised economic growth at a moderate level, in particular supported by consistently strong private consumption, which benefited from higher employment, increases in real wages and fiscal stimuli, such as the introduction of the *Familienbonus* (Family Bonus) *Plus*. The downturn in economic growth has, however, had an unfavourable effect on the development of the Austrian labour market since then. Since spring, the season-adjusted unemployment level increased again month-on-month as employment growth declined. However, compared to the same period in the previous year, the unemployment rate fell in the first half of 2019 by 0.3 percentage points to an average of 7.4%. Whilst consumption provided stable support for the economy, investment growth in contrast slowed, despite the favourable financing conditions. Whilst full order books in the construction industry led to continuing buoyant investment activity, the need to invest in equipment decreased. Nevertheless, the low interest rate environment in combination with the continuing strong momentum in housing loans for households made the development of corporate loans the driver for strong loan growth in the first few months of 2019 in Austria. For almost the past four years, housing loans have increased by approximately 5% year on year, while consumer loans have remained static. Deposits also increased strongly once more in the first few months of 2019 underpinned by overnight deposits that recorded an increase of over 7% year on year. The comparatively high increase in prices in Austria is the flip side of the strong domestic economy. Whilst inflation in the first half of 2019 was 1.4% in the eurozone, average inflation in Austria was 1.7% in this period. This means that inflation in Austria has already exceeded the level in the eurozone for the past six-and-a-half years, but also falls short of the European Central Bank's inflation target as a result of being curbed by the oil price.

### No normalisation of monetary policy

As a first step to normalising monetary policy, the European Central Bank (ECB) ended its asset purchase programme at the end of 2018. However, since then the repayment amounts of the securities acquired as part of this programme were fully reinvested when they became due. Therefore, in contrast to the US Federal Reserve (Fed), the balance sheet total has not so far been reduced. The ECB did not make any changes to the key interest rates in the first half of 2019. The interest rate for the main refinancing instrument is 0%. The marginal lending rate is 0.25% and the deposit rate remains minus 0.4%. In light of lower inflation expectations and the slowdown in the economic outlook, the ECB announced a new series of quarterly targeted longer-term refinancing operations (TLTROs) in order to limit possible negative effects on borrowing dynamics from September 2019 onwards. In addition, there have been increasing signs of a possible further reduction in the key interest rate in autumn 2019. The yields on European government bonds reached an all-time low in mid-2019 in an uncertain economic environment. Yields of ten-year Austrian government bonds also slid into negative territory for the first time. At the same time, expectations of pending monetary policy easing has stimulated the stock markets. Since the start of 2019, the Vienna Stock Exchange's ATX Index has risen by over 8%.

# Management Report

## Business development in the first half of 2019

### Condensed income statement of Bank Austria 1)

(Mio €)

| | RECAST 2) | | CHANGE | | RECONCILIATION 4) | | BANK AUSTRIA GROUP | |
|---|---|---|---|---|---|---|---|---|
| | H1 2019 | H1 2018 | +/- € | +/- % | H1 2019 | H1 2018 | H1 2019 | H1 2018 |
| Net interest | 476 | 475 | 1 | 0.2% | 0 | 2 | 476 | 477 |
| Dividends and other income from equity investments | 76 | 67 | 8 | 12.3% | 0 | 0 | 76 | 67 |
| Net fees and commissions | 336 | 353 | (17) | -4.9% | 0 | 2 | 336 | 355 |
| Net trading, hedging and fair value income/loss | 24 | 71 | (47) | -66.4% | 0 | 0 | 24 | 71 |
| Net other expenses/income | 25 | 33 | (7) | -22.3% | 0 | 0 | 25 | 33 |
| Operating income | 937 | 999 | (62) | -6.2% | 0 | 4 | 937 | 1,003 |
| Payroll costs | (300) | (320) | 21 | -6.4% | 0 | 0 | (300) | (320) |
| Other administrative expenses | (247) | (277) | 30 | -10.8% | 0 | (17) | (247) | (294) |
| Recovery of expenses | 0 | 0 | 0 | -18.1% | 0 | 0 | 0 | 0 |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | (23) | (25) | 2 | -8.6% | 0 | 13 | (23) | (12) |
| Operating costs | (570) | (623) | 53 | -8.5% | 0 | (3) | (570) | (626) |
| Operating profit | 367 | 377 | (10) | -2.6% | 0 | 0 | 367 | 377 |
| Net write-downs of loans and provisions for guarantees and commitments | 13 | 87 | (74) | -85.4% | 0 | 0 | 13 | 87 |
| **Net operating profit** | **380** | **464** | **(84)** | **-18.1%** | **0** | **0** | **380** | **464** |
| Provisions for risks and charges | 72 | 0 | 72 | n.a. | 0 | 0 | 72 | 0 |
| Systemic charges | (115) | (114) | (1) | 1.0% | 0 | 0 | (115) | (114) |
| Integration/ restructuring costs | 1 | 3 | (2) | -81.2% | 0 | 0 | 1 | 3 |
| Net income from investments | 17 | 40 | (23) | -57.1% | 0 | 0 | 17 | 40 |
| **Profit (loss) before tax** | **355** | **393** | **(38)** | **-9.7%** | **0** | **0** | **355** | **393** |
| Income tax for the period | (26) | (42) | 16 | -38.6% | 0 | 0 | (26) | (42) |
| Total profit or loss after tax from discontinued operations | 3 | 14 | (11) | -79.1% | 0 | 0 | 3 | 14 |
| Non-controlling interests | (6) | (11) | 6 | -48.1% | 0 | 0 | (6) | (11) |
| **Net profit or loss 3)** | **326** | **353** | **(27)** | **-8.0%** | **0** | **0** | **326** | **354** |

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 2019
3) Attributable to the owners of the parent company
4) Adjustments shown under "Reconciliation" are mostly due to the first-time application of IFRS 16

# Management Report

## Details of the income statement in the first half of 2019

*The following commentary on Bank Austria's performance is based on the income statement structure used for segment reporting. The comparative figures for the first half of 2018 are recast to reflect the current structure and methodology.*

*Segment reporting covers three business segments: Privatkundenbank, Unternehmerbank and Corporate & Investment Banking. Privatkundenbank comprises the support of individuals (including Premium Banking customers), as well as independent professionals and business customers (with annual turnover of up to €3 million). Unternehmerbank as used in this commentary is the sum of corporate customer business, leasing and factoring activities. The Corporate & Investment Banking business area includes the customer segments of major multinational and international customers who need capital-market-related services and investment banking solutions. Financial institutions such as banks, asset managers, institutional customers and insurance companies are also managed. Those parts of the bank that are not assigned to any segment are reported in the Corporate Centre segment.*

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

**Operating income** in the first half of 2019 was €937 million, down by 6.2% on the previous year's figure (€999 million). The main driver for the decline was trade income, where the previous year's result in this item was positively influenced by one-off and valuation effects. The interest balance was slightly above the previous year's result; net fees and commissions were slightly below the previous year's result.

**Net interest** represents approximately half of operating income and is therefore the most significant income item, as in previous periods. At €476 million, profit slightly exceeded the previous year's figure, due to the broadly stable volume and margins in the retail business year on year and in the current low (sometimes even negative) interest environment.

At €76 million, **dividends and other income from equity investments** were 12.3% above the previous year's figure. The item mainly comprises pro rata results from material equity investments, such as the 3-Banken Group and Oesterreichische Kontrollbank.

**Net fees and commissions** (€336 million) declined by 4.9% compared with the same period in 2018. More than two fifths of net fees and commissions was generated by asset management; which not fully reached the previous year's figure due to the difficult market environment. Almost one-half of net fees and commissions came from payment transactions, a business area which remained a major generator of contributions with income also just under the previous year's level.

**Net Trading, hedging and fair value income/loss** (€24 million) was considerably (66%) below the very high figure of the previous year, which in the previous year was strongly positively influenced by individual large customer transactions and valuation effects.

The income statement item **net other expenses/income** reports various items that are not allocated to the above-mentioned income items. Income of €25 million (compared to €33 million in the same period of the previous year) was generated in the first half of 2019.

In an environment of limited opportunities to increase income, Bank Austria continues to focus on very restrictive cost development. Since 2016, the year in which the shareholdings in Central and Eastern Europe were spun off, the bank achieved substantial cost savings. **Operating costs** were also significantly further reduced by €53 million or 8.5% to €570 million in the first half of 2019 (previous year: €623 million).

At €300 million, **payroll costs** were €21 million or 6.4% below the previous year's figure which was partly due to a reduction in staff capacities (FTE). It also included a positive one-off effect concerning social capital.

The decline in **administrative expenses** of 10.8% to €247 million was due to Bank Austria's very strict cost management, representing a special focus by the bank as part of implementing the ongoing UniCredit Group "Transform 2019" strategy. The savings are also in part based on the relocation of all head office employees to the new location on the Austria Campus in 2018, which is already fully cost-effective in the current period, while one-off costs from the relocation still arose in 2018.

The development of **depreciation and amortisation** (-8.6%) also reflects the success of the savings measures.

# Management Report

As a consequence of the developments and measures shown, the **cost/income ratio** of 60.8% is a considerable improvement compared to the figure in the first half of 2018 (62.3%).

**Operating profit** reached €367 million, thereby decreasing by 2.6% due to the aforementioned developments.

As in previous years, **net write-downs of loans and provisions for guarantees and commitments** showed a positive result due to a continuing positive economic environment in the first half of 2019 and the Bank's professional credit risk management. Provisions formed in previous years were reversed and overall a positive amount of €13 million was generated (compared to the previous year's figure of +€87 million).

The **cost of risk** ratio, expressed in basis points (bp) as a ratio of the net write-downs of loans and provisions for guarantees and commitments and the average lending volume (see also alternative performance measures in the glossary in the annex), leads by definition to a negative value of -4bp (-29 bp same period in the previous year) due to the positive contribution of net write-downs of loans and provisions for guarantees and commitments in the first half of 2019. The business areas have the following cost of risk: Privatkundenbank -1 bp, Unternehmerbank -3 bp and CIB -3 bp.

Operating performance (**net operating profit**) was €380 million in the first half of 2019, which corresponds to a decrease of 18.1% on the previous year's figure of €464 million. The Austrian customer segments made the following contributions to operating performance: Privatkundenbank +€66, Unternehmerbank +€153 million and CIB +€109 million.

Under the **provisions for risks and charges** item an amount of €72 million (previous year €0) was reported in 2019. The amount is largely associated with the net release of a provision for sanctions after a corresponding agreement with the US authorities in the first quarter of 2019. **Systemic charges** were at -€115 million, at the previous year's level (-€114 million in the same period in 2018). Of the total amount, the bank levy accounted for €56 million (including a pro rata special payment of €46 million), and contributions to the deposit guarantee scheme and the resolution fund totalled €59 million. The pro rata special payment of the bank levy which is paid in four instalments in 2017–20 is based on the new regulation of the Austrian bank levy implemented in 2016.

A positive amount of €1 million has been incurred so far in the ongoing financial year in the item **integration/ restructuring costs**. The item was recorded as €3 million in the previous year.

**Net income from investments** was positive at €17 million (previous year: €40 million), partly due to the sale of real estate.

In total, **profit before tax** of €355 million was generated from the operating and non-operating items cited. In comparison with the 2018 half-year, there was a decrease of €38 million, where the lower operating income and reduced contributions from the – still positive – credit risk balance and net income from investments was partially compensated for by the cost savings achieved and the reported reversal of provisions.

**Income tax for the period** amounted to €26 million (first half of 2018: €42 million).

**Total profit or loss after tax from discontinued operations** includes the contribution of €3 million (in the previous year: €14 million) from the Immobilien Holding companies ("Immo Holding"), including the results from the sale of property companies and properties held by these companies. The majority of these assets not required for operations have now been sold off.

Non-controlling interests (minority interests) amounted to -€6 million (previous year: -€11 million).

Overall, a net profit (**net profit or loss attributable to the owners of Bank Austria**) of €326 million was generated in 2018, following €353 million in the same period in the previous year. In an environment of extremely low interest rates with corresponding margin pressure on the one hand and a continuing positive development of the credit risk on the other, a very strong result could be achieved once more.

# Management Report

## Financial position and capital resources

Due to the coming-into-force of IFRS 16 at the beginning of 2019, the capitalisation of rights of use and the recording of the respective lease liabilities became necessary.

Generally, Bank Austria Group's balance sheet at 30/06/2019 reflects the target structure which was to be strategically achieved as an **Austrian universal bank** focused on traditional commercial banking business with customers. **Loans and receivables with customers** is the largest item on the asset side by far with a proportion of more than 60%. The business segments Unternehmerbank and Corporate & Investment Banking accounted for more than two-thirds of total lending volume, underscoring Bank Austria's leading position as a major lender to the Austrian business sector. Furthermore, the bank holds an important position in lending to Austrian retail customers. **Deposits from customers** represent more than half of liabilities. Approximately 60% consists of deposits from Privatkundenbank and constitutes a solid refinancing basis for Bank Austria.

### Major items in the statement of financial position

(€ million)

| | 30.06.2019 | 31.12.2018 | CHANGE | |
|---|---|---|---|---|
| | | | +/- € million | +/- % |
| **Assets** | | | | |
| Cash and cash balances | 91 | 98 | (7) | -6.9% |
| Financial assets held for trading | 1,051 | 783 | +268 | +34.3% |
| Loans and receivables with banks | 15,107 | 14,485 | +623 | +4.3% |
| Loans and receivables with customers | 62,912 | 62,599 | +313 | +0.5% |
| Other financial assets | 16,499 | 16,959 | (460) | -2.7% |
| Hedging instruments | 2,705 | 1,891 | +814 | +43.1% |
| Other assets | 2,609 | 2,215 | +394 | +17.8% |
| **TOTAL ASSETS** | **100,974** | **99,029** | **+1,945** | **+2.0%** |
| **Liabilities and equity** | | | | |
| Deposits from banks | 15,590 | 14,444 | +1,146 | +7.9% |
| Deposits from customers | 54,949 | 55,651 | (702) | -1.3% |
| Debt securities in issue | 12,536 | 12,402 | +134 | +1.1% |
| Financial liabilities held for trading | 1,106 | 770 | +336 | +43.7% |
| Hedging instruments | 2,454 | 1,546 | +908 | +58.7% |
| Other liabilities | 6,040 | 5,855 | +185 | +3.2% |
| o/w pensions and other post-retirement benefit obligations | 3,912 | 3,776 | +136 | +3.6% |
| Equity | 8,300 | 8,361 | (61) | -0.7% |
| **TOTAL LIABILITIES AND EQUITY** | **100,974** | **99,029** | **+1,945** | **+2.0%** |

## Reconciliation of the short version of the balance sheet (see previous page) to the balance sheet items of the consolidated interim financial statements

### Assets

(€ million)

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Cash and cash balances | 91 | 98 |
| Financial assets held for trading | 1,051 | 783 |
| Loans and receivables with banks | 15,107 | 14,485 |
| a) Financial assets at amortised cost | 15,107 | 14,485 |
| Loans and receivables with customers | 62,912 | 62,599 |
| a) Financial assets at amortised cost | 61,727 | 61,397 |
| b) Financial assets mandatorily at fair value | 1,185 | 1,202 |
| Other financial assets | 16,499 | 16,959 |
| a) Financial assets at amortised cost (banks) | 799 | 799 |
| b) Financial assets at amortised cost (customers) | 335 | 324 |
| c) Financial assets designated at fair value | 0 | – |
| d) Financial assets mandatorily at fair value | 150 | 162 |
| e) Financial assets at fair value through other comprehensive income | 12,994 | 13,490 |
| f) Investments in associates and joint ventures | 2,220 | 2,183 |
| Hedging instruments | 2,705 | 1,891 |
| a) Derivatives used for hedging | 2,068 | 1,619 |
| b) Fair value changes of the hedged items in portfolio hedge (+/-) | 637 | 271 |
| Other assets | 2,609 | 2,215 |
| a) Tangible assets | 962 | 601 |
| b) Intangible assets | 2 | 3 |
| of which goodwill | 0 | – |
| c) Tax assets | 386 | 355 |
| d) Non-current assets and disposal groups classified as held for sale | 872 | 926 |
| e) Other assets | 386 | 330 |
| **TOTAL ASSETS** | **100,974** | **99,029** |

### Liabilities and equity

(€ million)

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Deposits from banks | 15,590 | 14,444 |
| Deposits from customers | 54,949 | 55,651 |
| Debt securities issued | 12,536 | 12,402 |
| Financial liabilities held for trading | 1,106 | 770 |
| Hedging instruments | 2,454 | 1,546 |
| a) Derivatives used for hedging | 1,977 | 1,368 |
| b) Fair value changes of the hedged items in portfolio hedge (+/-) | 476 | 178 |
| Other liabilities | 6,040 | 5,855 |
| a) Financial liabilities designated at fair value | 102 | 247 |
| b) Tax liabilities | 54 | 52 |
| c) Liabilities included in disposal groups classified as held for sale | 548 | 540 |
| d) Other liabilities | 1,074 | 697 |
| e) Provisions for risks and charges | 4,263 | 4,320 |
| of which pensions and other post-retirement benefit obligations | 3,912 | 3,776 |
| Shareholders' equity | 8,300 | 8,361 |
| a) Revaluation reserves | (1,474) | (1,305) |
| b) Other provisions | 3,588 | 3,148 |
| c) Share premium reserve | 4,137 | 4,136 |
| d) Share capital | 1,681 | 1,681 |
| e) Minority interests (+/-) | 42 | 64 |
| f) Net profit or loss | 326 | 637 |
| **TOTAL LIABILITIES AND EQUITY** | **100,974** | **99,029** |

# Management Report

In comparison to 31/12/2018, **total assets** increased by €1.9 billion or 2% to €101.0 billion.

**Loans and receivables with banks** increased by €0.6 billion to €15.1 billion.

**Loans and receivables with customers** increased by €0.3 billion to €62.9 billion, whereby in particular CIB and Privatkundenbank saw an increase in volume.

As credit quality remained excellent, non-performing gross loans remained stable compared with the end of 2018 at €2.1 billion, meaning that the gross NPL ratio also remained unchanged at a good 3.3%.

**Deposits from banks** increased by €1.1 billion to €15.6 billion compared to the end of 2018.

**Deposits from customers** decreased slightly compared with the 2018 reporting date (-€0.7 billion) to €54.9 billion. Deposits in the CIB and Unternehmerbank business areas showed a planned reduction, while deposits from retail customers were higher on the reporting date.

**Debt securities in issue** increased slightly to €12.5 billion. In accordance with the Bank's liquidity strategy, some large covered bonds were issued in the reporting period which exceeded the repayments by €0.1 billion.
The excellent refinancing basis through non-banks is documented overall in the summarised "**direct funding**" item (customer deposits + debt securities in issue + financial liabilities valued at fair value), which amounted to €67.9 billion as at 30 June 2019. This means that loans to non-banks are covered by deposits from non-banks and debt securities in issue to the extent of about 108%.

**Provisions for risks and charges** totalled around €4.3 billion as at the end of the first half of 2019. The largest item thereof is provisions for pensions and similar obligations, which amounted to €3.9 billion. In the first half of 2019, the actuarial interest rate for social capital decreased from 1.85% to 1.25%, which led to a significant increase in this provision of €0.1 billion in the accounting period.

**Shareholders' equity** amounted to €8.3 billion as at the reporting date of 30/06/2019, meaning it remained at the same level as at the end of 2018. The key components of performance in the first half of 2019 were the ongoing half-yearly profit of €326 million, the dividend payment and the aforementioned net effect of the reduction of the actuarial interest rate for the social capital and the resulting increase in the provisions for pensions and similar obligations which had a direct effect on the equity.

# Management Report

## 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.*

*The regulatory provisions to be applied directly when Regulation (EU) 2019/876 (CRR II) came into effect are reflected in the equity ratio as at 30/06/2019.*

**Regulatory capital** of Bank Austria Group decreased in comparison to 31/12/2018 from €7.3 billion to **€7.0 billion**. The key drivers of this development were the effects already shown in social capital and other valuation effects.

This change is shown in the **Common Equity Tier 1 (CET1)**, from €6.4 billion to (31/12/2018) to €6.2 billion. Due to the new CRR II regulations, which came into effect on 27/06/2018, hybrid capital issues issued through specialist companies can no longer be charged. As a result, AT1 capital will no longer be reported. Additional amortisation and currency effects from eligible subordinate instruments result in Tier 2 capital of €0.8 billion.

Compared to the end of 2018, **risk-weighted assets** (RWA) decreased from €34.4 billion to **€33.8 billion**, mainly due to a decrease in credit risk (-€0.7 billion). In contrast, the operational risk increased slightly by €0.1 billion).

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

**Capital ratios (based on all risks)**

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Common Equity Tier 1 (CET1) capital ratio | 18.3% | 18.6% |
| Tier 1 capital ratio | 18.3% | 18.7% |
| Total capital ratio | 20.8% | 21.4% |

Without taking the transitional provisions defined in the CRR into account, the Common Equity Tier 1 (CET1) Ratio (fully loaded) was 18.3% and the total capital ratio (fully loaded) was 20.8%.

The **leverage ratio** pursuant to the Delegated Regulation (EU) 2015/62, based on the current status of transitional arrangements, was 5.7% as at 30 June 2019. Without taking the transitional provisions defined in the CRR into account, the value is as well 5.7%.

## Permanent establishments

There are no permanent establishments.

# Management Report

## Outlook

### Economic scenario

The global economic outlook once more slowed down around mid-2019. Economic uncertainties increased in particular due to the continuing trade dispute between the US and China. The downturn in economic sentiment continues. In addition, volatility in the financial markets increased. For this reason, growth of only 3.1% is expected for the global economy in 2019 after 3.6% in 2018. The global economic momentum will reduce to 2.7% in 2020, even if the trade disputes ease. This can particularly be attributed to the development in the US, where economic growth is expected to fall short of its potential from the second half of 2019 onwards and a recession even seems likely in 2020. This is indicated by the ongoing fiscal stimuli, tight labour market and cautious investment as a result of the lingering uncertainties, boosted by the consequences of the trade disputes. Although some positive indications for the second half of the year can be seen in the eurozone, the sustainability of the domestically driven economy is at risk with persistent global adverse effects. Growth in the eurozone will remain cautious, especially as the downturn in the US will also be affected. The increase in GDP will level off at 1% in 2019 and retain this moderate pace in 2020.

#### Monetary policy easing with consequences

The lower inflation expectations and economic uncertainties have changed the monetary policy outlook for the second half of 2019 and for 2020. Starting from the current key interest rate of 2.5%, monetary policy easing is expected in the US in the next few months, which may begin earlier and turn out to be more extensive than previously expected. A reduction of the Fed Funds target rate is still expected in the second half of 2019 in three steps each of 25 basis points to 1.75%. Further interest rate reductions by the US Federal Reserve totalling 50 basis points are likely in 2020. Economic uncertainties and the possibility that monetary policy easing by US Federal Reserve could lead to a strengthening of the Euro against the US Dollar, which would jeopardise the fragile recovery in the eurozone, recently led to ECB President Mario Draghi, who is leaving office in the autumn, striking a moderate tone. The way has been paved for the new ECB leadership under the former Director of the International Monetary Fund, Christine Lagarde, to ease monetary policy in the eurozone. Although no change in the repo rate is expected, the ECB could, however, react to the slowdown of the economic climate with a reduction in the deposit interest rate of 10 basis points to minus 0.50 per cent as soon as September, but no later than December 2019. Any decision to reduce interest rates is expected to come in tandem with a compensatory measure to increase the profitability of banks. For example, the ECB was able to improve the previously mentioned conditions for banks with regard to the new series of targeted longer-term refinancing operations (TLTROs) announced for September. If the expected interest rate reductions by the US Federal Reserve actually take place and economic growth in the eurozone continues to fall short of its potential, the ECB may be required to implement further measures at the turn of 2019/2020. We believe a resurrection of the security purchasing programme to be more likely than further interest rate reductions.

Bond yields have gone down in light of the pending easing cycle. This trend is expected to persist in the US until mid-2020. Around mid-2019, yields of ten-year government bonds in the eurozone mostly fell to historic lows, sometimes even in negative territory. There is scope for them to fall further in the second half of 2019. Global growth may have bottomed out in the second half of 2020 and a trend reversal may be in sight. The outlook of new monetary policy support revived optimism in the stock exchanges despite increased economic concerns, sluggish profit growth, existing trade disputes and newly stoked geopolitical uncertainties in the Middle East. Central bank policies could also lend more stimulus to stock exchanges in the next few months. The yardstick for further surprises from central banks is, however, still high, meaning that other arguments on the stock markets could come more sharply into focus, increasing the likelihood of volatility peaks.

# Management Report

## Outlook for Austria

The Austrian economy appears to be levelling out to a moderate pace of growth after a considerable slowdown of the economy in the first half of the year. Sustained by domestic demand, in particular consumption, economic growth in the next few months will move somewhat towards the level of the start of the year. An increase in GDP of 1.4% across 2019 as a whole can therefore be expected. The risk of recession in the US in 2020 is still clear and will have a negative effect on growth of the Austrian economy, which relies heavily on exports. Growth of only 1.3% is expected in 2020 in Austria in a difficult global environment.

The positive domestic economy will also continue to offer a favourable business environment for financing in Austria. However, a slowdown in lending growth can also be expected, partly as a result of weaker exports. This is expected to have a stronger impact on demand for corporate loans under conditions of good liquidity. In contrast, household demand for financing, particularly for housing loans, was not much weaker than in the previous year. On the investment side, performance in the second half of 2019 will be determined even more strongly than before by the low interest rate environment. The majority of new investments are likely to continue to be short-term.

## Medium-term and long-term objectives

Following the successful restructuring as part of our "**Transform 2019**" Group strategy, our focus is now fully on growth. We are part of UniCredit, a successful pan-European commercial bank with a simple business model, fully plugged-in Corporate & Investment Banking and a unique network in Western, Central and Eastern Europe that we make available to our broadly diversified customer base.

With "Transform 2019", we have laid the foundation to be a pan-European leader. In Bank Austria, to this end we have implemented clear measures for restructuring the Bank and completed the reorganisation as far as possible. The reorganisation of responsibilities on the Management Board has enabled us to create the ideal conditions for our future growth. By newly distributing responsibilities within the Management Board - since 1 January 2019, there are two Management Board positions responsible for "**Privatkundenbank**" and "**Unternehmerbank**", and Management Board responsibility for Operations (COO) and Human Capital has been allocated to the CEO – ideal conditions for our future growth were created.

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

- As an entrepreneurs' bank, we are the most important financial partner for corporate customers in Austria and are continuing to expand our number one position in Austrian corporate banking – as part of a leading European banking group – with a broad spectrum of expertise and competence and through UniCredit's international network. Our digital services for companies won the award for the most innovative financial service in 2018 at the Alpbach Financial Symposium.
- As a leading partner for Private Banking customers, we offer a recognised, excellent range of products and services, both in Premium Banking at Bank Austria with an entry threshold of €300,000 of freely available investment volume and in our subsidiary Schoellerbank, UniCredit's centre of expertise for **wealth management** in Austria.
- A new service model was implemented for retail customers that takes changing customer needs into account. It includes fewer, but significantly larger and modern branches with longer opening hours and improved consulting services for our customers. Our real estate experts and investment experts provide advice either in person at our branches or via video. Expert consulting services can also be accessed from any location via SmartBanking.
- The further development of the business model with regard to focused customer service and a sustainably low-cost structure, with an increased focus on digitisation and corresponding investments in the IT structure.
- Further exploiting potential with regard to the broad customer base and the Group's market leadership position in many business areas and regions by unlocking Group synergies and taking advantage of cross-selling opportunities.
- Consistently reducing the cost base through a significantly leaner Corporate Centre.

We continuously adjust our services, internal organisational structures and processes to meet the changing needs of our customers. For this purpose, numerous initiatives in the customer area are in progress alongside income and cost initiatives. We are also continuing the expansion of our digital range of products and services, such as the successful introduction of photo transfers in 2017 as the only bank in Austria or "sending money to phone contacts" as the first financial services provider in Austria.

# Management Report

As part of our digitisation offensive, we presented our new internet banking service, **24You**, a completely revised internet banking service with many new functions such as a personal finance manager, a chat and call-back function, and a completely reorganised securities department.

Our **Alexa Banking Skill** provides an additional innovative service as part of our multi-channel strategy. We are the only bank in Austria to offer customers who want to use this service a digital speech assistant for non-personalised services, such as exchange rate information, branch opening hours and general market, financial and economic information. Our Homestory app allows our customers to fully complete and take out mortgage loans at home on their smartphones. Further innovations for our digital product range are planned for the second half of 2019.

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

At UniCredit Group as a whole, we have recognised that we need to do good in order to do well. We therefore need to be drivers and agents of change in order to make our company fairer and promote inclusion. With our "**Social Impact Banking" initiative**, we are pooling and strengthening the issue of special loans, passing on our economic and financial expertise and the commitment of our employees.

UniCredit Group will present its **new multi-annual strategic plan** in December 2019, which will also establish the management direction of UniCredit Bank Austria for the next few years.

## Development of business segments

### Privatkundenbank

(€ million)

| | 1H19 | 1H18 [1] | CHANGE | |
|---|---|---|---|---|
| | | | +/- € million | +/- % |
| Operating income | 439 | 454 | (15) | -3.3% |
| Operating costs | (373) | (385) | 12 | -3.1% |
| Operating profit | 66 | 69 | (3) | -4.5% |
| Net write-downs of loans | 1 | 27 | (26) | -97.4% |
| Net operating profit | 66 | 95 | (29) | -30.4% |
| **Profit (loss) before tax** | **35** | **55** | **(20)** | **-36.0%** |
| Total Financial Assets | 64,072 | 63,354 | 718 | 1.1% |
| Loans to customers | 18,490 | 18,529 | (39) | -0.2% |
| Deposits from customers | 32,861 | 32,752 | 109 | 0.3% |
| Ø Risk-weighted assets (RWA) [2] | 8,909 | 7,848 | 1,062 | 13.5% |
| ROAC [3] | 3.9% | 6.3% | -2.4 PP | n.m. |

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

#### Operating profit
Privatkundenbank more or less maintained its operating profit at €66 million in the first half of 2019, despite the persistently difficult market environment (first half of 2018: €69 million). Operating income was €15 million (3.3%) below the previous year's figure, partly due to a reduction in net fees and commissions (-7.3%), which reflects the current challenging conditions in the securities business, among other things. Strict cost management once again led to a substantial reduction in operating costs to €373 million (down 3.1% year on year).

#### Net write-downs of loans and provisions for guarantees and commitments
With €1 million, once again a positive value could be reported in an environment that continues to be positive. This compares with the previous year's figure of €27 million.

#### Profit before tax
After taking account of the slightly positive net write-downs of loans and provisions for guarantees and commitments and of non-operating expenses of -€31 million (mostly systemic charges), Privatkundenbank's profit before tax was €35 million in the first half of 2019 (down 36% on the previous year). The decrease compared to the previous year is mainly due to the normalising credit risk result.

#### Loans and receivables with customers/customer deposits
At €18.5 billion, loans were at the previous year's level, with new loan production in construction and residential business showing continuing growth. Customer deposits increased slightly by €0.1 billion to €32.9 billion.

Customers are supported and advised to high standard in Privatkundenbank through tailor-made service models for the relevant segments – Retail Banking, Premium Banking and Small Business Banking.

The range of services for wealthy private customers will be considerably extended in Premium Banking. Firstly, the previous entry threshold of €500,000 investment volume was reduced to €300,000 and, secondly, the advisory service was considerably extended to 17 additional locations within the Bank Austria branch network, in particular in Vienna.

Small Business Banking also serves business customers and independent professions with an annual turnover of up to €3 million. Numerous growth initiatives were launched in the first half of 2019 in this segment. We also benefit from collaboration with strong partners in this area. The branch network was also modernised on an ongoing basis and our advisory services were expanded in the reporting period in order to best meet customer needs. After making an appointment, we offer advisory services in most of our branches from 8am to 7pm.

# Management Report

In addition, both our retail and corporate customers and independent professionals may make use of our video advisory service, depending on location. This service is also available for deaf customers in sign languages.

With regard to investment, due to the persistently low interest environment and the continued volatile markets as a result of geopolitical tensions, we focused on the investment models *VermögensManagement 5Invest* and *Premium* which are managed by experts. Our product range is complemented by the flexible investment model *UNIVERS Exklusiv* with flat-rate expense agreements, where we rely on our experts who support advisors either locally or via video.

As a result of our customers' growing need to carry out daily transactions via digital channels, Bank Austria also continues to rely on the gradual expansion of its digital product range and services. Following the introduction of **24You**, the most user-friendly internet banking service in Austria, in the last quarter of 2018, focus was on developing a Group-wide app for mobile phones this financial year. In addition, digital services are being expanded and optimised on an ongoing basis, such recently with the option for contactless withdrawal from our cash machines by using your smartphone. Our customers can therefore quickly and easily withdraw money by using contactless technology. The strong focus on the expansion of our digital sales channels allows us to focus on our core business and simplify processes.

# Management Report

## Unternehmerbank

(€ million)

| | 1H19 | 1H18 | CHANGE | |
|---|---|---|---|---|
| | | | +/- € million | +/- % |
| Operating income | 248 | 282 | (34) | -12.0% |
| Operating costs | (99) | (104) | 5 | -4.4% |
| Operating profit | 149 | 178 | (29) | -16.4% |
| Net write-downs of loans | 4 | 23 | (19) | -82.1% |
| Net operating profit | 153 | 201 | (48) | -23.8% |
| **Profit (loss) before tax** | **178** | **170** | **8** | **5.0%** |
| Loans to customers | 26,110 | 25,877 | 234 | 0.9% |
| Deposits from customers | 14,688 | 15,099 | (411) | -2.7% |
| Ø Risk-weighted assets (RWA) | 10,059 | 8,894 | 1,164 | 13.1% |
| ROAC | 21.4% | 21.9% | -0.5 PP | n.m. |

**Operating profit**

In the first half of 2019, net interest income of €162 million was achieved in a persistently difficult interest rate environment, which was just below the previous year's level. Fee and commission income remained unchanged. Trading result fell considerably as a result of valuation effects. A significant reduction in operating costs of €5 million (-4.4%) to €99 million was again achieved due to strict cost management and other cost reduction measures, resulting in operating profit of €149 million (16.4% down on the previous year's figure).

**Net write-downs of loans and provisions for guarantees and commitments**

The high quality of the loan portfolio is reflected in a positive contribution from credit risk of €4 million (previous year €23 million).

**Profit before tax**

Non-operating income and expenses totalled €25 million (previous year: -€31 million) and, apart from the systemic charges in 2019, mainly comprise part of the net release of a provision for sanctions after a corresponding agreement with the US authorities in the first quarter of 2019. After considering non-operating income and expenses, profit before tax was €178 million, 5% above the previous year's figure.

**Loans and receivables with customers/customer deposits**

The lending volume, at €26.1 billion (30/06/2018: €25.9 million), increased slightly; customer deposits were €14.7 billion, just below the comparable figure 2018 (€15.1 billion).

A slight downturn in the Austrian economy was reflected in business with corporate customers in the first half of 2019. Investment activity for companies was somewhat more cautious than in previous periods, and therefore Bank Austria's new financing business remained relatively stable at a good level. The focus of credit growth in Austria has continued to be in the real estate and construction sector, where Bank Austria continues to follow a prudent and risk-aware growth course, focusing on large experienced companies in the sector. Although further slight growth in financing in business with public sector customers was achieved, Bank Austria faces increasing competition with state financing institutions.

In the first half year of 2019, Bank Austria made particularly successful use of its extensive expertise in the area of payment transactions for corporate customers. In a year-on-year comparison, significant additional income was generated, which clearly goes beyond overall market performance. In terms of deposits, the low or, on a short-term basis even negative interest rates also remained a challenge for Corporate Banking.

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

The international nature of the UniCredit Group also remains an important growth pillar for Corporate Banking in Austria and the success of the past few years also continued in the first half of 2019. Austrian companies expressed particular interest in supporting business transactions in Central and Eastern Europe, China and Hong Kong.

# Management Report

## Corporate & Investment Banking

(€ million)

| | 1H19 | 1H18 | CHANGE | |
|---|---|---|---|---|
| | | | +/- € million | +/- % |
| Operating income | 188 | 209 | (21) | -10.0% |
| Operating costs | (82) | (84) | 2 | -2.9% |
| Operating profit | 107 | 125 | (19) | -14.9% |
| Net write-downs of loans | 3 | 32 | (30) | -91.7% |
| Net operating profit | 109 | 158 | (48) | -30.6% |
| **Profit (loss) before tax** | **126** | **150** | **(24)** | **-16.2%** |
| Loans to customers | 18,458 | 16,086 | 2,372 | 14.7% |
| Deposits from customers | 7,466 | 8,128 | (661) | -8.1% |
| Ø Risk-weighted assets (RWA) | 9,514 | 9,629 | (115) | -1.2% |
| ROAC | 16.0% | 18.8% | -2.8 PP | n.m. |

**Operating profit**
In the CIB segment, operating profit was €107 million in the first half of 2019, 14.9% below the previous year's figure. Operating income declined €21 million or 10.0% to €188 million, mainly due to lower net interest income as a result of the margin pressure in the loan business, which could not entirely be compensated for by the growth in loans, and of a decrease in trading result due to negative valuation effects. At the same time, operating costs were reduced by 2.9% to €82 million thanks to strict cost management and efficiency-increasing measures.

**Net write-downs of loans and provisions for guarantees and commitments**
Due to the excellent quality in the credit portfolio, a positive contribution from credit risk was again recorded in the first half of 2019. The positive balance was €3 million (previous year: +€32 million).

**Profit before tax**
The CIB business area achieved profit before tax of €126 million, a year-on-year decrease of €24 million, where both periods were also partly positively influenced by special effects such as the very strongly positive contribution from credit risk in the previous year and a share in the net release of a provision for sanctions following a corresponding with US authorities in the current year.

**Loans and receivables with customers/customer deposits**
In comparison to the first half year of 2018, lending volume considerably increased by 14.7% to €18.5 billion. Customer deposits, at €7.5 billion, declined as expected.

Performance in the first half of 2019 once more demonstrates the strengths of the CIB Austria business area as a part of UniCredit, a simple, pan-European commercial bank with fully integrated corporate and investment banking that offers a unique network in Western, Central and Eastern Europe through its broadly diversified customer base of 26 million customers.

As a result of the combination of local presence and global best-in-class product expertise, UniCredit combines companies with global institutional investors and supports approximately 1,500 multinational companies, important financial institutions and institutional customers via one of the largest commercial customer networks in Europe with 14 core European markets and an additional 18 countries via our international network.

UniCredit is one of the largest lenders to companies and institutional customers in Europe. Since 2012, UniCredit has also been among the top three in Europe for syndicated financing and Euro bonds. In Austria, UniCredit Bank Austria is number one with regard to bonds, corporate bonds and syndicated loans, and has been awarded as the best cash management provider, as the best trade finance provider and the best sub-custodian bank. Despite increased market volatility, more than €13 billion was financed through syndicated loans in the first half of 2019. As a result, UniCredit made a significant contribution to the European economy.

UniCredit is also heavily investing in IT and digital innovations across the Group. UniCredit offers intelligent solutions for customers, such as in the area of instant payments and virtual accounts, and is a founding member of the platform *we.trade*, which is based on blockchain technology. In doing so, we also offer our customers in Austria constant, cutting-edge innovations that have already been successfully proven in other core markets.

# Management Report

The CIB business area further expanded its leading market position in multinational companies in this reporting period as well. In addition to providing intensive services to Austrian multinational companies, CIB continued to cultivate the extended core markets such as Scandinavia on a sustainable basis. Business developed positively despite a persistently challenging and highly competitive market environment. In particular, as a result of the successful conclusion of structured financing, CIB Austria was able to achieve significant growth. Business with Financial Institutions also developed well, in particular capital markets as well as securities and deposit business. The development in commercial real estate is stable, despite a selective risk policy.

# Consolidated Financial Statements in accordance with IFRSs


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**Notes**

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

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

The numbering of the tables listed in the Notes is not always consecutive or chronological as it is derived from the numbering in the consolidation system.

# Consolidated Income Statement

## Consolidated income statement

(€ million)

| ITEMS | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| 10. Interest income and similar revenues | 692 | 742 |
| *of which: interest income calculated with the effective interest method* | *610* | *624* |
| 20. Interest expenses and similar charges | (216) | (265) |
| **30. Net interest margin** | **476** | **477** |
| 40. Fees and commissions income | 438 | 450 |
| 50. Fees and commissions expenses | (102) | (95) |
| **60. Net fees and commissions** | **336** | **355** |
| 70. Dividend income and similar revenues | 1 | 3 |
| 80. Net gains (losses) on trading | (1) | 48 |
| 90. Net gains (losses) on hedge accounting | - | (1) |
| 100. Gains (Losses) on disposal and repurchase of: | 10 | 6 |
| a) financial assets at amortised cost | - | - |
| b) financial assets at fair value through other comprehensive income | 10 | 6 |
| c) financial liabilities | - | - |
| 110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: | 12 | 18 |
| a) financial assets/liabilities designated at fair value | (5) | 2 |
| b) other financial assets mandatorily at fair value | 17 | 16 |
| **120. Operating income** | **835** | **906** |
| 130. Net losses/recoveries on credit impairment relating to: | 5 | 85 |
| a) financial assets at amortised cost | 6 | 85 |
| b) financial assets at fair value through other comprehensive income | - | - |
| 140. Gains/Losses from contractual changes with no cancellations | - | - |
| **150. Net profit from financial activities** | **840** | **991** |
| 160. Net premiums | - | - |
| 170. Other net insurance income/expenses | - | - |
| **180. Net profit from financial and insurance activities** | **840** | **991** |
| 190. Administrative expenses: | (656) | (732) |
| a) staff costs | (300) | (330) |
| b) other administrative expenses | (356) | (402) |
| 200. Net provisions for risks and charges: | 81 | 19 |
| a) commitments and financial guarantees given | 9 | 19 |
| b) other net provisions | 72 | - |
| 210. Net value adjustments/write-backs on property, plant and equipment | (49) | (17) |
| 220. Net value adjustments/write-backs on intangible assets | (1) | (1) |
| 230. Other operating expenses/income | 44 | 42 |
| **240. Operating costs** | **(580)** | **(689)** |
| 250. Gains (Losses) of equity investments | 77 | 64 |
| 260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value | - | (1) |
| 270. Goodwill impairment | - | - |
| 280. Gains (Losses) on disposals on investments | 17 | 28 |
| **290. Profit (Loss) before tax from continuing operations** | **355** | **393** |
| 300. Tax expenses (income) for the period from continuing operations | (26) | (42) |
| **310. Profit (Loss) after tax from continuing operations** | **329** | **351** |
| 320. Profit (Loss) after tax from discontinued operations | 3 | 14 |
| **330. Profit (Loss) for the period** | **332** | **365** |
| 340. Minority profit (loss) for the period | (6) | (11) |
| **350. Profit (loss) for the period** | **326** | **354** |

# Consolidated Statement of Comprehensive Income

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

(€)

| POSITIONS | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| Earnings per share from profit (loss) after taxes from continuing operations | 1.42 | 1.52 |
| Earnings per share from profit (loss) after taxes from discontinued operations | 0.01 | 0.06 |

## Consolidated statement of comprehensive income

(€ million)

| ITEMS | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| **PROFIT (LOSS) FOR THE PERIOD** | **332** | **365** |
| **Other comprehensive income after tax not reclassified to profit or loss** | **(213)** | **14** |
| Equity instruments designated at fair value through other comprehensive income | - | - |
| Financial liabilities designated at fair value through profit or loss (own creditworthiness changes) | - | - |
| Hedge accounting of equity instruments designated at fair value through other comprehensive income | - | - |
| Property, plant and equipment | - | - |
| Intangible assets | - | - |
| Defined-benefit plans | (213) | 14 |
| Non-current assets and disposal groups classified as held for sale | - | - |
| Portion of valuation reserves from investments valued at equity method | - | - |
| **Other comprehensive income after tax reclassified to profit or loss** | **45** | **(81)** |
| Foreign investments hedging | - | - |
| Foreign exchange differences | - | - |
| Cash flow hedging | (36) | (33) |
| Hedging instruments (non-designated items) | - | - |
| Financial assets (different from equity instruments) at fair value through other comprehensive income | 83 | (53) |
| Non-current assets and disposal groups classified as held for sale | - | - |
| Part of valuation reserves from investments valued at equity method | (3) | 5 |
| **Total other comprehensive income after tax** | **(168)** | **(67)** |
| **COMPREHENSIVE INCOME** | **164** | **298** |
| Minority consolidated comprehensive income | (6) | (13) |
| **Parent Company's consolidated comprehensive income** | **158** | **285** |
| | | |
| **Earnings per share (in €, basic and diluted)** | **0.71** | **1.29** |

# Consolidated Statement of Financial Position

## Consolidated balance sheet

(€ million)

| ASSETS | AMOUNTS AS AT 30.06.2019 | AMOUNTS AS AT 31.12.2018 |
|---|---|---|
| 10. Cash and cash balances | 91 | 98 |
| 20. Financial assets at fair value through profit or loss: | 2,386 | 2,147 |
| a) financial assets held for trading | 1,051 | 783 |
| b) financial assets designated at fair value | - | - |
| c) other financial assets mandatorily at fair value | 1,335 | 1,365 |
| 30. Financial assets at fair value through other comprehensive income | 12,994 | 13,490 |
| 40. Financial assets at amortised cost: | 77,969 | 77,005 |
| a) loans and advances to banks | 15,907 | 15,284 |
| b) loans and advances to customers | 62,062 | 61,721 |
| 50. Hedging derivatives | 2,068 | 1,619 |
| 60. Changes in fair value of portfolio hedged items (+/-) | 637 | 271 |
| 70. Equity investments | 2,220 | 2,183 |
| 80. Insurance reserves charged to reinsurers | - | - |
| 90. Property, plant and equipment | 962 | 601 |
| 100. Intangible assets | 2 | 3 |
| *of which: goodwill* | - | - |
| 110. Tax assets: | 386 | 355 |
| a) current | 31 | 31 |
| b) deferred | 355 | 324 |
| 120. Non-current assets and disposal groups classified as held for sale | 872 | 926 |
| 130. Other assets | 386 | 330 |
| **Total assets** | **100,974** | **99,029** |

# Consolidated Statement of Financial Position

(€ million)

| LIABILITIES AND SHAREHOLDERS' EQUITY | AMOUNTS AS AT 30.06.2019 | AMOUNTS AS AT 31.12.2018 |
|---|---|---|
| 10. Financial liabilities at amortised cost: | 83,437 | 82,496 |
| a) deposits from banks | 15,590 | 14,444 |
| b) deposits from customers | 55,311 | 55,651 |
| c) debt securities in issue | 12,536 | 12,402 |
| 20. Financial liabilities held for trading | 1,106 | 770 |
| 30. Financial liabilities designated at fair value | 102 | 247 |
| 40. Hedging derivatives | 1,977 | 1,368 |
| 50. Value adjustment of hedged financial liabilities (+/-) | 476 | 178 |
| 60. Tax liabilities: | 54 | 52 |
| a) current | 54 | 50 |
| b) deferred | - | 2 |
| 70. Liabilities associated with assets classified as held for sale | 548 | 540 |
| 80. Other liabilities | 712 | 697 |
| 90. Provision for employee severance pay | - | - |
| 100. Provisions for risks and charges: | 4,263 | 4,320 |
| a) commitments and guarantees given | 179 | 196 |
| b) post-retirement benefit obligations | 3,912 | 3,776 |
| c) other provisions for risks and charges | 172 | 348 |
| 110. Technical reserves | - | - |
| 120. Valuation reserves | (1,474) | (1,305) |
| 130. Redeemable shares | - | - |
| 140. Equity instruments | - | - |
| 150. Reserves | 3,588 | 3,148 |
| 160. Share premium | 4,137 | 4,136 |
| 170. Share capital | 1,681 | 1,681 |
| 180. Treasury shares (-) | - | - |
| 190. Minority shareholders' equity (+/-) | 42 | 64 |
| 200. Profit (Loss) for the period (+/-) | 326 | 637 |
| **Total liabilities and shareholders' equity** | **100,974** | **99,029** |

# Consolidated Statement of Changes in Equity

| | | ALLOCATION OF PROFIT FROM PREVIOUS YEAR | |
|---|---|---|---|
| | BALANCE AS AT 31.12.2018 | RESERVES | DIVIDENDS |
| Share capital:<br>a) ordinary shares | 1,681 | - | - |
| b) other shares | - | - | - |
| Share premium | 4,136 | - | - |
| Reserves:<br>a) other reserve | 3,149 | 637 | (201) |
| b) foreign currency reserve | (1) | - | - |
| Revaluation reserve: | (1,305) | - | - |
| a) Cashflow Hedge Reserve | 77 | - | - |
| b) Revaluation Reserve @FVTOCI | 321 | - | - |
| c) Revaluation Reserve associates and joint ventures | 32 | - | - |
| d) Pension and similar liabilities IAS 19 | (1,735) | - | - |
| Profit (Loss) for the year | 637 | (637) | - |
| **Shareholders' Equity Group** | **8,297** | **-** | **(201)** |
| Shareholders' Equity minorities | 64 | - | (29) |
| Total Shareholders' Equity | 8,361 | - | (230) |

| | | | | | | ALLOCATION OF PROFIT FROM PREVIOUS YEAR | |
|---|---|---|---|---|---|---|---|
| | BALANCE AS AT 31.12.2017 | ADJUSTMENT OF SOCIAL CAPITAL | BALANCE AS AT 31.12.2017 1) | FIRST-TIME ADOPTION IFRS 9 | BALANCE AS AT 1 JAN. 2018 INCL. ADJUSTMENT OF SOCIAL CAPITAL & IFRS 9 IMPACT | RESERVES | DIVIDENDS |
| Share capital:<br>a) ordinary shares | 1,681 | - | 1,681 | - | 1,681 | - | - |
| b) other shares | - | - | - | - | - | - | - |
| Share premium | 4,135 | - | 4,135 | - | 4,135 | - | - |
| Reserves:<br>a) other reserve | 2,710 | - | 2,711 | 62 | 2,772 | 653 | (379) |
| b) foreign currency reserve | - | - | - | - | - | - | - |
| Revaluation reserve: | (904) | 6 | (899) | (64) | (963) | - | - |
| a) Cashflow Hedge Reserve | 149 | - | 149 | - | 149 | - | - |
| b) Revaluation Reserve @FVTOCI | 500 | - | 500 | (64) | 436 | - | - |
| c) Revaluation Reserve associates and joint ventures | 36 | - | 36 | - | 36 | - | - |
| d) Pension and similar liabilities IAS 19 | (1,589) | 6 | (1,584) | - | (1,584) | - | - |
| Profit (Loss) for the year | 653 | - | 653 | - | 653 | (653) | - |
| **Shareholders' Equity Group** | **8,275** | **6** | **8,281** | **(3)** | **8,278** | **-** | **(379)** |
| Shareholders' Equity minorities | 62 | - | 62 | - | 61 | -16 2) | - |
| Total Shareholders' Equity | 8,336 | 6 | 8,342 | (3) | 8,339 | (16) | (379) |

1) Adjustment of social capital
2) includes dividend payments of minorities

# Consolidated Statement of Changes in Equity

(€ million)

| | | | | | |
|---|---|---|---|---|---|
| CHANGES IN THE PERIOD | | | | | |
| | SHAREHOLDERS' EQUITY TRANSACTIONS | | | | |
| CHANGES IN RESERVES | CHANGES IN EQUITY INVESTMENTS | OTHER | TOTAL | OTHER COMPREHENSIVE INCOME | GROUP SHAREHOLDERS' EQUITY AS AT 30.06.2019 |
| - | - | - | - | - | 1,681 |
| - | - | - | - | - | - |
| - | - | 1 | 1 | - | 4,137 |
| (11) | - | 15 | 15 | - | 3,589 |
| - | - | - | - | - | (1) |
| - | - | (2) | (2) | (168) | (1,474) |
| - | - | - | - | (36) | 42 |
| - | - | - | - | 83 | 404 |
| - | - | (2) | (2) | (3) | 27 |
| - | - | - | - | (213) | (1,947) |
| - | - | - | - | 326 | 326 |
| **(11)** | **-** | **14** | **14** | **158** | **8,258** |
| - | - | 2 | 1 | 6 | 42 |
| (11) | - | 16 | 16 | 164 | **8,300** |

(€ million)

| | | | | | |
|---|---|---|---|---|---|
| CHANGES IN THE PERIOD | | | | | |
| | SHAREHOLDERS' EQUITY TRANSACTIONS | | | | |
| CHANGES IN RESERVES | CHANGES IN EQUITY INVESTMENTS | OTHER | TOTAL | OTHER COMPREHENSIVE INCOME | GROUP SHAREHOLDERS' EQUITY AS AT 30.06.2018 |
| - | - | - | - | - | 1,681 |
| - | - | - | - | - | - |
| - | - | - | - | - | 4,135 |
| 65 | (3) | 27 | 24 | - | 3,136 |
| - | - | - | - | - | (1) |
| 6 | - | (27) | (27) | (69) | (1,053) |
| - | - | - | - | (33) | 116 |
| - | - | - | - | (55) | 380 |
| 6 | - | 3 | 3 | 5 | 51 |
| - | - | (30) | (30) | 14 | (1,600) |
| 354 | - | - | - | - | 354 |
| **425** | **(3)** | **-** | **(3)** | **(70)** | **8,252** |
| 11 | (1) | - | (1) | 2 | 59 |
| 437 | (4) | - | (3) | (67) | **8,310** |

# Consolidated Statement of Cash Flows

## Consolidated cash flow statement (indirect method)

(€ million)

| | AS AT | |
|---|---|---|
| | 30.06.2019 | 30.06.2018 |
| A. OPERATING ACTIVITIES | | |
| **1. Operations:** | **265** | **23** |
| - profit (loss) of the period (+/-) | 332 | 365 |
| - gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+) | 3 | 1 |
| - gains (losses) on hedge accounting (-/+) | - | 1 |
| - net losses/recoveries on impairments (+/-) | (9) | (98) |
| - net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-) | 49 | 19 |
| - net provisions for risks and charges and other expenses/income (+/-) | (60) | (40) |
| - unpaid duties, taxes and tax credits (+/-) | 23 | 13 |
| - impairments/write-backs after tax on discontinued operations (+/-) | 1 | - |
| -other adjustments (+/-) | (73) | (238) |
| **2. Liquidity generated/absorbed by financial assets:** | **(1.709)** | **2.028** |
| - financial assets held for trading | (284) | 214 |
| - financial assets designated at fair value | - | 1 |
| - other financial assets mandatorily at fair value | 55 | 75 |
| - financial assets at fair value through other comprehensive income | 578 | (345) |
| - financial assets at amortised cost | (922) | 1.673 |
| - other assets | (1.136) | 410 |
| **3. Liquidity generated/absorbed by financial liabilities:** | **1.628** | **(1.841)** |
| - financial liabilities at amortised cost | 923 | (1.187) |
| - financial liabilities held for trading | 336 | (221) |
| - financial liabilities designated at fair value | (150) | (55) |
| - other liabilities | 519 | (379) |
| **Net liquidity generated/absorbed by operating activities** | **185** | **209** |
| B. INVESTMENT ACTIVITIES | | |
| **1. Liquidity generated by:** | **96** | **185** |
| - sales of equity investments | - | - |
| - collected dividends on equity investments | 37 | 38 |
| - sales of property, plant and equipment | 35 | 70 |
| - sales of intangible assets | - | - |
| - sales of subsidiaries and business units | 24 | 77 |
| **2. Liquidity absorbed by:** | **(58)** | **(130)** |
| - purchases of equity investments | - | - |
| - purchases of property, plant and equipment | (57) | (129) |
| - purchases of intangible assets | - | (1) |
| - purchases of subsidiaries and business units | - | - |
| **Net liquidity generated/absorbed by investment activities** | **38** | **55** |
| C. FUNDING ACTIVITIES | | |
| - issue/purchase of equity instruments | - | - |
| - dividend distribution and other | (230) | (379) |
| - sale/purchase of minority control | - | - |
| - Proceeds from issues of subordinated liabilities | - | - |
| - Payments for repayment of subordinated liabilities | - | - |
| **Net liquidity generated/absorbed by funding activities** | **(230)** | **(379)** |
| **NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR** | **(8)** | **(115)** |

# Notes to the Consolidated Financial Statements

## Bases for preparing the financial statements

The consolidated financial statements for the first half of 2019 (January 2019 to June 2019) includes the financial statements of UniCredit Bank Austria AG and its subsidiaries in addition to the Group's shares in associated companies and jointly managed companies (collectively referred to as Bank Austria). The consolidated financial statements have been prepared in euros, the Group's reporting currency.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as assumed by the European Union (EU) in application of IAS 34, "Interim Financial Reporting".

The consolidated financial statements of Bank Austria for the first half of 2019 have not been certified and were not subject to any audit review. They include the balance sheet, the profit and loss account, the statement of total comprehensive income, the statement of changes in equity, the statement of cash flow, segment reporting and selected explanatory notes. The selected explanatory notes describe events and transactions that are important to understand the changes in the Group's earnings, financial and asset situation since the consolidated financial statements for the financial year as at 31 December 2018.

The consolidated financial statements do not include all of the information necessary for the consolidated financial statements of one financial year. The consolidated financial statements must be read in connection with Bank Austria's 2018 audited consolidated financial statements which were prepared in application of the same accounting principles.

Certain categories of assets and liabilities, estimates and assumptions are required from management in order to prepare the financial statements pursuant to IFRS. These assumptions and estimates affect the reported income and expenses in the reporting period and the reported asset and liability amounts in addition to information on contingent receivables and contingent liabilities as at the reporting date. Actual results may deviate from Management's estimates, and the reporting results should not definitively be viewed as an indication of the results to be expected for the entire year.

## Accounting methods

In comparison to Bank Austria's consolidated financial statements as at 31 December 2018, there were no significant changes to the accounting principles that arose from the application of new or amended standards, apart from the first-time application of IFRS 16, "Leases".

## Application of amended and new IFRS or IAS

### The first-time application of amended and new accounting regulations and accounting methods

**IFRS 16 "Leases" (in effect as of 1 January 2019)**
IFRS 16, effective starting from 1 January 2019 and subject to the completion of the endorsement process by the European Union on 31 October 2017, modifies the previous set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS 16 introduces a new definition for leases and confirms the current distinction between two types of leases (operating and finance lease) with reference to the accounting treatment to be applied by the lessor. With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition of an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

# Notes to the Consolidated Financial Statements

At the initial recognition, such asset is measured on the basis of the lease contract cash flows. After the initial recognition, the right of use will be measured on the basis of the rules set for the assets by IAS16, IAS38 or by IAS40 and therefore applying the cost model (less any accumulated depreciation and any accumulated impairment losses), the revaluation model or the fair value model as applicable.

In this context, Bank Austria has performed the activities aimed to ensure compliance with these accounting principles, in particular with reference to the calculation and accounting for right of use and lease liability that represent the main discontinuity compared to the previous accounting model required by IAS17.

With reference to the first-time adoption of IFRS 16 Bank Austria decided, as allowed by the standard, to calculate the lease liability as the present value of future lease payments as at 1 January 2019 and to determine the right of use on the basis of the value of the lease liability. The interest rate used to discount the lease payments and to calculate the right of use is the same as the incremental borrowing rate of the lessee as this was defined as the best indicator. The incremental borrowing rate is calculated “point in time” and not on an average basis.

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

On 1 January 2019, Bank Austria has recognized the right of use in an amount of €370 million relating to lease contracts. At the same date, lease liabilities for an amount of €366 million relating to lease contracts were recognised. The difference is due to a provision for maintenance.

**Amendments to IFRS 9: Prepayment rules with negative compensation (issued on 12 October 2017)**
On 12 October 2017, the IASB published prepayment rules with negative compensation (amendments to IFRS 9). For financial instruments that include a prepayment amount which results in negative compensation, the suggestion for adjustment provides that such an asset is to be valued at amortised cost or at fair value in the other total comprehensive income, depending on the business model allocation, when B4.1.11(b) and B4.1.12(b) of IFRS 9 is applied. As a result, paragraphs B4.1.11(b) and B4.1.12(b) of IFRS 9 (as issued in 2014) were amended in order to allow for negative compensation for premature terminations of agreements to be treated appropriately.
The amendment shall be in force for financial years starting on or after 1 January 2019, i.e. one year after the first-time application of IFRS 9. Bank Austria does not have any such transactions.

**Amendments to the “Annual Improvements to IFRS (2015-2017 cycle)”**
On 12 December 2017, amendments were published by the IASB as part of the annual improvements to the IFRS project. As a result of the Annual Improvements to IFRSs (2015-2017), amendments were made to four standards. It was clarified in IFRS 3 that the shares previously held in the business must be revalued in the event of control over a joint business activity being acquired by one company. It was clarified in IFRS 11 that the shares previously held in the business need not be revalued in the event of control over a joint business being acquired by one company. It was clarified in IAS 12 that the income tax effects of the collection of dividends are to be reported in the operating result. This shall apply regardless of how the tax burden arose. It was clarified in IAS 23 that third-party means that are to be specifically allocated to the procurement or creation of a qualifying asset are only to be excluded from third-party capital cost rates as long as the conditions for their intended final use have not yet been met. The standard was incorporated into EU law in the first quarter of 2019 and does not have any relevance for Bank Austria.

**Amendments to IAS 19: Plan amendments, curtailments or settlements**
The IASB published amendments to IAS 19 (Plan Amendment, Curtailment or Settlement – Amendments to IAS 19) on 7 February 2018. According to IAS 19, pension obligations must be valued based on up-to-date assumptions for plan amendments, curtailments or settlements. This amendment clarifies that past service costs and net interest rates are to be considered based on up-to-date assumptions for the rest of the period after such an event. The amendments have been applied from 1 January 2019 onwards and do not have any effects.

# Notes to the Consolidated Financial Statements

**Amendments to IAS 28 with regard to long-term investments in associates and joint ventures**
On 12 October 2017, the IASB published amendments to IAS 28 in order to clarify that a company shall apply IFRS 9, "Financial instruments", including impairment regulations, to long-term investments in associates or joint ventures that make up part of the net investment in this associated company or joint venture but that are not balanced according to the equity method. The amendments shall come into force for the reporting periods beginning on or after 1 January 2019. Bank Austria has not had any such transactions.

**IFRIC 23 – Uncertainty over Income Tax Treatments**
On 7 June 2017, IFRIC 23 was published which clarifies the balancing of uncertainty with regard to income tax. The interpretation is to be applied to taxable profit (tax losses) and unused tax losses and tax credits if there is uncertainty with regard to income tax treatment pursuant to IAS 12.

## New and amended accounting regulations which have not yet been applied

**IFRS 17 Insurance contracts**
IFRS 17 governs the principles with regard to the formation, evaluation, disclosure and information for insurance contracts with the area of application of the standard. The standard was published on 18 May 2017 and must be mandatorily applied for the first time to financial years starting on or after 1 January 2021. There is still no endorsement by the EU. UniCredit Bank Austria AG does not expect any significant effect from this standard but details such as the effect on the off-balance sheet area must still be analysed.

**Amendments to IFRS 3 Business combinations**
On 22 October 2018, the IASB adapted the criteria for defining businesses. Resources ("inputs") and at least one substantive process, which collectively contribute to the ability to generate results ("outputs"), are necessary to classify a business. The amendments include guidelines and examples of what constitutes a substantive process.

The amendment to the standard introduces an optional "concentration test". If the entire fair value of the gross assets required are concentrated on one or more assets of the same kind, then there is no business operations.

In future, fewer acquisitions will be accounted for as business combinations in the result. This has corresponding effects on the recognition of goodwill, but also on the consideration of deferred taxes and transaction costs. The amendments shall apply to financial years beginning on or after 1 January 2020. Early application is permitted subject to assumption into EU law. An analysis of the effects shall be conducted, where necessary, based on the facts and circumstances.

**Amendments to IAS 1 and IAS 8 with regard to the definition of materiality**
The IASB issued the "Definition of materials (amendments to IAS 1 and IAS 8)" in order to strengthen the definition of "material" and in order to standardise the various definitions within the framework concept and in the standards themselves. Information is material if it can reasonably be expected that their omission, false portrayal or concealment could influence the decisions of primary addressees that will be made based on such conclusions. The amendments are to be applied to financial years starting on or after 1 January 2020. Earlier application is permitted. The effect of this amendment is still to be analysed.

**Amendments to the references to the framework concept in IFRS standards**
In combination with the revised framework concept, the IASB also issued amendments to the references to the framework concept in IFRS standards. Amendments were made to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. However, not all amendments shall apply to the updating of these announcements with regard to the references they include to the framework concept or quotations from such. Some announcements were merely updated in order to indicate which version of the framework concept they refer to (the IASC framework concept assumed by the IASB in 2001, the 2010 IASB framework concept and the newly revised 2018 framework concept) or to indicate that the definitions of the standard have not been updated in accordance with the new definitions developed in the revised framework concept. Provided they represent actual updates, the amendments are to be applied to financial years beginning on or after 1 January 2020. The effect of this amendment is still to be analysed.

# Notes to the Consolidated Financial Statements

## Information concerning fair value

This section discusses the information concerning fair value required by IFRS 13.

The methods to determine fair values for various holdings of financial instruments in the consolidated financial statements as at 31 December 2018 were disclosed in detail and are still valid.

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

### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

(€ million)

| FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE | AMOUNTS AS AT 30.06.2019 | | | AMOUNTS AS AT 31.12.2018 | | |
|---|---|---|---|---|---|---|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| 1. Financial assets at fair value through profit or loss | 7 | 1,934 | 445 | 7 | 1,582 | 559 |
| a) Financial assets held for trading | - | 1,033 | 18 | - | 776 | 7 |
| b) Financial assets designated at fair value | - | - | - | - | - | - |
| c) Financial assets mandatorily at fair value | 7 | 901 | 427 | 7 | 806 | 552 |
| 2. Financial assets at fair value through other comprehensive income | 11,333 | 1,554 | 107 | 11,839 | 1,551 | 100 |
| 3. Hedging derivatives | - | 2,068 | - | - | 1,619 | - |
| 4. Property, plant and equipment | - | - | 14 | - | - | 13 |
| 5. Intangible assets | - | - | - | - | - | - |
| **Total** | **11,341** | **5,556** | **566** | **11,846** | **4,752** | **672** |
| 1. Financial liabilities held for trading | - | 1,086 | 19 | - | 759 | 10 |
| 2. Financial liabilities designated at fair value | - | 100 | 1 | - | 245 | 1 |
| 3. Hedging derivatives | - | 1,977 | - | - | 1,368 | - |
| **Total** | **-** | **3,164** | **20** | **-** | **2,373** | **12** |

In the first half of 2019, in item 2 “Financial assets measured at fair value through other comprehensive income”, there were transfers of €5 million from fair value hierarchy level 1 to level 2.

### Holdings measured at fair value: Fair value level 3 sensitivity analysis

The sensitivity analysis for level 3 items measured at fair value on a recurring basis with regard to non-observable model input factors is based on the following categories of model input factors:

**Risk premiums (credit spreads – SP):** The issuer’s risk premium is the main non-observable input factor for instruments with issuer risk.

**Interest rates – IR:** Due to a lack of liquid interest swap markets, the term structure of the yield curve is used.

**Equity instruments (equity – EQ):** Due to a lack of active markets, approximate values are used.
The appropriate alternative estimate of the model input factor can be found in the “fluctuation range” column.

The sensitivity analysis for Bank Austria shows that the material level 3 items are shares, share funds and share options which are mainly recorded in the banking book.

# Notes to the Consolidated Financial Statements

(€ million)

| FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE | AS AT 30.06.2019<br>FAIR VALUE ASSETS LEVEL 3 | FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES | |
|---|---|---|---|
| 1. Financial assets at fair value through profit or loss | 445 | +/- | 17.0 |
| a) Financial assets held for trading | 18 | +/- | 11.5 |
| b) Financial assets designated at fair value | - | +/- | - |
| c) Financial assets mandatorily at fair value | 427 | +/- | 5.5 |
| 2. Financial assets at fair value through other comprehensive income | 107 | +/- | 0.7 |
| 3. Hedging derivatives | - | +/- | - |
| 4. Property, plant and equipment | 14 | +/- | - |
| 5. Intangible assets | - | +/- | - |
| **Total A** | **566** | **+/-** | **17.7** |
| 1. Financial liabilities held for trading | 19 | +/- | 11.5 |
| 2. Financial liabilities designated at fair value | 1 | +/- | - |
| 3. Hedging derivatives | - | +/- | - |
| **Total B** | **20** | **+/-** | **11.5** |

### Transfers between holdings

Due to the extraordinary circumstances which arose as a result of the financial market crisis, asset backed securities were reclassified, effective from 1 July 2008, at the fair value determined on this reporting date from the trading portfolio to the category “Financial assets at amortised cost”.

As at 30 June 2019, an amount of €104 million (31 December 2018: €117 million) from this item was included in receivables from customers.

# Notes to the Consolidated Financial Statements

## Scope of consolidation and amendments to the scope of consolidation of Bank Austria Group for the first half of 2019

| | CONSOLIDATED COMPANIES | COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD | TOTAL |
|---|---|---|---|
| **Opening balance** | **229** | **16** | **245** |
| **Additions** | **1** | **-** | **1** |
| Newly established companies | - | - | - |
| Acquired companies | 1 | - | 1 |
| Other changes | - | - | - |
| Changes in UniCredit Group | - | - | - |
| **Disposals** | **-8** | **-1** | **-9** |
| Companies sold or liquidated | -5 | -1 | -6 |
| Mergers | - | - | - |
| Changes in UniCredit Group | -3 | - | -3 |
| **CLOSING BALANCE** | **222** | **15** | **237** |

The number of Bank Austria companies reduced in the first half of the year from 245 to 237.

The company UniCredit Gustra Leasing GmbH was acquired earlier on in the 2019 financial year.

The scope of consolidation was reduced due to deconsolidations due to immateriality and due to the sale of ÖHT (Österreichische Hotel- und Tourismusbank).

In 2019, so far, the following deconsolidations have taken place:

### Fully consolidated companies:

- BACA Leasing Carmen GmbH
- MCL RE Ljubljana poslovni najem nepremicnin, d.o.o.
- RE-St. Marx Holding GmbH
- UniCredit-Leasing Hospes Kft.
- UniCredit Leasing Mars Kft.
- UniCredit-Leasing Luna Kft.
- UniCredit-Leasing Neptunus Kft.
- UniCredit Leasing Uranus Kft.

### Companies consolidated according to the equity method

- Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.

# Notes to the income statement

## 1.1 Interest income and similar revenues: breakdown

(€ million)

| ITEMS/TYPES | AS AT 30.06.2019 DEBT SECURITIES | LOANS | OTHER TRANSACTIONS | TOTAL | AS AT 30.06.2018 TOTAL |
|---|---|---|---|---|---|
| **1. Financial assets at fair value through profit or loss** | **1** | **27** | **96** | **124** | **27** |
| 1.1 Financial assets held for trading | - | - | 96 | 96 | - |
| 1.2 Financial assets designated at fair value | - | - | - | - | - |
| 1.3 Other financial assets mandatorily at fair value | 1 | 27 | - | 28 | 27 |
| **2. Financial assets at fair value through other comprehensive income** | **86** | **-** | **X** | **86** | **91** |
| **3. Financial assets at amortised cost** | **-** | **524** | **X** | **524** | **509** |
| 3.1 Loans and advances to banks | - | 26 | X | 26 | 22 |
| 3.2 Loans and advances to customers | - | 497 | X | 497 | 487 |
| **4. Hedging derivatives** | **X** | **X** | **(64)** | **(64)** | **79** |
| **5. Other assets** | **X** | **X** | **7** | **7** | **6** |
| **6. Financial liabilities** | **X** | **X** | **X** | **15** | **28** |
| **Total** | **87** | **550** | **39** | **692** | **742** |
| *of which: interest income on impaired financial assets* | - | *19* | - | *19* | *21* |
| *of which: interest income on financial lease* | - | *34* | - | *34* | - |

## 1.3 Interest expenses and similar charges: breakdown

(€ million)

| ITEMS/TYPES | AS AT 30.06.2019 DEBTS | SECURITIES | OTHER TRANSACTIONS | TOTAL | AS AT 30.06.2018 TOTAL |
|---|---|---|---|---|---|
| **1. Financial liabilities at amortised cost** | **(86)** | **(129)** | **X** | **(215)** | **(251)** |
| 1.1 Deposits from central banks | - | X | X | - | (1) |
| 1.2 Deposits from banks | (45) | X | X | (45) | (53) |
| 1.3 Deposits from customers | (41) | X | X | (41) | (50) |
| 1.4 Debt securities in issue | X | (129) | X | (129) | (147) |
| **2. Financial liabilities held for trading** | **-** | **-** | **(96)** | **(96)** | **(1)** |
| **3. Financial liabilities designated at fair value** | **-** | **-** | **-** | **-** | **(1)** |
| **4. Other liabilities and funds** | **X** | **X** | **(1)** | **(1)** | **(1)** |
| **5. Hedging derivatives** | **X** | **X** | **114** | **114** | **-** |
| **6. Financial assets** | **X** | **X** | **X** | **(18)** | **(10)** |
| **Total** | **(86)** | **(129)** | **17** | **(216)** | **(265)** |
| *of which: interest income on lease deposits* | *(5)* | - | - | *(5)* | - |

# Notes to the income statement

## 2.1 Fees and commissions income: breakdown

(€ million)

| TYPE OF SERVICES/VALUES | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| a) Guarantees given | 20 | 19 |
| b) Credit derivatives | - | 1 |
| c) Management, brokerage and consultancy services | 172 | 182 |
| 1. Securities trading | - | - |
| 2. Currency trading | 1 | 1 |
| 3. Portfolio management | 106 | 95 |
| 3.1 Individual | 25 | 28 |
| 3.2 Collective | 81 | 67 |
| 4. Custody and administration of securities | 26 | 43 |
| 5. Custodian bank | 16 | 16 |
| 6. Placement of securities | 3 | 2 |
| 7. Reception and transmission of orders | 8 | 11 |
| 8. Advisory services | - | - |
| 8.1 Relating to investments | - | - |
| 8.2 Relating to financial structure | - | - |
| 9. Distribution of third party services | 11 | 14 |
| 9.1 Portfolio management | 2 | 2 |
| 9.1.1 Individual | - | - |
| 9.1.2 Collective | 2 | 2 |
| 9.2 Insurance products | 8 | 9 |
| 9.3 Other products | 1 | 3 |
| d) Collection and payment services | 45 | 47 |
| e) Securitisation servicing | - | - |
| f) Factoring | 2 | 1 |
| g) Tax collection services | - | - |
| h) Management of multilateral trading facilities | - | - |
| i) Management of current accounts | 67 | 67 |
| j) Other services | 132 | 133 |
| k) Security lending | - | - |
| **Total** | **438** | **450** |

## 2.2 Fees and commissions expenses: breakdown

(€ million)

| SERVICES/VALUES | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| a) Guarantees received | (7) | (7) |
| b) Credit derivatives | - | - |
| c) Management, brokerage and consultancy services | (32) | (29) |
| 1. Trading financial instruments | (2) | (1) |
| 2. Currency trading | - | - |
| 3. Portfolio management | (7) | (6) |
| 3.1 Own portfolio | (2) | (1) |
| 3.2 Third party portfolio | (5) | (5) |
| 4. Custody and administration of securities | (12) | (13) |
| 5. Placement of financial instruments | - | - |
| 6. Off-site distribution of financial instruments, products and services | (11) | (9) |
| d) Collection and payment services | (60) | (56) |
| e) Other services | (3) | (3) |
| f) Security lending | - | - |
| **Total** | **(102)** | **(95)** |

# Notes to the income statement

### 3.1 Dividend income and similar revenues: breakdown

(€ million)

| ITEMS/REVENUES | AS AT 30.06.2019 | | AS AT 30.06.2018 | |
|---|---|---|---|---|
| | DIVIDENDS | SIMILAR REVENUES | DIVIDENDS | SIMILAR REVENUES |
| A. Financial assets held for trading | - | - | - | - |
| B. Other financial assets mandatorily at fair value | - | - | - | - |
| C. Financial assets at fair value through other comprehensive income | 1 | - | 3 | - |
| D. Equity investments | - | - | - | - |
| **Total** | **1** | **-** | **3** | **-** |
| **Total dividends and similar revenues** | | **1** | | **3** |

### 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

(€ million)

| TRANSACTIONS/P&L ITEMS | AS AT 30.06.2019 | | | | |
|---|---|---|---|---|---|
| | CAPITAL GAINS (A) | REALISED PROFITS (B) | CAPITAL LOSSES (C) | REALISED LOSSES (D) | NET PROFIT [(A + B) − (C + D)] |
| **1. Financial assets held for trading** | **-** | **1** | **-** | **-** | **1** |
| 1.1 Debt securities | - | - | - | - | - |
| 1.2 Equity instruments | - | - | - | - | - |
| 1.3 Units in investment funds | - | - | - | - | - |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | 1 | - | - | 1 |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Deposits | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - |
| **3. Financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **14** |
| **4. Derivatives** | **-** | **-** | **(16)** | **-** | **(16)** |
| 4.1 Financial derivatives | - | - | (16) | - | (16) |
| - On debt securities and interest rates | - | - | (16) | - | (16) |
| - On equity securities and share indices | - | - | - | - | - |
| - On currency and gold | X | X | X | X | - |
| - Other | - | - | - | - | - |
| 4.2 Credit derivatives | - | - | - | - | - |
| *of which: economic hedges linked to the fair value option* | *X* | *X* | *X* | *X* | - |
| **Total** | **-** | **1** | **(16)** | **-** | **(1)** |

# Notes to the income statement

## 5.1 Fair value adjustments in hedge accounting: breakdown

(€ million)

| P&L COMPONENT/VALUES | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| **A. Gains on** | | |
| A.1 Fair value hedging instruments | 519 | 310 |
| A.2 Hedged financial assets (in fair value hedge relationship) | 67 | 68 |
| A.3 Hedged financial liabilities (in fair value hedge relationship) | - | - |
| A.4 Cash-flow hedging derivatives | - | - |
| A.5 Assets and liabilities denominated in currency | - | - |
| **Total gains on hedging activities (A)** | **586** | **378** |
| **B. Losses on** | | |
| B.1 Fair value hedging instruments | (499) | (334) |
| B.2 Hedged financial assets (in fair value hedge relationship) | - | - |
| B.3 Hedged financial liabilities (in fair value hedge relationship) | (86) | (44) |
| B.4 Cash-flow hedging derivatives | - | - |
| B.5 Assets and liabilities denominated in currency | - | - |
| **Total losses on hedging activities (B)** | **(586)** | **(379)** |
| **C. Net hedging result (A – B)** | **-** | **(1)** |
| *of which: net gains (losses) of hedge accounting on net positions* | - | - |

## 6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)

| | AS AT 30.06.2019 | | | AS AT 30.06.2018 | | |
|---|---|---|---|---|---|---|
| ITEMS/P&L ITEMS | GAINS | LOSSES | NET PROFIT | GAINS | LOSSES | NET PROFIT |
| **A. Financial assets** | | | | | | |
| 1. Financial assets at amortised cost | - | - | - | - | - | - |
| 1.1 Loans and advances to banks | - | - | - | - | - | - |
| 1.2 Loans and advances to customers | - | - | - | - | - | - |
| 2. Financial assets at fair value through other comprehensive income | 10 | - | 10 | 6 | - | 6 |
| 2.1 Debt securities | 10 | - | 10 | 6 | - | 6 |
| 2.2 Loans | - | - | - | - | - | - |
| **Total assets (A)** | **10** | **-** | **10** | **6** | **-** | **6** |
| **B. Financial liabilities at amortised cost** | | | | | | |
| 1. Deposits from banks | - | - | - | - | - | - |
| 2. Deposits from customers | - | - | - | - | - | - |
| 3. Debt securities in issue | - | - | - | - | - | - |
| **Total liabilities (B)** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total financial assets/liabilities** | | | **10** | | | **6** |

# Notes to the income statement

### 7.1 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€ million)

| TRANSACTIONS/P&L ITEMS | AS AT 30.06.2019 | | | | |
|---|---|---|---|---|---|
| | CAPITAL GAINS (A) | REALISED PROFITS (B) | CAPITAL LOSSES (C) | REALISED LOSSES (D) | NET PROFIT [(A + B) – (C + D)] |
| **1. Financial assets** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Debt securities | - | - | - | - | - |
| 1.2 Loans | - | - | - | - | - |
| **2. Financial liabilities** | **44** | **-** | **(49)** | **-** | **(5)** |
| 2.1 Debt securities | - | - | (2) | - | (1) |
| 2.2 Deposits from banks | 44 | - | (48) | - | (4) |
| 2.3 Deposits from customers | - | - | - | - | - |
| **3. Financial assets and liabilities in foreign currency: exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **Total** | **44** | **-** | **(49)** | **-** | **(5)** |

### 7.2 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

(€ million)

| TRANSACTIONS/P&L ITEMS | AS AT 30.06.2019 | | | | |
|---|---|---|---|---|---|
| | CAPITAL GAINS (A) | REALISED PROFITS (B) | CAPITAL LOSSES (C) | REALISED LOSSES (D) | NET PROFIT [(A + B) – (C + D)] |
| **1. Financial assets** | **22** | **2** | **(4)** | **(2)** | **17** |
| 1.1 Debt securities | 7 | - | - | - | 7 |
| 1.2 Equity securities | - | - | - | - | - |
| 1.3 Units in investment funds | 1 | - | - | - | 1 |
| 1.4 Loans | 14 | 1 | (4) | (2) | 9 |
| **2. Financial assets: exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **Total** | **22** | **2** | **(4)** | **(2)** | **17** |

# Notes to the income statement

### 8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

(€ million)

| | AS AT 30.06.2019 | | | | | | AS AT 30.06.2018 |
|---|---|---|---|---|---|---|---|
| | WRITE-DOWNS | | | WRITE-BACKS | | | |
| | LEVEL 1 AND LEVEL 2 | LEVEL 3 | | LEVEL 1 AND LEVEL 2 | LEVEL 3 | | |
| TRANSACTIONS/P&L ITEMS | | WRITE-OFF | OTHER | | | TOTAL | TOTAL |
| **A. Loans and advances to banks** | **(2)** | **-** | **-** | **1** | **-** | **(1)** | **3** |
| - Loans | (2) | - | - | 1 | - | (1) | 1 |
| - Debt securities | - | - | - | - | - | - | 2 |
| *of which: acquired or originated impaired loans* | - | - | - | - | - | - | - |
| **B. Loans and advances to customers** | **(89)** | **(10)** | **(68)** | **98** | **76** | **7** | **81** |
| - Loans | (89) | (10) | (68) | 97 | 75 | 5 | 67 |
| - Debt securities | - | - | - | 1 | 1 | 2 | 14 |
| *of which: acquired or originated impaired loans* | - | - | - | - | *3* | *3* | - |
| **Total** | **(92)** | **(10)** | **(68)** | **100** | **76** | **6** | **85** |

### 12.1 Staff expenses: breakdown

(€ million)

| TYPE OF EXPENSES/VALUES | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| **1) Employees** | **(328)** | **(376)** |
| a) Wages and salaries | (238) | (248) |
| b) Social charges | (57) | (62) |
| c) Severance pay | - | - |
| d) Social security costs | - | - |
| e) Allocation to employee severance pay provision | - | - |
| f) Provision for retirements and similar provisions | (15) | (38) |
| - Defined contribution | - | - |
| - Defined benefit [1)] | (15) | (38) |
| g) Payments to external pension funds | (7) | (7) |
| - Defined contribution | (7) | (6) |
| - Defined benefit | (1) | (1) |
| h) Costs arising from share-based payments | (1) | (1) |
| i) Other employee benefits | (8) | (20) |
| **2) Other staff** | **(2)** | **(3)** |
| **3) Directors and Statutory Auditors** | **-** | **-** |
| **4) Early retirement costs** | **-** | **-** |
| **5) Recoveries of payments for second employees to other companies** | **32** | **51** |
| **4) Early retirement costs** | **(3)** | **(3)** |
| **Total** | **(300)** | **(330)** |

1) Decrease compared to previous period due to compensation payments to pensioners who have accepted an offer by the bank.

# Notes to the income statement

### 12.5 Other administrative expenses: breakdown

(€ million)

| TYPE OF EXPENSES/SECTORS | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| **1) Indirect taxes and duties** | **(56)** | **(48)** |
| 1a. Settled | (56) | (48) |
| 1b. Unsettled | - | - |
| **2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)** | **(60)** | **(60)** |
| **3) Guarantee fee for DTA conversion** | **-** | **-** |
| **4) Miscellaneous costs and expenses** | **(240)** | **(294)** |
| a) Advertising marketing and communication | (12) | (15) |
| b) Expenses relating to credit risk | (2) | (2) |
| c) Indirect expenses relating to personnel | (5) | (4) |
| d) Information & Communication Technology expenses | (114) | (117) |
| Lease of ICT equipment and software | (1) | - |
| Software expenses: lease and maintenance | (5) | (4) |
| ICT communication systems | (2) | (2) |
| Services ICT in outsourcing | (102) | (107) |
| Financial information providers | (5) | (4) |
| e) Consulting and professionals services | (10) | (15) |
| Consulting | (7) | (11) |
| Legal expenses | (2) | (4) |
| f) Real estate expenses | (22) | (51) |
| Premises rentals | (2) | (20) |
| Utilities | (5) | (9) |
| Other real estate expenses | (14) | (23) |
| g) Operating costs | (76) | (89) |
| Surveillance and security services | (1) | (3) |
| Money counting services and transport | (3) | (2) |
| Printing and stationery | (3) | (3) |
| Postage and transport of documents | (9) | (10) |
| Administrative and logistic services | (51) | (63) |
| Insurance | (2) | (2) |
| Association dues and fees and contributions to the administrative expenses deposit guarantee funds | (6) | (6) |
| Other administrative expenses - other | - | - |
| **Total (1+2+3+4)** | **(356)** | **(402)** |

# Notes to the income statement

### 13.1 Net provisions for credit risk from loans commitments and financial guarantees given: breakdown

(€ million)

| | AS AT 30.06.2019 | | |
|---|---|---|---|
| | PROVISIONS | REALLOCATION SURPLUS | TOTAL |
| Loan commitments | (13) | 11 | **(2)** |
| Financial guarantees given | (8) | 19 | **11** |

### 13.3 Net provisions for risks and charges: breakdown

(€ million)

| | AS AT 30.06.2019 | | | AS AT 30.06.2018 |
|---|---|---|---|---|
| ASSETS/P&L ITEMS | PROVISIONS | REALLOCATION SURPLUS | TOTAL | TOTAL |
| **1. Other provisions** | | | | |
| 1.1 Legal disputes | (4) | 82 | 78 | - |
| 1.2 Staff costs | - | - | - | - |
| 1.3 Other | (6) | - | (6) | - |
| **Total** [1)] | **(10)** | **82** | **72** | **-** |

1) The positive amount of 72 million € (previous year: 0) is mainly due to the net release of a provision for sanctions after a respective settlement with US authorities in the first quarter of 2019.

### 16.1 Other operating expenses: breakdown

(€ million)

| TYPE OF EXPENSE/VALUES | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| Costs for operating leases | - | - |
| Non-deductible tax and other fiscal charges | - | - |
| Write-downs on leasehold improvements | (6) | (6) |
| Costs relating to the specific service of financial leasing | - | - |
| Other | (13) | (12) |
| **Total of other operating expenses** | **(20)** | **(19)** |

### 16.2 Other operating income: breakdown

(€ million)

| TYPE OF REVENUE/VALUES | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| **A) Recovery of costs** | **-** | **-** |
| **B) Other revenues** | **64** | **61** |
| Revenues from administrative services | 10 | 16 |
| Revenues on rentals Real Estate investments (net of operating direct costs) | 4 | 5 |
| Revenues from operating leases | 26 | 20 |
| Recovery of miscellaneous costs paid in previous years | 5 | 5 |
| Revenues on financial leases activities | 1 | - |
| Other | 18 | 15 |
| **Total of other operating income (A+B)** | **64** | **61** |

# Notes to the income statement

### 17.1 Gains (Losses) of equity investments

(€ million)

| | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| **Joint Ventures** | - | - |
| **Associates** | - | - |
| **Income** | **77** | **64** |
| Profits of associates | 75 | 64 |
| Gains on disposal | 2 | - |
| Write-backs | - | - |
| Other gains | - | - |
| **Expense** | - | - |
| Losses of associates | - | - |
| Impairment losses | - | - |
| Losses on disposal | - | - |
| Other expenses | - | - |
| **Net profit** | **77** | 64 |
| **TOTAL** | **77** | **64** |

### 20.1 Gains and losses on disposal of investments: breakdown

(€ million)

| P&L-ITEMS/SECTORS | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| **A. Property** | | |
| - Gains on disposal | 13 | 14 |
| - Losses on disposal | - | - |
| **B. Other assets** | - | - |
| - Gains on disposal | 1 | - |
| - Losses on disposal | - | (1) |
| **C. Equity investments** | - | - |
| - Gains on disposal | 4 | 18 |
| - Losses on disposal | - | (3) |
| **Total** | **17** | **28** |

### 22.1 Profit (Loss) after tax from discontinued operations: breakdown

(€ million)

| P&L-ITEMS/SECTORS | AS AT 30.06.2019 | AS AT 30.06.2018 |
|---|---|---|
| 1. Income | 8 | 8 |
| 2. Expenses | (5) | (13) |
| 3. Valuation of discontinued operations and related liabilities | - | - |
| 4. Profit (Loss) on disposal | - | 21 |
| 5. Tax | (1) | (2) |
| **Profit (Loss) after tax from discontinued operations** | **3** | **14** |

### 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

### 2.1 Financial assets held for trading: breakdown by product

(€ million)

| ITEMS/VALUES | AMOUNTS AS AT 30.06.2019 LEVEL 1 | LEVEL 2 | LEVEL 3 | AMOUNTS AS AT 31.12.2018 LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|---|---|---|
| **A. Financial assets (non-derivatives)** | | | | | | |
| **1. Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | - | - | - | - | - | - |
| **2. Equity instruments** | **-** | **-** | **-** | **-** | **-** | **-** |
| **3. Units in investment funds** | **-** | **-** | **-** | **-** | **-** | **-** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 Reverse Repos | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total (A)** | **-** | **1** | **-** | **-** | **-** | **-** |
| **B. Derivative instruments** | | | | | | |
| **1. Financial derivatives** | **-** | **1,032** | **18** | **-** | **775** | **7** |
| 1.1 Trading | - | 939 | 18 | - | 644 | 7 |
| 1.2 Linked to fair value option | - | 93 | - | - | 131 | - |
| 1.3 Other | - | - | - | - | - | - |
| **2. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Trading | - | - | - | - | - | - |
| 2.2 Linked to fair value option | - | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - | - |
| **Total (B)** | **-** | **1,032** | **18** | **-** | **775** | **7** |
| **Total (A+B)** | **-** | **1,033** | **18** | **-** | **776** | **7** |
| **Total Level 1, Level 2 and Level 3** | | | **1,051** | | | **783** |

### 2.5 Other financial assets mandatorily at fair value: breakdown by product

(€ million)

| ITEMS/VALUES | AMOUNTS AS AT 30.06.2019 LEVEL 1 | LEVEL 2 | LEVEL 3 | AMOUNTS AS AT 31.12.2018 LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|---|---|---|
| **1. Debt securities** | **-** | **125** | **-** | **-** | **122** | **14** |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | - | 125 | - | - | 122 | 14 |
| **2. Equity instruments** | **-** | **-** | **-** | **-** | **-** | **-** |
| **3. Units in investment funds** | **7** | **1** | **17** | **7** | **1** | **18** |
| **4. Loans** | **-** | **775** | **410** | **-** | **683** | **520** |
| 4.1 Structured | - | - | - | - | - | - |
| 4.2 Other | - | 775 | 410 | - | 683 | 520 |
| **Total** | **7** | **901** | **427** | **7** | **806** | **552** |
| **Total Level 1, Level 2 and Level 3** | | | **1,335** | | | **1,365** |

# Notes to the statement of financial position

### 3.1 Financial assets at fair value through other comprehensive income: breakdown by product

(€ million)

| | AMOUNTS AS AT 30.06.2019 | | | AMOUNTS AS AT 31.12.2018 | | |
|---|---|---|---|---|---|---|
| ITEMS/VALUES | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **1. Debt securities** | **11,333** | **1,528** | **25** | **11,839** | **1,527** | **26** |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other | 11,333 | 1,528 | 25 | 11,839 | 1,527 | 26 |
| **2. Equity instruments** | **-** | **26** | **82** | **-** | **24** | **74** |
| **3. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **11,333** | **1,554** | **107** | **11,839** | **1,551** | **100** |
| **Total Level 1, Level 2 and Level 3** | | | **12,994** | | | **13,490** |

### 4.1 Financial assets at amortised cost: breakdown by product of loans and advances to banks

(€ million)

| TYPE OF TRANSACTIONS/VALUES | AMOUNTS AS AT 30.06.2019 BOOK VALUE STAGE 1 AND STAGE 2 | BOOK VALUE STAGE 3 | BOOK VALUE OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS | FAIR VALUE LEVEL 1 | FAIR VALUE LEVEL 2 | FAIR VALUE LEVEL 3 | AMOUNTS AS AT 31.12.2018 BOOK VALUE STAGE 1 AND STAGE 2 | BOOK VALUE STAGE 3 | BOOK VALUE OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS | FAIR VALUE LEVEL 1 | FAIR VALUE LEVEL 2 | FAIR VALUE LEVEL 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. Loans and advances to Central Banks** | **3,491** | **-** | **-** | **-** | **1** | **3,490** | **5,130** | **-** | **-** | **-** | **2** | **5,128** |
| 1. Time deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 2. Compulsory reserves | 3,490 | - | - | X | X | X | 5.127 | - | - | X | X | X |
| 3. Reverse repos | - | - | - | X | X | X | - | - | - | X | X | X |
| 4. Other | 1 | - | - | X | X | X | 4 | - | - | X | X | X |
| **B. Loans and advances to banks** | **12,416** | **-** | **-** | **32** | **11,454** | **981** | **10.153** | **-** | **-** | **-** | **9,946** | **263** |
| 1. Loans | 11,616 | - | - | 32 | 10,654 | 981 | 9,354 | - | - | - | 9,147 | 263 |
| 1.1 Current accounts and demand deposits | 773 | - | - | X | X | X | 569 | - | - | X | X | X |
| 1.2 Time deposits | 7,918 | - | - | X | X | X | 7,239 | - | - | X | X | X |
| 1.3 Other loans | 2,925 | - | - | X | X | X | 1,546 | - | - | X | X | X |
| - Reverse repos | 1,843 | - | - | X | X | X | 204 | - | - | X | X | X |
| - Lease Loans | - | - | - | X | X | X | - | - | - | X | X | X |
| - Other | 1,082 | - | - | X | X | X | 1.343 | - | - | X | X | X |
| 2. Debt securities | 799 | - | - | - | 800 | - | 799 | - | - | - | 799 | - |
| 2.1 Structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Other | 799 | - | - | - | 800 | - | 799 | - | - | - | 799 | - |
| **Total** | **15,907** | **-** | **-** | **32** | **11,455** | **4,471** | **15,284** | **-** | **-** | **-** | **9,948** | **5,391** |
| **Total Level 1, Level 2 and Level 3** | | | | | | **15,957** | | | | | | **15,339** |

# Notes to the statement of financial position

## 4.2 Financial assets at amortised cost: breakdown by product of loans and advances to customers

(€ million)

| TYPE OF TRANSACTIONS/VALUES | AMOUNTS AS AT 30.06.2019 BOOK VALUE STAGE 1 AND STAGE 2 | STAGE 3 | OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS | FAIR VALUE LEVEL 1 | LEVEL 2 | LEVEL 3 | AMOUNTS AS AT 31.12.2018 BOOK VALUE STAGE 1 AND STAGE 2 | STAGE 3 | OF WHICH: PURCHASED OR ORIGINATED CREDIT-IMPAIRED FINANCIAL ASSETS | FAIR VALUE LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1. Loans** | **60,723** | **1,007** | **13** | **-** | **29,571** | **33,860** | **60,427** | **970** | **2** | **-** | **24,946** | **36,982** |
| 1.1 Current accounts | 6,987 | 163 | - | X | X | X | 6,876 | 170 | 1 | X | X | X |
| 1.2 Reverse repos | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.3 Mortgages | 12,011 | 27 | - | X | X | X | 11.795 | 25 | - | X | X | X |
| 1.4 Credit cards and personal loans, including wage assignment | 369 | 40 | - | X | X | X | 383 | 43 | - | X | X | X |
| 1.5 Lease loans | 2,253 | 111 | - | X | X | X | 2,424 | 109 | - | X | X | X |
| 1.6 Factoring | 1,714 | 3 | - | X | X | X | 1,732 | 5 | - | X | X | X |
| 1.7 Other loans | 37,388 | 662 | 12 | X | X | X | 37,218 | 618 | 2 | X | X | X |
| **2. Debt securities** | **323** | **10** | **-** | **3** | **249** | **88** | **307** | **17** | **-** | **3** | **294** | **33** |
| 2.1 Structured securities | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Other debt securities | 323 | 10 | - | 3 | 249 | 88 | 307 | 17 | - | 3 | 294 | 33 |
| **Total** | **61,046** | **1,016** | **13** | **3** | **29,820** | **33,948** | **60,734** | **987** | **2** | **3** | **25,240** | **37,015** |
| **Total Level 1, Level 2 and Level 3** | | | | | | **63,771** | | | | | | **62,259** |

# Notes to the statement of financial position

### 12.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€ million)

| | AMOUNTS AS AT | |
|---|---|---|
| | 30.06.2019 | 31.12.2018 |
| **A. Assets held for sale** | | |
| A.1 Financial assets | 669 | 661 |
| A.2 Equity investments | - | 16 |
| A.3 Property, plant and equipment | 79 | 92 |
| *of which: obtained by the enforcement of collateral* | - | - |
| A.4 Intangible assets | 8 | 7 |
| A.5 Other non-current assets | 78 | 112 |
| **Total (A)** | **834** | **887** |
| *of which: carried at cost* | *779* | *834* |
| *of which: designated at fair value - level 1* | - | - |
| *of which: designated at fair value - level 2* | *5* | - |
| *of which: designated at fair value - level 3* | *49* | *53* |
| **B. Discontinued operations** | | |
| B.1 Financial assets at fair value through profit or loss | - | - |
| - Financial assets held for trading | - | - |
| - Financial assets designated at fair value | - | - |
| - Other financial assets mandatorily at fair value | - | - |
| B.2 Financial assets at fair value through other comprehensive income | - | - |
| B.3 Financial assets at amortised cost | - | - |
| B.4 Equity investments | 23 | 23 |
| B.5 Property, plant and equipment | - | - |
| *of which: obtained by the enforcement of collateral* | - | - |
| B.6 Intangible assets | - | - |
| B.7 Other assets | 16 | 16 |
| **Total (B)** | **39** | **39** |
| *of which: carried at cost* | - | - |
| *of which: designated at fair value - level 1* | - | - |
| *of which: designated at fair value - level 2* | - | - |
| *of which: designated at fair value - level 3* | *39* | *39* |
| **C. Liabilities associated with assets classified as held for sale** | | |
| C.1 Deposits | 168 | 158 |
| C.2 Securities | - | - |
| C.3 Other liabilities | 350 | 347 |
| **Total (C)** | **518** | **505** |
| *of which: carried at cost* | *518* | *505* |
| *of which: designated at fair value - level 1* | - | - |
| *of which: designated at fair value - level 2* | - | - |
| *of which: designated at fair value - level 3* | - | - |
| **D. Liabilities associated with discontinued operations** | | |
| D.1 Financial liabilities at amortised cost | - | - |
| D.2 Financial liabilities held for trading | - | - |
| D.3 Financial liabilities designated at fair value | - | - |
| D.4 Provisions | - | - |
| D.5 Other liabilities | 30 | 35 |
| **Total (D)** | **30** | **35** |
| *of which: carried at cost* | - | - |
| *of which: designated at fair value - level 1* | - | - |
| *of which: designated at fair value - level 2* | - | - |
| *of which: designated at fair value - level 3* | *30* | *35* |

# Notes to the statement of financial position

**Discontinued business areas**
The total amount in discontinued operations should be attributed to the Immobilien Holding GmbH Group (unsold assets of €39 million and debt of €30 million).

**Assets held for sale**
This item mainly includes the Card Complete assets held for sale.

## Financial liabilities at amortised cost: breakdown by product of deposits from banks

(€ million)

| TYPE OF TRANSACTIONS/VALUES | AMOUNTS AS AT 30.06.2019 | 31.12.2018 |
|---|---|---|
| **1. Deposits from central banks** | **3,987** | **3,994** |
| **2. Deposits from banks** | **11,603** | **10,450** |
| 2.1 Current accounts and demand deposits | 1,779 | 1,489 |
| 2.2 Time deposits | 9,102 | 8,601 |
| 2.3 Loans | 17 | 60 |
| 2.3.1 Repos | - | 40 |
| 2.3.2 Other | 17 | 20 |
| 2.4 Liabilities relating to commitments to repurchase treasury shares | - | - |
| 2.5 Lease deposits | - | - |
| 2.6 Other deposits | 706 | 300 |
| **Total** | **15,590** | **14,444** |

## Financial liabilities at amortised cost: breakdown by product of deposits from customers

(€ million)

| TYPE OF TRANSACTION/VALUES | AMOUNTS AS AT 30.06.2019 | 31.12.2018 |
|---|---|---|
| 1. Current accounts and demand deposits | 48,724 | 48,449 |
| 2. Time deposits | 6,137 | 6,891 |
| 3. Loans | 45 | 281 |
| 3.1 Repos | 40 | 271 |
| 3.2 Other | 5 | 9 |
| 4. Liabilities relating to commitments to repurchase treasury shares | - | - |
| 5. Lease deposits | 362 | - |
| 6. Other deposits | 42 | 30 |
| **Total** | **55,311** | **55,651** |

# Notes to the statement of financial position

### 1.3 Financial liabilities at amortised cost: breakdown by product of debt securities in issue

(€ million)

| TYPE OF SECURITIES/VALUES | AMOUNTS AS AT 30.06.2019 | | | | AMOUNTS AS AT 31.12.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | BOOK VALUE | FAIR VALUE | | | BOOK VALUE | FAIR VALUE | | |
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A. Debt securities** | | | | | | | | |
| 1. Bonds | 12,383 | 6,305 | 6,282 | 91 | 12,254 | 5,800 | 6,444 | 119 |
| 1.1 Structured | 721 | - | 717 | - | 712 | - | 693 | - |
| 1.2 Other | 11,662 | 6,305 | 5,564 | 91 | 11,542 | 5,800 | 5,751 | 119 |
| 2. Other securities | 153 | - | 143 | - | 148 | - | 144 | - |
| 2.1 Structured | - | - | - | - | - | - | - | - |
| 2.2 Other | 153 | - | 143 | - | 148 | - | 144 | - |
| **Total** | **12,536** | **6,305** | **6,425** | **91** | **12,402** | **5,800** | **6,588** | **119** |
| | | | | | | | | |
| **Total Level 1, Level 2 and Level 3** | | | | **12,821** | | | | **12,507** |

### 2.1 Financial liabilities held for trading: breakdown by product

(€ million)

| TYPE OF TRANSACTIONS/VALUES | AMOUNTS AS AT 30.06.2019 | | | | | AMOUNTS AS AT 31.12.2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NOMINAL VALUE | FAIR VALUE | | | FAIR VALUE* | NOMINAL VALUE | FAIR VALUE | | | FAIR VALUE* |
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | | | LEVEL 1 | LEVEL 2 | LEVEL 3 | |
| **A. Cash liabilities** | | | | | | | | | | |
| 1. Deposits from banks | - | - | - | - | - | - | - | - | - | - |
| 2. Deposits from customers | - | - | - | - | - | - | - | - | - | - |
| 3. Debt securities | - | - | - | - | - | - | - | - | - | - |
| 3.1 Bonds | - | - | - | - | - | - | - | - | - | - |
| 3.1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.1.2 Other | - | - | - | - | X | - | - | - | - | X |
| 3.2 Other securities | - | - | - | - | - | - | - | - | - | - |
| 3.2.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.2.2 Other | - | - | - | - | X | - | - | - | - | X |
| **Total (A)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **B. Derivatives instruments** | | | | | | | | | | |
| 1. Financial derivatives | X | - | 1,086 | 18 | X | X | - | 759 | 6 | X |
| 1.1 Trading derivatives | X | - | 976 | 18 | X | X | - | 655 | 6 | X |
| 1.2 Linked to fair value option | X | - | 110 | - | X | X | - | 104 | - | X |
| 1.3 Other | X | - | - | - | X | X | - | - | - | X |
| 2. Credit derivatives | X | - | - | 2 | X | X | - | - | 4 | X |
| 2.1 Trading derivatives | X | - | - | - | X | X | - | - | - | X |
| 2.2 Linked to fair value option | X | - | - | 2 | X | X | - | - | 4 | X |
| 2.3 Other | X | - | - | - | X | X | - | - | - | X |
| **Total (B)** | **X** | **-** | **1,086** | **19** | **X** | **X** | **-** | **759** | **10** | **X** |
| **Total (A+B)** | **X** | **-** | **1,086** | **19** | **X** | **X** | **-** | **759** | **10** | **X** |
| | | | | | | | | | | |
| **Total Level 1, Level 2 and Level 3** | | | | **1,106** | | | | | **770** | |

# Notes to the statement of financial position

### 3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

| TYPE OF TRANSACTIONS/VALUES | AMOUNTS AS AT 30.06.2019 | | | | | AMOUNTS AS AT 31.12.2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NOMINAL VALUE | FAIR VALUE | | | FAIR VALUE* | NOMINAL VALUE | FAIR VALUE | | | FAIR VALUE* |
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | | | LEVEL 1 | LEVEL 2 | LEVEL 3 | |
| **1. Deposits from banks** | **1** | **-** | **-** | **1** | **1** | **1** | **-** | **-** | **1** | **1** |
| 1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 1.2 Other | 1 | - | - | 1 | X | 1 | - | - | 1 | X |
| *of which:* | | | | | | | | | | |
| *- loan commitments given* | - | *X* | *X* | *X* | *X* | - | *X* | *X* | *X* | *X* |
| *- financial guarantees given* | - | *X* | *X* | *X* | *X* | - | *X* | *X* | *X* | *X* |
| **2. Deposits from customers** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 2.2 Other | - | - | - | - | X | - | - | - | - | X |
| *of which:* | | | | | | | | | | |
| *- loan commitments given* | - | *X* | *X* | *X* | *X* | - | *X* | *X* | *X* | *X* |
| *- financial guarantees given* | - | *X* | *X* | *X* | *X* | - | *X* | *X* | *X* | *X* |
| **3. Debt securities** | **91** | **-** | **100** | **-** | **98** | **201** | **-** | **245** | **-** | **241** |
| 3.1 Structured | 91 | - | 100 | - | X | 201 | - | 245 | - | X |
| 3.2 Other | - | - | - | - | X | - | - | - | - | X |
| **Total** | **93** | **-** | **100** | **1** | **99** | **202** | **-** | **245** | **1** | **242** |
| | | | | | | | | | | |
| **Total Level 1, Level 2 and Level 3** | | | | **102** | | | | | **247** | |

### 10.1 Provisions for risks and charges: breakdown

(€ million)

| ITEMS/COMPONENTS | AMOUNTS AS AT 30.06.2019 | 31.12.2018 |
|---|---|---|
| 1. Provisions for credit risk on commitments and financial guarantees given | 177 | 196 |
| 2. Provisions for other commitments and other guarantees given | 2 | - |
| 3. Pensions and other post-retirement benefit obligations | 3,912 | 3,776 |
| 4. Other provisions for risks and charges | 172 | 348 |
| 4.1 Legal and tax disputes | 91 | 255 |
| 4.2 Staff expenses | 25 | 39 |
| 4.3 Other | 56 | 54 |
| **Total** | **4,263** | **4,320** |

As part of the spin-off of CEE Business, UniCredit S.p.A. provided a guarantee for the bank's pension obligations until 31 December 2028.

# Segment reporting

The table on the following two pages arranges the profit and loss account according to Controlling perspectives and allows for the reconciliation to the interim results and key figures used in segment reporting.

## Reconciliation of reclassified accounts to mandatory reporting schedule

(€ million)

| | AS AT | |
|---|---|---|
| | **30.06.2019** | **30.06.2018** |
| Net interest | 476 | 477 |
| Dividends and other income from equity investments | *76* | 67 |
| *Dividend income and similar revenue* | *1* | 3 |
| *Profit (loss) on equity investments – of which: Profits (losses) of joint ventures and associates* | *75* | 64 |
| Net fees and commissions | 336 | 355 |
| Net trading, hedging and fair value income | 24 | 71 |
| *Gains (losses) on financial assets and liabilities held for trading* | *(1)* | 48 |
| *Gains (losses) on disposals / repurchases on OCI financial assets* | *10* | 6 |
| *Gains (losses) on disposals / repurchases on securities in issue* | - | - |
| *Other operating expenses and earnings - Gold and Precious Metals Trading* | *2* | - |
| *Fair value adjustments in hedge accounting* | - | (1) |
| *Gains (losses) on financial liabilities designated at fair value through profit and loss* | *(5)* | 2 |
| *Gains (losses) on financial assets mandatorily at fair value through profit and loss* | *17* | 16 |
| Net other expenses /income | 25 | 33 |
| *Other net operating income* | *44* | 42 |
| *plus: Impairment on tangible and intangible assets – other operating leases* | *(23)* | (15) |
| *less: Other operating expenses – amortization on leasehold improvements* | *6* | 6 |
| *Other operating expenses and earnings - Gold and Precious Metals Trading* | *(2)* | - |
| **OPERATING INCOME** | 937 | 1,003 |
| Payroll costs | (300) | (320) |
| *Administrative costs – staff expenses* | *(300)* | (330) |
| *less: Integration costs* | - | 10 |
| Other administrative expenses | (247) | (294) |
| *Administrative costs – other administrative expenses* | *(356)* | (402) |
| *less: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies* | *115* | 114 |
| *plus: Other operating expenses – amortization on leasehold improvements* | *(6)* | (6) |
| Recovery of expenses = Other net operating income – of which: Operating income – recovery of costs | - | - |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | (24) | (12) |
| *Impairment/ Write-backs on property, plant and equipment* | *(49)* | (17) |
| *less: Impairment losses / Write-backs on property owned for investment* | *4* | 3 |
| *less: Impairment on tangible and intangible assets – other operating leases* | *23* | 15 |
| *less: Integration costs* | *(1)* | (13) |
| *Impairment/ Write-backs on intangible assets* | *(1)* | (1) |
| **OPERATING COSTS** | (570) | (626) |
| **OPERATING PROFIT** | 367 | 377 |

# Segment reporting

| | AS AT | |
|---|---|---|
| | 30.06.2019 | 30.06.2018 |
| Net writedowns on loans and provisions for guarantees and commitments | 13 | 87 |
| *Provisions for risks and charges reserves – Other commitments* | 9 | 19 |
| *Impairment losses / write-backs on impairment on loans* | 4 | 68 |
| **NET OPERATING PROFIT** | 380 | 464 |
| Provisions for risk and charges | 72 | - |
| *Net provisions for risks and charges* | 72 | - |
| Systemic charges | (115) | (114) |
| *plus: Ex-ante contributions to resolution funds and deposit guarantee schemes and bank levies* | *(115)* | (114) |
| Integration / restructuring costs | 1 | 3 |
| Net income from investments | 17 | 40 |
| *plus: Impairment losses / write-backs on property owned for investment* | *(4)* | (3) |
| *Profit (loss) on equity investments* | *77* | 64 |
| *less: Profits (losses) of associates – Profits (losses) of joint ventures and associates* | *(75)* | (64) |
| *Gains and losses on tangible and intangible assets* | - | (1) |
| *Gains (losses) on disposal of investments* | *17* | 28 |
| *Financial assets at amortised cost – Impairment losses / writebacks on impairment on debt securities* | *2* | 17 |
| *Financial assets at fair value through OCI - Impairment losses / write-backs on impairment on debt securities* | - | - |
| **PROFIT BEFORE TAX** | 355 | 393 |
| Income tax for the period | (26) | (42) |
| Total profit or loss after tax from discontinued operations | 3 | 14 |
| **PROFIT (LOSS) FOR THE PERIOD** | 332 | 365 |
| Non-controlling interests | (6) | (11) |
| **NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY** | 326 | 354 |

# Segment reporting

## Content of segment reporting

The segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities within Bank Austria Group. The business segments (divisions) are presented as independent units with responsibility for their own results. The definition of business segments is primarily based on organisational responsibility for each customer segment.

In order to ensure comparability of 2019 data with 2018 data, adjustments at segment level in the previous year's periods were necessary. The most significant adjustments were made due to IFRS 16.

Segment reporting is divided into the following divisions:

### Privatkundenbank

The "*Privatkundenbank"* division consists of the former customer segments "Private banking", "Retail", "Independent professionals" and "Business customers" (with an annual turnover of up to €3 million). In addition, Schoellerbank AG and the subsidiaries operating in the credit card business are included within the area of responsibility of this division.

### Unternehmerbank

The "*Firmenkunden"* (corporate customers) division includes customers with more than €3 million in annual turnover, as does the "Real estate" segment, the "Public sector" segment and leasing operations together with the subsidiaries FactorBank, Bank Austria Wohnbaubank and Bank Austria Real Invest Group.

### Corporate & Investment Banking (CIB)

The Corporate & Investment Banking business area includes the customer segments of major multinational and international customers who need capital-market-related services and investment banking solutions. Financial institutions such as banks, asset managers, institutional customers and insurance companies are also managed. According to product areas, CIB provides to these customers financing and advisory services (traditional and structured loans and capital market advisory), Global Transaction Banking (including payment transactions, trade finance and cash management) and customer-related trading in the Markets and Corporate Treasury Sales areas. These product specialists also support the commercial business of the bank's other business areas.

### Corporate Center

In addition to the ongoing management and administrative expenses of the entire bank, all other investments that are not allocated to any business area, are included in the Corporate Center. Refinancing costs for the fully-consolidated investments and inter-segment consolidation effects and profit contributions are also allocated to the Corporate Center.
The companies of Immobilien Holding Group ("Immo Holding") allocated to the Corporate Center are also classified as held-for-sale.

# Segment reporting

## Segment Reporting 1 - 6 2019 / 1 - 6 2018

(€ million)

| | | PRIVATKUNDEN-BANK | UNTERNEHMER-BANK | CORPORATE & INVESTMENT BANKING (CIB) | CORPORATE CENTER | AUSTRIA GROUP (RECAST)1) | RECASTING DIFFERENCES2) | BANK AUSTRIA GROUP2) |
|---|---|---|---|---|---|---|---|---|
| Net interest | 1H19 | 197 | 162 | 131 | -15 | 476 | 0 | 476 |
| | 1H18 | 187 | 172 | 144 | -28 | 475 | 2 | 477 |
| Dividends and other income from equity investments | 1H19 | 2 | 11 | 0 | 63 | 76 | 0 | 76 |
| | 1H18 | 2 | 11 | 0 | 55 | 67 | 0 | 67 |
| Net fees and commissions | 1H19 | 227 | 63 | 42 | 3 | 336 | 0 | 336 |
| | 1H18 | 245 | 62 | 43 | 3 | 353 | 2 | 355 |
| Net trading, hedging and fair value income/loss | 1H19 | 8 | 0 | 14 | 2 | 24 | 0 | 24 |
| | 1H18 | 12 | 29 | 22 | 8 | 71 | 0 | 71 |
| Net other expenses/income | 1H19 | 5 | 12 | 0 | 8 | 25 | 0 | 25 |
| | 1H18 | 8 | 7 | 0 | 17 | 33 | 0 | 33 |
| **OPERATING INCOME** | **1H19** | **439** | **248** | **188** | **62** | **937** | **0** | **937** |
| | **1H18** | **454** | **282** | **209** | **54** | **999** | **4** | **1,003** |
| **OPERATING COSTS** | **1H19** | **-373** | **-99** | **-82** | **-15** | **-570** | **0** | **-570** |
| | **1H18** | **-385** | **-104** | **-84** | **-49** | **-623** | **-3** | **-626** |
| **OPERATING PROFIT** | **1H19** | **66** | **149** | **107** | **46** | **367** | **0** | **367** |
| | **1H18** | **69** | **178** | **125** | **5** | **377** | **0** | **377** |
| Net write-downs of loans and for guarantees and commitments | 1H19 | 1 | 4 | 3 | 5 | 13 | 0 | 13 |
| | 1H18 | 27 | 23 | 32 | 6 | 87 | 0 | 87 |
| **NET OPERATING PROFIT** | **1H19** | **66** | **153** | **109** | **52** | **380** | **0** | **380** |
| | **1H18** | **95** | **201** | **158** | **11** | **464** | **0** | **464** |
| Provisions for risk and charges | 1H19 | 0 | 36 | 39 | -3 | 72 | 0 | 72 |
| | 1H18 | 1 | 0 | 0 | -1 | 0 | 0 | 0 |
| Systemic charges | 1H19 | -31 | -25 | -22 | -38 | -115 | 0 | -115 |
| | 1H18 | -30 | -24 | -22 | -38 | -114 | 0 | -114 |
| Integration/restructuring costs | 1H19 | 0 | 0 | 0 | 1 | 1 | 0 | 1 |
| | 1H18 | -10 | 0 | 0 | 13 | 3 | 0 | 3 |
| Net income from investments | 1H19 | 0 | 14 | 0 | 4 | 17 | 0 | 17 |
| | 1H18 | 0 | -7 | 14 | 32 | 40 | 0 | 40 |
| **PROFIT BEFORE TAX** | **1H19** | **35** | **178** | **126** | **15** | **355** | **0** | **355** |
| | **1H18** | **55** | **170** | **150** | **17** | **393** | **0** | **393** |
| Income tax for the period | 1H19 | -9 | -44 | -31 | 59 | -26 | 0 | -26 |
| | 1H18 | -14 | -42 | -38 | 52 | -42 | 0 | -42 |
| Total profit or loss after tax from discontinued operations | 1H19 | 0 | 0 | 0 | 3 | 3 | 0 | 3 |
| | 1H18 | 0 | 0 | 0 | 14 | 14 | 0 | 14 |
| **PROFIT (LOSS) FOR THE PERIOD** | **1H19** | **27** | **133** | **95** | **77** | **332** | **0** | **332** |
| | **1H18** | **41** | **127** | **113** | **83** | **365** | **0** | **365** |
| Non-controlling interests | 1H19 | -5 | -1 | 0 | 0 | -6 | 0 | -6 |
| | 1H18 | -11 | -1 | 0 | 0 | -11 | 0 | -11 |
| **NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | **1H19** | **21** | **133** | **95** | **77** | **326** | **0** | **326** |
| | **1H18** | **31** | **127** | **113** | **83** | **353** | **0** | **354** |
| **Risk-weighted assets (RWA) (avg.)** | **1H19** | **8,909** | **10,059** | **9,514** | **5,818** | **34,299** | **0** | **34,299** |
| | **1H18** | **7,848** | **8,894** | **9,629** | **6,887** | **33,257** | **0** | **33,257** |
| **Loans to customers (eop)** | **1H19** | **18,490** | **26,110** | **18,458** | **-146** | **62,912** | **0** | **62,912** |
| | **1H18** | **18,529** | **25,877** | **16,086** | **299** | **60,792** | **0** | **60,792** |
| **Deposits from customers (eop)** | **1H19** | **32,861** | **14,688** | **7,466** | **-66** | **54,949** | **0** | **54,949** |
| | **1H18** | **32,752** | **15,099** | **8,128** | **-53** | **55,925** | **0** | **55,925** |
| Cost/income ratio in % | 1H19 | 85.1 | 40.0 | 43.4 | n.m. | 60.8 | n.m. | 60.8 |
| | 1H18 | 84.9 | 36.9 | 40.2 | n.m. | 62.3 | n.m. | 62.4 |

1) For segment reporting purposes, the comparative figures for 2018 have been recast to reflect the consolidation perimeter and the segment structure used in segment reporting for 2019.
2) Reconciliation to accounting figures is shown in the column recasting differences and is due to IFRS 16.
n.a. = not available
n.m. = not meaningful

# Segment reporting

## Segment reporting Q1 - Q2 2019 / Q1 - Q4 2018

(€ million)

| | | PRIVATKUNDEN-BANK | UNTERNEHMER-BANK | CORPORATE & INVESTMENT BANKING (CIB) | CORPORATE CENTER | AUSTRIA GROUP (RECAST)[1] |
|---|---|---|---|---|---|---|
| Net interest | 2Q19 | 104 | 83 | 67 | -12 | 242 |
| | 1Q19 | 94 | 80 | 64 | -3 | 234 |
| | 4Q18 | 97 | 85 | 69 | -11 | 240 |
| | 3Q18 | 99 | 84 | 68 | -7 | 244 |
| | 2Q18 | 93 | 84 | 71 | -13 | 235 |
| | 1Q18 | 94 | 87 | 73 | -15 | 240 |
| Dividends and other income from equity investments | 2Q19 | 0 | 10 | 0 | 36 | 46 |
| | 1Q19 | 2 | 1 | 0 | 27 | 30 |
| | 4Q18 | 0 | 5 | 0 | 36 | 41 |
| | 3Q18 | 0 | 9 | 0 | 37 | 47 |
| | 2Q18 | 0 | 5 | 0 | 34 | 39 |
| | 1Q18 | 2 | 7 | 0 | 21 | 29 |
| Net fees and commissions | 2Q19 | 114 | 31 | 20 | 4 | 169 |
| | 1Q19 | 114 | 32 | 22 | 0 | 167 |
| | 4Q18 | 119 | 36 | 23 | -1 | 177 |
| | 3Q18 | 115 | 32 | 22 | 2 | 171 |
| | 2Q18 | 123 | 32 | 21 | 1 | 177 |
| | 1Q18 | 123 | 31 | 21 | 1 | 176 |
| Net trading, hedging and fair value income/loss | 2Q19 | 6 | 5 | 10 | -1 | 20 |
| | 1Q19 | 2 | -5 | 4 | 3 | 4 |
| | 4Q18 | -3 | 3 | 2 | 1 | 4 |
| | 3Q18 | 7 | 7 | 10 | 5 | 29 |
| | 2Q18 | 9 | 19 | 13 | 7 | 48 |
| | 1Q18 | 4 | 10 | 9 | 1 | 23 |
| Net other expenses/income | 2Q19 | 5 | 3 | 0 | 4 | 12 |
| | 1Q19 | 0 | 9 | 0 | 4 | 13 |
| | 4Q18 | 2 | 2 | 0 | 5 | 9 |
| | 3Q18 | 1 | 6 | 0 | 7 | 14 |
| | 2Q18 | 1 | 3 | 0 | 9 | 13 |
| | 1Q18 | 6 | 4 | 0 | 8 | 19 |
| **OPERATING INCOME** | **2Q19** | **228** | **132** | **97** | **31** | **489** |
| | **1Q19** | **211** | **116** | **91** | **31** | **448** |
| | **4Q18** | **215** | **131** | **95** | **30** | **472** |
| | **3Q18** | **222** | **138** | **100** | **45** | **505** |
| | **2Q18** | **226** | **142** | **106** | **38** | **512** |
| | **1Q18** | **228** | **139** | **103** | **16** | **487** |
| **OPERATING COSTS** | **2Q19** | **-184** | **-49** | **-41** | **4** | **-270** |
| | **1Q19** | **-189** | **-51** | **-41** | **-19** | **-300** |
| | **4Q18** | **-189** | **-53** | **-42** | **-22** | **-307** |
| | **3Q18** | **-176** | **-47** | **-37** | **-25** | **-285** |
| | **2Q18** | **-190** | **-51** | **-41** | **-25** | **-307** |
| | **1Q18** | **-196** | **-53** | **-43** | **-24** | **-316** |
| **OPERATING PROFIT** | **2Q19** | **44** | **84** | **57** | **35** | **219** |
| | **1Q19** | **21** | **65** | **50** | **12** | **148** |
| | **4Q18** | **26** | **79** | **52** | **8** | **165** |
| | **3Q18** | **46** | **91** | **63** | **20** | **220** |
| | **2Q18** | **36** | **91** | **65** | **13** | **206** |
| | **1Q18** | **32** | **87** | **60** | **-8** | **171** |

# Segment reporting

| | | PRIVATKUNDEN-BANK | UNTERNEHMER-BANK | CORPORATE & INVESTMENT BANKING (CIB) | CORPORATE CENTER | AUSTRIA GROUP (RECAST)[1] |
|---|---|---|---|---|---|---|
| Net write-downs of loans and provisions for guarantees and commitments | 2Q19 | 8 | -3 | 2 | -2 | 4 |
| | 1Q19 | -7 | 7 | 1 | 8 | 9 |
| | 4Q18 | 18 | -35 | 10 | 11 | 3 |
| | 3Q18 | 4 | -27 | -1 | 0 | -24 |
| | 2Q18 | 16 | -3 | 30 | 4 | 47 |
| | 1Q18 | 10 | 26 | 2 | 2 | 40 |
| **NET OPERATING PROFIT** | **2Q19** | **52** | **81** | **58** | **32** | **223** |
| | **1Q19** | **14** | **72** | **51** | **19** | **157** |
| | **4Q18** | **45** | **43** | **62** | **18** | **168** |
| | **3Q18** | **49** | **64** | **62** | **20** | **196** |
| | **2Q18** | **52** | **88** | **96** | **17** | **252** |
| | **1Q18** | **43** | **113** | **62** | **-6** | **212** |
| Provisions for risk and charges | 2Q19 | 0 | 0 | 0 | -5 | -6 |
| | 1Q19 | 0 | 36 | 39 | 2 | 78 |
| | 4Q18 | 3 | -7 | -8 | -3 | -15 |
| | 3Q18 | -4 | -9 | -10 | -4 | -28 |
| | 2Q18 | 0 | 0 | 0 | -1 | -1 |
| | 1Q18 | 1 | 0 | 0 | 0 | 1 |
| Systemic charges | 2Q19 | -1 | -1 | -1 | -2 | -5 |
| | 1Q19 | -30 | -24 | -21 | -36 | -111 |
| | 4Q18 | 0 | -1 | -1 | -2 | -4 |
| | 3Q18 | -1 | -1 | -1 | -2 | -5 |
| | 2Q18 | -1 | -2 | -2 | -3 | -8 |
| | 1Q18 | -29 | -23 | -20 | -35 | -106 |
| Integration/restructuring costs | 2Q19 | 0 | 0 | 0 | 1 | 1 |
| | 1Q19 | 0 | 0 | 0 | 0 | 0 |
| | 4Q18 | -2 | 0 | 0 | 1 | 0 |
| | 3Q18 | 0 | 0 | 0 | 0 | 0 |
| | 2Q18 | -10 | 0 | 0 | 0 | -10 |
| | 1Q18 | 0 | 0 | 0 | 13 | 13 |
| Net income from investments | 2Q19 | 0 | 11 | 0 | 0 | 11 |
| | 1Q19 | 0 | 2 | 0 | 4 | 6 |
| | 4Q18 | 0 | 0 | 0 | -2 | -1 |
| | 3Q18 | 0 | 0 | 5 | 5 | 11 |
| | 2Q18 | 0 | -3 | 0 | 28 | 25 |
| | 1Q18 | 0 | -3 | 14 | 5 | 16 |
| **PROFIT BEFORE TAX** | **2Q19** | **51** | **90** | **57** | **26** | **224** |
| | **1Q19** | **-15** | **88** | **69** | **-11** | **130** |
| | **4Q18** | **47** | **35** | **54** | **13** | **149** |
| | **3Q18** | **44** | **54** | **56** | **19** | **174** |
| | **2Q18** | **41** | **82** | **94** | **41** | **258** |
| | **1Q18** | **14** | **87** | **56** | **-23** | **134** |
| Income tax for the period | 2Q19 | -8 | -23 | -14 | 30 | -16 |
| | 1Q19 | 0 | -22 | -17 | 29 | -10 |
| | 4Q18 | -12 | -9 | -13 | 18 | -15 |
| | 3Q18 | -11 | -14 | -15 | 18 | -21 |
| | 2Q18 | -10 | -21 | -24 | 39 | -16 |
| | 1Q18 | -4 | -22 | -14 | 13 | -26 |
| Total profit or loss after tax from discontinued operations | 2Q19 | 0 | 0 | 0 | 2 | 2 |
| | 1Q19 | 0 | 0 | 0 | 1 | 1 |
| | 4Q18 | 0 | 0 | 0 | 1 | 1 |
| | 3Q18 | 0 | 0 | 0 | 0 | 0 |
| | 2Q18 | 0 | 0 | 0 | 14 | 14 |
| | 1Q18 | 0 | 0 | 0 | 0 | 0 |

# Segment reporting

| | | PRIVATKUNDEN-BANK | UNTERNEHMER-BANK | CORPORATE & INVESTMENT BANKING (CIB) | CORPORATE CENTER | AUSTRIA GROUP (RECAST)[1)] |
|---|---|---|---|---|---|---|
| **PROFIT (LOSS) FOR THE PERIOD** | **2Q19** | **42** | **68** | **43** | **57** | **210** |
| | **1Q19** | **-16** | **66** | **52** | **20** | **121** |
| | **4Q18** | **35** | **26** | **41** | **32** | **134** |
| | **3Q18** | **33** | **41** | **42** | **38** | **153** |
| | **2Q18** | **31** | **62** | **71** | **94** | **257** |
| | **1Q18** | **11** | **65** | **42** | **-11** | **108** |
| Non-controlling interests | 2Q19 | -2 | 0 | 0 | 0 | -3 |
| | 1Q19 | -3 | 0 | 0 | 0 | -3 |
| | 4Q18 | -1 | 0 | 0 | 0 | -1 |
| | 3Q18 | -4 | 0 | 0 | 0 | -4 |
| | 2Q18 | -5 | 0 | 0 | 0 | -6 |
| | 1Q18 | -5 | 0 | 0 | 0 | -6 |
| **NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY** | **2Q19** | **40** | **67** | **43** | **57** | **208** |
| | **1Q19** | **-19** | **65** | **52** | **20** | **118** |
| | **4Q18** | **34** | **26** | **41** | **32** | **133** |
| | **3Q18** | **30** | **40** | **42** | **38** | **149** |
| | **2Q18** | **25** | **62** | **71** | **94** | **251** |
| | **1Q18** | **5** | **65** | **42** | **-11** | **102** |
| **Risk-weighted assets (RWA) (avg.)** | **2Q19** | **8,907** | **10,028** | **9,525** | **5,694** | **34,154** |
| | **1Q19** | **8,912** | **10,089** | **9,502** | **5,941** | **34,444** |
| | **4Q18** | **8,339** | **9,628** | **9,506** | **6,331** | **33,804** |
| | **3Q18** | **7,837** | **9,145** | **9,521** | **6,630** | **33,133** |
| | **2Q18** | **7,856** | **9,002** | **9,593** | **6,751** | **33,203** |
| | **1Q18** | **7,839** | **8,787** | **9,664** | **7,023** | **33,312** |
| **Loans to customers (eop)** | **2Q19** | **18,490** | **26,110** | **18,458** | **-146** | **62,912** |
| | **1Q19** | **18,374** | **25,929** | **18,117** | **70** | **62,490** |
| | **4Q18** | **18,191** | **26,568** | **17,858** | **-19** | **62,599** |
| | **3Q18** | **18,730** | **25,598** | **16,935** | **71** | **61,334** |
| | **2Q18** | **18,529** | **25,877** | **16,086** | **299** | **60,792** |
| | **1Q18** | **18,251** | **25,622** | **15,817** | **465** | **60,154** |
| **Deposits from customers (eop)** | **2Q19** | **32,861** | **14,688** | **7,466** | **-66** | **54,949** |
| | **1Q19** | **32,676** | **14,941** | **8,294** | **-143** | **55,768** |
| | **4Q18** | **32,430** | **15,069** | **8,310** | **-158** | **55,651** |
| | **3Q18** | **31,633** | **15,141** | **8,456** | **-170** | **55,059** |
| | **2Q18** | **32,752** | **15,099** | **8,128** | **-53** | **55,925** |
| | **1Q18** | **31,778** | **15,263** | **8,044** | **-84** | **55,001** |
| Cost/income ratio in % | 2Q19 | 80.6 | 36.8 | 41.9 | n.m. | 55.2 |
| | 1Q19 | 89.9 | 43.8 | 45.0 | n.m. | 67.0 |
| | 4Q18 | 87.7 | 40.1 | 44.7 | n.m. | 65.0 |
| | 3Q18 | 79.4 | 33.9 | 37.3 | n.m. | 56.5 |
| | 2Q18 | 83.9 | 36.1 | 38.7 | n.m. | 59.9 |
| | 1Q18 | 85.8 | 37.7 | 41.8 | n.m. | 64.8 |

1) Quarterly figures based on recast data. IFRS16 effect considered.
n.a. = not available
n.m. = not meaningful

# Risk report

# Credit risk

## Provisioning process

In 2018, the rules regarding impairments of loans were adjusted to IFRS 9 requirements. The transition from the Incurred Loss Model to the Expected Loss Model in the determination and creation of value adjustments changed above all the risk assessment of the "Performing" portfolio. The risk provisioning logic of the distressed portfolio remained largely unchanged.

Bank Austria applies the following three methods:
- Value adjustment for performing assets
- Specific write-downs for non-performing assets
- Portfolio-based specific write-downs for non-performing assets

### Value adjustment for performing assets

The value adjustment logic under IFRS 9 provides two levels for the "living portfolio". A third level records the defaulted volume.

**Level 1 (performing)**
Upon initial recognition, the loans are assigned to Level 1, regardless of the assessment of their loss potential. The valuation allowance is calculated on the basis of the **1-year expected loss** using IFRS 9-compliant parameters (probability of default PD, estimated exposure at the time of the default EAD and expected loss ratio LGD).

**Level 2 (performing)**
If the creditworthiness of a debtor deteriorates "significantly" compared to the initial recognition of the transaction, the transaction is transferred to Level 2. For the purposes of assessing whether there is a "significant" deterioration in creditworthiness, both quantitative features such as rating downgrade and qualitative triggers such as 30-day delays and granted forbearance measures are used.

The application of a **lifetime-expected loss** (until the expected residual term of the loan expires) instead of a 1-year expected loss at Level 1 results in a significantly higher value adjustment requirement. In the case of longer residual terms, there is a considerably higher risk assessment due to a higher probability of default, as it is considered over a significantly longer period of time.

### Value adjustment for non-performing assets

The defaulted portfolio, non-performing assets, is assigned to **Level 3**. The value adjustments are formed on a customer-by-customer basis, depending on the amount of the customer's obligation, as follows:

**Individual value adjustments**
Customers with a total exposure of over €2 million – on a GCC (group of connected customers) basis – are transferred to Monitoring & Special Credit Corporates / CIB whenever there is initial concrete evidence of potential default. In these commitments, which are also described as "significant" on the basis of the loan amount, the responsible restructuring manager calculates the value adjustment requirement on an analytical and on a case-by-case basis, initially in the course of taking over the case and subsequently every three months. The amount of the impairment loss is the difference between the carrying amount of the loan and the present value of estimated future cash flows.

**Portfolio-based specific provisioning method**
UniCredit Bank Austria AG applies a parameter-based method for the calculation of a flat-rate individual value adjustment ("*Pauschale Einzelwertberichtigung" – PEWB*) for defaulted assets grouped by similar credit risk characteristics and with no significant exposure (lower than €2 million) at the GCC (group of connected customers) level. As decided by Special Credit management, customers belonging to a GCC of over €2 million can be assigned to this method, as long as the individual customer obligation does not exceed €1 million. Depending on the customer segment, the amount of the exposure and collateral, the credit rating and the duration of the default, the required valuation adjustment is automatically determined and recognised. The parameters used to calculate the loss rate are validated and back-tested annually.

# Risk report

## Development of non-performing loan volume and credit risk costs

After €64.1 billion at the end of 2018, the gross volume of customer loans in the first half of 2019 increased to €64.4 billion (before deducting the risk provision of €1.5 billion). The amount (€2.1 billion) and proportion (3.3%) of the non-performing loans are de facto unchanged. Coverage of defaulted loans decreased compared with the end of 2018 from 54.5% to 52.6%, mainly due to the migration of a well-secured volume in the leasing business area to the “non-performing” loan area.

At €12.7 million, the first half of 2019 showed a net surplus of risk costs, as in previous periods. Reversals of impairments in the non-performing area of Leasing Hungary made a significant contribution to this. Approximately €3.1 million resulted from net income from the Level 1 and 2 “performing portfolio”.
From a segment perspective, the most significant contributions to this year's surplus came from Unternehmerbank (€4.0 million), the Corporate Center (€5.3 million) and Corporate & Investment Banking (€2.7 million). The high comparative figures of the first half of 2018 with a recorded net surplus of €87.1 million were mainly due to net income of approximately €46 from the "performing portfolio" in addition to larger reversals for individual customers.

# CHF loan volume

The ongoing reduction of the CHF loan volume also continued in the first half of 2019. In a year-on-year comparison, the CHF loan volume reduced by around €0.3 billion to €5.6 billion (after deducting value adjustments). In terms of gross claims, around 90% of the CHF loan volume is attributable to the Retail segment.

# 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, if necessary, are recognised according to international financial reporting standards.

# Risk report

**Breakdown of sovereign debt securities by country and portfolio**

(€ million)

| COUNTRY/PORTFOLIO | 30.06.2019 NOMINAL VALUE | 30.06.2019 BOOK VALUE | 30.06.2019 FAIR VALUE | 31.12.2018 NOMINAL VALUE | 31.12.2018 BOOK VALUE | 31.12.2018 FAIR VALUE |
|---|---|---|---|---|---|---|
| **Austria** | **4,464** | **5,007** | **5,012** | **5,721** | **6,273** | **6,279** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | 35 | 35 | 35 | 35 | 35 | 35 |
| Fair value through other comprehensive income | 4,336 | 4,877 | 4,877 | 5,589 | 6,140 | 6,140 |
| Financial assets at amortised cost | 93 | 95 | 100 | 97 | 98 | 104 |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **Spain** | **3,047** | **3,345** | **3,346** | **2,357** | **2,594** | **2,594** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | 3,039 | 3,336 | 3,336 | 2,349 | 2,587 | 2,587 |
| Financial assets at amortised cost | 8 | 8 | 9 | 8 | 7 | 7 |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **Italy** | **845** | **940** | **940** | **845** | **936** | **936** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | 845 | 940 | 940 | 845 | 936 | 936 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **Luxemburg** | **-** | **-** | **-** | **526** | **539** | **539** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | - | - | - | 526 | 539 | 539 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **Japan** | **489** | **495** | **495** | **477** | **481** | **481** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | 489 | 495 | 495 | 477 | 481 | 481 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |

# Risk report

| COUNTRY/PORTFOLIO | 30.06.2019 NOMINAL VALUE | 30.06.2019 BOOK VALUE | 30.06.2019 FAIR VALUE | 31.12.2018 NOMINAL VALUE | 31.12.2018 BOOK VALUE | 31.12.2018 FAIR VALUE |
|---|---|---|---|---|---|---|
| **Poland** | **434** | **487** | **487** | **434** | **482** | **482** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | 434 | 487 | 487 | 434 | 482 | 482 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **France** | **-** | **-** | **-** | **130** | **131** | **131** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | - | - | - | 130 | 131 | 131 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **Romania** | **165** | **185** | **185** | **165** | **180** | **180** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | 165 | 185 | 185 | 165 | 180 | 180 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **Belgium** | **15** | **16** | **16** | **15** | **16** | **16** |
| Held for trading (Net exposures) | - | - | - | - | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | 15 | 16 | 16 | 15 | 16 | 16 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **Other Countries** | **983** | **945** | **945** | **570** | **497** | **497** |
| Held for trading (Net exposures) | 115 | - | - | 115 | - | - |
| Mandatorily at fair value | - | - | - | - | - | - |
| Fair value through other comprehensive income | 867 | 944 | 944 | 455 | 497 | 497 |
| Financial assets at amortised cost | - | - | - | - | - | - |
| Designated at fair value through profit or loss | - | - | - | - | - | - |
| **TOTAL** | **10,442** | **11,420** | **11,426** | **11,240** | **12,129** | **12,135** |

The increase of „Other Countries“ is due to the first-time presentation of Europäischer Stabilitätsmechanismus / European Financial Stability Facility (as at 31 December 2018 presented under Luxemburg).

# Risk report

## Breakdown of sovereign debt securities by portfolio

(€ million)

| | HELD FOR TRADING (NET EXPOSURES) | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | FINANCIAL ASSETS AT AMORTIZED COST | FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS | TOTAL |
|---|---|---|---|---|---|---|
| | 30.06.2019 | | | | | |
| Book value of sovereign portfolio | 0 | 35 | 11,281 | 103 | 0 | 11,420 |
| Total portfolio of debt securities | 0 | 125 | 12,886 | 1,133 | 0 | 14,144 |
| % Portfolio | 0.00% | 28.20% | 87.54% | 9.13% | 0.00% | 80.74% |
| | 31.12.2018 | | | | | |
| | HELD FOR TRADING (NET EXPOSURES) | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | FINANCIAL ASSETS AT AMORTIZED COST | FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS | TOTAL |
| Book value of sovereign portfolio | 0 | 35 | 11,989 | 105 | 0 | 12,129 |
| Total portfolio of debt securities | 0 | 442 | 13,461 | 1,124 | 0 | 15,028 |
| % Portfolio | 0.00% | 7.96% | 89.06% | 9.33% | 0.00% | 80.71% |

Sovereign exposures include bonds issued by and loans granted to central banks governments and other public sector entities. ABS are not included.

## Breakdown of sovereign loans by country

(€ million)

| COUNTRY | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Austria | 5,690 | 6,083 |
| Indonesia | *177* | 178 |
| Gabun | *127* | 136 |
| Angola | *98* | 98 |
| Ghana | 94 | 95 |
| Laos | 108 | 112 |
| Philippines | 78 | 84 |
| Vietnam | 70 | 72 |
| Sri Lanka | *83* | 78 |
| Honduras | *57* | 57 |
| Bosnia and Herzegovina | *24* | 26 |
| Serbia | - | 7 |
| Other | *395* | 382 |
| **TOTAL SOVEREIGN LOANS** | **7,000** | **7,409** |

# Risk report

## Legal risks

In general, provisions are made for those procedures where imminent losses are probable or certain, but where the amount or timing of the occurrence of such losses is uncertain. In such cases, provisions are made in the amount deemed appropriate in the light of circumstances and in accordance with the accounting principles, respecting both the principle of prudence and the principle of reasonable, reliable estimation.

### Legal risks for which provisions have been formed

In accordance with the principles described above, provisions were formed for the following pending legal disputes and other proceedings in the amount of the assessed risk. In accordance with IAS 37, information does not have to be provided in case it would seriously compromise the respective company in a legal dispute:

**A) Madoff**

**Background**
Bank Austria and some of its affiliates and indirect subsidiaries have been sued or investigated as a result of the Ponzi scheme operated by Bernard L. Madoff ("Madoff") through his company Bernard L. Madoff Investment Securities LLC ("BLMIS"), which was uncovered in December 2008.

**Civil law procedures in Austria**
Investors in the Primeo and Herald Madoff Feeder Funds have filed numerous civil suits, of which 25 are still open, with interest amounting to €6.2 million plus interest. The asserted claims in these proceedings are either that BA committed certain breaches of duty in its capacity as prospectus controller or that BA advised certain investors (directly or indirectly) to invest in these funds or a combination of these claims. The Austrian Supreme Court has handed down twenty-five final decisions with regard to the prospectus liability claims asserted in the proceedings. Regarding the proceedings concerning the Primeo Feeder funds, fifteen final decisions of the Austrian Supreme Court were taken in favour of BA. In two proceedings, the Supreme Court rejected BA's extraordinary appeal and therefore made the decision of the Court of Appeal, which had been issued in favour of the plaintiffs, final. With regard to the Herald Feeder Fund, the Austrian Supreme Court has ruled on the prospectus liability claims five times, twice in favour of BA and three times in favour of the plaintiffs. In a prospectus liability case where investments were made in Primeo and Herald, the Supreme Court ruled in favour of BA; in two further prospectus liability cases where investments were made in Primeo and Herald, the Supreme Court rejected the plaintiffs' extraordinary appeals, thereby ruling the decisions of the Court of Appeal to be legally binding in favour of BA.

The impact of these decisions on the remaining procedures cannot be predicted with certainty; future decisions could be detrimental to BA.

Concerning the Austrian civil proceedings pending against BA in connection with Madoff's fraud, Bank Austria has established provisions to the extent that it considers appropriate for the current risks.

**Criminal proceedings in Austria**
BA is charged as the accused in criminal proceedings in Austria due to suspicion of fraud and breach of trust in connection with the Madoff case. The accusations that BA violated provisions of the Austrian Investment Fund Act and certain tax provisions as the prospectus manager of the Primeo Fund have already been put down. As regards the other allegations, the preliminary proceedings are still at the investigative stage.

# Risk report

## Proceedings in the United States

**Actions by the SIPA trustee**
In December 2010, the insolvency administrator (the "SIPA Trustee") brought an action for the liquidation of BLMIS as well as other actions against dozens of defendants, including HSBC, UniCredit S.p.A., BA and certain affiliates, to a United States Federal Court (the "HSBC Proceedings").

In the HSBC Proceedings, the SIPA Trustee filed civil claims and avoidance claims (also known as "clawback claims") worth several billion US dollars. The civil claims were dismissed in 2011 and no further appeals are pending against this decision. In 2015, the SIPA Trustee dropped the avoidance claims against UniCredit S.p.A. and the Alternative Investments Division of Pioneer ("PAI") in the HSBC Proceedings, waiving the claims, as well as the avoidance claims against BA, without waiving the claims; this was done following claim adjustments that did not concern UniCredit S.p.A., PAI or BA and were considered by the SIPA trustee to satisfy the relevant claims. A judgement was issued by the Bankruptcy Court on 22 November 2016 which ordered the avoidance claims against BA Worldwide Fund Management Ltd ("BAWFM") to be rejected. On 9 March 2017, the SIPA Trustee commented on the rejection of the avoidance claims against BAWFM in writing. On 16 March 2017, the SIPA Trustee appealed against the dismissal of the claims. In February 2019, the court of appeal lifted the decision of the Bankruptcy Court of 22 November 2016 and decided that the SIPA trustee may request the transfer of money by BLMIS before its insolvency to BAWFM and other parties in a similar position. BAWFM and other respondents applied for a further hearing before the court of appeal by an "en banc" committee (i.e. by all judges), but the court of appeal rejected this application in April 2019. Upon application of the respondents, the court of appeal will discontinue the proceedings, so that the proceedings will not be continued during the appeal process at the Upper Court of Justice. BAWFM and the other respondents may bring the appeal until 30 August 2019. Even if this appeal were not permitted or successful, there is no significant potential claim for damages and therefore no significant risk profile for the UniCredit Group. Certain current or former related persons named as defendants in the HSBC Proceedings may be granted rights to indemnification by UniCredit S.p.A. and its affiliates.

**Action by SPV OSUS Ltd.**
BA and UniCredit S.p.A., BAWFM, PAI – were named as defendants, together with some 40 other defendants, in an action filed with the Supreme Court of the State of New York, County of New York on 12 December 2014 by SPV OSUS Ltd. The action pursues civil claims in connection with the Madoff Ponzi scheme, namely that the defendants generally supported or assisted the Madoff Ponzi scheme and/or knowingly participated therein. The action was filed on behalf of investors in BLMIS and seeks damages of an unspecified amount. On 20 April 2018, the case was transferred from a state court to a federal court. On 21 September 2018, all respondents applied for the action to be rejected for various reasons, including a lack of responsibility, the action being time-barred and a lack of direct causality. This application was granted on 30 March 2019. No appeal was brought.

**Possible ramifications**
In addition to the aforementioned proceedings and investigations against BA, its affiliates and some of their employees and former employees in connection with the Madoff case, additional actions may be brought in connection with this case in the future in the United States, Austria or other countries. Such possible future actions could be brought against BA, its affiliates and their employees and former employees. The pending proceedings and possible future actions may have a negative impact on BA.

BA and its affiliates intend to use all available means to defend themselves against the claims and allegations in connection with the Madoff case. Apart from the aforementioned issues, it is currently not possible to reliably estimate the time horizon and the outcomes of the various actions or to determine the level of responsibility – should responsibility be proven.

# Risk report

**B) Alpine Holding GmbH**

Alpine Holding GmbH issued one bond in 2010, one in 2011 and one in 2012. In 2010 and 2011, BA acted as joint lead manager together with another bank. In June/July 2013, Alpine Holding GmbH and Alpine Bau GmbH became insolvent and bankruptcy proceedings followed. Numerous bondholders then wrote to the banks involved in the bond issues to assert claims. At least as far as BA is concerned, the bondholders largely based their claims on the prospectus liability of the joint lead managers and, in fewer cases, also on flawed investment advice provided by the banks that sold the bonds to their customers. Investors have filed civil proceedings, including three class actions by the Federal Chamber of Labour (with claims amounting to some €20 million), in which BA is named as a defendant in addition to other banks. The significant aspect is the prospectus liability. These civil proceedings are predominantly still pending at first instance. To date, no final decisions have been issued by the Supreme Court against BA. In addition to the aforementioned proceedings against BA, further actions which may be brought in future are impending against BA in connection with the Alpine insolvency. Pending or future actions may negatively affect BA. BA intends to use all available means to defend itself against these claims. At present, it is not possible to estimate the timing and outcome of the various proceedings or to assess BA's level of responsibility, if any is proven.

**Criminal proceedings in Austria**

A number of accused persons are being prosecuted in Austria in connection with the Alpine bankruptcy case. Bank Austria joined the criminal proceedings as a private party. The criminal proceedings are in the investigative stages. The preliminary proceedings were conducted by the Public Prosecutor's Office also against unknown responsible persons of the issuing banks. In May 2017, the Federal Public Prosecutor's Office for White-Collar Crime and Corruption launched this part of the preliminary proceedings; in contrast, continuation requests filed were rejected in January 2018. The preliminary proceedings against the other defendants were discontinued in May 2018; applications for continuation of the proceedings are still pending.

# Additional disclosures

### Employees

| | H1 2019 2) | 2018 2) |
|---|---|---|
| Salaried staff | 5,337 | 5,411 |
| Other employees | - | 1 |
| **TOTAL 1)** | **5,337** | **5,412** |
| of which: in Austria | 5,261 | 5,329 |
| of which: abroad | 76 | 83 |

1) Average full-time equivalents of staff employed in Bank Austria Group, excluding employees on maternity /paternity leave.
2) Excluding FTE relating to the companies of Immobilien Holding (held for sale).

## Events after the reporting period

There are no major events after the reporting period.

# Additional disclosures

## Consolidated capital resources and risk-weighted assets

### Consolidated capital resources

(€ million)

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Paid-in capital instruments | 1,681 | 1,681 |
| Reserves (incl. profit) and minority interests | 6,263 | 6,426 |
| Adjustments to Common Equity Tier 1 | (1,769) | (1,731) |
| Transitional adjustments to Common Equity Tier 1 1) | - | - |
| **Common Equity Tier 1 (CET1)** | **6,175** | **6,376** |
| Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries | - | - |
| Adjustments to Additional Tier 1 | - | (5) |
| Transitional adjustments to Additional Tier 1 1) | - | 58 |
| **Additional Tier 1 (AT1)** | **-** | **53** |
| **Tier 1 capital (T1=CET1+AT1)** | **6,175** | **6,428** |
| Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries | 749 | 798 |
| Adjustments to Tier 2 capital | 96 | 76 |
| Transitional adjustments to Tier 2 capital 1) | - | 35 |
| **Tier 2 capital (T2)** | **844** | **909** |
| **Total regulatory capital (TC=T1+T2)** | **7,019** | **7,338** |

1) according to the Austrian CRR Supplementary Regulation (CRR-Begleitverordnung) of 11 December 2013

### Total risk exposure amount

(€ million)

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| a) Credit risk pursuant to standardised approach | 7,196 | 7,685 |
| b) Credit risk pursuant to internal ratings-based (IRB) approach 1) | 22,988 | 23,212 |
| c) Other (contribution to default fund of a central counterparty [CCP]) | 3 | 6 |
| Credit risk | 30,187 | 30,903 |
| Settlement risk | 2 | - |
| Position. foreign exchange and commodity risk | 253 | 218 |
| Operational risk 2) | 3,300 | 3,209 |
| Risk positions for credit value adjustments (CVA) | 43 | 36 |
| **TOTAL RWAs** | **33,785** | **34,365** |

1) Credit RWA including RWA Add-On of 500 million € re/ IRB approach
2) With ECB approval of new AMA-model, a Margin-of-Conservatism for Operational risk is no longer applicable as of 30 June 2019, a margin of 288 million € was allocated as of 31 December 2018.

### Key performance indicators

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Common Equity Tier 1 ratio 1) | 18.3% | 18.6% |
| Tier 1 ratio 1) | 18.3% | 18.7% |
| Total capital ratio 1) | 20.8% | 21.4% |

1) based on all risks

# Statement by Management

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 half-yearly management 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.

Vienna, 23 July 2019

The Management Board

Robert Zadrazil
Chief Executive Officer (CEO)

Dieter Hengl
Corporate & Investment Banking Division

Gregor Hofstätter-Pobst
Chief Financial Officer (CFO Finance)

Jürgen Kullnigg
Chief Risk Officer (CRO Risk Management)

Mauro Maschio
Privatkundenbank

Susanne Wendler
Unternehmerbank

# Additional Information


| | |
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| **Investor Relations, ratings, imprint, notes** | **72** |

# 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 as well as other terms used in this report.*

**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 (1bp = 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 annualized.

**Coverage ratio**: specific write-downs of loans measured as a percentage of non-performing exposures at the reference date.

**Credit Value Adjustments** (CVA): adjustment to the valuation of a portfolio of transactions reflecting the counterparties' credit risk, which is the risk that the counterparty to a transaction involving financial instruments might default prior to completing all agreed cash-flow exchanges.

**Direct funding**: sum total of deposits from customers, debt securities in issue and financial liabilities at fair value.

**Direct funding ratio**: direct funding measured against loans and receivables with customers as reflected in the statement of financial position.

**Effective tax rate**: income tax in the consolidated income statement measured against profit before tax.

**FTE** (full-time equivalent): number of full-time employees, with part-time employees being counted on the basis of effective working hours.

**Funding Value Adjustments** cover the funding cost / benefit stemming from hedging the market risk of OTC derivatives.

**Loans/direct funding ratio**: loans and receivables with customers measured against direct funding.

**Net operating profit**: operating profit less net write-downs of loans and provisions for guarantees and commitments.

**Non-performing exposures (NPE)** include (1) "bad loans", i.e. credit exposures, formally considered uncollectible, to insolvent borrowers, even if insolvency has not been judicially ascertained; (2) "unlikely to pay", i.e. on-balance sheet and off-balance sheet exposures which do not meet the conditions to be classified as "bad loans". The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness, without actions such as realisation of collateral, to fully repay the credit obligation (principal and / or interest); (3) "past due": on-balance sheet exposures other than those classified among "bad loans" or "unlikely to pay", which at the reference date have amounts that are more than 90 days past due or over limits.

**NPE ratio**: non-performing exposures as a percentage of loans to customers before deduction of loan loss provisions (NPE ratio in gross terms) and after deduction of loan loss provisions (loans to customers as reflected in the IFRS statement of financial position; NPE ratio in net terms) at the reference date.

**Period averages**: quarterly averages based on figures at reference dates are calculated as the mean value of the figure at the end of the preceding quarter and the figure at the end of the reporting period. The calculation of averages for longer reporting periods (first six months, first nine months or full year) is based on the averages for the quarters included in the reporting period.

**ROAC** (return on allocated capital): net profit measured against allocated capital (12.5% of risk-weighted assets). If the return on allocated capital is calculated for a period of less than a full year, net profit is annualized.

**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.

# Additional Information

**Total financial assets (TFA)**: sum of total financial assets held by customers, i.e. sum of deposits from customers, assets under management (fund and asset management products) and assets under custody (direct capital market investments/safe-custody business).

# Investor Relations

## Investor Relations, ratings, imprint, notes

### UniCredit Bank Austria AG / Corporate Relations



| | |
|---|---|
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| Günther Stromenger, phone: +43 (0)5 05 05-57232 | |
| Andreas Petzl, phone: +43 (0)5 05 05-54999 | |



### Ratings

| | LONG-TERM / DEPOSITS | LONG-TERM / SENIOR UNSECURED | SUBORDINATED LIABILITIES | SHORT-TERM |
|---|---|---|---|---|
| Moody's 1) | A3 | Baa1 | Baa3 | P-2 |
| Standard & Poor's 2) | BBB+ | - | BBB- | A-2 |

Public-sector covered bonds and mortgage bonds of Bank Austria are rated Aaa by Moody's.
1) Grandfathered senior debt is rated A2, grandfathered subordinated debt is rated Baa1.
2) Grandfathered senior debt is rated BBB+, grandfathered subordinated debt is rated BBB-.


Information and disclosure pursuant to Sections 24 and 25 of the Austrian Media Act (Mediengesetz)::
Publisher and media owner:
UniCredit Bank Austria AG
Rothschildplatz 1, 1020 Vienna
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 number: ATU 51507409

Editor:
Accounting, Reporting, Tax & Corporate Relations

Cover and introduction creative definition: UniCredit S. p. A.

Sorter pages creative definition: M&C Saatchi

Design, graphic development and production: UniCredit S. p. A.

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 Zadrazil (Chairman of the Management Board, CEO), Dieter Hengl, Gregor Hofstätter-Pobst, Jürgen Kullnigg, Mauro Maschio, Doris Tomanek, Susanne Wendler.

Supervisory Board of the media owner:
Gianni Franco Papa (Chairman of the Supervisory Board), Ranieri De Marchis (Deputy Chairman of the Supervisory Board), Livia Aliberti Amidani, Christine Buchinger, Olivier Khayat, Adolf Lehner, Aurelio Maccario, Mario Pramendorfer, Eveline Steinberger-Kern, Ernst Theimer, Karin Wisak-Gradinger.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S. p. A. holds 99.996 % of the shares in the media owner (information on the shareholder structure of UniCredit S. p. A. is available at https://www. unicreditgroup.eu/en /governance /shareholder-structure. html).

"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004 % in the media owner.


Notes
This report contains forward-looking statements relating to the future performance of Bank Austria. These statements reflect estimates which we have made on the basis of all information available to us at present. Should the assumptions underlying forward-looking statements prove incorrect, or should risks – such as those mentioned in this report – materialise to an extent not anticipated, actual results may vary from those expected at present. Market share data are based on the most recent information available at the editorial close of this report.

"Bank Austria" as used in this report refers to the group of consolidated companies. "UniCredit Bank Austria AG" as used in this report refers to the parent company.

Banking that matters.

Bank Austria

Member of UniCredit